



PRESSURE TOWARDS SUSTAINABILITY IN THE WORLD'S LEADING PULP AND PAPER COMPANIES

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ABSTRACT

Forest based industry has today a crucial role in global sustainable development due to industry internationalization and unique raw material basis. This paper traces corporate responsibility reporting (CR) in the world's ten largest pulp and paper companies representing 25 % of global production capacity – i.e. whether CR is used either as a normative part of business language or as a managerial tool in the standardisation and rationalisation of business operations. The studied companies have different product portfolios and they are headquartered in Europe (Scandinavia), North America and Japan with very different geographical and cultural base. Methodologically we used qualitative approach in evaluating economic, environmental and social metrics in the companies. Based on the results, regulated financial and environmental reporting in case companies leave little space for company specific diversification. Also, Global Reporting Initiative applied by the studied companies is institutionalising their social reporting. A few regional characteristics were identified, but instead of special regional characteristics the reporting reflected more a general North American – Nordic type of corporate social responsibility. Partially this also reflects the ongoing globalisation trend and financial challenges met by the majority of the studied companies.

Keywords

Corporate reporting, corporate social responsibility, institutional organisation theory, pulp and paper industry, qualitative analysis

INTRODUCTION

Corporate social responsibility (CSR) has become a popular concept during the last decade applied by business practitioners, researchers and journalists. Corporate responsibility or sustainability reporting is a routine, especially among large and internationally or globally operating industries that have recognised the direct and indirect importance of good reputation for their businesses. Regulations and guidelines as well as interaction with the surrounding societies facilitate business enterprises to define their responsibilities. Large companies can be, thus, good examples for small and medium scale enterprises that operate mainly at the national or regional level and may not therefore meet extensive external pressure that would force them to reassess their sustainability practices in the changing world.



So far, the quality of corporate responsibility reporting varies a lot since the concept is understood in different ways in different regions. However, the standardisation of responsibility reporting would support the application of corporate responsibility as a wider policy instrument towards sustainable development. Regarding causality question, it is however still a somewhat open issue, whether companies engage in CSR policies because they follow company specific strategy or because they respond to general market pressures or government policies.

The pulp and paper industry has today a crucial role in global sustainable development, although the branch is rather a globalising than truly globalised one. The raw material basis, forests, makes the industry a globally important, interesting and sensitive sector, since forests cover about 30% of the world's land area (Global Forest Resources ... 2005). Thus, millions of people interact frequently with the forests and are directly or indirectly dependent on them, having various opinions on the management, utilisation and conservation of this natural resource.

Internationalisation and geographical diversification of operations tend to increase the number and diversity of stakeholder pressures in the companies' external environment, but empirical evidence on the relationship between companies' geographic diversification and CSR remains scarce. Perspectives also differ whether multinational firms should develop a centrally coordinated, integrated CSR strategy, or whether they should stimulate decentralized CSR strategies that develop locally (Muller 2006). According to Gnyawali (1996), CSR in global environment is shaped by a combination of firm specific, country specific and global factors. Linkage between geographic diversification and corporate responsibility has been examined previously in e.g. Brammer et al. (2006), who found using cross-sectional model that firms shape their social performance strategies to their geographic profile, particularly so that the more geographically dispersed firms tended to have also better social performance. Similarly, Simerly and Li (2000) found in a longitudinal study a positive relationship between prior multinationality of a firm and its social performance. In comparing different regions, Maignan and Ralston (2002) have CSR in the US to being value driven, emphasizing community welfare, whereas in Europe the view is more performance driven, emphasizing issues such as productive processes or environmental quality.

