Stakeholder Influences in Organizational Survival*

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ABSTRACT Although much has been written on declines and turnarounds, virtually no research has examined stakeholders’ influence in an existence threatening crisis of an organization. This paper provides a theory and a historical case study that show how the most influential stakeholders can be identified and managed during an organizational survival. The proposed model demonstrates how stakeholders’ influence in organizational survival consists of both direct resource dependence- and structure-based forms of power. The case analysis then describes an examination of actual stakeholder influences and changes in them during the decline and turnaround process. Finally, based on the findings of the case analysis and the influence identification, propositions are developed. They relate specific types of behaviours of influential stakeholders to the probability of organizational survival, showing how stakeholder management can be operationalized in an organizational turnaround.

INTRODUCTION

The continued existence of business organizations is dependent on their relationships to other organizations and actors (Oliver, 1990; Pfeffer and Salancik, 1978), that is, stakeholders. This dependency is likely to culminate in a crisis situation; when an organization has to implement a turnaround or otherwise face descent into failure (Barker and Duhaime, 1997; Filatotchev and Toms, 2003; Hambrick and Schecter, 1983; Nutt, 2004; Pearce and Robbins, 1993). Thus, for an organization in crisis, it becomes essential to understand: (1) What kinds of stakeholders are the most influential in the organizational survival? (2) How we should handle these stakeholders? Although it is explicitly acknowledged in the decline and turnaround literatures that stakeholders may have an important role in organizational survival (Arogyaswamy et al., 1995; D’Aveni and MacMillan, 1990; Rosenblatt et al., 1993), basically no research has openly focused on these issues. This paper, therefore, aims to contribute to the literature by addressing these two research questions.

The first of the research questions focuses on the identification of stakeholders. While the stakeholder literature has grown in recent years, only fairly generic schemes for
identification have been presented. Clarkson (1995, p. 106), for example, stated that ‘a primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern’, whereas secondary stakeholders are those who influence or are influenced by the firm, but who are not essential to its survival. Mitchell et al. (1997), then, presented a model in which the classes of stakeholders are identified by their possession of power, legitimacy, and urgency. Their argument is that stakeholders’ salience will be positively related to the cumulative number of these attributes. Despite its contribution, the model ignores the different levels of the attributes. It is also difficult to separate power and legitimacy in practice, though they are different concepts.

Most recently, Friedman and Miles (2002) addressed some of the limits of earlier models by distinguishing stakeholders into four configurations depending on whether the material interests or the set of ideas of a firm and stakeholders are compatible or incompatible and whether the relationship between a firm and a stakeholder is necessary or contingent in terms of its contractual form. This provides a useful heuristic in considering why, for example, environmental groups in general behave as they do. However, neither the identification of a stakeholder group having compatible interests and a contractual relationship with the firm, nor of some other group with a different configuration, provides much information on the stakeholder’s actual or potential level of influence regarding organizational survival.

Since the previous models remain at a generic level of analysis, their operationalization in the complex, context-related situation of organizational survival is difficult. In essence, when an organization faces a crisis, it is of secondary importance to define the broad group to which a stakeholder belongs. The primary concern is to define the stakeholders that have an influence on the organization’s survival. Thus, in order to answer the first main question of this study, a more specific model for stakeholder influence identification is needed.

The second research question, and an even more fundamental area of concern, involves the management of stakeholders. In stakeholder research, the only more focused proposition is that of Jawahar and McLaughlin (2001), who considered how the generic strategies toward social responsiveness are used during a decline/transition stage of the organizational life cycle. They concluded that a strategy of defence or reaction is used to deal with stakeholders that are not critical, and strategies of proaction or accommodation are used to deal with stakeholders that are critical to survival. However, their proposition is underdeveloped regarding what the accommodation or proaction strategies actually include and how they could be operationalized in the context of organizational survival.

In earlier turnaround research, Arogyaswamy et al. (1995) drew attention to stakeholders by suggesting that an organization in crisis must ensure the support of critical stakeholders. This may entail actions such as management replacements (Barker et al., 2001) and continual communication with powerful stakeholders in order to influence their perceptions (D’Aveni and MacMillan, 1990). Rosenblatt et al. (1993) analysed a declining organization prior to its potential crisis situation and proposed that enhanced participation of different actors, ‘unobtrusive’ leadership, anticipation, adequate information sharing and an open dialogue about organizational goals may avert a crisis. Some of these principles may also be useful when dealing with the stakeholders of a crisis.
company – when continued existence is explicitly threatened. However, such thoughts need further examination.

To consider the first of the research questions, this paper provides a model for identifying stakeholders’ influence. The model combines resource dependence (Emerson, 1962; Jacobs, 1974; Pfeffer and Salancik, 1978) and network centrality analyses (Brass and Burkhardt, 1993; Cook et al., 1983; Freeman, 1979) showing how stakeholders’ influence in organizational survival consists of both attribute and structure based forms of power. The model is then applied in the historical case analysis of a decline and turnaround process of a Finnish pulp and paper firm, Kymi Corporation. The analysis concentrates on stakeholder influences and behaviours during the decline and during the explicit turnaround. Finally, the findings provided by the analyses of these two contrasting periods constitute the basis for propositions that address the second main question, the management of stakeholders.

A MODEL FOR STAKEHOLDER INFLUENCE IDENTIFICATION

The survival of organizations is seen as depending on their ability to acquire and maintain resources (Pfeffer and Salancik, 1978). Organizations, as open systems (Katz and Kahn, 1966) are always embedded in their environment, which consist of a network of different stakeholders (Granovetter, 1985). Therefore, acquiring and maintaining resources means that organizations must constantly interact with the members of that network (Oliver, 1991). Stakeholders having the needed resources and able to control the interaction and resource flows in the network most likely have a strong influence on an organization’s survival. The identification of such stakeholders thus becomes an essential function for an organization in crisis. Next, a model for this purpose is constructed.

Basic Elements: Resource Dependencies and Network Positions

Resource dependency theory examines relationships by describing how power is organized around crucial and needed resources. The power of one organization over another is not possible without an existing asymmetry in the exchange relationship (Cook, 1977; Emerson, 1962; Jacobs, 1974; Pfeffer and Salancik, 1978). Thus, a stakeholder has power over the focal organization if the focal organization is more dependent on the stakeholder than stakeholder is on the focal organization. Stakeholders may control the use of resources critical to the operation and survival of the organization, possess means by which to influence organizational behaviour, control access to and allocation of critical resources, or regulate the possession of resources (Frooman, 1999; Oliver, 1991; Shepard, 1995). Power can be seen as consisting of both the potential to affect outcomes and actual use of that power (Brass and Burkhardt, 1993; Mintzberg, 1983). Sometimes the mere existence of power exerts an effect without need for any concrete actions (e.g. nuclear weapons).

