

Exploring Stakeholder Approach to Business Management

Case: Residential Development in Finland

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ABSTRACT

The pluralistic and complex global operating environment of the 21st century constitutes many challenges to businesses in responding to sometimes even oppressive demands and claims deriving from internal and external interest groups. A strategic approach to considering diverse stakeholders and their issues with available, often limited resources is called for despite an organization's size, catchment area, or services rendered. Stakeholder approach to managing business endeavours and their longevity provides a basis for considering an organization's actions and responsibilities and respective stakeholders' impact simultaneously.

In the thesis, the emphasis is on exploring and analyzing stakeholder dimensions of organizations in general and in the scope of a case industry, Finnish residential development. The purpose of the qualitative case study research was to examine and determine potential methods of applying stakeholder approach to managing business operations in the case industry. The thesis project and process were conducted based on the author's interest in stakeholder theory and its potential exploitation in residential development.

The deductively progressed research focused on locating and explaining examples of existing models and schemes in managing complex stakeholder relationships. The theory was derived from multiple secondary and tertiary sources, whereas the empirical, primary data was gathered based on two semi-structured interviews with distinct perspectives to the case industry. Both the existed and empirical data enabled to meeting the research objectives and answering the research questions of the thesis.

Based on the conducted research process and its scope, many examined models of the study may be utilized in Finnish residential development to managing business operations and diverse stakeholder relationships.

Key words: stakeholder, stakeholder theory, stakeholder salience, residential development, housing development, business management, case study research

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TIIVISTELMÄ

Moniarvoisessa 2000-luvun globaalissa toimintaympäristössä reagoiti sisäisten ja ulkoisten sidosryhmien toisinaan jopa painostaviin vaateisiin haastaa yrityksiä. Eri sidosryhmien ja heidän vaatimustensa strateginen lähestyminen rajatuin resurssein on välttämätöntä organisaation koosta, vaikutusalueesta tai tarjotuista palveluista huolimatta. Liiketoiminnan ja sen pitkäikäisyyden hallinnan lähestyminen sidosryhmäanalyysin kautta tarjoaa pohjan organisaation toiminnan ja vastuiden sekä kulloistenkin sidosryhmien vaikutusten arviointiin samanaikaisesti.

Opinnäytetyön painopiste on organisaatioiden sidosryhmien tutkimisessa ja analysoimisessa yleensä sekä rajatun kohteen, uudistuotanto Suomessa, kohdalla. Kvalitatiivisen tapaustutkimuksen tarkoituksena oli tutkia ja määrittää potentiaaliset menetelmät sidosryhmäanalyysin soveltamiseen liiketoiminnan hallinnassa ja johtamisessa alalla. Opinnäytetyöprojektin toteuttaminen perustui kirjoittajan kiinnostukseen sidosryhmäteoriaa ja sen mahdollista hyödyntämistä uudistuotannossa kohtaan.

Deduktiivisesti edenneessä tutkimuksessa keskityttiin löytämään ja selittämään esimerkkejä olemassa olevista malleista hallita monimutkaisia sidosryhmäsuhteita. Teoriapohjaisen aineiston kasaamisessa hyödynnettiin lukuisia sekundääri- ja tertiärlähteitä. Empiirinen primääriaineisto koottiin haastatteleamalla kahta tutkimusalaa eri näkökulmista havainnoivaa henkilöä. Sekä teoria- että empiirinen osuus mahdollistivat opinnäytetyön tutkimuksen tavoitteisiin pääsemisen ja tutkimuskysymyksiin vastaamisen.

Toteutetun tutkimuksen ja sen rajauksen perusteella useita tutkimuksessa tarkasteltuja malleja voidaan käyttää uudistuotannon alalla Suomessa liiketoiminnan ja monimuotoisten sidosryhmäsuhteiden hallinnassa.

Asiasanat: sidosryhmä, sidosryhmäteoria, sidosryhmäanalyysi, uudistuotanto, asuntotuotanto, liikkeenjohto, tapaustutkimus

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1 INTRODUCTION

The first chapter of the thesis introduces the research topic to the reader. First, the research background – both the importance of the study and the author's choice for it – is defined. Thereafter, the main objectives for the research, the research methodology, and the limitations are discussed. At the end of the chapter, a map for easier navigation through the structure of the thesis is outlined.

1.1 Research Background

Global megatrends such as digitalization, urbanization, and increasing common awareness on these topics in societies affect the everyday life of each individual and every community on the planet – from climatically cold and scarcely populated areas of the Nordics to busy and overcrowded metropolises of Asia. All businesses, their shareholders, and other interest groups or parties need to acknowledge and adapt to sometimes even rapid changes in operating environments (Freeman, Harrison & Wicks 2007, 25–30; Oksaharju 2016; Jokinen 2017). Residential development as a business branch obviously does not remain outside this notion.

Throughout the globe people are moving from rural areas to cities and other urban settlements (Geyer 2002, 78–79; KPMG International 2014, 46–49; Gray 2017). It is expected that by 2030 over 60 per cent of world population will live in cities, amounting to an increase of over five (5) percentage points in less than fifteen years (United Nations 2016, 2). In Finland, the percentage is already over 70%, while estimations for the increase in population for the biggest cities and city regions show accelerating signs. At the same time, authorities such as municipalities are struggling to supply well-situated land for the construction companies. In some regions, the number of commenced projects is lagging strongly behind agreed upon goals and objectives. (Statistics Finland 2017a; Lahtinen 2017.) Migration, individualism, and other trends in society favour residential development (Geyer 2002, 68–70; Heikkilä & Järvinen 2002, 246–257; Sachs 2015, 355–365). In addition, directly over a quarter of a

million people are employed in construction and excavation businesses in Finland. In total – the previous number supplemented with the number of employees in real estate business and property services – over a half a million people in Finland are employed within this branch. (Pakarinen 2017; Statistics Finland 2017b; Statistics Finland 2017c.)

In the previous paragraphs, many different interest groups and organizations concerning residential development have already been mentioned: households, municipalities and towns, and workforce. These interest groups and entities all have something in stake when it comes to the business of housing supply, residential planning, urban development and such. The fact that they have something at stake, means that they can either affect or become affected by corporations' actions and endeavours (Freeman 2004, 229). However, despite the scale of actual topics and hard numbers presented, these interest groups, often referred to as stakeholders (Mitchell, Agle & Wood 1997, 853; Freeman 2004, 229), have been investigated, assessed or studied academically by using the theories and knowledge existing in the area to a low degree. Who are the stakeholders concerning residential development in Finland and how can businesses use this information for the good of a company? What is a proper or a correct framework of who or what counts? Those are the questions to which the author of this thesis is interested in finding answers to.

Questions and studies examining them often arise from personal interests and experience of people (Benz & Newman 1998, 22; Gummesson 2000: 57–67, 186; Saunders, Lewis & Thornhill 2009, 22–28). For this study, the notion lacks no foundation: the research is based on the author's personal desire to examine how residential developers could use stakeholder theory and its applications in everyday business operations. The topic was primarily chosen after completion of many-sided studies in business ethics and sustainability management inclusive of the degree programme and verified during a five-month internship and subsequent part-time employment at Bonava Suomi Oy (Limited), a residential developer.

Values and preconceived notions on a study and its implementation are often under debate (Benz & Newman 1998, 22; Patton 1999, 1204–1205; Gummesson 2000, 63–66; Saunders et al. 2009, 116–119; Seale, Gobo, Gubrium & Silverman 2013, 3–5), which calls for examining a research subject objectively and without prejudice, albeit research philosophies differ (Saunders et al. 2009, 107–121). Therefore, the author of this thesis aimed at examining stakeholder theory and its development carefully and based on many sources from the beginning. The thesis has no commissioning organization. Moreover, the author believes in the benefits of a structural study focusing on stakeholder theory, its applications, and use in the scope of residential development as a potential competitive advantage. The chosen business branch has a plethora of present and future challenges, which calls for studies empowering in the overtaking of these many hurdles in form of summarized data and analysis. The research is addressed to residential developers and to individuals interested in the framework of the widespread stakeholder theory. The thesis aims at providing themes for further research and open discussion in its scope.

1.2 Objectives of the Research and Research Questions

The research questions are set in accordance with the objectives, the aim of the study in question. The objectives of a research are often more rigorous and specific than research questions (Saunders et al. 2009, 34–36), which is why they are formulated prior to the research questions in this thesis. The main objective for the study is to provide topical and precise analysis on the stakeholder theory and its existing and/or potential use in residential development in Finland. This objective supports the initial question that the author had at the early stage of the thesis planning process: how could residential developers in Finland use stakeholder theory in their flow of business? The stakeholder theory needs to be examined by using the existing publications on the subject. In addition, the theory must be linked to the framework of residential development. This, in whole, implies three key points for the research:

1. Study the development of stakeholder theory and its use in business development and strategic planning.
2. Determine the role of stakeholder theory as a competitive advantage for businesses in residential development in Finland.
3. Analyse the data and seek for potential solutions within residential development's branch meeting many challenges in the implementation of their business.

The key points of the research point to a single main research question:

How can stakeholder theory be used as a means for managing business operations within residential development in Finland?

The research question is set to provide an answer to the studied issue or phenomenon. When the main question is clear and concise, the outcomes of finding the answer for the question become more usable and plausible (Gummesson 2000, 186; Saunders et al. 2009, 32–33). However, any research question usually tends to lack the proper amount of scope for a research as general focus in its writing is striven for. Therefore, supportive sub-questions are needed in addition to the main research question. They help in narrowing down the research area and answering the main research question. (Saunders et al. 2009, 33–35.) In addition to the listing of sub-questions (Sub-Q) for the study, objectives – the key points having been formulated previously – for each question are given. The sub-questions and respective objectives for the study, are as follows:

- ➔ Sub-question 1, Sub-Q1: What are stakeholders and how do they influence or become influenced by a company?
 - ➔ Objective Ob-Q1: Refer to stakeholder theories to show the relevance of the topic within residential development.
- ➔ Sub-question 2, Sub-Q2: How can different stakeholders be assessed from a business-continuation perspective?
 - ➔ Objective Ob-Q2: Determine the role of stakeholder theory as a competitive advantage for businesses in residential development in Finland.

- Sub-question 3, Sub-Q3: How do residential developers describe their business and where is/are the current pressure point/s?
 - Objective Ob-Q3: Analyse the data and seek for potential solutions within residential development's branch meeting many challenges in the implementation of their business.

Providing studied solutions for stakeholder assessment and the use of it as a competitive advantage within residential development's branch in Finland is the main result of the study. Objectives Ob-Q1–Ob-Q3 all support in the workflow aiming at answering the main research question. Moreover, to meet the Objective Ob-Q3 especially, a small qualitative research in a form of interview study will be implemented in the empirical part.

1.3 Limitations of the Research

As in any research (Saunders et al. 2009, 538), this study also has limitations. The first major limitation of this cross-sectional research is the chosen geographical location; the study aims at analyzing the situation of residential development in Finland, a high-developed Northern European country and EU member state with a population of approximately 5.5 million (Statistics Finland 2017d). Naturally, this brings with it the fact that the research may not be valid where residential development in other countries is concerned. However, the research does examine stakeholder theory to the scope of residential development in a manner which might give potential insights to the topic in other business areas as well.

The second limitation is the focus on companies doing residential development on a large scale. Residential development as business is discussed in Chapter 3. Businessess concentrating solely on excavation and contracting have not been included in the research due to the limited resources available for the realization of the multidimensional project and process – accessing all parties carefully is not achievable, realistic, nor timely and does not pass the SMART test for objectives (Saunders et al. 2009, 35–36). Especially small and medium-sized (SME) excavation

businesses, often family-owned and relatively small in the number of full-time employees, are strongly linked to residential development (Confederation of Finnish Construction Industries RT 2018), which is to be mentioned.

Third, any organizationally internal records such as a Customer Relationship Management (CRM) system of a housing developer was to be utilized for the thesis process. Reclamations and feedback come often from stakeholders such as non-governmental organizations (NGOs) who have public prominence to strive for from time to time even oppressive initiatives (Esty & Winston 2006, 65–67; Campbell & Kitson 2008, 17–18). CRM-data could have been beneficial for answering for instance the Sub-question 2 of this thesis. However, such information mostly is confidential and not open for research even in commissioned studies (Saunders et al. 2009, 179–163). A strategy to gaining access to such data was not applied in this study as other research methods were chosen from the beginning. Ethical standards and deontological view as discussed by Saunders et al. (2009, 183–201) were to be emphasized throughout the thesis process.

In addition to organizational records, direct one-on-one interviews or surveys with some of residential development's stakeholders such as investors (C2C-linkage point) in housing; consumer customers (B2C-linkage point); or other influential stakeholders, were cut from this thesis. In the eyes of the author of this thesis, residential development strongly leans towards a service-business model which addresses customer insight to a great deal (Sohal & Wong 2005, 167). Additional resources and viewpoints – even in the limited scope of this research – could have been proper. Although the validity and reliability of the thesis are discussed in the conclusive part, it is transparent to demarcate the vantage points also in this part for the reader (Saunders et al. 2009, 536–537).

1.4 Theoretical Framework

The main objective of the thesis is respective to the presented main research question. The main objective for the study is to provide topical

and precise analysis on the stakeholder theory and its existing and potential use within residential development in Finland. The theoretical framework provides the initial analytical perspective (Saunders et al. 2009, 490).

To reach the set objectives for the study, the different existing theories around the stakeholder theme must be studied carefully, which is the first step of applying theory. Why – theories are everyday, incontestable cause and effect relationships which organize the otherwise unconnected details surrounding people (Saunders et al. 2009, 36–41). Insights and ideas emerge based on predicting/acquiring data and its interpretation, analysis, and comparison, which must have a strong emphasis on any research studying phenomena (Benz & Newmann 1998, 5–7; Saunders et al. 2009, 36–41). Literature and its review during a research process is a foundation and a means to link a study to existing models and theories (Saunders et al. 2009, 61–67). That in mind, this thesis has two theory-based chapters, which provides the theoretical framework.

Firstly, the widely debated subject of business ethics, the stakeholder theory and its use in business development are examined and presented by applying primary, secondary and tertiary sources. The section focuses on providing information on the research area by giving insights to the most relevant and used theories on the subject. The chapter involves answer-seeking process to questions – supporting yet again the main research question and sub-questions – such as:

- How have the theories been developed?
- How can the theory be used in business development?
- What kind of stakeholder classification tools exist?

The second theoretical chapter involves the business area presentation. Residential development in Finland is examined by using primary, secondary and tertiary materials such as statistics, company reports, and articles in the respective field. In addition to examining companies, other stakeholders such as municipalities and regions are covered in the

chapter. This provides material to conceptualize the business field and its current pressure points and issues more in-depth as suggested by Freeman et al. (2007, 3–5).

The two theoretical chapters are designed to help in meeting the thesis's objectives, and, thus, in finding answers to the set research questions. The theoretical part will be utilized in formulating the empirical part. Moreover, both the realization of the thesis and its sought-after later use within either academic or professional settings were concerned as the theoretical framework was verified. The author aims at examining themes which assist in overcoming hurdles in residential development and potentially even beyond it in societies.

1.5 Research Methodology and Data Collection

The research methods, techniques and approaches to be applied in different studies vary depending on the purpose or a multitude of purposes of conducting a research project. Studies may describe, explore, or explain a topic. For instance, descriptive study catalogs and observes data to gain more thorough, detailed insight to an issue, whereas explanatory examines an issue and relationships between variables to understand connections and linkages. Exploratory study aims at developing theory and understanding about a topic which has been examined very little or not at all. (Saunders et al. 2009, 138–141; Steinberg & Steinberg 2015, 60–65.) This research will first describe and then explore the topic of stakeholder theory in residential development's scope to meet the objectives, the purpose of the study. Descriptive study is often a forerunner to exploratory research (Saunders et al. 2009, 140).

Popular and widely recognised ways to approach and to solve any type of research problem are deductive and inductive approaches, between which a researcher decides in the beginning of an examination process.

Deductive approach concerns a research in which a broad and general statement or a hypothesis and existing theory are the starting point, followed by careful examination of literature and a testing process of

possibly reaching a specific and in terms logical conclusion (Gummesson 2000, 63–64; Saunders et al. 2009, 124–128; Bradford 2015; Steinberg & Steinberg 2015, 65–66). Inductive approach, in contrary to deductive, would primarily start by focusing on a single set of an issue and data, laying the foundation for producing and generalizing a theory for a wider set of issues in the end (Gummesson 2000, 64; Saunders et al. 2009, 125–128; Steinberg & Steinberg 2015, 66). This thesis mainly utilizes the deductive approach: existing theory is the initial vantage point.

Somewhat similar to the differences of deductive and inductive approach, there are two main research methods, qualitative and quantitative, both of which as terms are often used to differentiate data collection and analysis procedures in business research (Saunders et al. 2009, 151–153). With research, it is often argued that if one begins with a theory and moves towards a confirmation, the research is a quantitative research. And, on the other hand, if one begins with a question or an observation of reality and moves towards a theory that would explain the question, the research is a qualitative research. (Benz & Newman 1998, 3–4.) Primarily, qualitative research applies or generates non-numerical data, quantitative numerical data (Saunders et al. 2009, 151).

If qualitative research method is applied, a common approach to information gathering is to realize it in a comprehensive and an in-depth manner, which emphasizes a concern for entities instead of a single phenomenon. The aim of the research for applying either method is finding the truth; strong emphasis on validity and reliability are extremely important. (Benz & Newman 1998, 11–14; Saunders et al. 2009, 156–157.) Qualitative findings are usually context and case dependent and should not be over-generalized when communicated (Patton 1999, 1197; Saunders et al. 2009, 158). As qualitative research is often primarily exploratory, conveys depth and complexity, and is less focused on the quantity of data (Gummesson 2000, 85; Galletta 2012, 124), it may provide points of interest for further quantitative studies (Ellens 2016; Unite for Sight 2018).

Moreover, in qualitative research, the contents and the data gathering process are as important as in quantitative research, but, due to the more deductive nature of quantitative research, it is imperative for the success of a quantitative research that the statistics and other numeric resources are reliable and tested. In qualitative research, it is possible to change the angle of the preliminary research problem due to the sources and materials utilized in the research and especially in its data collection process. (Benz & Newman 1998, 9–10; Saunders et al. 2009, 489; Verne TUT, 2017.) Qualitative data itself can be versatile in forms from interview transcriptions to voice and visual recordings or ethnographic field-study diaries (Saunders et al. 2009, 151; Steinberg & Steinberg 2015, 310; Finnish Social Science Data Archive 2016).