In the previous CSR studies regarding forest industry, geographical diversification aspects have gained some interest due to local resource base and global markets. Näsi et al. (1997) explored evolvement of corporate social responsibility issues and policies within two Finnish and Canadian companies, and found managers to respond variably to the shifting demands of the most important stakeholders. Sharma and Henriques (2005) examined whether managers in the Canadian firms within a common institutional environment exhibited variation in their sustainability practices, and found that the current stakeholder influence heavily focuses on the intermediate sustainability practises such as material circulation and process redesign.¹ Panwar et al. (2006) surveyed corporate responsibility reporting in the forest industry operating in different continents, and concluded that

¹ In Perrini (2005) on the synthesis of corporate social responsibility reporting in Europe, strong uniformity was found on how European businesses report their CSR activities. His study also included three paper industry companies from the Nordic countries, but their weight among 90 companies was naturally very limited.



reporting in the European companies has been primarily driven by ethical factors, whereas North American industries have been more strongly driven by legal considerations. A further difference was identified that European companies are more focused on past actions and performance whereas North American companies focused on policies and procedures influencing future actions. Mikkilä (2006) studied corporate performance of a Nordic pulp and paper company, Stora Enso by analysing four mills and compared their operating environment in China, Finland, Portugal and Germany. The findings indicated that acceptability and responsibility of a company is understood in various ways even inside one company not to mention the business environment at large. Thus, the legislation and company policy set the framework within which the local units applied responsible performance.

However, a shortcoming in all the previous studies is that none of them have attempted to analyse corporate responsibility of the world's leading pulp and paper industry companies and simultaneously taken into account the institutionalisation, diversification, and regional characteristics in CSR reporting. To fill the gap, the purpose of this paper is to get more insight in how the world's largest pulp and paper companies understand the concepts of corporate sustainability and responsibility, and how institutionalised the application of the concepts is in the company reporting. The results can be used to assess the potential of the concepts of corporate responsibility and sustainability as an instrumental tool of sustainable development.

THEORETICAL AND CONCEPTUAL BACKGROUND

Institutional theory is one of the most important developments in the understanding of organisations in the wider social environment. The theory offers distinctively sociological perspective for studying organisations at a time (Beckert 1999) by being helpful to research how an organisation acquires social legitimacy through following the norms of society (Suchman 1995). Within the institutional theory context, firms in a structured organisational field face institutional pressures from governmental regulators, professional associations, and social networks (DiMaggio and Powell 1983). Thus, the pressure result in the legitimate similarity of the firms to their rivals, but simultaneously the same firms must secure competitiveness by being able to differentiate from them (Laurila and Lilja 2002).

A firm's institutional context includes its internal culture as well as broader influences from the state, society, and inter-firm relations that define socially acceptable economic behaviour (Oliver 1997). Although the theory pays little attention to the forces that change institutional environments (Beckert 1999, Kondra and Hinings 1998), we found it a promising theoretical foundation to study the institutionalisation of corporate sustainability within the largest pulp and paper producers.

The context of sustainable development has since the late 1980's onwards (UNCED 1992) brought the potential of corporate social responsibility and performance as instrumental tools onto the field. Both scholars and business people started to adopt the concept of "corporate responsibility" in the late 1990's in order to clarify the role of social issues as one



dimension of responsibility. A more recent extension of corporate responsibility and management is what is termed corporate sustainability (e.g. Young and Tilley 2006).²

Regardless of the consensus concerning the three sustainability dimensions, economic, environmental and social, corporate responsibility may prove to be complicated, as its content is unclear as far as scholars, business managers and policy makers are concerned. It may be something between strictly business-related "Friedmanism" culminating to the classic statement "the business of business is business" (Friedman 1970), and extensive participation in social development of societies. Within the context of pulp and paper industry at least four relevant and dominating types of corporate responsibility have been identified on basis of Blagov's presentation (2006), CSR Archives (2007) and the works of Halme and Lovio (2004), Maignan and Ralston (2002), Mikkilä (2006), Vogel (1992) and Welford (2004): 1) standardised business in Nordic countries and Germany, 2) charity business in North America, 3) social business in the former Eastern block and China and 4) profit and loyalty business in Japan.

The model can be interpreted as implying that society exercises control in communist/socialist countries but simultaneously guarantees a minimum level of welfare for its citizens, whereas economic welfare is based in the loyalty of employees in the work oriented society in Japan. The society has been the major producer of social services in the Nordic countries since the Second World War and private citizens and enterprises make their contribution in the form of taxes, while North American citizens have responsibility for their personal social security and governmental responsibility is more limited than in the Nordic countries. It is therefore a reasonable and efficient allocation of resources for business enterprises in the Nordic countries to concentrate on business-related operations, whereas welfare projects may be justified and necessary in a society where the government's responsibility is less clearly defined. The role of business enterprises in the third case is expected to be still more social than economic. The Japanese society is still oriented to the profitable business and loyalty to employer that seems to go ahead of family or other social life.