Since the resource dependence analysis only focuses on the nature of the resource relationship, the network perspective is needed to define stakeholders’ structure based influence (e.g. Brass, 1984; Burt, 1992; Emirbayer and Goodwin, 1994; Mizruchi and Galaskiewicz, 1993; Nohria, 1992). This can be done by exploiting the concept of

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structural network centrality. Freeman’s (1979) identification of major conceptions of graph-theoretic point centrality – in-degree, closeness, and betweenness – provide three options for this. Although each of these components explains the structural power of a stakeholder, each component measures a different property of the stakeholder’s network position and may produce different rankings of centrality. Betweenness centrality – that takes the perspective of an intermediary stakeholder positioned between other stakeholders – is found to be the most appropriate for measuring the ability to control information and resource flows across networks (Freeman, 1979; Rowley, 1997). Therefore, betweenness centrality is seen as a relevant factor indicating the structure-based influence of a stakeholder over the focal firm in organizational turnarounds.

Analysis of structural centrality, however, does not explain the dynamics pertaining to inter-stakeholder relationships. A more profound understanding of stakeholders’ network-based influence may require defining the quality, or relational embeddedness (Uzzi, 1996), of the linkages between stakeholders. Previous research has examined arm’s-length and embedded ties (Granovetter, 1985; Uzzi, 1997). However, this categorization does not explain the power structure of the relationship. Resource dependence theory makes it possible to examine the dominating directions of relationships between stakeholders and to accommodate both arm’s-length and embedded ties in the examination. Therefore, a stakeholder’s influence based on network position is defined through its betweenness centrality and its inter-stakeholder resource dependencies.

Combination of the Elements

The process of influence identification involves three phases. In the first phase, since the resource space of a firm may be almost unlimited, the firm’s dependency on its primary stakeholder relationships is evaluated using resource dependence analysis. The second phase consists of two parts. First, the central and peripheral stakeholders are defined by examining stakeholders’ betweenness centrality. Then, the qualities of the inter-stakeholder ties are defined using resource dependency theory. As in direct resource dependence analysis, all network positions of stakeholders can be evaluated using the snowball technique (Wasserman and Faust, 1994). In this study, stakeholders’ network centrality is considered from the focal organization’s perspective, however, without supposing that the firm needs to be structurally in the centre of that network.

The final phase combines both the stakeholders’ network position and resource dependence based powers on the same scale using a three-stage matrix, as shown in Figure 1. The model makes possible the assessment of the different levels of powers. The ‘low’ level indicates that the particular element of influence alone has no noteworthy effect on a firm’s survival. The ‘moderate’ level indicates that noteworthy implications are possible, and, finally, the ‘high’ level suggests that the element probably has considerable implications for organizational survival.

The matrix categorizes stakeholders in nine different classes (named a, b, c, d, e, f, g, h, i). It is noteworthy that the low/moderate/high scales of direct resource dependency and network position do not need to represent equal forms of influence. The classes are not the results of multiplication or addition but specific combinations of stakeholders’ influence based on both structural and individual attributes. This combinatorial logic is
superior to a simple rating exercise because it simultaneously handles two essential forms of power that always constitute an interwoven whole.

The classes of combinatorial influence form three main groups. Stakeholders (a, b, c) that belong to the group of minor stakeholders (M) have no influence on an organization’s survival. The potential stakeholders (P) (d, e, f) may have a potential influence on survival. Finally, those (g, h, i) that belong to the group of governing stakeholders (G) have a direct influence on an organization’s survival. Thus, the model makes it possible for a stakeholder who possesses important resources but is peripherally located, or vice versa, to be a potential stakeholder. This supports the finding of Stevenson and Greenberg (2000) that peripheral actors may in certain situations have an influence on decision-making.

**METHOD AND DATA**

In order to apply the influence identification model and elaborate propositions for the management of stakeholders in the organizational survival, a decline and turnaround process of a Finnish pulp and paper industry firm, Kymi Corporation, was examined. The methodological approach of the study was an interpretive historical case analysis (Miles and Huberman, 1994), a research strategy particularly suitable for the examination of relatively long processes such as organizational declines and turnarounds. This study can also be seen as a part of the research tradition of new archivalism (see Ventresca and Mohr, 2002) and motivated by the fact that historical analysis may offer opportunities to examine social dynamics and prevailing organizational structures in ways that cross-sectional research cannot (Hergadon and Douglas, 2001; Kieser, 1994).

Kymi Corporation provided a well suited research setting for the examination of the stakeholder influences in the organizational survival for two basic reasons. First,
organization underwent an evident organizational decline and turnaround involving a broad group of various stakeholders. Thus, the research setting was relevant regarding the research objective of the study. Second, the decline and turnaround process of Kymi Corporation provides the kind of control and variation required by the research questions. That is, the contrasting periods of decline and turnaround make possible to examine what changed in the stakeholder relationships during the whole process.

In the actual research process, deductive and inductive logic worked together (see Ragin, 1987). The study was deductive in the sense that theoretical perspectives serve as guidelines for data collection and analysis and it was inductive because the understanding of the phenomena was advanced on the basis of empirical findings. Without explicit concepts, it would have been impossible to make sense of the complex nature of the phenomena and the infinite amount of information that can be collected from a single case.

Data Collection and Analysis

The prerequisite of historical analysis is the availability of research data. Sometimes, there is no data or the data may be inadequate. Another common problem is that access to archives is limited. Fortunately, these problems did not hamper this study. I had full access to all primary data sources, including the details of the firm and managers' documentation. The data were mainly collected from the archives of the company and the personal archives of the CEO. Although the material is a hundred years old, it is relatively well preserved.

The company archives of Kymi Corporation provided four main sources of research data. The first was the minutes of the board of directors’ meetings, which also includes appendices concerning the issues discussed. While it is probable that the records do not provide information on all the issues and events occurring in the organization, or may not record all the opinions voiced in the meetings, they provide detailed information on the decisions and reasons for making decisions or suggestions. What is more, the minutes always record the person who made the suggestion or presented the information. In addition, the appendices provide further clarification on the issues discussed in the minutes.

The second main source of research data in the company archives was the minutes of the creditors’ and owners’ meetings. The minutes offer another perspective on the issues discussed in the board as well as novel information on the principal stakeholders. This material also includes appendices with, among other things, cost estimates, letters, reports and other internal documents. Since the material was meant for internal use only, there is no predetermined reason to suppose that the facts described are not correct. Of course, each piece of evidence must be judged on its own merits.

The third main source of evidence was the company and managerial correspondence. The company correspondence as research data is somewhat asymmetric in respect of the amount and information conveyed by the material. As a whole the correspondence consists of thousands of letters (both incoming and outgoing). Most of them are only short documents regarding business transactions with little detailed information. Accordingly, the amount of correspondence with a stakeholder cannot be seen as a direct indicator of
the nature of the relationship; rather, inferences have to be based on the content of the correspondence. Managerial correspondence was more detailed in respect of the major issues in and around the organization. Moreover, the managerial correspondence offers opportunities to compare information relayed between different individuals facilitating source criticism.

The fourth broader class of the research data consists of annual reports as well as financial and production accounts. In all, the annual reports provided the ‘official’ description of the organization’s performance, which meant that the facts presented need to be particularly critically evaluated by the researcher.