Considering the two most commonly used research methods – especially qualitative research including the possibility of changing an ongoing study's angle – the qualitative research method will be applied in examining the thesis topic. This is supported also by the fact that this thesis involves primarily a research on existing theories and their (potential) use in residential development. This thesis's scope does not directly include a desire to expand the theory to other areas of business, nor does it seek to test any numeric data. It will simply take the advantage of applying case study method, a qualitative research method and strategy, which intends to examine and study only a limited and well-confined set of issues (Gummesson 2000, 84; Steinberg & Steinberg 2015, 229); the complexity and possible peculiarities of emerging issues and the research problem will be covered throughout and with care. For the case study research method, structure and context are fundamental in the testing process (Gummesson 2000, 185–187; Klonoski 2013, 261–262). This method suits well in answering the main research question and sub-questions of this exploratory study.

1.5.1 The Design of Case Study Research

Case study research was chosen as the main research method for this study as it enables to obtain a holistic view of the limited research problem (Gummesson 2000, 86). In addition, existing theory may be explored well by using case study strategy (Saunders et al. 2009, 147). According to Stake (2005, as cited in Klonoski 2013, 262), case study design includes six steps to be involved in the qualitative research process. The six steps, and, furthermore, the underscoring of these six steps respectively in this research's workflow, are:

- 1) Bounding the case, conceptualizing the object of the study
 - A set of concise research objectives and aims as the basis of this study have been verified.
- 2) Selecting phenomena, themes or issues (i.e., the research questions to emphasize)
 - The theme behind this thesis are different applications of stakeholder theory (intangible) which are examined carefully to determine their (potential) use within residential development in Finland. Stakeholder theory is on the background of this exploratory study which has its standstill on answering a selected, emphasized research question and three sub-questions.
- 3) Seeking patterns of data to develop the issues
 - The theoretical part of the thesis leans on case literature, articles, and other secondary materials on the topic. An empirical research will further support in answering the research questions. The theoretical and empirical data will assist in concluding the research.
- 4) Triangulating key observations and bases for interpretation
 - Triangulation has its foundation on multiple-source use, i.e. the research takes the advantage of using different types of source material to avoid systematic bias and to gain a broader insight to a phenomenon (Patton 1999, 1192–1197; Saunders et al. 2009, 146; Carter, Bryant-Lukosius,

DiCenso, Blythe & Neville 2014, 545–546). As the truth value has its foundation on the whole process of any research, triangulation derives from materials, especially literature, used in the research process (Benz & Newman 1998, 52; Saunders et al. 2009, 158–160). Triangulation is both a strategy for gathering information and a means to measure the end results (Patton 1999, 1192–1197). This thesis will aim at applying triangulation of data sources and theory: the data will be gathered from multiple sources and examined from different perspectives as suggested by Patton (1997, 1192–1197).

- 5) Selecting alternative interpretations to pursue
 - Considering the theoretical part and in-depth smaller empirical part of the research, alternative interpretations may be pursued if the material points out this need.
- 6) Developing assertions or generalizations about the case
 - In the conclusive part of the thesis assertions are provided in terms of answering the research questions based on the examined data.

To summarize the research methodology and data collection, the chosen approach, methods, and data collection for the research of examining and testing stakeholder theory are presented in Figure 1. The research aims at providing concise and summarized information on the versatile stakeholder aspects of organizations in general and in the case of Finnish residential development.

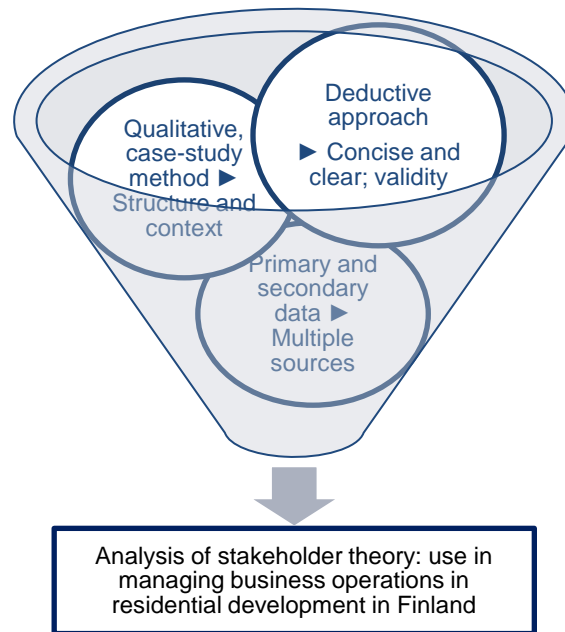


FIGURE 1. Research approach, method and data collection

In addition, the research aspires at following the quality criteria for case study researches as identified by Gummesson (2000, 185–187) to have eight items:

- 1) Readers of the research ought to have the ability to follow the process of the research and draw their own conclusions out of it.
- 2) Inclusion of feasible presentation of personal preunderstanding on the project.
- 3) The research ought to be in possession of credibility by including e.g. precise and well-argued interpretation and analysis.
- 4) The researcher ought to use such methods that grant adequate access to needed data.
- 5) Inclusion of assessment on research's validity and generality or scope in the process.
- 6) The research ought to contribute to society and/or scientific community by dealing with relevant issues.
- 7) The process in which the research is carried out ought to have dynamic characteristics (e.g. creativity and openness to new interpretations).

- 8) The researcher ought to commit to the research and have integrity and honesty.

1.6 Thesis Structure

The thesis is structured to follow the design of case study research strategy, presented in Chapters 1.5 and 1.5.1. To meet its requirements and to apply the deductive approach to research, the thesis is divided into two distinctive segments – a theoretical part and an empirical part – and further into six chapters visualized as a navigational map in Figure 2 below.

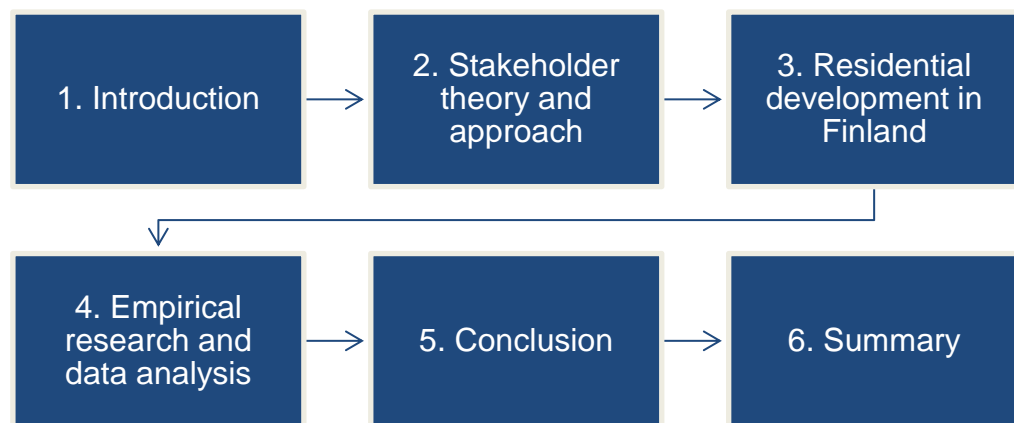


FIGURE 2. The navigational structure of the thesis

The thesis is subject to the guidelines for bachelor theses of the author's academic institution. This thesis will thus breakdown into sections which firstly introduce, secondly discuss, and thirdly, at the end, conclude and summarize the topic as examined from the outset and throughout. The sections and chapters are:

Introduction

- In Chapter 1, the topic and scope for the thesis are discussed. This includes the presentation of the research background; the verification

of objectives and research questions; and the demarcation of the topic. In addition, the applied theoretical framework, research methodology, and data collection are in this chapter's contents. Sub-chapter 1.6 visualizes the structure of the thesis report.

Stakeholder Theory and Approach

- Chapters 2 and 3 form the theoretical part of the thesis. In Chapter 2, to begin with, stakeholder theory and approach are examined as concepts. Second, models to identifying and managing stakeholders are presented. Additionally, possible engagement activities in organizations are shortly discussed. Chapter 2 contains the most theoretical concepts applied in formulating the empirical part of the thesis.

Residential Development in Finland

- In the second theoretical chapter, Chapter 3, residential development as a business is defined. In addition, some current trends and challenges in the industry are examined from Finnish perspective and affecting international perspective.

Empirical Research and Data Analysis

- The fourth chapter introduces the formulation and design of the conducted empirical research of the thesis. The applied methods for data collection and analysis are discussed prior to presenting and analyzing the qualitative interview data.

Conclusion and Summary

- The theoretical part and empirical part form the thesis which concludes by answering the research questions in Chapter 5. In the respective chapter, the validity and reliability of applied research is discussed in general and in the scope of the conducted study. In addition, some suggestions for further research are given prior to summarizing the entire thesis in Chapter 6.

2 STAKEHOLDER THEORY AND APPROACH

This chapter is the first of the two theoretical chapters of the thesis. The purpose of this chapter is to examine the main theoretical topic for the research in this study, the stakeholder theory and its development. This enables to have a testable theory and means to answering the research questions. In addition, the purpose is in accordance with the objectives for the study. The chapter involves presentation of the most cited stakeholder theory topics by moving from organization and stakeholder identification to managing for stakeholders.

2.1 Organization's Identity and Responsibility

Firstly, to define a stakeholder, the purpose of a company should be considered. As companies' operations are directly or indirectly linked to many different spheres within societies, from economical sphere such as capitals market to political sphere such as cooperation with authorities, any company is driven by a strategy or a multitude of strategies to perform as good as possible in its market to fulfill its purpose – traditionally, to maximize the return to shareholders (Campbell & Kitson 2008, 18–19; Carroll & Buchholtz 2015, 5–6). According to Encyclopaedia Britannica (Woodward 2018), a business organization can be characterized as an entity formed to achieving and having commercial enterprise under a set of different laws and regulations.

Moreover – against Nobel prize winner Milton Friedman's famous notion businesses not being entities equipped with responsibilities (Reich 2007, 74) – as Freeman (2004, 229–231) defines, any individual or a group of individuals such as a company or similar organization must consider the effects of its actions to others, and, the potential effects of others on the organization in question for implementing successful, long-term business. Carroll & Buchholtz (2015, 79–80) suggest a managerial template (Table 1) to considering company's responsibilities to various stakeholders.

TABLE 1. Stakeholder responsibility matrix (Carroll & Buchholtz 2015, 80)

Stakeholders	Types of Responsibilities			
	Economic	Legal	Ethical	Philanthropic
Customers				
Employees				
Owners				
Etc.				

As Table 1 visualizes, responsibilities to stakeholders may be thought of as economic, legal, ethical, and philanthropic. The approach of considering organization's identity should be the starting point for a strategic management process due to the fact that companies do their business in pluralistic environment: they need to communicate their purpose both internally and externally under a complex set of issues, varying demands, and other ad-hoc situations in a continuous fashion (Freeman 2004, 229; Esty & Winston 2006, 15; Carroll & Buchholtz 2015, 6–20).

2.2 Stakeholders' Identity

After a short organization analysis it is easier to understand stakeholder theory. The most applied, debated, and academically reviewed typology of stakeholders and their definition is Freeman's model (originating from 1984), according to which a stakeholder in a broad sense is "any group or individual that can affect or is affected by the achievement of a corporation's purpose" (Freeman 2004, 229; Carroll & Buchholtz 2015, 65–66). Before this definition existed, the concept of who is a stakeholder included less parties (Campbell & Kitson 2008, 17; Mitchell et al. 1997, 855–858), which can be seen in Table 2 summarizing main definitions respective to the year of each's origin.

TABLE 2. Development of stakeholder definition (based on Campbell & Kitson 2008, 17)

1963: The Stanford Research Institute	1984: Freeman
“Those groups without whose support the organization would cease to exist.”	“Any group or individual who can affect or is affected by the achievement of the organization's objectives.”

According to Campbell & Kitson (2008, 17), the definition of 1963 included shareowners, employees, customers, suppliers, lenders and society, since demands and concerns of these groups must have been understood for the sake of a firm's continued survival. Stakeholders today may have a stake in an organization by having an interest, a right, or ownership in two-way interaction (Carroll & Buchholtz 2015, 65–66). Also, it is the imperative for companies to aim at both internal and external collaboration, which can mean other incentives than the traditional maximized profit for business as well. Acknowledging a stakeholder's identity is crucial for businesses' continuation in a global economy – different stakeholders may and are subject to being influential. (Esty & Winston 2006, 181; Carroll & Buchholtz 2015, 88–90.)

Everstill, the overall context matters: understanding stakeholders might not be a suitable strategy in achieving the largest profits, but for a long-term's business it is starting to be essential if it is not already (Freeman 2004, 231–232; Esty & Winston 2006, 286–288; Freeman et al. 2007, 3–6; Carroll & Buchholtz 2015, 119–120).

2.3 Stakeholder Theory's Identity

According to Freeman (2004, 229–237), the process of analyzing stakeholders systematically above all is a managerial tool. It helps for instance company leaders and academics to think about business strategies and their possible and plausible fulfillment by infusing typical strategic analysis with often unique values and moving direction(s) of an organization in question. Stakeholder assessment and consideration of them is to many a type of a Corporate Social Responsibility (CSR) activity, but for Freeman a separate CSR approach is unnecessary once the definition and integration of stakeholder concerns is processed into business strategy (Freeman 2004, 231; Freeman et al. 2007, 98–100).

To Carroll & Buchholtz (2015, 37), CSR and stakeholder approaches are inseparable and should be understood together. Even in that case, stakeholders act and influence in different spheres within society, which calls for considering proper relationship with them. It is quite clear, that employees and regulators have their own operational sphere in society and demand or a set of demands for a company. In the end, businesses consist of interactions which need to be managed in the best possible manner to create and sustain value for key stakeholders. (Freeman et al. 2007, 4; Carroll & Buchholtz 2015, 64–69.) Stakeholder approach can also be identified as a developed view of what a company stands for (Carroll & Buchholtz 2015, 66–69).

Moreover, consideration of stakeholder relationships enables managers as well as other executives in preparing their business units in adaptation process for incoming changes confronting them. For instance, companies can affect proactively regulatory development and benefit from it (Esty & Winston 2006, 71; Kuvaja & Malmelin 2008, 20). Likewise, engaging in open discussions and collaboration with communities can prevent confrontational disputes from taking place (Freeman et al. 2007, 4).

Managing for both shareholders' interests and other stakeholder relationships simultaneously might often seem contradictory, demanding,

and time consuming (Freeman et al. 2007, 4–8; Carroll & Buchholtz 2015, 83–84), but for shareholders the free stock market grants an exit superior to many other organizations' stakeholders (Freeman 2004, 235). This evokes managements not to provide extensively centered responsibility towards one stakeholder group above the others. Shareholders are also dependant on companies' ability to supply markets with products and services that others want to buy, which is directly proportional to management of human resources and supplier relationships for instance. (Freeman et al. 2007, 4–8.) Shareowners' apparent asset specificity should not grant primary position in companies' responsibilities (Freeman 2004, 235). The debate on shareholders' legitimacy being superior to others is ongoing within corporate governance's sector as business ethics develop further (Freeman 2004, 235–236; Kuvaja & Malmelin 2008, 17–18; Carroll & Buchholtz 2015, 119–120).

In addition to just being a theory of using a certain type of an analysis for strategical purposes, stakeholder theory is assigned to have more to it than categorization based on the point of view chosen. Since alone neither descriptive (1), normative (2) nor instrumental (3) approach – listed in the same numerical accordance in Table 3 – to analyzing stakeholders brings much benefits for an organization, it is the imperative for individuals interested in the topic to see beyond strategic issues and to the philosophical foundations stakeholder analysis has to offer. (Freeman 2004, 234; Carroll & Buchholtz 2015, 72–73.)

TABLE 3. Stakeholder analysis – different approaches (based on Freeman 2004, 234)

Approaches to analyzing organizational stakeholders
1) Descriptive: Companies have stakeholders.
2) Normative: Why to consider stakeholders?

3) Instrumental: Considering stakeholders enables to have successful strategies.

In the 21st century's interlinked global markets and its apparent oversupply of many goods and services, the so-called new economy clearly challenges all businesses to consider in a broader sense their impact and place in different markets (Kuvaja & Malmelin 2008, 17–18). The four power sources driving for change are according to Moon & Bonny (2001, 7–14):

- Technology: e.g. the increasing shifting speed of data and information from one place to another;
- Globalisation; e.g. wider awareness on issues concerning the environment, human rights and anti-capitalism;
- Intangible assets; e.g. valuation of companies based on innovation and talent;
- The war for talent; e.g. changing standards for recruitment and retention of skilled people within a company.

Furthermore, the four mentioned power sources from the beginning of 2000 are still visible and increasingly interconnected if compared with a more up-to-date analysis of megatrends shaping societies and governments as 2030 approaches. According to KPMG International (2014, 1–8), development in technology and communication; increase in the quota of global trade; demographic changes; and inadequate resource management both challenge regulators and authorities and provide novel possibilities for individuals and organizations in harnessing skills and competences for business endeavours at present. Multinational environment is not an open playground to perform unsustainably (Carroll & Buchholtz 2015, 292–295).

Clearly – comparing the limitations of each approach in Table 3 to the four power sources and the megatrends shaping societies – there is a link to consider stakeholders by combining the different approaches 1–3 and see

beyond an initial point of view to stakeholders in any company. To Freeman (2004, 231–234), one major implication of stakeholder theory is that stakeholders are about the business, and the business is about the stakeholders: the values of a company and its managers must meet with the expectations of both stakeholders and a society where the end products or services are planned to be sold. Stakeholder theory suggests to discovering such solutions to issues which satisfy multiple stakeholders at the same time (Freeman et al. 2007, 52–55; Carroll & Buchholtz 2015, 82–85). In addition, as a continuum, companies would have to link stakeholder assessment into their enterprise strategy by stating two questions (Freeman 2004, 231–234):

- How does this firm make each stakeholder better off?
- What does this company do to improve any potential or existing tradeoffs between various stakeholders?

These two questions may also be analyzed differently if one distinguishes between stakeholder analysis and stakeholder management. According to Harrison and St John (1994, as cited in Freeman 2004, 237), management of stakeholders integrates a combination of different models and their perspectives such as resource-based view and industrial organization economics. Furthermore, management includes actions from and with an organization. Negotiations, contractual meetings, and communication build a partnership between a company and a stakeholder, e.g. a local community. (Kuvaja & Malmelin 2008, 84–85.) As the stakeholder environment is dynamic, managing for stakeholders is not a straightforward task (Carroll & Buchholtz 2015, 73).