QUALITATIVE ANALYSIS OF CORPORATE REPORTING

Corporate responsibility and/or sustainability are daily business language especially within large scale, globally operating companies. However, generally applicable techniques for the assessment and comparison of comprehensive corporate performance are challenging to trace. The measurement of economic and, much, environmental performance is well developed and largely set by legislation and regulations. Instead, the options to assess social performance that include several qualitative elements are so far limited. For this purpose Székely and Knirsch (2005) identified eleven approaches to measure, monitor and assess a company's progress towards sustainability or responsibility as interpreted here, as follows: 1) surveys, 2) awards schemes, 3) investors' criteria, 4) benchmarking, 5) sustainability indexes,

² Although general development trend is well known, several concepts, such as acceptability of operations, corporate engagement, corporate involvement, corporate citizenship, corporate community involvement, corporate social responsibility and sustainable development, are still applied when referring to the relationships and division of responsibilities between the market sector and society (e.g. Mikkilä, 2003, 2006, Talvio & Välimaa, 2004). Only a consensus on the three dimensions, economic, social and environmental, seems to prevail in this context. From now on we apply the concept corporate responsibility when referring to the listed concepts.



6) external communication tools, 7) accreditation processes, 8) standards and codes, 9) sustainability indicators, 10) metrics for sustainability performance, and 11) non-quantifiable sustainability initiatives. We applied the option ten, metrics for sustainable performance, when analysing the corporate responsibility and sustainability reporting of the case companies because it is a simple, comprehensive and an easily comparable approach.

In this paper we analysed qualitatively (e.g. Miles and Huberman 1994, Yin 2003) the most recent annual and sustainability reports that were available on the web-sites of the case companies. Historically, these companies expanded their environmental reports in the early 2000s to incorporate a wider content of social responsibility. First we gathered quantitative and qualitative economic, social and environmental metrics from the company reports. Next we classified the metrics as institutionalised and diversified ones in order to further assess institutional, cultural and company level characteristics of corporate sustainability. More precisely, as the institutionalized metrics we refer to the metrics that are applied by all case companies, whereas with diversified metrics we mean the application of a company specified metrics.

RESULTS

The leading pulp and paper companies and the pressure towards responsibility

The selected companies can be characterised with the chosen strategy reflected in the product portfolios, economic performance and geographical diversification (Table 1). The studied companies varied significantly by the chosen strategies, although they all are in the paper industry and operate at a number of different stages of the value added chain. Galbraith (2003) described the variety of strategy of the North American paper industry with the centre of gravity that depends on where in the industry supply chain the company started; raw materials, primary manufacturing, fabrication, product producer, market distributor or retailer.

Following this classification, the first group, timber companies that produce pulp, paper and board, but where the focus is on the best return on timber production, include companies like Weyerhaeuser and Metsäliitto. International Paper, Stora Enso, UPM, Oji Paper and Nippon Paper Group, are primary manufacturers of paper, board and wood products although they have forest operations too. However, the primary stage is to supply the manufacturing stage, not to seek the highest return for the timber. The third group includes consumer good companies, Kimberly-Clark, SCA and Proctor & Gamble, that can own timber lands and operate pulp mills, but whose businesses are driven by the advertising or marketing function of internationally known brands, like Kleenex, Scott, Libero, Pampers, Gillette or Ariel.

Economic performance of companies is highly variable between companies with return on capital employed (ROCE) ranging from 0 to 21 % in 2005. The most profitable companies are all in the field of consumer goods. The pulp and paper industry is historically known to be highly cyclical, and also statistical analysis based upon time series-cross section unit root tests has indicated that on the global scale there are no persistent firm specific profits above the norm among the largest forest industry companies (Laaksonen-Craig & Toppinen 2007). This is consistent with the low degree of consolidation in the industry, which is changing only very slowly.