In addition to the company archives, the primary research data were also collected from other archives. While the correspondence material in the company archives was useful, even more intimate information was provided by the personal correspondence of Gösta Serlachius. In these letters the managers openly discuss and share information on various issues. Thus, the correspondence, besides providing unique information, supplements the evidence obtained from more formal sources. I also consulted the archives of the main creditors of the organization, Nordbanken and the Bank of Finland. Alas, the archives of Nordbanken were, in practice, destroyed. In turn, the minutes of the meetings of the Parliamentary Trustees of the Bank of Finland provided information of how the bank was disposed towards the firm.

The literature on Kymi Corporation (Ahvenainen, 1972; Hoving, 1947; Karonen, 2004; Norrmén, 1928; Talvi, 1972, 1987; Tuuri, 1999) was used to reflect the evidence provided by the archives. However, the literature did not offer new evidence. This is understandable, since the histories of the firm can only provide relatively short descriptions of the crisis. I also consulted histories of the banks, other organizations, and bibliographical information on each actor related to decline and turnaround if any was available.

This data was analytically examined by exploiting the framework. First, all documents related to different stakeholders were identified and categorized according to their information on resource dependencies and the network structure. The categorized information was then further analysed using data triangulation and, finally, the case analysis was documented. More generally, data triangulation involves using independent pieces of information to obtain a better grasp of something that is only partially known or understood (Denzin, 1978). The wide range of primary and secondary sources made it possible to analyse the qualities and structures of relationships from different perspectives by increasing the reliability and validity of the analysis (McCullagh, 2000).

DECLINE AND TURNAROUND PROCESS OF KYMI CORPORATION

Kymi Corporation was founded in 1904 as a result of the merger of three pulp and paper companies – Kuusankoski, Kymi, and Voikkaa – all located in the same area on the banks of the Kymi River. It was so far the biggest merger in Finnish history and resulted in the biggest corporation in Finland. The reasons for the merger are clear. The zones of the wood supply, the main market areas, and the potential customers were the same for all the companies. The new Kymi Corporation was one of the strongest players on the pulp and paper market of Northern and Eastern Europe. However, only a few years later, the
survival of the firm was seriously threatened. I start the analysis from the situation after the merger and finish with the state of affairs of the company in 1912. During these eight years the company went through an organizational decline which was followed by an evident turnaround.

Decline

After the merger, Rudolf Elving, the former owner and manager of Voikkaa, became the chairman of the board of directors and the biggest owner of the firm. In practice, Elving had full control over all decisions in the corporation. One of the main purposes for the merger had been to achieve economies of scale in production. Elving immediately continued this expansive ideology and started a major investment programme including three new paper machines for Kymi as well as several calenders, cutting machines, beaters, and other extensions to all mills. This meant that Kymi paper mill was totally rebuilt. These investments were mainly financed by bank loans, but also personally by the main owners, the Dahlström brothers (the previous owners of the Kymi mills) and Elving himself.

The autocratic decision-making and investment policy of Elving did not please everyone. After the merger, the former CEO of Kuusankoski was appointed for nominal CEO of the Kymi Corporation. However, he already had to resign in the fall of 1904 due to major disagreements with Elving. Moreover, during this conflict, Elving dismissed the factory manager and all the clerical employees of the Kuusankoski factories.

These problems were rather trivial when compared to what happened on 1 July 1906, when a fire at Voikkaa destroyed the mill. Despite the extensive damage, Elving decided that the burned factory had to be repaired without delay. The insurance compensated some of the damage, but the firm had to borrow considerable sums of money and arrange a privileged subscription of shares. By the late spring of 1907, the whole factory was restored. However, at the time the firm was already facing new problems in the form of a dispute about working hours. An agreement on an eight-hour working day (previously twelve hours) with the same daily wages as before solved the issue. At the time of the agreement, the demand for paper in Russia was keen, but during the fall the situation changed. There had been a poor harvest in Russia causing difficulties throughout the country. This led the Russian government to strengthen its policy of censorship and to close down several newspapers.

Regardless of the deteriorating situation, the firm did not instantly reduce its manufacturing volume and paper stocks in Russia increased day after day. This may not have caused problems if the business cycle had soon changed, but no quick recovery came about. Only in December 1907 was the decision made to discontinue paper production in the Kymi factory and to reduce pulp production. Elving was again forced to apply for a new loan from the banks and to float new priority shares. The firm was granted a loan from the banks, but this was used up as early as in the beginning of 1908. Negotiations for new a loan lead to no solution. As the crisis deepened, the biggest banks were no longer willing to keep the firm afloat with extra finance – it had simply become too great a risk. In January 1908 a question arose if the firm should go out of business.
At the beginning of February 1908, Albert Snellman as a representative of the creditors asked if Gösta Serlachius would be willing to be included in the investigation of the Kymi Corporation situation together with Snellman and Gösta Björkenheim. Serlachius’s response was positive. As a result, in February the group of three experts made a thorough investigation of the firm’s present condition and future prospects. The results showed that Kymi was in serious difficulties, but also that it had chances for profitable production. Therefore, on March 1908, the creditors at an additional meeting of creditors, owners, and managers decided to take charge of the firm and officially declared that all its payment transactions should be discontinued. The official announcement sparked a public debate. The critics wondered how megalomaniac the previous management had actually been and how different the real situation was from that officially stated.

**Turnaround**

The creditors’ intervention included an extensive rescheduling programme for the old loans and payments as well as a new credit programme to keep the business going. The consortium of three banks, Nordbanken (the biggest one), Privatbank (second), and Åbo Aktiebank (third), pledged to give a loan of FIM3,000,000 (€9,891,014 def. 2002). Similarly, the Bank of Finland made over FIM3,000,000 in three instalments including the necessary cash credit. While the representatives of the Bank of Finland were not totally satisfied with the arrangement, they accepted the agreement without further negotiation or clarification because, as they stated, such events ‘might endanger the existence of the organization . . . and lead to severe social and economic conflicts’.

On the decision of the creditors and shareholders, Gösta Björkenheim, Gösta Serlachius, and Gustaf Langenskiöld were appointed to manage the firm. Björkenheim became chairman of the board of directors and Serlachius vice-chairman. The board of directors also included Ernst Dahlström (a major shareholder), Julian Serlachius as a representative of all the creditors, and Albert Goldbeck-Löwe and Ivar Lindfors chosen by the non-preferred shareholders. Only Dahlström and Julian Serlachius had been members of the retiring board. Before the appointment of the new managers the former chairman of the board, Rudolf Elving, resigned. However, he still was one of the main owners.

The new management team or ‘the administrators’ as they were entitled, were given full executive power to manage the firm. The only advance instructions in their assignments were that they would not be allowed to construct new mills and they should be most frugal in their activities. In practice, Langenskiöld concentrated on legal matters while Björkenheim and Serlachius were responsible for other matters. None of the new managers, however, lived near the mills and all of them also had other commitments. Accordingly, it soon became clear that the firm needed a CEO who would bear the responsibility for the management of all the mills and reside in Kuusankoski. This assignment was offered to Gösta Serlachius in the spring of 1908, but he was not willing to take it because of his other responsibilities.