Considering the two questions more, next chapter focuses on examining different stakeholder analysis tools which use a set of diverse classification methods. The tools help in discovering and recognizing links between company's stakeholders, which ultimately might also reveal tradeoffs and defects in communication towards both external and internal groups of an organization (Esty & Winston 2006, 266–268). Ultimately, stakeholder analysis reveals a starting point for further collaboration and hands-on

involvement in solving global issues, which, directly or indirectly, are also affecting businesses worldwide (Freeman et al. 2007, 20–26; Kuvaja & Malmelin 2008, 13; Carroll & Buchholtz 2015, 295). This collaboration needs combined parties and forces from all spheres of society (Sachs 2015, 495–496).

2.4 Stakeholder Identification

To start the process of identifying a company's or an organization's stakeholders, there are many different tools to choose from. Formulating an identity for different stakeholders enables a company for instance to consider its operations and people together in different parts of a descriptive process such as a value chain whether it was designing intangible services or manufacturing harmonized common goods for markets (Esty & Winston 2006, 65–68). On the other hand, considering stakeholders by using qualitative criteria such as distinct attributes to identify the crucial stakeholders from the rest may assist in focusing on salient customers, employees, and NGOs or similar well-timed. Stakeholders must be prioritized carefully to manage risks and to use resources effectively simultaneously. (Kuvaja & Malmelin 2008, 63–65; Carroll & Buchholtz 2015, 69; Ali 2017, 166.)

2.4.1 Stakeholder Map – Gather

In modern business environment, companies tend to have connections to many completely or partially external organizations and build their operations inside complex networks. This is – as examined earlier – a result of many changes such as market liberalization, development of information technology, and changes in primary and secondary business relationships (Freeman et al. 2007, 25–38; Carroll & Buchholtz 2016, 5–20). Traditional autonomous business units have transformed into networks consisting of subsidiaries, joint ventures, alliances, and partly owned operations. In the middle of this, there is usually the corporation itself to which – due to the prevailing business format – it is the imperative

to be savvy about creating relationships with different stakeholders. Stakeholders' perception of a company ultimately has a direct impact on overall business success, whether measured in price of the share or market reputation. (Moon & Bonny 2001, 15–21; Carroll & Buchholtz 2015, 10; Ali 2017, 166.)

However, before any relationship can be sought after, the stakeholders must have been recognized at first. For instance, a tool for gathering all active parties in an organization's business process having links to environmental issues is AUDIO analysis which provides data on an issue and does it by using five dimensions. A topic or a challenge such as air pollution can be managed by spotting downside risks and upside opportunities in repetitive manner, i.e., the examination is repeated in the organization. (Esty & Winston 2006: 60–63, 262–266.) An example of AUDIO analysis and questions to consider is presented in Table 4.

TABLE 4. Example of AUDIO analysis (Esty & Winston 2006, 62–63)

Topic or a challenge, e.g. an industry-specific issue	
A – Aspects	What aspects of this issue affect company's operations?
U – Upstream	Which aspects concern company's suppliers?
D – Downstream	What aspects concern company's customers?
I – Issues	Which elements in <i>A–D</i> create issues or challenges (i.e. vulnerabilities) for the company in particular?
O – Opportunities	What kind of opportunities for improvement and development do identified issues suggest?
Repeat and re-examine A–O	

AUDIO analysis is one tool for gathering active parties in a business process. Since it collects parties limited to a set aspect, it is usable in managing issues of many kind and communicating them together with a company's suppliers (upstream) and clients and customers (downstream). (Esty & Winston 2006, 266.)

However, somewhat contrary to AUDIO analysis, a tool for showing some characteristics of stakeholders in a more precise manner is stakeholder map. It tracks down the stakeholders interested in a topic essential in realization of a company's endeavour. Today, most companies if not all companies have operations linked to environmental issues, which is one topic to build a stakeholder map – an example shown in Figure 3 – onto. (Esty & Winston 2006, 65–68.) The categories in that case – depending on the case the number of categories may be different – were:

- rule-makers and watchdogs
 - e.g. governmental regulators and politicians
- idea generators and opinion leaders
 - e.g. research centres, think tanks, and academics
- business partners and competitors
 - e.g. industry, B2B, and suppliers
- consumers and community
 - e.g. communities and consumers
- investors and risk assessors
 - e.g. shareholders, insurers, and banks (Esty & Winston 2006, 65–68; Carroll & Buchholtz 2015, 9).



FIGURE 3. A stakeholder map (Esty & Winston 2006, 67)

For a manager or an organization to be able to gather the stakeholders onto a map, it is important to realize, how exactly each of them can influence a company's endeavours. In the end, business models in today's economy are combinations of a variety of assets, i.e. stakes, which leads the organizations themselves to be accountable to every asset owner, i.e. stakeholder, in a mutually agreed way 24/7 (Moon & Bonny 2001, 20; Freeman et al. 2007, 29; Kuvaja & Malmelin 2008, 48–53). Managing the cooperative relationship starts from analyzing the need for being accountable for an organization's actions to a single owner of an asset, a stakeholder granting the license for the organization to operate (Esty & Winston 2006, 257–258).

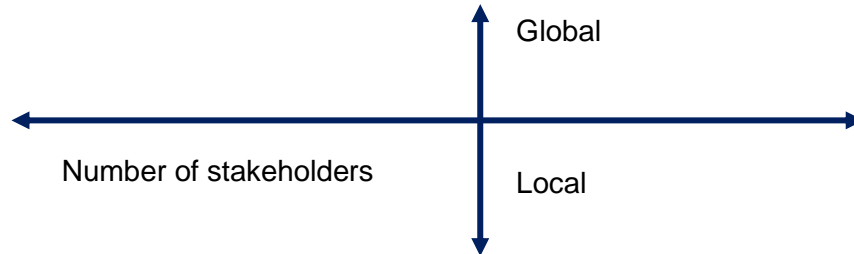


FIGURE 4. Expanding outreach within a stakeholder's arena

For rulemakers & watchdogs, it is for instance beneficial to understand the expansion inside the respective stakeholder's arena. There is an increasing number of authorities and self-appointed authoritative entities (visualized on the horizontal axis in Figure 4) from local to global dimension (vertical axis in Figure 4). The willingness to affect a business may vary between them: a blogger on the Internet might have a significant role locally compared to even a large political group or a party rallying behind an agenda. Their initiatives can both provide new business and ruin existing or planned one, especially for the latter option if the initiative is not noticed proactively. (Esty & Winston 2006, 68–72; Kuvaja & Malmelin 2008, 63–64.) Similarly, a condensed example of business-government relationships' network in the USA based on Freeman et al. (2007, 38) is portrayed in Figure 5.

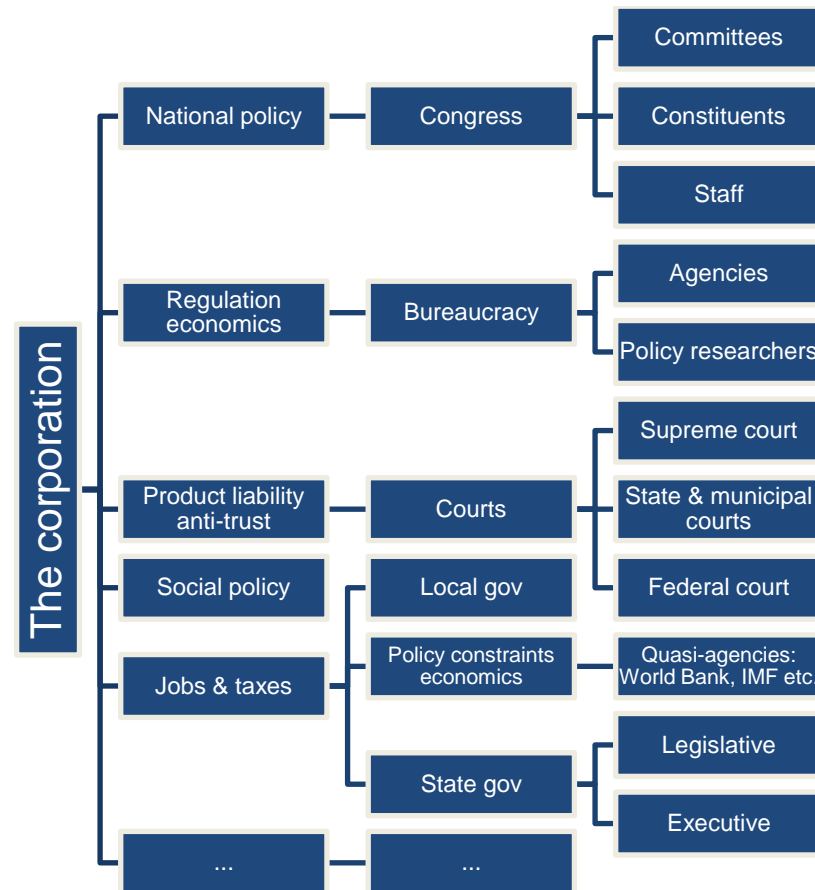


FIGURE 5. US example of business-government relationships (Freeman et al. 2007, 38)

NGOs and other special-interest groups (SGIs) have an increasing impact within societies as watchdogs. Therefore, they should also be recognized when gathering the material for a stakeholder map; a strategy to deal with organizations like World Wildlife Fund (WWF) or Greenpeace is essential for managing business' continuation and the value of intangible assets such as company reputation, public relations, or brand. (Esty & Winston 2006, 71; Freeman et al. 2007, 43.) Joint ventures and partnerships with rulemakers and watchdogs can yield positive reputation and motivate employees (Campbell & Kitson 2008, 10; Kuvaja & Malmelin 2008, 20).

For the second group suggested by the map model, i.e. the idea generators and opinion leaders, it is especially the management of media issues which calls for any organization to have a functioning emergency response plan. As media has become utterly diffuse and a complex

playground including parties from traditional media (e.g. newspaper publishers and television distributors) to mostly anyone with an opinion and a medium (e.g. a blog, a website or a social media profile) to publish it, it is the imperative for executives to have an active policy on mitigating possible issues proactively and to react to ad-hoc situations. (Esty & Winston 2006, 80; Freeman et al. 2007, 43–44; Carroll & Buchholtz 2015, 10–12.) Companies' operational preconditions are strongly subject to their ability to affect and manage reputation (Kuvaja & Malmelin 2008, 31–37). For crisis communication, there are numerous tactics such as relational dialectics theory (RDT) to be adapted into a corporate's strategy (Carroll & Buchholtz 2015, 160–171; Littlefield & Sellnow 2015, 1–5).

On the other hand, idea generators include research & development (R&D) parties such as think tanks and university institutions, with whom companies can and should actively evolve their ideas forward for them to become true innovations yielding benefits for end-users and innovators themselves. Partnerships with academia enable organizations to have insight to knowledge production business which ultimately will directly affect their operations as new products and services shape markets at an accelerating tempo. (Esty & Winston 2006, 81–82.) Active networking to academics can also prove to be useful when recruiting new talents or searching for know-how (Pritchard 2007, 81–82; Confederation of Finnish Industries 2018b; Kalliokoski 2018).

Likewise, cooperation with business partners and competitors can result in many types of benefits such as economies of scale. Together companies operating in a same industry can for instance not only affect positively the industry's reputation but also enable each other to have an eye on other's development. (Esty & Winston 2006, 82–86.) Networks of business partners can provide different types of Human Resource (HR) services or management (HRM), leasing, possibilities for joint ventures in reaching global markets, and further services for clients. Alone in Finland, the quota of private service industries out of total GDP is above 50% (Confederation of Finnish Industries 2018), latest turnover growth percentage (year-on-year, September–November [2016–2017]) being 6.8% (Statistics Finland

2018a). There is clear potential for creating cooperation, and the trend is to consider customer insight and servitization more also in the future (Räty 2017).

The fourth case group, consumers and community, is essential for all companies involved in business making. Responsibility to perform in a rightful manner to clients and end-users of products and services is a normal and a standard for responsible or above it businesses when considering today's business ethics. (Campbell & Kitson 2008, 9–17; Kuvaja & Malmelin 2008, 117–121; Carroll & Buchholtz 2015, 409–416.) To a B2C company it might be useful to gather different consumer groups onto the stakeholder map, for a B2B company it might be different business branches to whom they supply; companies need to solve which communities they are a part of (Freeman et al. 2007, 36).

On the other hand, a community no longer is solely subject to a place such as a geographical location. Communities of interest and virtual communities take the advantage of IT and Internet in expanding their outreach beyond geographical restrictions and perform on a wide stage from local to global dimension as portrayed in Figure 4. (Freeman et al. 2007, 35–36.) Community depends on a company's business portfolio: does it have large factories or manufacturing premises, or, does it have an office through which it provides services online. Community might thus be replaced for instance by society in some cases, or, other stakeholders might help in identifying the proper group missing. (Moon & Bonny 2001, 181–182.)

Lastly, considering the fifth category, investors and risk assessors, shareholders are often the interest group which management is told to please and for whom to build company's success. However, as shareholders are one group of stakeholders, a company should always consider the interrelationships laying the foundation for business now and in the long term. Stakeholder theory for strategic management broadens the concept of public companies having only one dominant, shareholder-based interest (Freeman et al. 2007, 46; Campbell & Kitson 2008, 17–18;

Carroll & Buchholtz 2015, 77–81). Shareholders are not in the centre of a stakeholder map (Freeman et al. 2007, 34–35). Figure 6 visualizes the stakeholders in the fifth category, all of which are primary stakeholders if classification primary–secondary is applied (Carroll & Buchholtz 2015, 67–68).

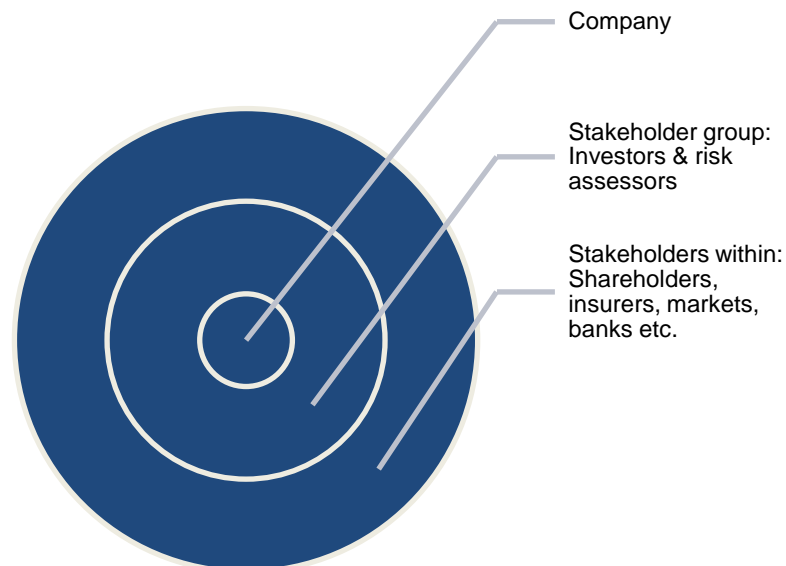


FIGURE 6. Examining stakeholders within a stakeholder group (based on Esty & Winston 2006, 67; Freeman et al. 2007, 34–35)

Moreover, business finance has met severe scandals and lost public trust in the 21st century. Reforms have helped in increasing transparency but simultaneously made auditing and accounting services more expensive as the number of businesses has diminished. (Freeman et al. 2007, 34–35.) According to CFA Institute (2017, 9), only 11% of investment leaders believe investment industry to have a very positive effect on societies today. At the same time, banks and insurers constantly monitor risks and uncertainty for permitting liquidity: proactive analysis of them as a player can only work for the good of any company. For instance, financing for a project might be unallowed if a company does not follow principles such as the Equator Principles applied widely in financing sector. (Esty & Winston 2006, 92–97; Balch 2012; Mizuho 2018.)

Ultimately, gathering shareholders together with banks and insurers onto the stakeholder map is about analyzing the overall business model and an attempt to manage complex diversity of interests, values, backgrounds, and context: to whom does the company stand for and why? (Freeman 2004, 231.) For a sustainable reputation, Freeman's question can be answered by building integrity from the inside out, meaning that company's deep-rooted purpose and values (agreed mutually with all stakeholders); know-how; and plans, policies and processes are all embedded inside company brand. The brand in this case fills the expectations of different stakeholders and combines outside-in and inside-out approaches to an enterprise strategy. (Moon & Bonny 2001, 103–109; Freeman et al. 2007, 75–80; Kuvaja & Malmelin 2008, 24–25.)

2.4.2 Stakeholder's Salience – Asses

When all stakeholders are gathered onto a map for instance, they can be assessed further by using a qualitative criterium such as questions. The questions help in prioritizing the relationships which should be monitored more carefully. Esty & Winston (2006, 266–268) suggest proceeding further by evaluating a stakeholder's impact both now and in the future; mindset; group dynamics; and possible uprising concerns. Salient stakeholders might be concerned only by the level of urgency of their issues, whereas importance easily gets forgotten, which is why Esty & Winston (2006, 267–268) consider arraying them to a grid (see Figure 7 below) showing possible weaknesses within an organization's focus.

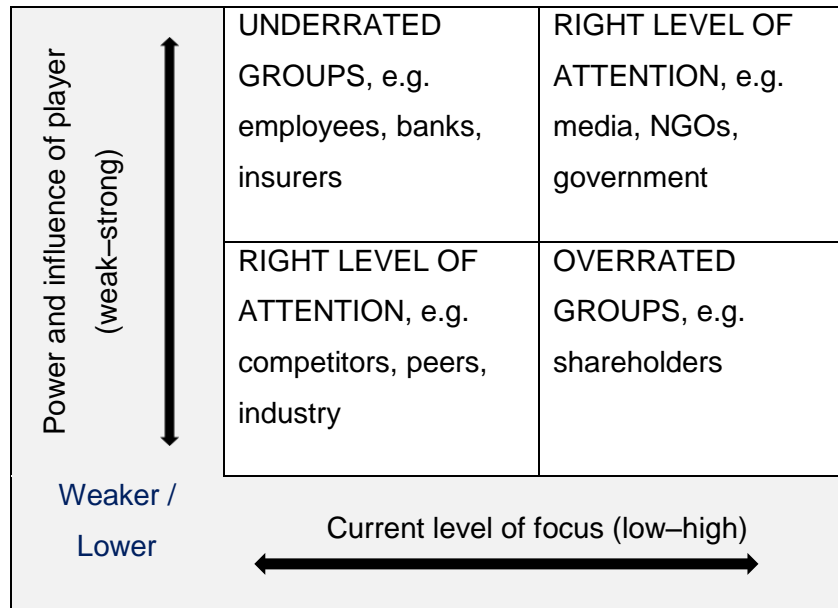


FIGURE 7. Assessing influence and focus on a grid (Esty & Winston 2006, 268)

As can be seen from the grid, often no type of a map can portray complex and interlinked stakeholder playing field perfectly. However, urgent and important stakeholders can be recognized, and, focus in engaging with them can commence faster by using a two-by-two matrix and the map itself. They both provide a chance to brainstorm at a managerial level to see who really counts and with whom should the company in question do partnership with. (Esty & Winston 2006, 268.)