Table 1. Summary of the world's largest paper industry companies (in the descending order based on turnover).

COMPANY	HOME COUNTRY	PRODUCTS	ROCE %	NUMBER OF EMPLOYEES	PRODUCTION CAPACITY	
					% in home continent	% in other continents
International Paper	USA	Paper and board	5.0	76,000	78	22
Weyerhaeuser	USA	Paper, board and wood products	4.4	50,000	100	-
Stora Enso	Finland	Paper, board and wood products	2.3	46,000	80	20
Kimberly-Clark	USA	Consumer goods	13.9	57,000	34	66
SCA	Sweden	Consumer goods	2.9	51,000	85	15
Proctor & Gamble	USA	Consumer goods	21.3	135,000	73	27
UPM	Finland	Paper and wood products	2.1	31,000	87	13
Oji Paper	Japan	Paper and board	4.2	19,000	98	2
Metsäliitto	Finland	Paper, board and wood products	0.3	29,000	100	-
Nippon Paper Group	Japan	Paper and board	2.3	13,000	94	6

Sources: Finnish Forest Industries Federation 2007, Global forest and paper... 2006, Jaakko Pöyry Consulting 2007, Web-sites and reporting of the listed companies.

The number of employees in the largest companies is directly related to the descending order and size of turnover in the majority of the cases except for the North American Proctor & Gamble, and Japanese Oji Paper and Nippon Paper Group. Proctor & Gamble announces to employ more than 135,000 people on its web-sites. The group has a large upgrading production and its product portfolio includes also non-wood consumer goods, such as cosmetics and hygiene products, in addition to tissues. Thus, its production and marketing operations require relatively more employees than in the other consumer good companies.

The production of the Japanese companies is based mainly on the imported logs and chips bought from international suppliers. Thus, the labour intensive parts of the value chain, such as tree growing, logging and sawmilling, is more limited as compared to the European and North American paper and wood product companies, which explains their relatively low number of employees. The findings of Welford (2004) that long working hours without extra compensation is a frequently observed characteristic of employment in Asia, could explain this difference, too, if it were reflected in the better financial profitability indicators compared to those of competitors, as the world market prices of the products are at the same level. However, the ROCE figures of the companies do not support this observation significantly – or at least it does not explain the entire difference between the companies.

The world's ten largest paper and paperboard producers are domiciled in three regions; Japan, Europe (in particular Nordic countries) and North America. The globalisation of the sector accelerated in the early 1990's, but so far the expansion has mainly taken place in the traditional operating areas. The industry has also remained as a highly fragmented one, with the top ten companies representing only 25% of global production (Global forest and



paper... 2005, Pulp and paper capacities... 2005). The low degree of internationalisation is reflected well in the geographical location of the production capacities. Only one, North American Kimberly-Clark can be classified as a global company in that over 60% of its production capacity is located outside North America. The majority of the Nordic and North American companies are rather globalising than global companies, as only 15-25% of the production capacity is located outside the home continents, whereas the Japanese companies and Nordic Metsäliitto and North American Weyerhaeuser have remained regional actors. However, if industry internationalization is evaluated by market penetration, the pulp and paper market can be described as a global market with increasing price uniformity.

Cultural diversity reflected in value basis and norms, set special demands to corporate responsibility in various places of operations. The operations of the larger pulp and paper companies in Europe and North America have been criticised constantly since the 1970's (Halme 1997, Hayter 2004, Hellström 2001). The recent criticism of the large Nordic-based companies, however, has generally been stronger than that of the Asian and North American ones, except for criticism of those operating in British Columbia in Canada. In economically oriented Japanese culture the societal pressure towards the industry seems to remain marginal.

Assessment of sustainability metrics

We assess corporate responsibility of the case companies according to 1) institutionalisation, 2) diversification, and 3) regional characteristics of companies. With institutionalisation we refer to the similar elements which can be identified from the reports of all case companies. Diversification can be understood as special characteristics that can be found from one or few companies, but they have no direct business or cultural explanation. Regionalism refers to the characters of corporate responsibility that reflects geographical and cultural issues.