The financial arrangements with the banks were the main issue during March 1908, but already in April the members of the management team were able to fully concentrate
their efforts on other concrete questions. The investigation had already shown that the accounting system of the firm suffered from serious deficiencies. They had to reorganize the entire system. The new system was introduced in August 1908, but already at the beginning of April all factories were instructed to present daily reports of the selling prices and manufacturing costs for every quality of paper they had produced. This improved the managers’ ability to evaluate what the most economical qualities of paper were for different machines. It was soon realized that some of the machines manufactured unsuitable papers that would have been produced more efficiently and with better quality on other machines.

The agreement on the eight-hour working day complicated the implementation of the labour cost cuts. By and large, the managers stated that their intention was to reduce the number of factory workers to a minimum. The job cuts were substantial in 1908 and 1909, when almost a thousand workers were laid off. The managers were not totally inhuman as the redundant workers were allowed to continue living in company housing. Moreover, since 1909, the firm began to systematically improve the services and living conditions of the workers. In November 1909, with the expiry of the agreement on an eight-hour working day, the organization reverted to the twelve-hour working day. Despite risk of a strike, the change turned out to be peaceful.

A third series of events also started in April 1908 with the aim of renegotiating the contracts with sales agents both in Finland and abroad as well as reorganizing the sales districts in order to make the sales system more manageable. During the negotiations with the agents in the summer of 1908, the managers emphasized that they could not afford to take excessive risks and that the agents should work as carefully as possible. Björkenheim also clarified the basic lines of their future sales policy, which included reductions of the stockpiled paper, increasing of the sales volume, accurate and fast payments and a gradual increase in prices. This last is interesting, since they did not try to beat down the prices. This did not mean that they would not sell the paper from the stocks at a reduced price.

The fourth broad issue that the new management started to consider in April 1908 was possible cooperation or the formation of a common price agreement with other Finnish paper mills selling paper to Russia. Earlier, in 1906, Kymi Corporation had made a two-year contract with other newsprint producers concerning the sales quotas on the Finnish markets. The renewal of this agreement came into effect in October 1908. The agreement regarding the Russian markets was more complicated and did not lead to such a straightforward solution as on the domestic market. In any case, this was a start for forthcoming negotiations.

In addition, technical improvements were started in the mills during the summer of 1908. The biggest open issue was what they should do with the closed Kymi mill. A restart would necessitate an increase in order volume. According to Björkenheim, they should monitor the development of the paper markets in Russia very closely and gradually restart the machines. Most importantly, they could no longer produce papers to be held in stock. The agents were likewise ordered to accept only direct orders so that the managers could control the manufacturing processes more carefully. After the negotiations with the agents and the creditors, the first of Kymi’s paper machines was restarted in September.
The issue regarding a competent chief executive officer to bear the responsibility for the management of all the mills and live in Kuusankoski was resolved in November 1908, when Serlachius started as CEO. Serlachius negotiated an agreement that allowed him to continue in his other positions in the paper mills of Mänttä, Kangas, and Leppäkoski. This entailed no conflict of interest because Serlachius asserted that the firms were not competitors of Kymi despite the obvious fact that some of them actually produced similar grades of paper. A direct effect of the appointment was that the turnaround process became more production oriented. Serlachius, for example, found that coal heating was 17 per cent cheaper than wood and would thus produce obvious and needed savings.

The managers did not only focus on the production processes but also on sales and marketing. In February 1909, Serlachius made a personal visit to St Petersburg, Moscow, and Rostow to meet the important customers and inspect the paper stocks of the agents. In his report, Serlachius describes the customers' wishes and complaints in detail. The development and future prospects of the Russian economy and the political situation influencing the prevailing state of affairs on the paper markets was also addressed. As a concrete result, a decision was made to extend exports by initiate trading in sulphate pulp to Russia via the agent Lindeberg.

Russia continued to be the main market area for paper, but Serlachius had a clear aim to extend the firm’s clientele to more stable areas, namely Britain. The idea was to find new customers for newsprint. The quality standards in England were higher than in Russia. Thus, several experiments were made with the aim of developing an appropriate quality of newsprint. In 1910 exports to Britain already accounted for 5.8 per cent of the paper produced and by 1911 the amount had increased to 12.4 per cent. The price of newsprint in Britain was lower than in Russia, but focusing on a restricted sales area is risky for a bulk products manufacturer. Therefore, the extension can be seen as a farsighted strategic decision.

The demand for paper began to increase early in 1909. The cigarette paper machine of the Kymi factory was started up. The summer continued favourably and in July a decision was taken to restart the third machine. An interesting point is also that the managers tried to make the firm more coherent so that Kymi, Voikkaa and Kuusankoski would be in equal positions. In January 1910, for example, they founded a common engineering office that would serve the needs of all mills. Significant changes in production processes were also introduced.

In spite of the gradual improvement in the financial situation, the firm was still in need of external support. In September 1909, the banks granted a new loan. Moreover, Ernst Dahlström personally financed the firm. The year 1910 also saw some production changes. Concrete results were achieved by installing fibre recovery units in the paper machines. According to Serlachius’s calculations, a single unit created savings of around FIM55,000–105,000 annually (€180,000–350,000 def. 2002). In the summer of 1909, an idea was evinced for a collective logging company to be founded together with the other four forest industry firms operating in the Kymi River area. The main purposes of the logging company were to acquire the timber needed for its members, reduce the cost of acquisitions, and at the same time avoid internecine competition.

The firm’s financial situation and order volume improved during the spring of 1910 and finally in April a reimbursement plan was introduced. According to the plan, the
firm would start gradual repayments of its loans. In his letter to Goldbeck-Löve, Björkenheim wrote that if the creditors accepted the plan the firm could be considered saved. Of course, there were many risks. Radical changes in the Russian customs or unfavourable decisions by the banks could change the situation. However, the creditors were satisfied with the plan and it was approved in May 1910. Additional funding for the loan payments was generated by selling land. Moreover, a redirection in the production was implemented in August 1910, when the management decided to discontinue the manufacture of cigarette paper.

The year 1911 followed the same lines: improvements were made in all areas and statistics. A collusive contract with the other Finnish newsprint producers for Russian markets was also finally concluded. At the same time, management decided to continue the reorganization of the agencies in Russia. Altogether, the state of Kymi, both financially and productionally, were already secure in 1912. The organization had managed to go through a turnaround, though the formal decision to end the creditors’ administration was not made until June 1914, just before the outbreak of the First World War.

**STAKEHOLDER INFLUENCE IDENTIFICATION**

Applying the influence identification model, I next report the results of how the influence of Kymi’s stakeholders developed during the process of decline (1904–07) and turnaround (1908–12).

**Resource Dependence Based Influence**

*Owners and creditors.* According to the resource dependencies, the owners and creditors were in a decisive position throughout the whole process. During the first years of the new organization one of the main owners and the head of the firm, Rudolf Elving, had significant influence over all decisions. Elving, besides possessing the best knowledge of the whole firm, holding its shares, and partly financing its operations, was able to control the allocation of resources inside the organization. Therefore, from 1904 to 1907, Elving most evidently possessed a high degree of resource dependence based power.