Likewise, key stakeholders can be assessed and identified by using quite a similar typology model and a theory including three core relationship attributes: power, legitimacy, and urgency. This set of criteria unfolds stakeholders which organization's management may and should respond to under certain circumstances. (Mitchell et al. 1997, 853–855; Carroll & Buchholtz 2015, 69–72.) The attributes contain according to Mitchell et al. (1997, 868–870) the following constructs:

- Power – the ability of X to get Y to do something Y otherwise would not do.

- Legitimacy – entity’s actions are desirable, proper, or appropriate within a certain socially-constructed systems of norms, values or beliefs.
- Urgency – the level or a degree to which certain claims of a stakeholder group call for immediate attention.

Moreover, power as an attribute can be acquired or lost as well as it might be latent; the stakeholder in possession of power either does not aim at using it towards a company or does not know about having it (Mitchell et al. 1997, 868). Bases of different power types in organizational setting follow Etzioni’s (1964, as cited in Mitchell et al. 1997, 865–869) resource logic, in which coercive power involves physical threat or force, utilitarian power materials and financial resources, and normative power symbols, all of which lack a steady state and thus are variable – power is transitory.

Secondly, considering attribute legitimacy, it may exist both independently or together with the other attributes. If, however, a legitimate – either at an individual, organizational, or societal level in a social system – stakeholder does not have any resource of power, or its claim is not urgent, the respective claim onto a company will not have direct salience in the company’s strategy. On the other hand, legitimacy can be negotiated and defined differently due to existing differences within socially-constructed systems. (Wood 1991, 710–711; Mitchell et al. 1997, 866–867.) Legitimacy is perceived validity or appropriateness of a claim to a stake (Carroll & Buchholtz 2015, 70–71).

Thirdly, urgency as an attribute empowers the theory on assessing stakeholder salience on its dynamics and exists when a claim or a relationship is time-sensitive and important or critical to a stakeholder of a certain company. Relationship can be critical for instance due to ownership of assets tied to a company or expectations such as benefits and salary. Similar to both power and legitimacy, also urgency of issues tends to shift over time; urgency does not have a steady state. (Mitchell et al. 1997, 867–870; Carroll & Buchholtz 2015, 70.)

Ultimately, when a stakeholder possesses any of the three attributes presented in the previous sections, it should be considered and monitored by a company. Moreover, if a stakeholder has a combination or all three of these qualitative characteristics, it is the imperative for any organization to identify it as a key entity or an individual having claims or purpose for a relationship to be thought of in flow of business. (Mitchell et al. 1997, 872.)

The ability to enforce claims can be monitored from a political-economic perspective where the organizational ability is considered on a scale from bad to good (Schaltegger 1999, 15), which classifies and assesses stakeholders as well. In Figure 8, attributes power, legitimacy, and urgency are both alone and linked to each other, revealing typology and stakeholder classification method for assessing salience of entities as suggested by Mitchell et al. (1997, 853–886). The model has been cited in numerous works (Neville, Bell & Whitwell 2011, 357; Ali 2017, 154), which is why some of those studies and their amendments will be examined in Chapter 2.4.3.

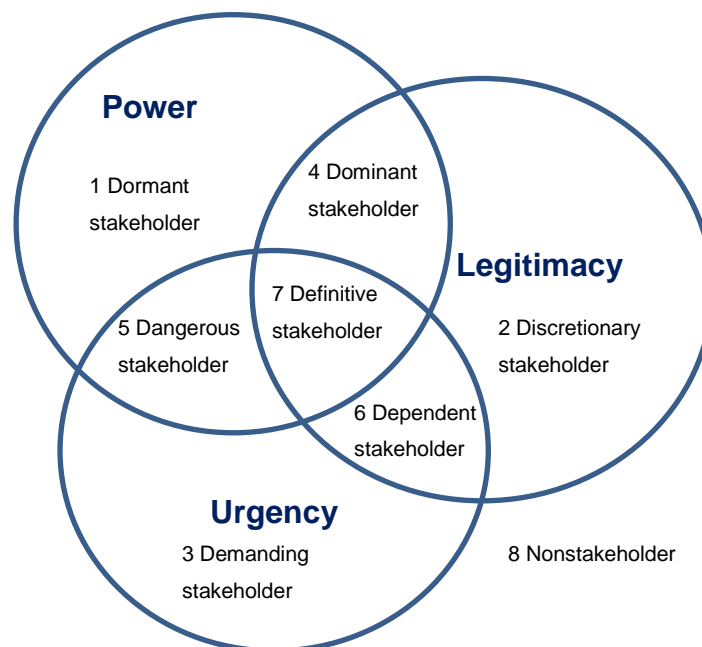


FIGURE 8. Stakeholder typology by Mitchell et al. (1997, 874)

Considering Figure 8 further, according to the model and its creators, only those stakeholders in possession of at least one attribute, power, legitimacy, or urgency, are to be considered stakeholders by a company's management. Entities having none of the attributes are nonstakeholders and are not salient (area 8). (Mitchell et al. 1997, 872–873.) Furthermore, stakeholder salience classes – numbers and definitions are respective to Figure 8 and to the original model by Mitchell et al. (1997, 872–878) – are:

- low salience classes described as latent including areas 1, 2, and 3
 - ➔ in possession of attributes limited to only one attribute
- moderately salient classes described as expectant including areas 4, 5, and 6.
 - ➔ in possession of any combination of two attributes
- highly salient class described as definitive including area 7
 - ➔ in possession of all three attributes.

If a stakeholder is latent, management of an organization may not even recognize its existence nor do something about its issues or relationships (Mitchell et al. 1997, 874). It is not ignorance which Esty & Winston (2006, 257) refer to, but the recognized lack of resources such as energy and time which drives not necessarily to track down latent entities in different spheres of society (Mitchell et al. 1997, 874; Neville et al. 2011, 357; Ali 2017, 153). Latent stakeholders include dormant (area 1), discretionary (area 2), and demanding (area 3) stakeholders. Furthermore, according to Mitchell et al. (1997, 874–876), latent stakeholders are subject to following classification:

- **Dormant stakeholders** possess power to reinforce their claims, but the non-applicable legitimacy and urgency of their relationship and claims respectively leaves them out of using it. Their interaction with a company is minimal to non-existent. However, they do have the potential to acquire another (other) attribute(s), which – consistent with the dynamic nature of the theory – calls for business management to remain conscious of their existence. (Mitchell et al. 1997, 874–875.)

- **Discretionary stakeholders** lack power and urgency, which enables management not to create active cooperation with them – there is no pressure for doing so. Legitimacy of their issues can, however, suggest companies for developing corporate philanthropy targeted at discretionary entities. (Mitchell et al. 1997, 875.) CSR-activities like charity and foundations are an example of this, but for Freeman’s (2004, 231) stakeholder approach, in contrary, an approach such as social issues management is an unnecessary and wrong unit for an analysis. Nevertheless, corporate foundations and charity may please other stakeholder classes, which yet again reveals the complexity of stakeholder relationship management (Mitchell et al. 1997, 864).
- **Demanding stakeholders** involve those relationships or claims which only cause short-term irritation and possible headache for companies. Such insufficient a call for urgency of a claim should not be considered important or given much if any resources from a company. Demands should be empowered by attaining either power or legitimacy. (Mitchell et al. 1997, 875–876.)

Interest groups and individuals in possession of two of the attributes are expectant – they are expecting something from a company or an organization. Thus, accordingly, the level of responsiveness to expectant stakeholders’ claims and demands should be higher, described as moderate, than to those described as latent stakeholders in the previous paragraph. (Mitchell et al. 1997, 876.) Engagement with each expectant class – areas 4–6 in Figure 8 – should be subject to the definitions as in the following.

- **Dominant stakeholders** hold both attribute power and legitimacy, which is why their claims are to be managed as having significant purpose and effects for a company classifying them with possessing these two attributes. Moreover, dominant stakeholder groups are expecting many times to have a function or a place which takes care of their issues and the relationship between them and the organization in question. For instance, HRM-department

(for employee–company relationship); structure of boards (including representatives of owners and creditors among others); and annual reporting are basically functions for pleasing dominant stakeholders. To dominant stakeholders does not, however, apply notion “sole stakeholders of a company”. (Mitchell et al. 1997, 876–877.)

- **Dangerous stakeholders** are suggested to be assessed as potentially using coercion for fulfilling their otherwise, by nature of the typology, illegitimate demands and claims. Dangerousness of these stakeholders can possibly – even potential power is dangerous (Neville et al. 2011, 363) – result in using attributes power and urgency unlawfully by means of (employee) sabotage, kidnaps, and terrorism for example. This calls managements seriously to take on efforts in mitigating such risks. An approach is to identify them without a public acknowledgment. (Mitchell et al. 1997, 877–878.) Traditionally, risks themselves may be considered being either strategic, operational, financial, or external (COSO, as cited in Koletar 2011, 75), and, such an approach is today most widely applied (Carroll & Buchholtz 2015, 159–160; PwC 2018).
- **Dependent stakeholders** lack attribute power but do have legitimacy and urgency for their claims towards an organization. They will most likely have to resort to other stakeholders with power or, optionally, to management of a company to receive attention for their demands. If benevolence of managers is not applicable for a case, dependent stakeholders such as communities may attain power and become definitive and extremely salient through cooperation with governments and other legal embodiments, which again underlines the dynamic nature of stakeholder classification theory. (Mitchell et al. 1997, 877.)

The most crucial area, i.e. area no. 7, in Figure 8 portrays stakeholder group ‘definitive stakeholders’. Such entities should be carefully examined and given priority to when managing complex stakeholder relationships

(Mitchell et al. 1997, 878). To summarize, the highest level of salience applies to:

- **Definitive stakeholders**, to whom management of any organization should reserve admissible amount of time and other resources for realizing an active and mutually agreed system of functioning two-way relationship. Proper external communication and transparent business model are ingredients for addressing highly-salient stakeholders. In addition, due to the dynamic nature of stakeholder classification, it is the imperative for management to actively figure out the relationships for possible uprising definitive interest groups. (Mitchell et al. 1997, 878–879.)

Lastly, as a continuation to the last sentence in the previous paragraph, stakeholder relationships are not a static intangible such as a steady state but a dynamic abstract such as a flow. Both the level of power, legitimacy, and urgency can and will change over time and from an issue or a claim to another: expectant can become definitive and definitive can become latent or even nonstakeholders. How different stakeholders are addressed, can and must – the latter due to the limited resources available in any organization – be in a constant flow, to which management a classification tool is beneficial. In the model, the attributes are either present or absent, and, importantly, assessing legitimacy is accompanied with assessing power and urgency. (Mitchell et al. 1997, 878–882; Carroll & Buchholtz 2015, 69.) Grading and scoring each stakeholder group or a claim with a qualitative criterium assists in maintaining focus at all time and upon confronting critical claims (Mitchell et al. 1997, 880–881; Esty & Winston 2006, 279–280; Ali 2017, 165).

2.4.3 Stakeholder's Salience – Supplementing Redefinitions

As stated earlier, a proper stakeholder salience typology has been under debate for decades. Stakeholder salience characteristics are suggested to being assessed differently in correlation with context, organizational strategy, and culture (Neville et al. 2011, 361; Ali 2017, 166). Some

researchers suggest not to use a managerial model such as classification tool to begin with by asking if an illegitimate stakeholder exists (Freeman 2004, 236), or, if an executive independently can identify all critical groups (Freeman et al. 2007, 161).

Therefore, those scholarly papers and examinations must be considered also in the workflow of this thesis. The original model of Mitchell et al. (1997, 853–866) has been examined, altered, and developed further, which was suggested and encouraged by the authors themselves (Mitchell et al. 1997, 880–881) and is typical of science (Saunders et al. 2009, 4–9). Those supplementing redefinitions, however, have been relatively limited in number (Neville et al. 2011, 358). In those theories, attributes legitimacy, urgency, and power have been either changed in their definition or left partially out of the model determining stakeholders, (claims), and salience (Neville et al. 2011, 360; Ali 2017, 158–159). Later studies have also proved that organizational stakeholder cultures differ and affect how existing attributes contribute to a stakeholder or a claim to have salience from a managerial viewpoint (Boesso & Kumar 2016, 826). In the following, some redefining theories affecting salience issues are shortly examined.

Firstly, as mentioned, classification attributes are subject to an ongoing debate on which attribute ought to be included into a model determining a stakeholder, centrality of a claim, or their salience. A critical notion is that the salience of a stakeholder to that of a claim should be distinguished as legitimate claims might arise from illegitimate stakeholders (Eesley & Lenox 2006, as cited in Neville et al. 2011, 359–361). As a result, legitimacy of a claim should be centered and given exclusive focus on managers' assessment which ultimately determines a need – criteria based on chosen attributes – for answering or otherwise responding to a claim. Moral legitimacy of a claim – legitimacy of a stakeholder being inferior to a claim's legitimacy or of a secondary nature – determines if the claim should be attended by the organization in question. (Neville et al. 2011, 363; Ali 2017, 158.) According to Neville et al. (2011, 363–367),

moral legitimacy to the evaluation of stakeholder salience is defined having following constructs:

- Stakeholder's claim is granted attribute legitimacy if evaluated as intrinsically right and proper.
- Managers' moral legitimacy assessments are subject to both personally (individual factors), organizationally (situational factors), and socially constructed system of norms, values, beliefs, and definitions.

Secondly, urgency as one of the attributes in the original model has oftentimes been under critic. Some models leave it out from the typology, others change it to another attribute such as organization. (Ali 2017, 158–159.) For Neville et al. (2011, 362–363), urgency is a dynamic attribute which can boost other classes (i.e. stakeholders with power or legitimacy) and cannot solely grant a stakeholder status. However, in their model, potentiality remains, which underlines the dynamic nature of the classification tool stated by the original researchers as well (Mitchell et al. 1997, 868; Neville et al. 2011, 363; Ali 2017, 154). The typology of Neville et al. (2011, 363) and the typology of Ali (2017, 163) in Figure 9 are summarized in Table 5 by comparing them with the original typology of Mitchell et al. (1997) shown in Figure 8.

For Ali's model (2017, 162–165), it is beneficial to explain attribute organization in more detail. Organization as an attribute has the following characteristics:

- Organization includes a group of people organized for some purpose (Ali 2017, 159).
- Coalitions and collective groups improve their position in social network and have more resources available to address organizations such as global enterprises (Ali 2017, 161).
- Organization is a variable attribute and is achieved through conscious effort and a particular purpose in mind, which is why

stakeholders are more aware of its presence in comparison with attributes legitimacy and power (Ali 2017, 165).

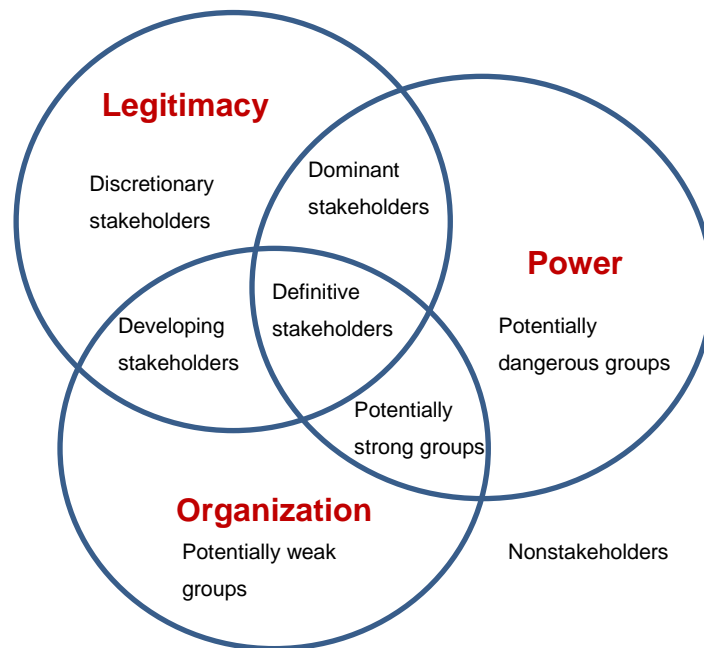


FIGURE 9. Another stakeholder salience typology (based on Ali 2017, 162–164)

TABLE 5. Stakeholder typology comparison

Typology (right)	Mitchell et al. (1997)	Neville et al. (2011)	Ali (2017)
Attributes (down)			
L – Legitimacy	Yes – constitutes a stakeholder	Yes – constitutes a stakeholder	Yes – constitutes a stakeholder
P – Power	Yes – constitutes a stakeholder	Yes – constitutes a stakeholder	No – a nonstakeholder

U – Urgency	Yes – constitutes a stakeholder	No – alone does not constitute a stakeholder; subsumed within attribute P	No – rejected from the typology
O – Organization	No – not included in the model	No – not included in the model	Yes – replaces attribute U
Stakeholders	All model's attributes alone or together	All model's attributes excl. U alone or together	L alone or L together with P and/or O
Nonstakeholders	Stakeholder or claim with none of the attributes	Stakeholder or claim with none of the attributes	All classes without attribute L

To summarize the two other accessed models redefining the original model in Table 5, Neville et al. (2011, 363) approve original model's two attributes, power and legitimacy, to which urgency may be a boosting attribute and alone does not grant a stakeholder status. Their model suggests to distinguishing between moral legitimacy of a claim and that of a stakeholder (Neville et al. 2011, 363–369). Ali's (2017, 162–164) model on salience, on the other hand, shows non-stakeholders to be those entities lacking the possession of attribute legitimacy, which results in stakeholders to be either discretionary, developing, dominant, or definitive. The group developing stakeholders is in possession of legitimacy and organization and lacks power. An example of this kind of a group could be an employee union lacking access to greater resources to address companies with their claims. (Ali 2017, 162–164.)