Institutionalisation

Financial reporting is set by legislations and laws. Thus, it is clear that this dimension of corporate responsibility is institutionalised. The case companies interpreted economic responsibility much as financial result of the company. Also sustainability indices, quality management measures and listing of memberships in international associations were applied in order to inform investors on the appropriateness of the companies.

Environmental metrics were, perhaps, the most institutionalised metric group due to well developed environmental regulations in home countries of the large pulp and paper producers. The institutionalised metrics described the source of wood based raw material, management and prevention of pollution impacts, consumption and efficiency of energy, and recycling of materials, products and waste.

Social metrics are institutionalising too and the institutionalised metrics described employee issues, health and safety management, socially and environmentally sound quality and safety of products, stakeholder engagement, and corporate citizenship that was concretised in the form of various philanthropic projects. Institutionalisation is largely a consequence of the application of the guidelines of Global Initiative Reporting, GRI (2007) that provides a large set of economic, environmental and social metrics to be included in the reporting. North American International Paper and Kimberly-Clark, and Nordic Svenska Cellulosa



(SCA) did not refer to GRI as a basis of the sustainability reports. Regardless of this difference, the outline and content of reporting of all companies was relatively equal.

Table 2. Institutionalised sustainability metrics within the pulp and paper producers.

ECONOMIC METRICS	ENVIRONMENTAL METRICS	SOCIAL METRICS
<ul style="list-style-type: none"> • Compliance with laws and regulations • Financial metrics: Net sales Operating profit Net income Earnings per share Taxes • Global and regional Sustainability indices: e.g. Dow Jones Sustainability Index (except for Oji Paper and Metsäliitto) • Quality management (except for International Paper and Weyerhaeuser): Auditing ISO 9001 R&D Expenditure • Membership in international associations, such as WBCSD, The UN Global Compact (except for International Paper, Weyerhaeuser, Svenska Cellulosa) 	<ul style="list-style-type: none"> • Environmental management: ISO 14001, EMAS • Raw material supply: Origin and legality Traceability Sustainable forest management Forest certification (except for Proctor & Gamble): AFS, CERFORCHILE, CERFLOR, CAN/CSA Z809, FSC, PEFC, SFI, SGEC, UKWAS • Management of pollution: Emissions, including climate change issues Effluents Solid waste Hazardous waste • Energy: Consumption Efficiency • Recycling of raw materials, products and waste Raw materials Products Waste 	<ul style="list-style-type: none"> • Application of GRI guidelines: (except for International Paper, Kimberly-Clark, Svenska Cellulosa) • Workforce: Total number Salaries (except for Oji Paper, Nippon Paper Group) Training Nationality, age, gender and/or minority distribution • Health and safety: Accidents Inspections Certification: AUVA, OHSAS 18001, OHSA (except for Oji Paper, Metsäliitto, Nippon Paper Group) • Products (except for Weyerhaeuser): Socially and environmentally safe and friendly • Stakeholder engagement • Corporate citizenship (except for Svenska Cellulosa, Metsäliitto): Philanthropic contributions and programmes Human rights

Diversification

Two companies, Stora Enso and Metsäliitto/M-Real recognised the economic dimension of corporate responsibility by assessing their value added to their stakeholders. Otherwise, economic responsibility was much equalised to financial one and little diversification could be identified, except for the application of various metrics measuring the responsibility towards shareholders, mainly applied by North American and Nordic companies.



Table 3. Some examples on diversified economic and social metrics from different regions.

COMPANY AND DATA SOURCES	ECONOMIC METRICS	SOCIAL METRICS
International Paper Annual Report 2004 Sustainability Update 2004-2006	<ul style="list-style-type: none"> Financial metrics Return on equity Return on investment 	<ul style="list-style-type: none"> Employee data Full time employees Net job creation Employee turnover Flexible hours Part-time employment Job sharing Family benefits Health and safety: Penalties
Stora Enso Annual Report/Financials 2005 Annual Report/Sustainability 2005	<ul style="list-style-type: none"> Financial metrics Dividend yield per share Return on capital employed Economic metrics Distribution of value added among stakeholders 	<ul style="list-style-type: none"> Employee data Union membership Redundancies Health and safety: Occupational and preventive health care Employee satisfaction
Nippon Paper Group Financial Section, Apr 1, 2005-Marc 31,2006 Sustainability Report 2006	<ul style="list-style-type: none"> Financial metrics Return on equity Return on invested capital Stakeholder value 	<ul style="list-style-type: none"> Health and safety Prevention of accidents Traffic safety Safety awards