Other owners and creditors also had noteworthy resources already from 1904 to 1907, but compared to Elving their resource dependence based power was clearly less. The brothers Ernst and Magnus Dahlström were the second biggest owner group, holding together 24.6 per cent of the firm’s stock after the merger (Elving’s share was 25.9 per cent in 1904). However, like Elving, the Dahlströms were not only owners but also financed and guaranteed the loans. In addition, they had formal membership positions on the board of directors. Accordingly, the Dahlströms had highly important resources to influence the organizations’ operations during the period 1904–07. The shares of the other owners were so small that, *de facto*, they did not possess noteworthy resources to exert influence over the organization.

The resource dependence based influence of the external creditors was low or moderate until 1907. Nevertheless, the power of the banks, as a result of their growing financing of the investments, increased year by year. As described, new investments in
machinery, forest acquisitions, and the reconstruction of the Voikkaa paper mill were largely financed by external credit. Thus, in 1906 and 1907, the organization became much more dependent on the Bank of Finland and the group of commercial banks: Nordbanken, Privatbanken, and Åbo Aktiebank. Altogether, the resources of these three banks and the Bank of Finland were at least moderately important for Kymi from 1904 to 1907.

Regarding the resource dependence based power of the owners and the creditors, the situation obviously changed in 1907 and 1908. The firm became heavily dependent on the external creditors when Elving tried to ensure the continuation of normal operations of the organization. Finally, in 1908, a coalition of the creditors, led by the Bank of Finland, Nordbanken, Privatbanken, and Åbo Aktiebank, took the firm under administration and at the same time provided a considerable sum of new credit. The organization became highly dependent on the resources of these creditors. Åbo Aktiebank’s share of the credits was clearly smaller. Therefore, its resources were more likely to be only moderately important.

Elving lost his position as an autocratic owner-manager but still remained a major owner. In all, the importance of Elving’s resources was no more than moderate. The Dahlströms also remained major owners throughout the whole period. The organization was no longer dependent on them as guarantors, but they still personally financed the firm providing the needed flexibility for the business transactions. Accordingly, the organization’s dependence on their resources diminished but can be considered as moderate.

Managers. From 1904 to 1907 the management of the firm was in the hands of Elving. After the creditors’ intervention the structure of the organization’s management changed and the new managers, Serlachius, Björkenheim, and Langenskiöld, became important stakeholders. The managerial power was delegated to the vice-chairman, Serlachius, and the chairman, Björkenheim. These two also turned out to be the most important individuals in the turnaround. Björkenheim was also the CEO of Kaukas, a stockholder of Kangas Paper Mill, a member and then chairman of Nordbanken’s administrative board, and one of the creditors’ representatives in the administration of Kangas Paper Mill (Nordbanken was the main creditor of Kangas and Kaukas). Thus, Nordbanken was behind the appointment of Björkenheim, but the bank also supported Serlachius’s nomination since he had been leading the successful turnaround of Kangas in 1904–08.

The role of Björkenheim as chairman was the most prominent at the beginning, but after Serlachius had moved to Kuusankoski the roles changed, or at least became clearer. Björkenheim dealt mainly with issues relating to sales and finance. Serlachius was responsible for the management of the mills. However, both of them were familiar with the organization’s operations and the questions and problems were often considered together. Both Björkenheim and Serlachius were purely salaried managers. The role of Langenskiöld was to manage legal matters and the relationship with the government. However, his role in the management was minor if compared to that of Björkenheim and Serlachius.

Except for orders to be economical the creditors and owners gave managers free hands to act as they saw fit. As a result, Björkenheim and Serlachius had power over
both operational and strategic decisions, possessing a high degree of critical resources needed for organizational survival. The resources of Langensiöld were only moderately important. As is reflected in the correspondence and records of the creditors’ meetings, the owners and the creditors were always satisfied with the suggestions presented by management. The resources of the other board members – J. Serlachius, Goldbeck-Löwe, and Lindfors – were clearly low during the era of Elving. However, the importance of their resources increased somewhat in 1907 and can be considered moderately important vis-à-vis organizational survival. However, the correspondence between Björkenheim and Goldbeck-Löwe shows that the latter was often only informed of what the managers had already decided.

Other stakeholders. Although Kymi was most dependent on the resources of the main creditors, the managers, and the owners, other stakeholders also possessed important resources. The most important market area of Kymi was Russia and trade was arranged through the sales agents. Therefore, the agents in Russia, at least theoretically, possessed important resources such as connections with a variety of existing and potential customers as well as a good knowledge of the Russian markets and the political and business environments. Kymi was not fundamentally dependent on a single agent, but in the short run an incompetent agent was able to create considerable difficulties for the firm. The agency of Carl Neander in St Petersburg was the most critical. Therefore, his resources were at least moderately important throughout the whole decline and turnaround process.

The production of the mills was, of course, dependent on raw materials. Kymi was self-sufficient both in chemical and mechanical pulp production. Moreover, approximately one third of the pulpwood needed was obtained from the firm’s own forests. The remainder had to be bought from outside the organization, but in these acquisitions Kymi was not dependent on any particular supplier. For that reason, the resources of particular suppliers were low.

Employees are often an important stakeholder group. However, in this case they did not possess particularly critical resources. There was the threat that the workers might go on strike, but the laying off workers, particularly in 1908, indicates that the factory workers’ resource dependence based influence was no more than moderate. The government, if separated from the Bank of Finland, had none of the needed resources, though it did have a potential ability to raise customs tariffs, which would have had a direct effect on export earnings. Similarly, although Kymi was interested in the advantages that collusive trade could bring, the organization’s direct dependence on the industry associations was fairly low.

Network Position Based Influence

Figure 2 illustrates the network of inter-stakeholder relationships surrounding Kymi before 1908 (i.e. during the accelerating organizational decline) and Figure 3 depicts the situation 1908–12. Each of the outlined stakeholders had a direct relationship with the focal organization. From 1904 to 1908, the betweenness centrality of Elving was clearly high. Elving as an autocratic owner-manager communicated and transmitted most of the
information between the organization and its stakeholders. The position of Elving changed as a result of the creditors’ intervention. As Figure 3 shows, he was dismissed from his intermediate position and thereafter remained on the periphery of the stakeholder network.

Although Elving dominated the stakeholder network until the end of 1907, other stakeholders also had noteworthy positions. The Dahlströms, besides being the biggest owner group and members of the board, had an important intermediate position vis-à-vis a significant creditor, Åbo Aktiebank. Specifically, Ernst Dahlström was one of the bank’s founders and the chairman of the board. Dahlström’s structural position remained fairly constant throughout the decline and turnaround. However, after 1908, he was no longer able to use Åbo Aktiebank for his own purposes. The task of Dahlström was thus more pronouncedly to be a personal guarantor and controller of the bank in the administration of Kymi. Accordingly, the Dahlströms evidently had a moderately important network position until 1908, but thereafter their position, at the most, was moderately important, whereas the network position of Åbo Aktiebank, at least technically, became moderately important.

The positions of the sales agents were interesting. On the one hand, they were out-lying if we use degree point centrality. On the other hand, in such an arrangement
other primary stakeholders had no power over them. Most importantly, the relatively independent agents were the intermediaries between Kymi and its customers, although the essential interests of the agents and Kymi were more or less the same. As a result, the agents can be considered as having at least moderately important network positions throughout the whole process.