Third notion on the original model is organizational strategies' and cultures' effect on classifying salience factors or attributes. As mentioned, ethical assessments of claims' moral legitimacy are subject to both personal, organizational, and social influences, which constructs a system under which salience is evaluated. (Neville et. al 2011, 367–369; Ali 2017,

164–165.) Managers are ultimate decision makers, but their perceptions can be affected from outside and internally within an organization (Ali 2017, 165). According to Ali (2017, 155–156), it is crucial to distinguish between stakeholder firms and non-stakeholder firms, the latter of which does not find use for the scheme presented in Figure 9. Stakeholder firms are either proactive or accommodative by the nature of their strategy and corporate social performance (CSP) towards stakeholders (Ali 2017, 156). The characteristics for proactive and accommodative ratings are discussed further in Chapter 2.4.4.

2.4.4 Engagement Evaluation and Collaboration – Manage

The examined AUDIO analysis, stakeholder map, grid on influence and focus, and stakeholder classification typology schemes and salience factors all are distinct means to identify and partially manage complex stakeholder relationships and stakeholder arenas with limited time and resources available in companies and other organizations. There are naturally other routes and strategies to handle internal and external business environment's stakeholders (Freeman et al. 2007, 103–104; Carroll & Buchholtz 2015, 73–86), but the examined models provide at least a starting point for creating beneficial communication and relationships with different stakeholders. This results in acquiring a competitive advantage in business, which is in the centre of the whole stakeholder theory (Freeman 2004, 230–231; Esty & Winston 2006, 278; Freeman et al. 2007, 47–51; Kuvaja & Malmelin 2008, 59–72; Ali 2017, 165–166).

After having carefully gathered, listed, and assessed different stakeholders, organizations are to manage relationships with stakeholders. Management strategies differ: as pointed out in Chapter 2.4.3, some organizations may not even find use for some classification tools if their strategy towards stakeholders is of a wrong kind (Ali 2017, 156).

According to Clarkson (1995, as cited in Ali 2017, 155–156), there are four

rating types or models which define an organization's posture towards stakeholder management:

- Reactive: deny responsibility and do less than required.
- Defensive: admit responsibility but do only (i.e. the minimum) what is required.
- Accomodative: accept responsibility and do all what is required in progressive nature.
- Proactive: anticipate responsibility, lead the industry and do more than is required.

The four definitions represent a palette of orientations which companies and other organizations are implementing in interacting with different, identified stakeholders and their claims. From the four types, only stakeholder orientations of proactive and accommodative are often considered proper. (Ali 2017, 156.) Managing for stakeholders (MFS) is in today's global and everchanging world a tool to stay on the track of development, which calls for progressive and accommodative businesses, and, especially those with proactive mindset to continuously develop their organizational strategies (Freeman et al. 2007, 159–160; Carroll & Buchholtz 2015, 84–85).

Moreover, as a continuation to stakeholder assessment, it is possible to use an engagement evaluation matrix to balance between actions towards certain stakeholders. It can be utilized to map stakeholders based on their estimated potentiality for cooperation (vertical axis) and the intensity of organization's interest to address their issues (horizontal axis). (Savage, Nix, Whitehead & Blair 1991, 65; Esty & Winston 2006, 280–281; Carroll & Buchholtz 2015, 80–82.) Figure 10 illustrates the matrix based on Savage et al. (1991, 65).

Higher Potential for cooperation	CONNECT	COLLABORATE
	MONITOR	DEFEND
Lower	Issue intensity	
		Higher

FIGURE 10. Stakeholder engagement evaluation matrix (based on Savage et al. 1991, 65; Esty & Winston 2006, 280)

In Figure 10, different engagement activities or strategies include connect (involve), collaborate, monitor, and defend. The activities and stakeholders for management purposes (Savage et al. 1991, 65–67; Esty & Winston 2006, 280–281; Carroll & Buchholtz 2015, 80–82) are listed below. The last entry (the third list separator) for each class is a strategy derived from Carroll & Buchholtz’s (2015, 82) FIGURE 3–8. To manage varying stakeholders, following attributes may be recognized and operationalized in addition to the salience attributes of Chapter 2.4.3:

- connect (potentiality for cooperation high & issue intensity low)
 - supportive, ideal stakeholders
 - ➔ accommodate, keep satisfied
- collaborate (potentiality for cooperation high & issue intensity high)
 - mixed-blessing stakeholders
 - ➔ partnership with, keep informed
- monitor (potentiality for cooperation low & issue intensity low)
 - marginal stakeholders
 - ➔ watch carefully, offense or defense
- defend (potentiality for cooperation low & issue intensity high)
 - nonsupportive stakeholders

→ be prepared, negotiate.

According to Esty & Winston (2006, 281–282), the next steps in developing a more complete stakeholder strategy would include compatibility assessment, due diligence, and determination of partnership strategy. Partnerships for instance can be either strategic or tactic. Similarly, there are many different levels on how to engage in dialogue with stakeholders based on organizations' capabilities, purposes, means, and stakeholders themselves. The dialogue can take place irregularly and has a multitude of forms such as occasional meetings, lobbying, and panels. (Kuvaja & Malmelin 2008, 96–101; Carroll & Buchholtz 2015, 85–90.)

To summarize, collaboration with a stakeholder should be based on a perceived and analyzed need. The first step in the process is to integrate stakeholder thinking into organization's processes analytically and descriptively (Carroll & Buchholtz 2015, 85). Engaging in partnerships with stakeholders is a consequence of having a functioning enterprise strategy, in which the tangibles and intangibles of purpose and values; stakeholders and principles; and societal context and responsibility meet, influence, and interact each other and together (Freeman et al. 2007, 79–80). This concerns the second step and developing processes such as practices and procedures (Carroll & Buchholtz 2015, 85). Stakeholder assessment is one strategy to build engagement activities and MFS onto (Freeman et al. 2007, 103–109). MFS as the last step in the process can be operationalized when stakeholders have been recognized (Step 1) and processes developed (Step 2) (Carroll & Buchholtz 2015, 85–86).

3 RESIDENTIAL DEVELOPMENT IN FINLAND

This part of the thesis report is assigned to examine the chosen business branch, residential development, in the scope of the research.

Examination is subject to publicly available data and other information concerning the business area. This chapter is structured to provide notes and information to formulating the empirical research and answering both the main research question and the third sub-question. In addition, this chapter can be utilized for developing further studies targeted in examining residential development from other business perspectives than stakeholder assessment or management.

3.1 Business Area: Defining Finland

Finland is a parliamentary republic and an EU member state located in Northern Europe and lead by head of parliament and a head of state, i.e. by a prime minister and by a president having their seat in capital Helsinki (Europa 2018a). Total surface area in square kilometers is 338,400 (Eurostat, as cited in Europa 2018b), while population amounted to 5.5 million at the end of 2016 (Statistics Finland 2017d). Finland is divided into 19 regions such as Uusimaa, Varsinais-Suomi, and North Ostrobothnia (Statistics Finland 2018b), out of which Uusimaa is the biggest in terms of population – 1.64 million at the end of 2016 (Statistics Finland 2017e; Uudenmaan liitto 2018) – and population density which amounted to 180 people per square kilometer at the end of the same year (Statistics Finland 2017f).

3.1.1 Urbanization Trends

Finland is scarcely populated although regions such as the capital area, Tampere, and Turku among other major cities are urbanized and under constant sprawl (Finnish Environment Institute 2014). The number of people in cities and urban areas has increased especially during the 1980s due to a new migration wave from the north to the south and from the rural areas to the core areas (Heikkilä & Järvinen 2002, 243). The

pattern is present everstill (Jääskeläinen 2018; Statistics Finland 2017a), which follows the internationally recognized trend (United Nations 2011, as cited in Sachs 2015, 363; KPMG International 2015, 46–47). Historically, Finland reached the level of urbanization for industrialized countries as late as by the 1970s (Heikkilä & Järvinen 2002, 242), and, in a present comparison with other Nordic capitals, Helsinki is growing somewhat slower (YLE 2018a). The five biggest cities in Finland and their increase in population during 2016 are given in Table 6 below.

TABLE 6. Five largest cities in Finland (Statistics Finland 2018c)

Name of the City	Population (31.12.2016)	Increase (%) in 2016
Helsinki	635,181	1.1
Espoo	274,583	1.8
Tampere	228,274	1.4
Vantaa	219,341	2.2
Oulu	200,526	1.0

From Table 6 it is retrievable that over 1.55 million Finns live in one of the five largest cities resulting in a quota ($1.55 / 5.5$) of 28%. Respectively, cities such as Espoo and Vantaa are increasing their population through immigration and internal migration, which is mainly enabled after completion of extensive public infrastructure projects such as Länsimetro (West Metro) or Kehärata (Ring Rail Line) in the capital region. Future projects such as Raide-Jokeri (tram line Keilaniemi–Itäkeskus) and Espoon Kaupunkirata (addition of two train tracks between Leppävaara and Espoon Keskus) will develop the capital area into a more interlinked network of regional centres. (Espoo 2018; Peltonen 2018, 8–11.)

The capital region will grow significantly stronger than other regions in Finland (Statistics Finland 2017a), which is in parallel to the diminishing

number of regions experiencing migration gains (Heikkilä & Järvinen 2002, 242–246; Aro 2017; Statistics Finland 2017h). Helsinki is assumed to have over 700,000 inhabitants by 2030 (Laakso & Vuori 2015, 17–18). City of Espoo predicts its population to exceed 300,000 by 2023 (Peltonen 2018, 9) and the increase in population to be approximately 4,700 a year (The Communications Unit of City of Espoo 2018, 2). It will most likely maintain and strengthen its structure consisting of a group of local centres (The Communications Unit of City of Espoo 16–17), albeit this type of a structure has received its critics over the years (Nieminen 2012, 46).

Naturally, definitions of what is urban vary between countries and statistics due to many reasons such as cultural differences, size of population, and number of existing cities respectively. Urban is often regarded as a densely settled area. (Sachs 2015, 359). In addition, either administrative, statistical, or geographical approach to examining urban settlements as a concept can be chosen. Finnish municipalities having autonomy over their classification as a “city”, application of a jointly developed Nordic concept disregarding administrative attribute provides the most suitable framework to classifying urbanization, its status quo, and development. (Heikkilä & Järvinen 2002, 250–251.) The Finnish definition (in use since 2011) for a locality, in Finnish ‘taajama’, is the following:

An urban settlement is a cluster of dwellings with at least 200 inhabitants. The delimitation is based on the population information of the previous year. Urban settlements are defined and delimited in cooperation with the Finnish Environment Institute using geographic information methods that utilise the building and population data of Statistics Finland's 250 m x 250 m grid data. The population size of grids containing buildings and their neighbouring grids, as well as the number of buildings and their floor area, are reviewed in the definition. From the uniform clusters of dwellings generated in the defining stage, the ones with at least 200 inhabitants are selected. (Statistics Finland 2018d.)

Since this study examines Finnish residential development, themes related to urbanization, stakeholders within the branch, and statistics are subject to the given definition on urban, a locality. Naturally, Finnish cities and their development in urbanization follow international trends and patterns (MDI 2016, 2–4). From a business perspective, one interesting pattern is urbanization linked to the growth of GDP, which suggests growth in GDP to result in increasing number of people moving from rural areas to urban environments (World Bank 2014, as cited in Sachs 2015, 358). Other influential issues generating hype around cities are:

- Economic activity – cities are home to industry and services within e.g. retail, education, finance, law, medicine, and public administration.
- Productivity – total output per worker is higher in cities than in rural areas.
- Innovation and R&D – universities, research laboratories, and major businesses produce knowledge in cities from where they spread across regions.
- Trading – exchange of goods, contracting, and proximity of buyers and sellers is at a high level.
- Coastal location – major cities worldwide tend to exist on a coast or near a coast enabling low shipping costs internationally.
- Economies of scope and scale – large markets and wide range of activities and specialization opportunities characterize cities.
(Sachs 2015, 358–363.)

On the other hand, the problems which cities are facing, are also large in number. Sustainability agendas call for sustainable cities which are economically productive, socially inclusive, and environmentally sustainable. These goals suggest actions such as mitigation of environmental footprint, mixing of neighbourhood demographics, and productive infrastructure. (Sachs 2015, 366–374.) In addition, a term sprawl is often mentioned (Esty & Winston 2006, 89–90; Swilling 2016). Sprawl involves the spreading of urban infrastructure such as housing, trade, and industry to green areas around cities decreasing population

density and causing more private motoring instead of public transport (Rafferty 2018). Finnish urban sprawl is expected to increase if economic and employment development stay positive (Aro 2017).

3.2 Business Area: Residential Development's Identity

Residential development and housing development are often used as synonyms to one another. Truly, word 'residential' includes use of a property as a residence or by a resident and that the property or a neighbourhood can be restricted to residential use only (Merriam-Webster 2018a). Likewise, 'housing' involves dwellings provided for people (Merriam-Webster 2018b). According to Merriam-Webster (2018c), housing development involves a business action in which a group of houses are both built near each other and sold or rented by a single owner managing the whole project from start to finish. During an ongoing project – one always being unique to another – business operations are tied to meet the demands of that project, creating certain dynamics or a flow inside the managing developer (Coiacetto 2009, 124).

3.2.1 Residential Developers in Finland

In Finland, there are numerous housing developers which operate throughout the country or concentrate on certain areas or cities. There are both domestic companies and international enterprises having a business unit in Finland. This chapter shortly examines the largest of those for having an idea of what kind of companies operate in the market. The information will be utilized later for determining business model of Finnish residential development in Chapter 3.3. A concrete model is needed for creating proper contents for the empirical part of the research.

To begin with, the largest company in housing development business in Finland is YIT (PLC). In 2016, it had a total turnover of EUR 1,783.6 M (YIT 2017, 5) and completed 2,730 housing units in Finland (YIT 2017, 14). YIT operates also in Russian and chosen Central European markets and develops infrastructure such as shopping and other industrial

premises. Currently the cranes of YIT dominate scenery in Pasila, Helsinki where the construction of a new city district is underway (YIT 2017, 36). At the latest, Lemminkäinen, a rival of YIT with annual turnover of EUR 1,683 M in 2016 (YIT 2018d), merged into YIT, which underlines the company's supremacy in size over other players in the Finnish housing development market (Harma 2018).

Other large residential developers include SRV, Skanska – which is among the world's ten largest construction companies (Skanska 2018a) – and Bonava, all publicly limited. Like YIT, these companies also have operations outside of Finland, and both Skanska and Bonava have their headquarters in Sweden. SRV's turnover in 2016 was EUR 884.1 M (SRV 2017, 2), Skanska's (for segment residential development) EUR 1,401 M (Skanska 2017, 30), and Bonava's EUR 1,342.9 M (Bonava 2017, 2).

According to Confederation of Finnish Construction Industries RT (2018), there are by estimation approximately 10,000 full-time businesses in construction in Finland out of which a majority are SMEs. Therefore, the market is shared by many different players in addition to the largest companies. Bonava (2017, 13) clearly describes business as local with local or regional suppliers and competitors. For instance, in 2016, a total of 30,255 housing units were completed (Statistics Finland 2017g), YIT's quota being thus 9.02%. In fact, many mid-range companies like Lujatalo Oy (Ltd.) and Varte Oy (Ltd.) with a turnover of EUR 80–500 M are expected to grow faster than large players and apply for stock exchange listing in near future (Herrala 2017).

In the following, some further information is cited from company web pages and reports to understand residential development as a business. It is described as an endeavour in which:

- A localized business unit is creating, building, and selling new homes (Skanska 2018b).
- Land is developed into sustainable housing environments by acquiring properties and constantly managing a process involving

planning, marketing and sales, construction and production (different types of contracts included), and customer service operations (Bonava 2018).

- New dwellings, business premises and facilities, industrial buildings, and public buildings are created. Housing supply involves selling and marketing in-house. (Lujatalo 2018a.)
- Functional, attractive, and sustainable apartments, business premises, and entire areas are developed. Housing supply involves selling and marketing mostly in-house. (YIT 2018a; YIT 2018b.)
- Apartment buildings, extensive residential areas including both, terraced, semi-detached, and detached housing are built. Housing supply involves selling and marketing in-house. (SRV 2018a.)

As the list above reveals, scopes in business vary between different companies having operations in residential development: some companies list their services together while some focus solely at housing development when describing their industry. On the other hand, for instance Lujakoti, SRV, and YIT all have separate sections on their web pages for separate services and, thus, distinguished customer groups such as partnering organizations (construction), consumer customers (housing), and investors (real estate premises for lease) (Lujatalo 2018b; SRV 2018b; SRV 2018c; YIT 2018b; YIT 2018c).

If a comparison was drawn between the different companies, it would be necessary to verify reasons for such a variation in terms of describing residential development other than that subject to company structures and organization of subsidiaries for instance. All in all, the scope of residential development is in creating homes by means of a dynamic project including steps and processes with different stakeholders. Thus, for this study, it is for further analysis to draw the conclusion that housing (residential) development includes a business in which new dwellings such as apartments and detached houses are built in a dynamic process including different steps from managing land acquisitions to handling customer relationships after handover of ownership.

3.2.2 Impact of Residential Developers on Housing Market

A functioning housing market is one of the key factors enabling regions to grow and to develop prosperity and wellbeing. Supply of housing, price level of new dwellings, and general level of rents affect internal movements and migration between regions and their attractiveness for businesses and people. Residential developers are thus expected to continuously have construction sites ongoing while, simultaneously, their investment decisions are dependant on many external and internal factors and incentives. (Laakso & Vuori 2015, 14–15.) The factors suggested by Laakso & Vuori (2015, 14–15) are presented in Figure 11 to conceptualize and visualize the interconnectedness of the external and internal factors and the impact of residential development on housing market and thus cities and regions. Urbanization challenges supply of housing (Lahtinen 2017), which requires for instance land use planning to develop (Ministry of the Environment 2014; Ymparisto 2014).