Applied environmental metrics diversified only slightly when comparing the case companies. Half of the case companies, International Paper, Kimberly-Clark, Stora Enso, UPM, Metsäliitto, and Oji Paper assessed their environmental impacts with various environmental accounting systems. The forest owners or operators described sustainable forest management with various metrics. The consumer good companies, Kimberly-Clark, Proctor & Gamble and Svenska Cellulosa, have looser connection with forests, thus emphasising less forest issues in their reporting. A couple of companies, Svenska Cellulosa and UPM, highlighted green and bio-energy. In addition, UPM presented its awarded global logistic system that promotes efficient utilisation of materials and other resources.

Social metrics were the most diversified part of corporate responsibility (see some examples in Table 3), although also here institutionalised metrics dominated to some extent in the reports. Diversification was reflected in diverse employee data. Stora Enso and Svenska Cellulosa emphasised freedom of association of employees, whereas International paper, Weyerhaeuser, Kimberly-Clark, Proctor & Gamble and UPM reported employee benefits. UPM presented its re-location programmes due to ongoing extensive structural changes in the company. Japanese companies Oji Paper and Nippon Paper Group considered the role of disabled persons and veterans as potential workforce.

Regionalism

The reporting was much institutionalised but some regional references could be identified in the texts. For example the attitudes towards certification reflected regional characteristics. The role of investors was emphasised especially by North American and Nordic companies, as they presented several metrics for shareholder value (Figure 1).



All companies referred various certification schemes in their reports but North American Weyerhaeuser and Kimberly-Clark noticed ISO 14001 standards, but they did not require facilities to become formally certified or they certified their European and Asian units, whereas Nordic Stora Enso find the same management system helpful for units in the integration of the company's policies and principles into their operational management. Furthermore, the reporting of other Nordic companies, UPM, Svenska Cellulosa and Metsäliitto, reflected the appreciation of certification, standards and regulations.

Emphasis on the North American type "philanthropic responsibility" indicated also some regionalism in the reporting. North American companies, especially consumer good companies, Kimberly-Clark and Proctor & Gamble presented large philanthropic programmes. However, this kind of responsibility is obviously institutionalising, as Nordic Stora Enso and UPM, as well as Japanese Oji Paper and Nippon Paper Group considered philanthropic responsibility in their reporting. Only regionally operating Nordic companies Svenska Cellulosa and Metsäliitto ignored this performance metrics.

The reporting of Japanese Nippon Paper Group reflected to some extent Japanese loyalty to employer. The human resource programme included parts as elective education, rank-based education and selective education. This approach could reflect the encouragement of competition between employees in benefit to the company. Interestingly, North American Weyerhaeuser and Proctor & Gamble considered political participation and promotion of democracy as an element of social responsibility. This could reflect the North American appreciation of human or individual rights.