The network positions of the main creditors and the new managers also merit a detailed discussion. Until 1908, the group of commercial banks held fairly neutral positions. In fact, the betweenness centrality of Privatbanken, and even Nordbanken, can be considered to be low. The position of Åbo Aktiebank was no longer crucial since the Dahlströms had the upper hand in the relationship until 1908. The network position of the Bank of Finland was more important, but it was based on the official relationships with different banks and the government. Nevertheless, these official linkages provided the power that made its network position moderately influential.

The situation regarding the network positions of the creditors and the management changed between 1907 and 1908. First of all, the new managers replaced Elving as an intermediary of information between the firm and its other stakeholders. Serlachius as a representative of the organization communicated particularly with the employees, the agents, and the customers. In addition, Serlachius had relationships with the potential competitors of Kymi, that is, the paper mills of Kangas, Mänttä and Leppäkoski.
Björkenheim had direct linkages with Kaukas and Nordbanken. Both Serlachius and Björkenheim communicated with the trade association, Elving, and other board members. All the managers exchanged information with the creditors.

The network position of Nordbanken clearly became more important than it had been before. Nordbanken’s relationship with Björkenheim was reciprocal: each was dependent on the other. Nordbanken was a creditor of Kaukas, whereas Björkenheim was the chairman of Nordbanken’s administrative board. Basically, Björkenheim was appointed on the assumption that he would further the bank’s interests and if that did not happen, Nordbanken had the resources to influence Björkenheim’s positions in three different organizations. In that respect the bank obviously possessed some power over Björkenheim. All in all, both Nordbanken and Björkenheim possessed highly influential network positions. While the position of Nordbanken evidently changed, the positions of other creditors, excluding Åbo Aktiebank, remained similar to what they were before 1908.

The position of Serlachius was as important as that of Björkenheim. However, the responsibilities of Serlachius in Kangas, Mänttä and Leppäkoski – the firms that were also financed by Nordbanken – restricted his autonomy in respect of the main creditor. Altogether, his position as an intermediary was still very important. Langenskjöld also took part in the intermediation of the information and resources. However, his position was not more than moderately important. Because the role of the board members was basically to be informed by the managers, their position vis-à-vis the different stakeholders was low in influence.

The government had a theoretical opportunity to exert influence by way of the Bank of Finland, but it remained in a position low in influence. Similarly, the position of the factory workers was low in importance. They negotiated with the managers but did not have any other relationships with the main stakeholders. The suppliers had an important position in the production chain but their ability to influence the other stakeholders was low. The position of the industry association was more complicated since it also formed an informal arena of information sharing between different organizations. The importance of collusive trade was strengthening in the pulp and paper industry. Therefore, with certain reservations, the network position of the industry association can be described as moderately important.

**Stakeholders’ Influence on Organizational Survival**

By using the stakeholders’ influence identification model, the stakeholders of Kymi can now be divided into governing (G), potential (P), and minor (M). Figure 4 illustrates the situation before 1908 and Figure 5 the situation from 1908 to 1912. The most striking changes occurred in the influence of Elving (El) and Nordbanken (NB). Elving was clearly a governing stakeholder until 1907, but from 1908 onwards, he was only a minor stakeholder, even if he had moderately influential resources. Nordbanken made an opposite move from a minor stakeholder to a governing stakeholder.

The Bank of Finland (BF) was already a potential stakeholder in 1907, but when its resources turned out to be highly critical it became a governing stakeholder. In contrast, the influence of the Dahlströms (Da), who were a governing stakeholder group until 1907, turned into that of a potential stakeholder during the process. At the same time the
influence of Åbo Aktiebank (ÅA) increased. The sixth change during the whole decline and turnaround was that of Privatbanken (PB) which, as a creditor, developed from a minor stakeholder into a potential stakeholder. In addition to the above changes new and highly influential stakeholders also become associated with the organization during the process. The new managers, Björkenheim (Bj) and Serlachius (Se) were, undoubtedly,
governing stakeholders. However, the third member of the new managerial team, Langenskiöld (La), can only be seen as a potential stakeholder.

The resources of the workers (Wo) and the government (Go) remained moderate, and their network positions low throughout the process. This made them minor stakeholders. Likewise, the group of other board members (BM) (Julian Serlachius, Goldbeck-Löwe, and Lindfors) remained a minor stakeholder. The industry association (IA) had a moderately influential network position throughout the process. In terms of resource dependence, however, its influence was low. Therefore, it can be only considered as a minor stakeholder. The suppliers (Supp) were minor stakeholders in all respects. Finally, the main sales agents (SA), as a group, had both moderately influential resources and network positions throughout the decline and turnaround, making them obvious potential stakeholders in respect of the organizational survival.

**MANAGEMENT OF STAKEHOLDERS IN ORGANIZATIONAL SURVIVAL**

Identification of stakeholders’ influence can be considered as a preliminary part of stakeholder management during turnarounds. How, then, should these influential stakeholders be handled after identification? The case analysis and the results of the influence identification provide an interesting basis for comparing how the stakeholders were actually managed during the decline on the one hand and during the turnaround on the other hand.

**Basic Function of Stakeholder Management in Organizational Survival**

The main argument in earlier research that the support of influential stakeholders has to be ensured (Arogyaswamy et al., 1995; Jawahar and McLaughlin, 2001; Rosenblatt et al., 1993) was also corroborated in this study. In the case of Kymi, the minor stakeholders were neither critical to organizational survival nor the first stakeholders the firm paid attention to during the turnaround; conversely, organizational survival was evidently dependent on the support provided by the governing stakeholders. However, during the decline, minor stakeholders, such as the workers, received considerable attention while the creditors and the sales agents were often ignored. Thus, the following proposition summarizes the basic function of stakeholder management in organizational survival.

*Proposition 1*: The more secure the continuing support of governing stakeholders in an existence-threatening crisis, the more probable is organizational survival.

This proposition does not indicate that minor stakeholders should be undervalued. An important lesson in stakeholder influence identification is that neither the resources nor the network positions of stakeholders are static. Moreover, although the influence of a minor stakeholder is insignificant in organizational survival, the combined influence of several minor stakeholders, even if uncoordinated, may cause substantial negative consequences for the organization. Therefore, the management of minor stakeholders should not be forgotten.
In addition, the value of Proposition 1 for stakeholder management remains vague without more specific suggestions regarding its operationalization. We need to know what ‘proaction’ and ‘accommodation’ mean in practice. Thus, the crucial questions are: what changed in the management’s actual behaviour toward influential stakeholders and what changed in the management’s position among other stakeholders?

Management’s Behaviour Toward Stakeholders

Comparing the periods, the first noteworthy difference relates to communication. In general, the communication between the management and other stakeholders was much more frequent and close during the turnaround than during the era of Rudolf Elving. In fact, the creditors and the sales agencies did not receive any specific information on the state of affairs in the company in 1907.