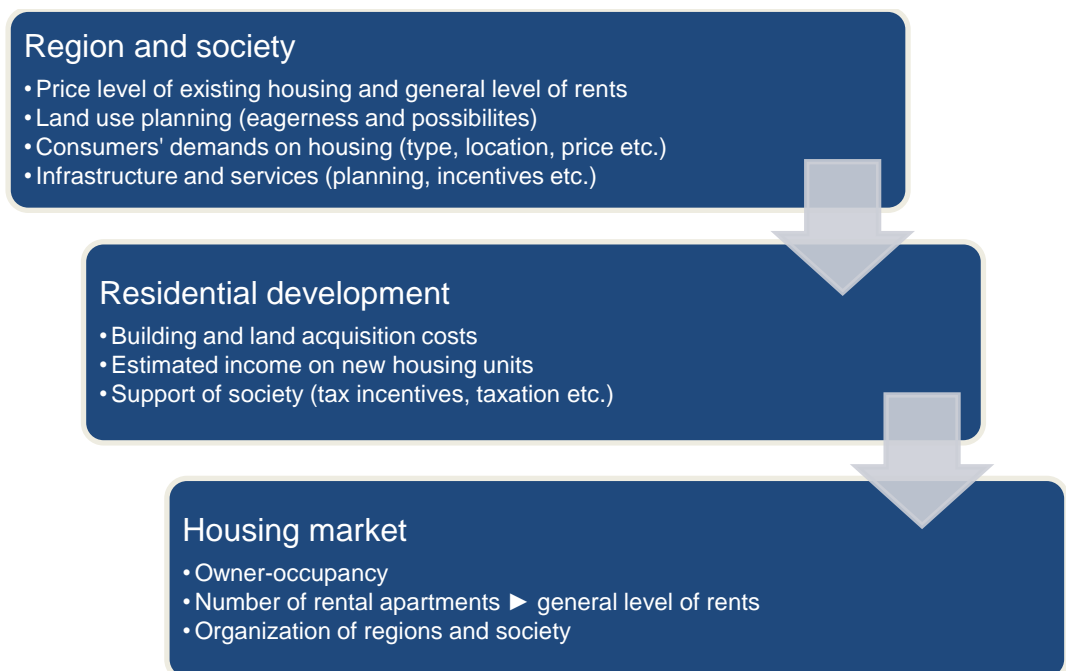


FIGURE 11. Residential development and housing market (based on Laakso & Vuori 2015, 14–15)

3.3 Residential Development – Business Model's Identity

Based on the examined definitions and other publications on residential development in the previous chapters, the business model of developing houses for residents seems quite clear, which fulfills the basis for applying stakeholder theories and tools. A precise purpose of a business directs all operations, motivates and inspires employees as well as attracts individuals sharing similar ideas and aspirations (Freeman et al. 2007, 74–76). Stakeholders can be identified and addressed along value chain, since – as stated in Chapter 2 – they are those individuals and groups who either (possibly) affect or become affected by the achievement of the organization's purpose. Organizations create value and realize their business in a process including different steps.

Considering especially Bonava's (2017, 20–21) and YIT's (2017, 24–25) annual reports for 2016 and described business models in those, the chain of operations in residential development in Finland is described next in Figure 12. All stages involve competent employees, efficient processes, and management which are some of the key enablers for realizing residential development business (Bonava 2017, 12–17; YIT 2017, 24–25).

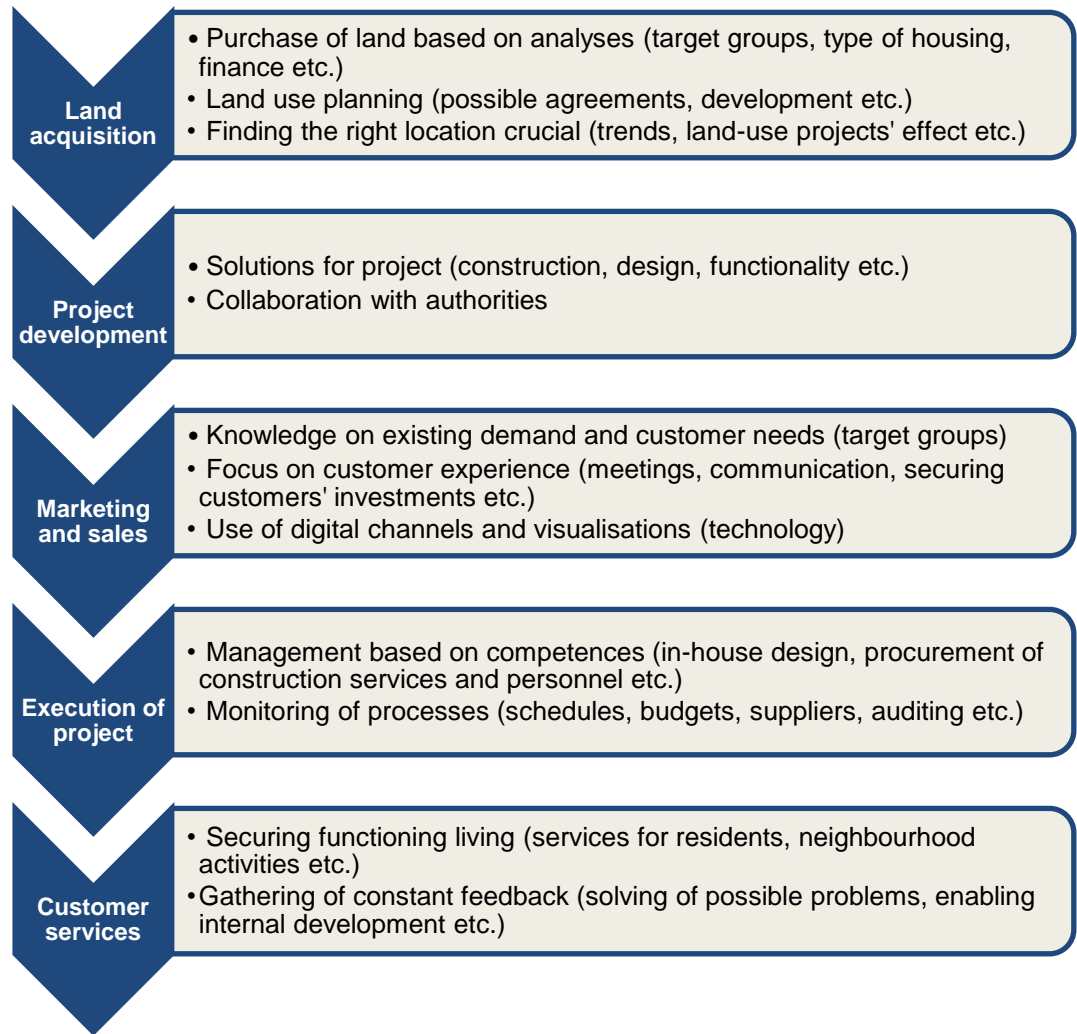


FIGURE 12. Residential development as business (based on Bonava 2017, 20–21; YIT 2017, 24–25)

Based on Chapter 3 and Figure 12, the formulation and implementation of the empirical part is achievable. Stakeholder approach may be sought after in the industry as there is a clear purpose and a model for realizing housing projects. The thesis report will now move to the second part, the empirical part, prior to the conclusive chapter and summary.

4 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter includes the presentation of the empirical part of the thesis. First, the research methods and the structure and design for the empirical part are described. Second, in the subsequent sub-chapter, the process for the empirical data collection is defined. Thereafter, in the third sub-chapter, the data is analyzed. As stated earlier in the thesis, the empirical part is limited to execution of interview studies which aim at answering the Sub-question 3 of this research and ultimately the main research question in the conclusive part.

4.1 Design and Formulation of the Empirical Research

The Greek word ‘empeiria’ has originally stood for knowledge based on experience and observation from real-world situations. Thus, the empirical data – quantitative or qualitative – cannot be gained from exploring theory or opinions. If a study is deductive, then the empirical data is gathered for testing an existing theory. If the empirical data was the starting point, the research would be inductive in nature. In the end, empirical data is in both situations analysed carefully to answer research questions. (Gummesson 2000, 63–64; Saunders et al. 2009, 488–491; Steinberg & Steinberg 2015, 310–311.)

The differences of the most commonly used research methods, qualitative and quantitative, were examined prior to the research process and are discussed in Chapter 1.5 in the thesis. As it was determined on the course of verifying the research plan, the qualitative research method and the application of case study research structure and quality criteria were to be utilized in the thesis to successfully examine the chosen phenomenon as an entity. In addition, due to the research area and the scope of the research, it was straightforward to apply deductive approach as the theory to be examined already existed.

The examined materials of the theoretical part – discussed in Chapters 2 and 3 – pointed out many issues which could have been included in the

empirical part when formulating it. However, based on the schedule and available resources, it was determined that the qualitative data collection in the empirical part would still include the realization of an interview study as planned beforehand. The scope for the empirical part was to deepen the understanding on residential development as a business, its current pressure points and stakeholder dimensions. This design would assist in meeting the research objectives and answering the research questions

To summarize, the third sub-question of the research was the starting point in formulating the interview study. As interviews can be structured, semi-structured, or open (Saunders et al. 2009, 320; Näpärä 2017), it was necessary to determine the right type for the interview to begin with. Due to the multidimensional nature of the research topic and the issues examined in the theoretical part, the semi-structured interview model was chosen. It provides space for participants' ideas and engagement with the topics and has a reciprocal structure enabling to probe responses for critical reflection or clarifications and to truly discuss and seek for meanings, which, certainly, contributes to analyzing a topic in depth (Saunders et al. 2009, 320; Galletta 2012, 24; Näpärä 2017).

After the semi-structured interview as the qualitative data collection method for the empirical part had been chosen, the next step in designing the structure was to verify the proper persons to be interviewed and the means to implement the interview with them. Based on a discussion with the thesis supervisor, the need for having a viewpoint from a representative outside the core housing business was identified. Thereby, the number of interviews for the designed contents of the empirical part amounted to two instead of one. This would increase the amount of work and somewhat the designed scope. However, it would simultaneously contribute to the validity and the analysis in the conclusive part. The data collection of the two interviews is presented in more detail in the following sub-chapter.

4.2 Data Collection

The detailed process for the data collection of the empirical part is discussed in this chapter. As it has been mentioned, the theoretical part and the regarding collection of the secondary materials were completed before setting the definitive format of the qualitative interview study. The thesis breaks down into the theoretical and empirical part, the latter of which was designed on the basis of the examined stakeholder theory and the chosen business branch, residential development in Finland. This is visualized in Figure 13 which contains the steps of the thesis process all the way to the empirical data collection and its analysis.

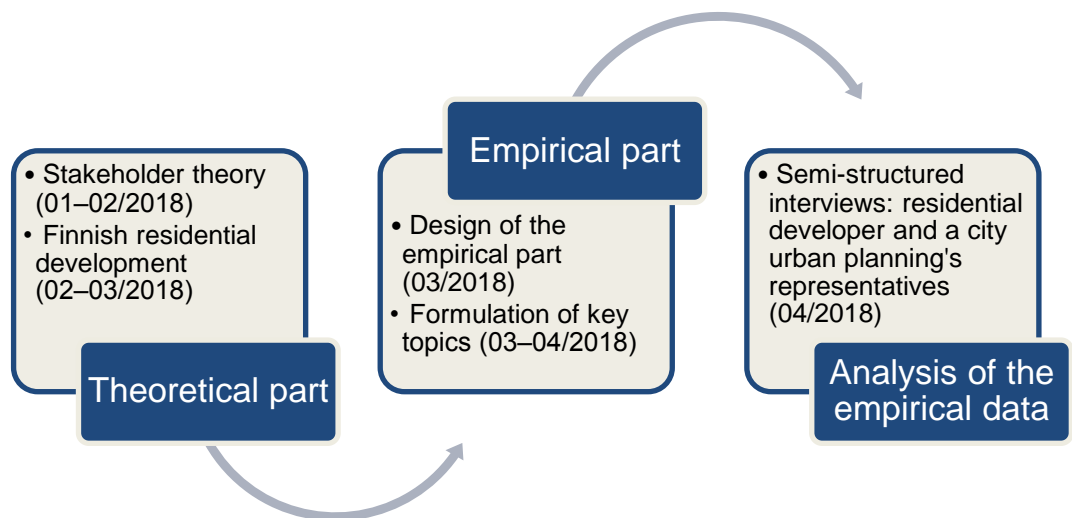


FIGURE 13. The process from theoretical to empirical

Stakeholder theory and Finnish residential development in the scope of the thesis were examined from January until March after the completion of the research plan. The design and formulation of the empirical part of the research were confirmed in late March and in the beginning of April. The two semi-structured interviews were agreed on by using e-mail as a

method of communication. Clearly, this was the most crucial part in determining the success of the empirical research.

Organizations or individuals are often not prepared to engage in external activities such as student cooperation due to many reasons (Saunders et al. 2009, 169–170), which had to be recognized while planning to gain access to potential interviewees. Therefore, all the e-mails sent to potential interviewees in residential development and city organizations contained a clear account of purpose of the study and type of access requested, which is considered a proper strategy in gaining access (Saunders et al. 2009, 179). Some organizational concerns to overcome already upon sending of the introductory e-mails to potential interviewees were time demand, possible sensitivity of the topic, and credibility and confidentiality matters. They were treated as shown in Table 7.

TABLE 7. Treatment of issues and concerns upon contacting potential interviewees

<p style="text-align: center;">An issue or a concern of potential participants*</p> <p>*) Issues were identified based on Saunders et al. (2009, 173–181).</p>	<p style="text-align: center;">Treatment of the issue in the author’s e-mails**</p> <p>**) E-mails were in the case of this thesis ‘introductory letters’ as described by Saunders et al. (2009, 179).</p>
<p>Credibility of the study: “Who is this person and what does he seek to achieve from my organization?”</p>	<ul style="list-style-type: none"> ▪ Identification of suitable organizations for the study beforehand ▪ Searching and filtering potential participants beforehand ▪ Presenting the study and its author and his motives clearly and politely
<p>Time and other resources: “How much time do I have to give or to reserve for this request?”</p>	<ul style="list-style-type: none"> ▪ Applying effective use of resources by requesting the respondents 30–45 minutes to realizing an interview in total

Sensitivity about the topic: “Will this request endanger my organization’s reputation?”	<ul style="list-style-type: none"> ▪ Highlighting an exploratory approach by referencing to the studied themes of the theoretical part ▪ Underlining and asking for visions and viewpoints of residential development as a business in general and in the stakeholder management arena
Confidentiality and anonymity: “Does this interviewer jeopardize my personal information?”	<ul style="list-style-type: none"> ▪ Clearly stating the research being a public and fully accessible to every interest party upon publication ▪ No anonymous participations offered in the introductory e-mails
<p>→ Purpose: seeking interest to participate voluntarily and presenting a study in progress</p>	

Eventually, the e-mails inquiring after initial opinions to be part of the qualitative research were first sent to a few large-scale Finnish residential developers. There was thus a good chance of receiving at least one reply and to realizing the first part of the formulated empirical research. Bonava Suomi Oy (Limited) replied promptly. As the time, place, and methods for the interview had been agreed on, the full designed structure of the first interview (Interview 1) was then sent to Business Development Manager (Interviewee 1) one day prior to Interview 1 held face-to-face on 12 April at the business premises of the company in Helsinki. The set of questions for this semi-structured interview in English can be examined in Appendix 1. The 30-minute interview was recorded and transcribed first in Finnish by using basic level transcription. This is applicable for archiving the data and when the main purpose is to analyze the contents of the speech reliably upon data analysis (Saunders et al. 2009, 339–341; Finnish Social Science Data Archive 2016). The Finnish transcript was then translated by

author into English. From the English transcript a limited proportion containing the flow and asked questions of Interview 1 can be examined in Appendix 2. This was agreed on with Interviewee 1.

For the second interview, the author contacted the urban planning departments of Espoo and Vantaa, the two cities having grown at the highest tempo in 2016 based on the theoretical part of the thesis. Out of the two recipients, Espoo answered promptly and the interview with Director of Urban Planning (Interviewee 2) was agreed to be realized face-to-face as in the case of the first interview. For the second interview (Interview 2), the author identified the need to seize urban planning's view on residential development, as their significance inside the industry had been surfaced in the theoretical part.

The set of questions – the majority being similar to the first interview – for Interview 2 were formulated carefully beforehand and can be examined in English in Appendix 3. A list containing most of the questions was sent by e-mail to Interviewee 2 one day ahead of the semi-structured interview held on 19 April at the head office of the Urban Planning Department of City of Espoo in Espoo. As the first interview, also this 23-minute interview was recorded and afterwards transcribed in Finnish by utilizing basic-level transcription as the method. The Finnish transcript was then translated by author into English. From the English transcript a limited proportion containing the flow and asked questions of Interview 2 can be examined in Appendix 4. This was agreed on with Interviewee 2.

4.3 Data Analysis

The data collection process is discussed in Chapter 4.2. In this chapter, the data collected from the two semi-structured interviews are examined and analyzed by dividing the chapter into two sub-chapters respective to the two different interviews conducted in the thesis process and its workflow. Prior to these chapters, the methods for the analysis are discussed.

As expected, predetermined agenda and interview questions had to be modified during both interviews – to follow interviewee’s talk and flow of ideas (Rapley 2004, 17–18; Saunders et al. 2009, 323–324). The interviews are analyzed based on the English transcripts and their data. Since data analysis is iterative (Gummesson 2000, 64; Rapley 2004, 26; Saunders et al. 2009, 488–489; Galletta 2012, 119), the author returned frequently to the original recordings and the Finnish transcriptions to ensure the validity and the adequacy of the utilized translations. Errors in interview transcripts are always potential (Saunders et al. 2009, 486–487), which called for careful and time-consuming data cleaning. The interviewees’ experience and angle of vision were striven after to be present in the transcripts for analyzing the contents of the speech in a proper manner. Why, they are the central ingredients for a qualitative data analysis (Galletta 2012, 119).

Ample time and reflection are required to analyze any data. An order of ideas emerging from the data permutate before they can be accessed. It is also important to consider items of information within collected data which may yield contents for the study as an entity instead of directly responding to a research question. (Galletta 2012, 120.) To follow such a framework of considerations with the existed schedule, the author applied Galletta’s (2012, 121) suggestion – excluding the thematic coding – on how to proceed with the data analysis. The process regarding the initial steps is presented in Figure 14.