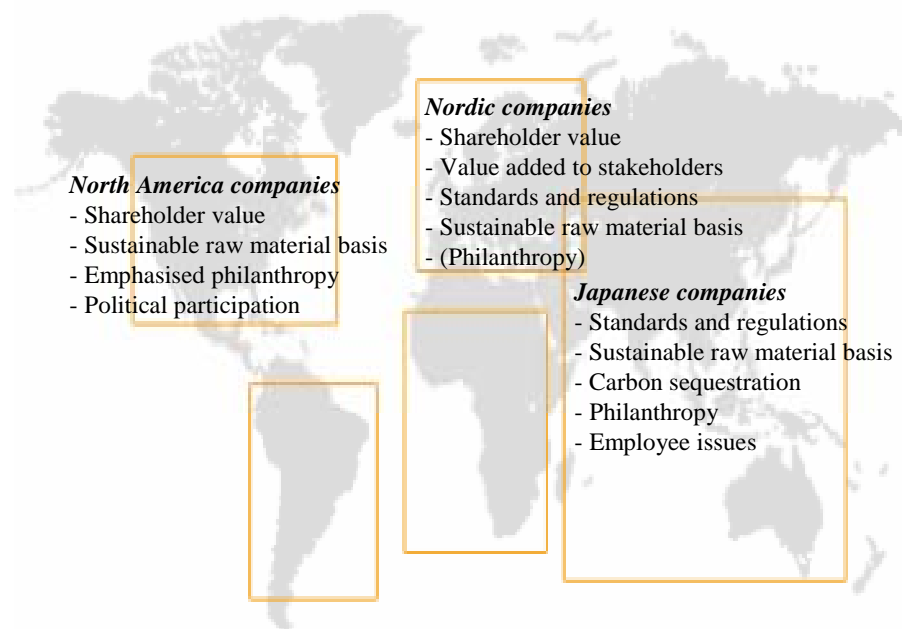


Figure 1. Reporting based characteristics of corporate responsibility.



DISCUSSION AND CONCLUSIONS

Corporate responsibility of the world's ten largest paper industry companies was analysed here by comparing the economic, environmental and social metrics applied in their recent annual and sustainability reports. The studied companies have their headquarters in Japan, North America and Nordic countries, thus having very different geographical and cultural roots. The majority of them are expanding actively outside their home regions although only one company could be considered a global one, properly. Although the number of companies is small and they are sampled purposively, the case companies also represent one quarter of the global paper production.

On the basis of the analysed companies, corporate responsibility is a daily part of operations or, at least, business language. Financial and environmental performance is well regulated and guided, which is reflected in the institutionalised reporting. The wide application of the Global Reporting Initiative guidelines is institutionalising the social reporting, but the large and necessary application of qualitative metrics makes the measurement and assessment of social performance more challenging compared to that of economic and environmental performance.

A few regional characteristics reflecting also the raw material basis and product portfolio were identified, such as emphasis of philanthropy by North American, especially consumer good companies, certification by Nordic and forest based companies and loyalty to employer by Japanese companies. Thus, the findings were to some extent contradictory to those of Panwar et al. (2006) that CSR in European companies has been primarily driven by ethical factors, whereas North American industries have been driven by legal factors if the emphasis of philanthropy is interpreted as an ethical factor and certification as a legal/regulated factor. The observation that North American, consumer good companies applied various certification schemes according to the operation region supported the findings of Brammer et al. (2006) and Mikkilä (2006) that firms shape their social performance strategies to fit their geographical profile.

Generally, the reports reflected much a general North American – Nordic type of corporate responsibility. This can indicate also the globalisation trend of the studied companies: although the majority of the companies operate mainly in their home continent, they express their globalisation goal by global business language in the reports. Regional characteristics could be identified more in the reporting of those small and medium scale business enterprises that have adopted corporate responsibility as a part of their operations.

The measurement of corporate responsibility is challenging and so far, there are no standardised schemes to assess it. The assessment and monitoring is much based on the analysis of corporate reporting, as we did here. The analysed annual reports described in detail the actual performance, whereas the sustainability reports were slightly more of PR-reports expressing the good will of the companies, perhaps even more than that of the realised performance. Thus, the weakness of the approach is that it compares actually the words of the companies, not the realised performance. Like Kuisma (2004) concluded, image-building and communication can improve the reputation of a company in a manner that deviates from the corresponding practices. Thus, corporate responsibility can remain as a normative part of business language, although it as a good potential, first as a managerial



tool of standardisation and rationalisation of business operations and, secondly as a guiding policy instrument of the goal of sustainable development.

We consider it essential to open up the reporting by comparing financial and social performance of the leading pulp and paper companies with econometric analysis (for a previous study on modelling environmental-economic performance of companies in four European countries, see e.g. Wagner 2005). The further research should focus, first, on measuring the influence of socially responsible operations to the companies' financial profitability, second, assessing more profoundly the role of the studied companies in the sustainable development. Finally, providing results that were hopefully also applicable in the further development of corporate responsibility as a policy instrument remains a task for further work.

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