After 1908, the managers, in addition to communicating openly among themselves, kept the banks and the main sales agencies informed of the investment decisions and requested the banks’ opinion in advance on every major decision. These findings suggest that open and active communication with governing and potential stakeholders has a positive effect on their support for organizational survival. This also concurs with the view that continual communication with powerful stakeholders is important during an organizational decline and turnaround (Arogyaswamy et al., 1995; D’Aveni and Mac-Millan, 1990; Rosenblatt et al., 1993).

Specifically, the analysis indicates that reciprocal communication with stakeholders enables a stakeholder to realize the benefits ensuing if it gives the organization its continuing support. This is corroborated by the social dilemma and cooperation literature (e.g. Kerr and Kaufman-Gilliland, 1994; Valley et al., 1998). In particular, extensive face-to-face communication has been found to increase mutual understanding and thereby cooperation (Brown and Eisenhardt, 1997; Dawes et al., 1977). Moreover, during the turnaround the managers communicated more openly and more often face-to-face with the governing stakeholders than with other stakeholders. Although the historical data comprises only written communication, the correspondence between these influential stakeholders often begins by referring to a previous telephone or face-to-face discussions and often ends by suggesting themes to be discussed face-to-face. These considerations lead to the following proposition.

**Proposition 2**: In an existence-threatening crisis, frequent and open communication between managers and governing stakeholders will tend to enhance (rather than undermine) the continuing support of those stakeholders and increase (rather than decrease) the probability of organizational survival.

In Kymi, the management’s communication with the governing and potential stakeholders during the turnaround was strengthened by the use of personal and informal relationships, even if a relationship had a formal, contractual basis. Elving, of course, also knew stakeholders personally, but the new managers had noticeably closer relationships, for example, with Nordbanken and the Bank of Finland. Moreover, the managers tried to establish personal connections with the customers and the sales agents. Without the
informal social networks of managers negotiating crucial loans with the banks and arranging special sales contracts with the sales agents would have been much more difficult. Together with open communication, the personal relationships promoted trust between the management and other influential stakeholders, thereby securing their support.

These findings are consistent with the results indicating that fair relationships with key stakeholders may have a substantial positive impact on the performance of a firm (Jones, 1995; Wicks et al., 1999) and show that relationships are especially important in a crisis situation. Trust decreases the need to monitor others’ behaviour and provides flexibility in decision-making and transactions (Ireland et al., 2002). During the decline Elving lost the stakeholders’ trust and could not regain it by means of formal relationships. Thus, the construction of informal, trust-creating relationships with influential stakeholders seems to be a noteworthy factor in promoting organizational survival in an existence-threatening crisis. Therefore, the following is proposed.

**Proposition 3**: In an existence-threatening crisis, personal relationships between managers and governing stakeholders will tend to enhance (rather than undermine) the continuing support of those stakeholders and increase (rather than decrease) the probability of organizational survival.

**Management’s Position among Stakeholders**

The promotion of open communication and the cultivation of personal connections with the most influential stakeholders are among the practical functions of managers in a crisis organization. However, the comparison of the decline and turnaround periods of Kymi also raises the issue of management’s role and position from the perspective of other stakeholders as the managers were clearly governing stakeholders. First of all, due to the management change, the new managers replaced the brokerage position of Elving. Thus, management had a similar structural position during the decline and turnaround. However, during the turnaround the managers were facilitators of communication between different stakeholders while Elving acted quite differently. In fact, he created a barrier between stakeholders.

The restricting behaviour of Elving impeded influential stakeholders from obtaining knowledge of the situation and the positions of other stakeholders. This made it difficult to create an understanding that an individual stakeholder was not alone in supporting the firm. A thorough investigation and an additional meeting of creditors, owners and managers were needed in order to create such an understanding. Thus, how the brokerage function of management is used by managers and perceived by stakeholders seems to be an important factor in an existence-threatening crisis. These findings lead to the following proposition.

**Proposition 4**: In an existence-threatening crisis, management’s unlocked brokerage position between governing stakeholders will tend to enhance (rather than undermine) the continuing support of those stakeholders and increase (rather than decrease) the probability of organizational survival.
Communication with stakeholders seems to have an important role in organizational survival, but it can also be used for opposite purposes. Therefore, in addition to active information sharing, a crucial element in the case of Kymi that particularly ensured the support of the governing stakeholders, the banks, was that the communication was based on the same long-term goal: to improve the firm’s performance so that in the near future the firm would show a profit and be able to settle its debts. A short-term goal of the banks would have been to drive the organization into bankruptcy and then call in its assets.

The understanding of the common goal was received during the creditors’ investigation and in the additional meeting of the owners, creditors and new managers. It is unlikely that the turnaround would have been started without agreement on a consensual goal. During the decline, the goals clearly differed, or they were vague. Elving emphasized and implemented megalomaniac investments, whereas other managers and owners would have been satisfied with more modest development. The importance of shared long-term goals is also noted in the literature. Axelrod (1984, p. 12) showed how the future can ‘cast a shadow back upon the present and thereby affect the current strategic situation’. Insko et al. (1998), in turn, found that intergroup competitiveness can be reduced by inducing a concern with long-term outcomes. Altogether, the value of consensual long-term goals seems to culminate in a crisis organization. Thus, the following is proposed.

**Proposition 5**: In an existence-threatening crisis, consensus on long-term goals among governing stakeholders will tend to enhance (rather than undermine) the continuing support of those stakeholders and increase (rather than decrease) the probability of organizational survival.

Regarding the stakeholders’ perceptions of the managers, the findings of this study do not directly support the proposition of Rosenblatt et al. (1993) that ‘unobtrusive’ leadership may prevent a crisis. Although it was apparent that Elving was an obtrusive leader, the new managers also had very prominent positions. However, there was a clear difference in how the positions of these high profile managers were interpreted by other stakeholders.

During the decline, the negative signals were personified in Elving. This damaged his authority and ability to manage the firm’s transactions and operations. In such a situation a turnaround with the same leader was seen as unthinkable. The new managers received a position with demanding but uncertain stakeholder expectations. As a result of the first positive results, the affirmative perceptions of the governing stakeholders started to cumulate and the turnaround came to be associated with the good management team. Thus, it seems that during a crisis, the firm performance (both positive and negative) and the stakeholders’ expectations of the firm’s future prospects are directly associated with management’s behaviour. This implies that the leading managers in a crisis company may not be unobtrusive.

While these findings do not corroborate the positive effect of unobtrusive leadership, they lead us to consider the importance of how stakeholders in a crisis company associate the firm’s performance with its managers. In Kymi, as the decline exacerbated, the banks could no longer provide support for the firm because that would have required them to
support Elving, which was associated with unsuccessful performance. Conversely, the new managers’ latitude increased and the support of the banks and owners for the organization strengthened as they associated the management with successful performance. An important point was also that during the decline it was also the personality of the manager that disturbed the stakeholders. However, during the turnaround there were three different personalities managing the firm. Dissatisfaction with one of them may not have been as serious as it was in the case of Elving. Altogether, these considerations lead to the last proposition.

Proposition 6: In an existence-threatening crisis, governing stakeholders’ association of management with good firm performance is positively (rather than negatively) related to the continuing support of those stakeholders and will tend to increase (rather than decrease) the probability of organizational survival.