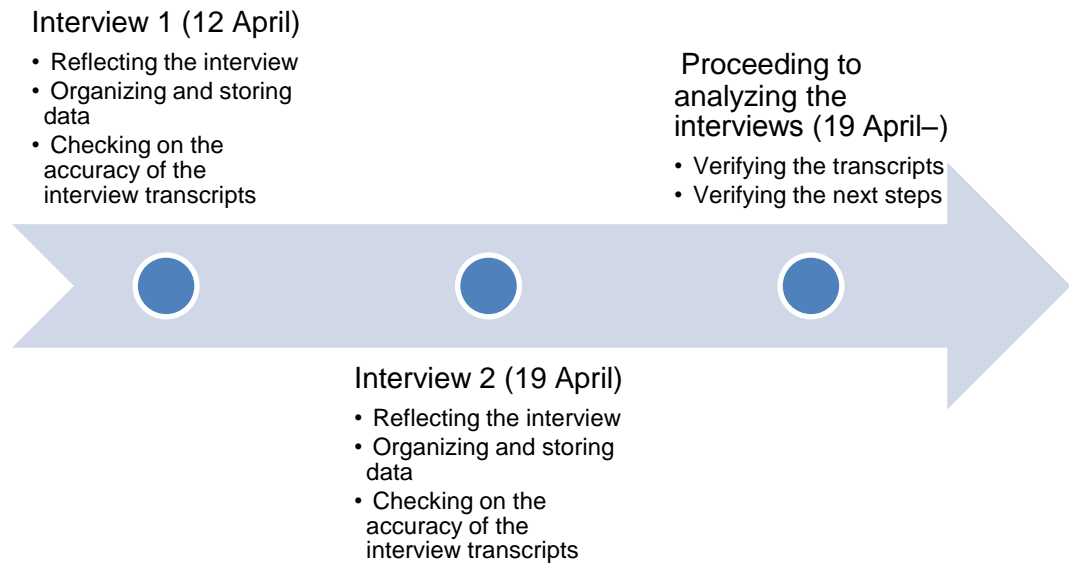


FIGURE 14. Initial steps in the analysis process

After the beginning process, meaning making and data analysis commenced following again Galletta's (2012, 124–125) scheme. This included reading closely within the two interviews; locating meaningful text; attending to expressions and primarily contents; and looking for thematic patterns across the empirical and theoretical data gathered for the research. To analyze the data in the scope of the research and to facilitate the analysis and the interpretation, the following questions and actions suggested by Galletta (2012, 124–128) were applied:

- How does the data from the interview address the set research questions of the thesis?
 - Main research question: How can stakeholder theory be used as a means for managing business operations within residential development in Finland?
 - Sub-Q3: How do residential developers describe their business and where is/are the current pressure point/s?
- Are there connection points between the different segments of the interview?
 - Are there some dimensions revealing possible connections?
 - Are there contradictory parts in the interview?

- What parts or items of data stand out in particular?
- How to interpret the data?
 - Consider possibilities for interpretation.
 - Attend to the contents.
 - Focus on each interview as an entity in the beginning.
 - Locate data substantively related to the research question.
 - Conversate between the data and the theory.
 - Iterate the process of considering the research questions.
 - Discuss emerging themes with interview participants subsequently if needed.
 - Consider the application of member check into the research design.
 - Study the data systematically.

From the actions above, emerging themes were managed individually in the analysis without contacting Interviewees 1 or 2 separately. There were no blank points nor obscurities in the interviews which would have required to operationalize member check into the data analysis. The author relied on the systematic data cleaning and the interview transcripts as such. Factual accuracy and understanding of the topic were striven after by applying 1) the deductive approach to research and 2) interactive, reciprocal semi-structured interview type. In addition, member checks as an optional method to test interviewees often lead to editing the contents of the transcripts and thus changing the basis for interpretation (Saunders et al. 2009, 485; Galletta 2012, 127), which was considered negative.

4.3.1 Analysis on Interview 1 – Residential Development

Background information – scope: developing value chain from the peak to the bottom, project business, and a diverse stakeholder dimension

To begin with, the personal details of Interviewee 1 and her occupational collaboration with stakeholders were naturally verified. Already in this part it became clear that Interviewee 1 probably had an idea of stakeholder

issues in residential development as she mentioned to cooperate with them both directly and indirectly upon varying situations and developing value chain. It is also important to underline Interviewee 1 to point out residential development being project business, which was found out in the theoretical part as well. Strategy and business development were mentioned as key enablers for the company to stay on the housing market as a player to be worth of capitalizing.

The other question on background information was to determine if Interviewee 1 had interactions with the stakeholders of the company and/or business branch. The answer was exhaustive as Interviewee 1 mentioned many organizational stakeholders in general and those of residential development especially. Interviewee 1 as Business Development Manager does have a multitude of stakeholder relationships in the business area.

Residential development – industry characteristics: traditional, local, governed, somewhat inefficient business with unexploited tool repertoire

The middle section or segment of the interview was designed to be discussion on Finnish residential development as an industry. Interviewee 1 answered to the question on the industry characteristics by firstly further determining her personal time being rather short in the industry.

Residential development is traditional and local business and does not have nor had had global competitors challenging to become more productive and to modernize the old way of doing things. The productivity in the branch has decreased while in many other industries it has increased even notabaly during the last decade. There are not any clear novel and powerful players to enter the market and to force existing companies to develop quickly as in the banking sector for instance. (Interviewee 1, 2018.)

In addition, residential development is very governed. A lot of collaboration is done with cities and municipalities who grant construction permits in the

way their systems function. On the other hand, cities are only one powerful player in addition to landowners, political stakeholders, and big construction companies all having their own volitions and interests. This consolidates a foundation where the industry and its traditions are stiff to be changed or reformed. (Interviewee 1, 2018.)

Even though there are many hindering issues in reforming the industry, there is a lot to take and to strive for. Especially digitalization and information modeling – both everlasting themes in residential development – can provide a lot for the industry in modernizing how projects, i.e. houses, are realized. The need for a change is apparent due to increasing demand for affordable housing and affordable solutions. (Interviewee 1, 2018.) That calls for reforming the traditional business model in which all the stakeholders, ranging from the landowner to the contractor, have lifted the prices higher with their demands and set framework under which apartments can be built (Interviewee 1, 2018).

Industry challenges and actual topics: preliminary list equipped with cyclicality and scarcity of resources and competence

After the industry characteristics and its challenges had already been treated in the preceding part, Interviewee 1 was asked if prelisted topics including urbanization, migration movement, costs, and competition were the most actual challenges in residential development in Finland.

Interviewee 1 (2018) confirmed the list and incorporated a new item – cyclicality and resource dependence consisting of two variables, land and competent workforce – onto it.

Residential development constitutes only a small part, “peanuts”, in the big picture of Finnish construction which for the time being experiences a boom or a hot time as described by Interviewee 1 (2018). New housing is always more or less in demand despite a prevailing economic trend which, however, strongly affects the construction industry at a large scale, resulting in having difficulties in acquiring skills needed to realize projects. The whole industry from infrastructure and business premise construction

projects to development of cities rely on the same resources, land and competent workforce. This mixture of raw materials turns into a bottleneck and a hindrance to realizing construction projects during booms.

(Interviewee 1, 2018.)

Organization of stakeholders – rival prospects: conflicting interests a theme in residential development

The object of the research became the subject for the interview by first asking if identified interconnections between some of the industry's stakeholders existed. This was expected to have potential as a topic due to the theoretical part in which the long value chain of residential development was examined.

According to Interviewee 1 (2018) and her limited – limited due to the time having been in the industry – awareness of the industry details, residential developer, landowners, and a municipality or a city form a dynamic trio which have varying interests and expectations for a plot of land, its development, and value as capital for instance. Basically, the landowner wants to have the best price for the land owned; the city sets a multitude of conditions such as a town plan; and the developer strives for buying the plot with a strong, legally confirmed town plan. In addition to the three parties, there may be political agendas, a design competition, and industry competitors mixing up in the process. Sometimes, the process of developing a project may end in vain if mutual understanding between a landowner and a city cannot be reached. (Interviewee 1, 2018.)

Organization of stakeholders – additional views: chained partnerships and tendency towards quarrelling

Interviewee 1 gave an additional view that stakeholders in residential development have tendency to have disputes from the outset throughout. A housing developer has long guarantee and responsibility periods for a finished apartment (Interviewee 1, 2018). However, the process in which an apartment is build in has chained partnerships: the contractor, the sub-contractors, the developer, and the buyer of new development all are

having their demands and applicable law and contracts ready and set if something is wrong with the end-product. There have been errors in construction in Finland, which has resulted in having disputes and accusations as a mentality characterizing the industry to begin with. (Interviewee 1, 2018.) This definitely is an item to be listed in the conclusive analysis.

On the other hand, Interviewee 1 (2018) again compared the previous notion with other industries and verified the apparent lack of cooperation skills in residential development to be an actual topic. Cooperation models, open platforms, and joint ventures are topics to have hidden potential for the industry where primarily own interests or objectives are ensured at present (Interviewee 1, 2018).

Collaboration and stakeholder management in residential development: avoiding common pitfalls with a strategy and operations model

Interviewee 1 got to answer on stakeholder management in residential development based on her example, in which the industry faces disagreements and quarrelling mentality (Interviewee 1, 2018). This question included the strategy perspective: how to pay attention to and to cooperate with salient stakeholders?

According to the answer received, a strategy to actively engage in cooperation with different stakeholders may have positive outcomes. For instance, events and discussion panels have been organized at Bonava to address the difficult issues such as the costs of new development. An active approach means not just to resort to yelling and blaming others from the own corner of the game. Solving issues together instead of focusing on other's faults is the right direction for Finnish residential development, as suggested by Interviewee 1 (2018) herself.

Moreover, a certain mutually agreed way to operate, a strategy, can be a means for managing stakeholders and own business model. If a company is interested in contributing to the developer's model – in which the end-

result to the customer is central through the value chain – the developer and the partner can grow and have a joint venture, to have longevity in business operations. Good relationships with partners enable to tackle customers' possible issues through the value chain, from the land acquisition to moving-in. It is also a means to make the effort, the endeavor, visible in a good manner in the end. Interviewee 1 (2018) named an opposite strategy as poor stakeholder management: nobody wants to be moved to the next person in a queue to solve an issue.

Organization of stakeholders – structure: variation based on a perspective, internal versus external parties

As the classification and the salience of stakeholders varies, it was necessary to ask if the organization of stakeholders had impact on the industry. Especially among landowners there is dispersion in the level of organization, but for the most part they are private people and not companies, citing Interviewee 1 (2018). On the other hand, the industry does have many internal and external stakeholders which can be assessed differently based on the viewpoint and attributes – e.g. power and interest – involved (Interviewee 1, 2018).

For the developer, the most important is to have an internal stakeholder group – including groups of project development, design, land and property acquisitions, customer service, sales, marketing, procurement, and production – which shares one common interest to be striven for. The end-user, whether an investor or a consumer, is the objective for all the effort and the most salient party to have a project, a house, developed for. (Interviewee 1, 2018.)

Evaluation of stakeholder groups – schemes and scope: assigning a stakeholder map to verify project perspective to assist management board

A follow-up question to organization of stakeholders moved the interview towards the managerial implications of stakeholder theory, on how to properly consider stakeholders. Interviewee 1 (2018) acknowledges the

fact behind stakeholders, them having the potential to cause trouble and sorrow if left in suspense despite having an interest or a multitude of interests. In addition, the developer must consider the management board simultaneously. On the other hand, people in projects must be coached and lead. Each of these parties can be shown on a stakeholder map. There, there are project and management board perspectives. (Interviewee 1, 2018.)

An important aspect identified in Interview 1 concerns big picture and human resources management. How the developer executes collaboration has a great impact on the company's image as an employer (Interviewee 1, 2018). Residential development is project business in which assigned contracts, reformative mindset, and working methods all effect and contribute to the attractiveness of a housing developer (Interviewee 1, 2018).

The most salient stakeholders in residential development – seeking a viewpoint: city and municipality definitive

The last set question for Interview 1 was about defining the subject of who or what counts the most in residential development. Of course, the answer was not or could be sought to be a source for inductive reasoning. Based on her experience, Interviewee 1 (2018) classified decision makers on a city or municipality level to be in the biggest role. The list continued with landowners, partners in design, procurement, and production, and own personnel, the employees of the developer. Based on the viewpoint of Interviewee 1 (2018), customers would be placed in the middle – in the core – of a stakeholder scheme as the mission to be encompassed with stakeholders.

4.3.2 Analysis on Interview 2 – The Role of Urban Planning

Background information – the role of urban planning and stakeholder dimension wide

Interviewee 2 (2018) as Urban Planning Director defined the role of Urban Planning Department as a function governing and setting a framework for the land use in Espoo area. According to Interviewee 2 (2018), two branches in town planning can be identified: urban planning and master planning, in which processes many responsible leaders prepare a plan further. There are annually over 100 planning projects ongoing (Interviewee 2, 2018), which sheds light on the order of magnitude in the area.

When asked about stakeholders in general and in the scope of organizations, Interviewee 2 (2018) replied stakeholders to them being dependant on the target for an ongoing planning project. Private people – small landowners and taxpayers – design consultants, planning consultants, and construction companies form the most usual customer group and thereby the stakeholders of urban planning. Almost all large-scale construction companies are operating in Espoo where the most land being planned is privately owned (Interviewee 2, 2018).

Residential development – industry characteristics: extensive migration movement and changing housing preferences

To question on Finnish residential development's industry characteristics Interviewee 2 (2018) replied by stating the boom in housing business being currently significant. The migration movement is visible in Espoo and developers construct vendible products based on the market demand. Massive infrastructure projects enable the growth in housing development. (Interviewee 2, 2018.)

A characteristic pointed out by Interviewee 2 (2018) are the qualitative factors of new housing which in size and by location are different to some former models identified in housing. New apartments are smaller than before, located in central areas, and mainly inside block of flats (Interviewee 2, 2018).

Residential development – challenges: diverse production, costs of construction, parking a hot potato in urban areas

To verify actual topics in residential development, Interviewee 2 was asked to define some challenges in the industry from urban planning's viewpoint. In the answer, diversity in housing production was mentioned as a key ingredient to confirm versatility in urban framework and a livelier cityscape, which for the urban planning is central. The construction should be sufficiently high-grade and not bulk. (Interviewee 2, 2018.)

On the other hand, residential development in urban areas confronts an issue in designing parking which is very expensive to realize. EUR 70,000 for a having one parking place is possible in underground structural parking (Interviewee 2, 2018). That calls for optimizing the number of parking places and involving new types of mobility in addition to good public transport connections, which were identified as topics also by Interviewee 2 (2018) himself.

Stakeholder orientation – collaboration: overview discussions, designing contests, converting old premises into housing

Collaboration in stakeholder management is important, which is the reason to have urban planning's view on the topic. Interviewee 2 (2018) mentioned overview discussions and regular meetings with constructors as forms of cooperation. In addition, design competitions with set objectives are organized sometimes to realize construction on a plot (Interviewee 2, 2018).

An actual topic is also the transformation of old business and office premises into housing, which is initiated by property owners having maintenance costs but no rental income (Interviewee 2, 2018). A project developer oftentimes represents the owner of the property in contacting the city (Interviewee 2, 2018), which creates two-level stakeholder cooperation, direct and indirect.

Stakeholder management – assessment: differences in view constitute an issue

Stakeholders often organize to strive for an objective. To urban planning, such organizational movement may constitute challenges due to differences in view and lacking understanding of parties involved (Interviewee 2, 2018). Interviewee 2 (2018) mentioned construction companies usually being professional in working with their projects, whereas property owners sometimes might have wild ideas and prospects for developing a property. It is beneficial for property owners to have a project developer to explore possibilities of converting a property into housing for instance and then contacting the city (Interviewee 2, 2018), which increases the number of project developers working with the city.

Urban planning's view on the development of city framework is tens of years forward. The pressure is on managing the existing and future framework and adjusting projects to it bearing the social role in mind as well. They have to explore and examine the urban framework wider and not by an individual plot or a quarter at a time, which is the nature of property owners having a limited time perspective for their objectives. (Interviewee 2, 2018.) Everything cannot be converted into housing for instance (Interviewee 2, 2018), which is natural if an urban framework ought to be diverse.

Stakeholder management – strategy and actions in assessing stakeholders: being on the pulse of times, analyzing the market, organizational strategy

The last theme for the stakeholder section was stakeholder management. Urban planning follows the market changes and demands to adapt to varying stakeholder development and their actions (Interviewee 2, 2018). According to Interviewee 2 (2018), the objectives for urban planning are based on a shared agreement on land use, housing, and transport in the capital area. In addition, the strategy of city of Espoo is at least indirectly influential in determining the build-up of stakeholders: it is a framework to which stakeholders in a sense must adapt (Interviewee 2, 2018).

The most salient stakeholders in residential development – seeking a viewpoint of urban planning: townsmen, construction companies, and landowners central

Similar to Interview 1, the question on determining the most salient stakeholders for the organization was applied. Interviewee 2 (2018) listed construction companies and developers operating in the area; landowners and great landowners; townsmen and taxpayers. As significant indirect stakeholders Interviewee 2 (2018) mentioned project developers who often work in the interface between the city and a land- or a property owner.

It is quite consistent to have such a list in the case of Espoo where the most land is privately owned as mentioned by Interviewee 2 (2018) in the beginning of Interview 2. The development of a city is dependant on having construction: the more you have land, the more there might exist possibilities to build (Interviewee 2, 2018), which calls for paying attention to landowners as key stakeholders.

4.3.3 Discussion – Stakeholder Topics in Interviews

Based on the analyses of Interviews 1 and 2 in Chapters 4.3.1 and 4.3.2, a model of residential development and its trends and issues was created for the conclusive part as a tool to approach answering the research questions of the thesis. The model is summarized in Table 8 below.