DISCUSSION AND CONCLUSION

Stakeholder management may become critical to the organization’s survival in an existence-threatening crisis. This study has addressed this issue by considering two research questions: (1) What kinds of stakeholders are the most influential in organizational survival? (2) How we should handle these stakeholders in an existence threatening crisis? To answer these questions, I constructed a model for stakeholder influence identification and through a historical case analysis proposed a set of factors with important function in the management of stakeholders during an organizational crisis.

This study makes three specific contributions to the turnaround literature. First, it identifies two constitutive elements of stakeholder influence in organizational survival, direct resource dependence based power and network position based power, that always form an interwoven whole. The explication of these dimensions through the stakeholder influence identification model elucidates an important and missing aspect in turnaround research: it provides a specific and theoretically robust way to define the stakeholders that are the most influential regarding organizational survival. Thus, this study complements those that have noted the importance of continuing support from governing and potential stakeholders by showing why those stakeholders are influential and how such stakeholders can be systematically identified. The model also explicitly responds to the suggestions of recent stakeholder research (Rowley, 1997) by integrating network analysis with resource dependence theory, thereby adding to the ongoing debate on stakeholder theory development and identification of stakeholders (e.g. Donaldson and Preston, 1995; Friedman and Miles, 2002; Jones and Wicks, 1999; Mitchell et al., 1997; Stoney and Winstanley, 2001). In particular, it brings the research of stakeholders closer to the actual dilemmas of stakeholder management.

Second, the findings of the longitudinal analysis show how the influence of stakeholders may change during the process of decline and turnaround and also that it is crucial to recognize those changes. Indeed, the study provides ample evidence that considerable changes in the influence of specific stakeholders are possible. This is an important contribution to earlier research as it emphasis the dynamic nature of the
decline and turnaround process. While it seems that the awareness of the processual nature of declines and turnarounds exists in the literature, the research is largely dominated by cross-sectional studies (Barker and Duhaime, 1997; Barker and Mone, 1994; Robbins and Pearce, 1992). This distortion is critical, since a decline and turnaround is always a matter of process and, therefore, also needs to be studied from the processual perspective (Pajunen, 2005).

Third, this study explicates six important factors in the management of governing stakeholders during an existence-threatening crisis in an organization. For each factor, I have formulated a proposition that relates a specific type of behaviour of a governing stakeholder to the probability of organizational survival. The proposed behaviours may intuitively give the impression that they are also relevant for stakeholder management in other situations. However, this detracts nothing from their importance in the context of organizational survival. In contrast, the propositions identify factors that seem to become particularly critical in a crisis organization despite the fact that they may also be important in other situations.

Two of these propositions fairly straightforwardly corroborate the views presented in earlier literature showing that in an existence-threatening crisis as in a more modest decline the support of influential stakeholders has to be ensured and that continual communication with influential stakeholders is important. However, the other propositions go clearly beyond previous research by identifying how personal relationships, brokerage position of management, long-term goals, and stakeholders’ association of management with firm performance form a set of important factors that affect the changes of organizational survival. Each of the propositions is also testable. Thus, the paper can be seen as carrying on the development of descriptive stakeholder research (Jawahar and McLaughlin, 2001) by examining how stakeholder management is actually implemented.

The study is subject to the limitations generally connected with historical and archival research. One consideration is that the analysis concerns a single organization in the context of the Finnish pulp and paper industry. Conclusions based on a single case are obviously not generalizable empirically. However, as Eisenhardt (1989) suggests, a rich case analysis is appropriate for supporting the development of theories in new topic areas and for providing new insights into already researched topics. Thus, at this stage of theory development, and as regards the processual perspective, the approach of this study was eminently appropriate (Langley, 1999; Pentland, 1999; Weick, 1995).

By concentrating on an in-depth analysis of one organization, I had access to sources with intimate information on the inter-organizational communication throughout decline and turnaround process. An important benefit was that a considerable part of the communication between the focal firm and the primary stakeholders was carried out through written correspondence. Although I analysed all primary materials, including several hundreds of letters and documents, it is possible that some important information was communicated only verbally without any written documentation. It is, however, unlikely that this has distorted the overall picture of the relationships described in this study. In addition, at the beginning of the 20th century, the number and variety of different stakeholders was slightly more limited than nowadays, but all the primary stakeholders and most of the secondary stakeholders that firms have today were repre-
sented. Due to the limited number of stakeholder relationships, it was possible to gain an accurate understanding of the whole structural situation.

Another data-related issue was that I analysed the inter-organizational relationships mainly from the perspective of Kymi. This was the most reasonable basis because the interest of the study was the stakeholder relationships of Kymi. Data triangulation and the use of secondary sources made it possible to consider closely the basic qualities of inter-stakeholder relationships from several perspectives, thereby limiting the risk of biased information.

The findings of this study also have other implications and provide directions for future research. The study found that the boundaries of different stakeholder groups are often rather indistinct or overlap. For example, owners may also be customers or creditors of the same firm. One of these roles is often in a predominant position, though in the context of an individual case it is misleading to examine stakeholders solely on the basis of terms defined in advance. The possession of multiple stakeholder roles may also be a relevant indicator of stakeholders’ importance during an organizational crisis. This finding suggests that there is a need for further consideration of other implications of multiple stakeholder roles both in turnaround research as well as in stakeholder theory development. Future research could also apply the model to multiple cases or contexts other than turnarounds. In addition, the propositions need further empirical testing.

On a broader scale, this study has other important implications. First, it can be considered an example of how stakeholder research can be used to make sense of concrete organizational phenomena and, second, how we may need to connect scholarly literatures in order to understand how inter-organizational relationships influence firm performance in a specific situation. This is also consistent with the finding of Rowley et al. (2000) that the roles of relational and structural embeddedness can only be understood with reference to each other and supports the broader view suggested by Cook (1977) that it is possible and valuable to integrate separate theories into more comprehensive perspectives that enable us to better explain organizational interaction. Third, regarding the future development of the turnaround literature, the stakeholder perspective seems not to be the only stream of research that can add to our understanding of organizational crises. The findings of the present study suggest that the social dilemma, cooperation, and conflict management literatures may provide views that further explain stakeholders’ behaviours in organizational declines and turnarounds.

The exploitation of historical analyses is also suggested to be a promising area for future research. Specifically, both stakeholder and turnaround literatures need research that focuses on the dynamic and contextual aspects of organizational processes. Historical analyses and the extensive use of archival materials can contribute substantially to the research in this area. Archival material is especially useful when constructing theories that explain structural relations and causal mechanisms.

The implications of this study for managers seem obvious. The stakeholder influence identification model is easily adaptable for the use of both stakeholder and turnaround managers. Systematic, integrative analysis of resource dependencies and stakeholders’ network positions contributes to decision-making in both crisis and stable situations.
Interaction with minor, potential and governing stakeholders based on explicit evaluation usually has a positive impact on financial performance in all contexts. Moreover, each of the propositions evinces direct implications for how the continuing support of stakeholders can be secured in organizational survival.

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