TABLE 8. Residential development and stakeholder topics matrix

Examined topic	Residential development's view	Urban planning's view
<u>1. Stakeholder dimension</u>	<ul style="list-style-type: none"> ○ diverse groups: landowners, city officials, customers, investors, political stakeholders etc. ○ sometimes conflicting interests 	<ul style="list-style-type: none"> ○ customers consisting of private people, property owners, consultants, construction

1.1. special groups of stakeholders and their issues	<ul style="list-style-type: none"> ○ chained partnerships ○ disputes and tendency to quarrell ○ workforce a bottleneck during booms 	<ul style="list-style-type: none"> ○ companies, project developers ○ differences in objectives and desires are apparent
1.2. the most salient stakeholders	<ul style="list-style-type: none"> ○ decision makers (local gov. lv.) ○ landowners ○ partners (e.g. in design) ○ own personnel ○ customers having a crucial role 	<ul style="list-style-type: none"> ○ large construction companies and developers ○ landowners (private and public) ○ townsmen, town planning is a democratic process
1.3. other (emerging) themes	<ul style="list-style-type: none"> ○ collaboration as a strategy ○ solving issues together, reforming the traditional setting ○ one common interest for the internal stakeholder group ○ large global competitors missing from the industry in Finland 	<ul style="list-style-type: none"> ○ collaboration to sound out the supply of land ○ occasional design competitions ○ city has many objectives (e.g. agreement on land use, housing and transport) ○ long-term perspective (tens of years forward) vs. sometimes short-term perspective
<p><u>2. Industry characteristics</u></p> <p>2.1. accelerating urbanization</p>	<ul style="list-style-type: none"> ○ largest cities constantly growing ○ massive projects ongoing ○ residential development “peanuts” in the big picture of construction 	<ul style="list-style-type: none"> ○ boom in construction ○ infrastructure projects create space for new development ○ housing is situated among good public transportation connections ○ infill development increasing
2.1. housing supply	<ul style="list-style-type: none"> ○ affordable housing a key issue ○ old housing base not enough ○ the buyer pays for all the costs accumulating in building new houses ○ new housing is always needed 	<ul style="list-style-type: none"> ○ small apartments are constructed ○ apartments mainly in central areas are the most vendible ○ old business and office premises converted into

		housing due to lack of demand
2.3. other (emerging) themes	<ul style="list-style-type: none"> ○ traditional, local and governed ○ project business ○ inefficiency and unexploited potentiality ○ stiff to be reformed ○ cyclicity and scarcity of competence available 	<ul style="list-style-type: none"> ○ diverse development a goal ○ diverse urban framework, livelier cityscape as goals ○ parking facilities are expensive to construct ○ examination of urban framework wider

It is retrievable from Table 8 that both views received in the interviews contain similar topics regarding residential development as an industry in Finland. A boom in construction for urbanized areas has been noticed, and different kind of views on its results are actual topics in the industry. For instance, affordable housing is sought after, which could be a source for diminishing living area. On the other hand, parking has become very expensive to be built in central areas where the most people are moving to. This quite clearly could be a hindrance to develop and to realize affordable housing which could be an aspect to check upstream and downstream aspects with an AUDIO analysis (Chapter 2.4.1) for instance.

Likewise, the stakeholders for the residential developer and urban planning representative are somewhat reciprocal. For residential development, city officials are salient. For urban planning, housing developers and different consultants. In addition, both perspectives to housing development share the idea of landowners being a definitive stakeholder group. This connection could be a proper vantage point to applying stakeholder approach to business management.

Other (emerging) themes suggest many topics for further studies in the business area. For instance, examination of a livelier cityscape or business cyclicity would be topics for completely other studies. They are, however, still ingredients to stakeholder dimension as well if employment

and communities are considered. For this study, it is to conclude the research based on the findings and analyses in the following chapter.

5 CONCLUSION

This chapter concludes the thesis. The main themes and findings will be covered by answering the set main research question and the sub-questions. After the answers to the research questions have been given, validity and reliability as criteria of science are examined and discussed in the scope of this thesis. In the end, recognized needs and suggestions for further research are brought up for subsequent discussion.

5.1 Answers to Research Questions

The objectives of the thesis were set at the early stage of the research process. The main research question and the three sub-questions were formulated to support in reaching the concise and rigorous objectives of the thesis. The main objective for the study was to provide topical and precise analysis on the stakeholder theory and its existing and/or potential use within residential development in Finland. Based on this objective three key points for the research were set and followed by single main research question and three sub-questions. Below, supportive sub-questions (Sub-Qs) are answered first, followed by an overarching answer to the main research question.

Sub-Q1: What are stakeholders and how do they influence or become influenced by a company?

The first sub-question contained the objective to analyze stakeholder theory and approach in such a way that it would enlighten the expected relevance of the topic within residential development. Based on the examined models, stakeholders today are described by scholars as all individuals or groups having even the potentiality to affect or become affected by the achievement of an organization's objectives. A stakeholder is thus a wide and diverse intangible unit needed for managing a company's external and internal operations.

Stakeholders influence businesses in many ways in the pluralistic environment of the 21st century. They can influence businesses in

political, societal, and economical spheres for instance as a member of board of directors or an employee union. They become influenced by a company along a value chain. A community can experience disadvantages such as pollution or traffic of a power plant, a customer might be discontent when buying a product or selling a piece of land for instance.

Sub-Q2: How can different stakeholders be assessed from a business-continuation perspective?

Sub-Q2 was formulated to meet the objective of determining the role of stakeholder theory as a competitive advantage for businesses in residential development in Finland. Since there is a plethora of stakeholders with varying interconnections, objectives, and needs, it is crucial to be able to assess different interest groups and claims effectively to manage a corporation's resistance to even critical and surprising issues.

To assessing stakeholders, there are many tools to choose from. A functioning model is to gather stakeholders onto a map with distinct stakeholder segments. Another examined model would suggest to considering the influence of a stakeholder and organization's respective focus on a grid. To the author of the thesis, the most effective models are the ones with salience attributes and salience classes and typology of stakeholders, which reveal stakeholders' possible actions and development paths upon continuum. The typologies differ and are any steady state for an interest group, which requires to examine stakeholders at regular intervals. A proper assessment may yield positive results in terms of effective and well-timed stakeholder relationships. An edge on the market over others has the developer who has the most effective approach to managing for stakeholders.

Sub-Q3: How do residential developers describe their business and where is/are the current pressure point/s?

The third sub-question involved the objective to analyse the data and to seek for potential solutions within the industry of residential development

meeting many challenges in the implementation of their business. To answer Sub-Q3, especially the empirical part was crucial and provided some identical pieces of data to the theoretical part.

Residential development is project business which has a clear and long value chain containing steps from acquiring land for housing to managing customer relationships in a realized project. There are many stakeholders – organized and definitive – affecting either in the back- or foreground before any house is completed, which sometimes is also a hindrance to realize projects as effectively as possible. In addition, current trend of urbanization, massive boom in construction, and the scarcity of competent workforce cause both possibilities and challenges in the industry.

Main research question: How can stakeholder theory be used as a means for managing business operations within residential development in Finland?

Based on the thesis workflow and its scope, the main research question can be answered by dividing it in half and by considering the answered Sub-Qs first.

Stakeholder approach to business is to consider an organization as a build-up of people and assets for a purpose. The purpose may be achieved by operationalizing many actions, cooperatives, and efforts along a value chain, which unavoidably results in affecting many completely external and internal interest groups. This creates cause-and-effect relationships and, moreover, responsibilities. In addition, multiple stakeholder groups can affect the same organization which aims at achieving its set purpose. In the pluralistic and complex operating environment of the 21st century, stakeholders can become affected and affect an organization in constantly diverse ways.

Stakeholder theory may clearly be applied in managing business operations by understanding the operating environment to begin with. In the scope of this research, it was discovered that Finnish residential development truly is a business to which many stakeholders can be

considered definitive. Thus, it is achievable and plausible to utilize the stakeholder approach to managing business operations in residential development in Finland where stakeholders' demands, objectives, and desires change all the time and do not have a steady state.

To answer to the question on “how to manage”, there are many paths and methods – as examined and shown in the workflow of the thesis – to choose from. A means can be to consider an organization and its purpose first, followed by implementing stakeholder analyses for a set area of business. Since stakeholder as a definition clearly is an encompassing definition and an attribute or unit of measurement for any individual person, claim, or group, it is to proceed with a concise scope to the process of analyzing spheres around an organization. Figure 15 below is to visualize an idea on how to apply the thesis' examined methods.

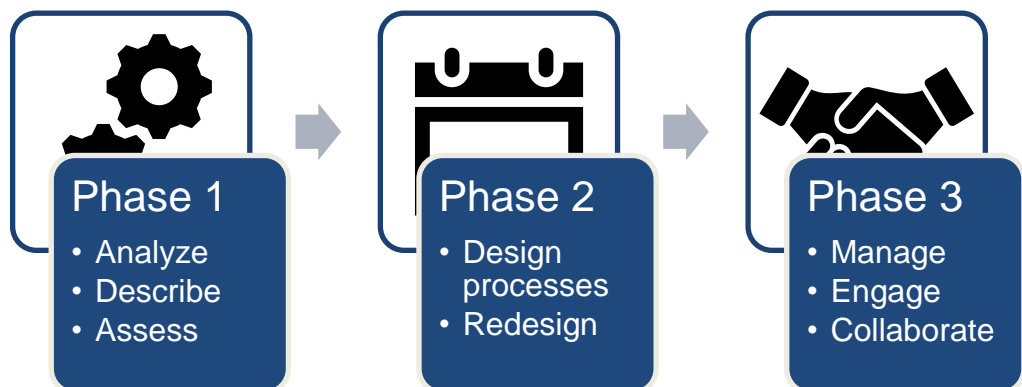


FIGURE 15. Operationalizing stakeholder approach

If an effective approach to considering stakeholders is undertaken, Figure 15's phases are repeated. For instance, the examined typologies for stakeholder classes in Chapter 2.4.2 are dynamic and not a steady state. In residential development, stakeholders such as landowners are definitive based on this limited research, which means to include them as a group

onto a stakeholder map's segment and onto a salience scheme's centre point. However, the analysis is repeated for any landowner to figure out its stakeholder class and respective need for collaboration. For a business in residential development, the application of the methods of this thesis can be a starting point or continuum to managing stakeholders and overall business environment.

5.2 Validity and Reliability

This chapter discusses the concepts of reliability and the different forms of validity and their presence in this thesis, which is crucial for presenting a research (Saunders et al. 2009, 156). Benz & Newman (1998, 27) suggest that no research outcomes are of any value if the methods, with which they are derived, have no legitimacy; the research methods must justify the audience's (e.g. the scientific community's) confidence. In addition, studies must have validation – a notion having a long history and consensus amongst educational researchers – and lead to truthful outcomes (Benz & Newman 1998, 27–28).

Validity and a more recent term legitimation are somewhat parallel and lead to a concept of a strong truth value of a research. Validity has its checkpoint at measuring the extent to which the methods used and designed to be used enabled studying what was attended to be examined, i.e. the scope of a research. Consistency in the research process and for instance in the data collection process, in addition to the communication on these issues, lay down the foundation for, as well as support the validity and legitimacy of any research, quantitative or qualitative. (Benz & Newman 1998, 27–32; Gummesson 2000, 91–93; Saunders et al. 2009, 157–159.)

Since validity comes into existence through careful, well-managed, and consistent research process and the respect towards the truth-value issue, it is important to conceptualize some of the most important validity forms. For instance, reflective journal writing, triangulation, and peer debriefing build links between research questions and truth value in a qualitative

research. Therefore, standards (i.e. different dimensions) on research evaluation are used. (Benz & Newman 1998, 29–33.)

Internal validity concerns the extent to which for instance variable A (an independent variable) can affect or have a causal linkage, i.e to attribute to a variable B (a dependent variable). In contrast to internal validity, external validity measures the extent to which the research findings and results can be generalized to another research and its settings and grouping for instance. The term construct validity involves the evaluation of how well the instruments chosen take measure of and define the goal and the target of the measurement – whether the chosen instruments are acceptable and well-defined for the research purpose. Construct validity is about measuring validity, a type of an estimation on a research's validity. (Benz & Newman 1998, 33–39; Saunders et al 2009, 157–159.)

Similar to the different forms of validity, also reliability is a concept in quality check of a research. Interestingly – and indeed very importantly – a research can have reliability without validity. Therefore, reliability cannot play as a validity crutch, meaning validity cannot be assumed. Reliability concerns consistency description from the outset and throughout. (Benz & Newman 1998, 39; Gummesson 2000, 91.) Moreover, reliability as a concept is towards the repetitive nature of a research: can the same outcome or a set of multiple outcomes of a qualitative or a quantitative study be reported by different, independent researchers over time? If a study has or will prove to have a repeatable nature, in that case the study has reliability. However, like mentioned earlier, reliability does not guarantee validity of any research. (Gummesson 2000, 91; Saunders et al. 2009, 156–157.) Thus, in an understandable logical definition, validity issues are predominant (Benz & Newman 1998, 40).

Considering at first the reliability of the thesis, the replication of qualitative research findings never is feasible nor realistic due to the complexity of the qualitative research designs (Saunders et al. 2009, 328). Therefore, the reliability of the thesis is subject to subsequent qualitative research designs and their scope and framework. The repeatable nature may be

apparent, since the most cited and applied stakeholder theory and approaches to examining stakeholder dimensions in a specific industry were utilized in formulating the theoretical and empirical framework for the thesis. The strength of the thesis is its concise scope and exploratory basis and their applied rigour.

Secondly, the construct validity may be discussed in the framework of this thesis. In the research design, the case study quality criteria and strategy including the triangulation of sources and theories was set as an objective to follow. The theoretical part took advantage of multiple sources, but due to resource restraints gathering a larger sample of empirical data was not achievable. The thesis has construct validity due to having a concise and structured research purpose and its implementation is communicated in the report. The thesis did not study causal relationships, nor did it aim at generalizing its results to another research design. The assertions of the thesis are the answers to the set research questions.

5.3 Suggestions for Further Research

There are many directions for a subsequent research based on the analysis and the conclusions of the thesis. These directions include new areas of investigation implied by the report and additional parts which were not examined in the thesis.

Firstly, considering the conclusions and the thesis workflow, there could be future projects exploring Finnish residential development to quantify its stakeholder dimension. For instance, a study could focus on applying stakeholder salience methods to suggest the definitive, expectant, and latent stakeholders in actual quantities for a certain organization. Another development of the research area in this scope would include an effort in suggesting the most effective engagement activities and an actual framework to follow in monitoring, balancing, and developing stakeholder partnerships whether they were internal or external to an organization. A proper vantage point is to realize the dynamic nature of most stakeholder salience attributes when embarking to this kind of an endeavour.

Secondly, an argued research would be to examine a certain organization by conducting a field or an observational study qualitatively, quantitatively, or by applying mixed-model research for instance. This could also include some SMEs such as local excavation businesses which were not studied in the workflow of this thesis. Interestingly, a research could adopt further stakeholder approaches or methods to seek meanings and connections between the large-scale housing developers and individual entrepreneurs in how they cooperate and how the cooperation could be developed.

Thirdly, what kind of a situation exists in other industries in Finland or some completely other country when it comes to stakeholder management? Business ethics is certainly a widely applied area of business administration, which calls for avid exploratory and explanatory studies to be implemented cross-sectionally or longitudinally. For instance, a longitudinal study could utilize accessed data and seek an insight to the development of customer service in housing – how has Finnish housing market changed over time by its customer focus? Or, what is the pressure point in service promise to a certain stakeholder at present?

6 SUMMARY

The thesis process began by setting a framework, a research plan, to be followed in realizing a concise and structured study on stakeholder theory and approach to managing business operations in residential development in Finland. The main objective for the exploratory study was to provide a topical and precise analysis on the stakeholder theory and its existing and/or potential use in residential development in Finland.

The chosen research methodology was to test existing theory, i.e. stakeholder approach to business management. The deductive analysis proceeded by first accessing stakeholder theory in Chapter 2 and residential development in Chapter 3. These parts included the examination of existing findings, models, and topics or themes in the scope of the thesis. Definitions and schemes for stakeholders, stakeholder salience, and stakeholder collaboration in addition to the nature of Finnish urbanization and residential development as business were discovered in the theoretical part.

The second part of the thesis was the conducted empirical research in Chapter 4. Even though there would have been many emerging issues in the theoretical part to test further, the empirical part consisted of conducting two semi-structured interviews on the stakeholder dimension and industry characteristics of Finnish residential development. Both interviews provided additional perspectives to the studied phenomenon.

Finally, the analyses and discussion of the empirical part lead the way to the conclusions reported in Chapter 6. The answers to the research questions and results of the study were communicated based on the theoretical and empirical parts of the thesis. In addition, the validity and reliability of the thesis were discussed and suggestions for future researches were given.

All in all, the objectives for the thesis were met and the workflow and set strategic research methodology were followed. The results of the thesis are usable, and the designed scope of the study was achieved. The author

of the thesis is content with the process and supports subsequent discussion and development of the research area. Residential developers may apply stakeholder approach to managing business operations in different ways – it is for an organization to test and verify the most suitable method.

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APPENDICES

APPENDIX 1. The questions and themes for Interview 1

N.B. The following list contains the set questions for the first interview of the empirical research of the thesis. Some of the questions were sent to Interviewee 1 prior to the interview. Not all questions were asked during the interview. The English translations are inside the brackets after the Finnish versions of the questions. The interview was held in Finnish. The full list of asked questions in Interview 1 can be examined in Appendix 2.

TAUSTATIEDOT (BACKGROUND INFORMATION)

- Kuka olet ja mitä teet tässä yrityksessä? (Who are you and what do you do in this company?)
- Miten kuvailisit sidosryhmiä yleensä? (How would you describe stakeholders in general?)
- Sisältääkö työsi kanssakäymistä yrityksen ja/tai alan eri sidosryhmien kanssa? (Does your work include interaction with the stakeholders of the company and/or the industry?)
- Liiketoiminnan kehitys ja strategia – miten sidosryhmät huomioidaan näissä? (Business development and strategy – how are stakeholders noticed in these?)

RESIDENTIAL DEVELOPMENT (RESIDENTIAL DEVELOPMENT)

- Kuinka kuvailisit lyhyesti suomalaista uudistuotannon (residential development) kenttää? (How would you shortly describe Finnish residential development as an industry?)
- Mitä haasteita alalla on yleisesti? Kaupungistuminen, muuttoliike, kustannukset, kilpailu tms.? (What kind of challenges does the industry have in general? Urbanization, migration movement, costs, competition etc.)

SIDOSRYHMÄT (STAKEHOLDERS)

- Arvoketju ja liiketoimintamalli alalla on ajallisesti pitkä. Mitä eri sidosryhmiä arvoketjuun alalla kuuluu? (The value chain and business model in the industry is temporally long. Which different stakeholders are included onto the value chain in the industry?)
- Sidosryhmät ovat usein linkittyneinä ja vuorovaikutuksessa toistensa kanssa. Mitä haasteita tämä tuo alalle liiketoimintamallin toteutumisen kannalta? (Stakeholders are often chained and in interaction with each other. What kind of challenges does this constitute in the industry from the perspective of realizing the business model?)
- Kuinka ala tai edustamasi yritys yleisesti huomioi eri sidosryhmiä ja/tai seuraa sidosryhmien kehitystä/toimia? (How does the industry or the company you are representing consider different kind of stakeholders and/or their actions/development?)
- Ovatko sidosryhmät organisoituneita? (Are the stakeholders organized?)

- Miten itse (managerial implications) arvioit tai seuraat sidosryhmien kehitystä/toimia? (How do you (managerial implications) evaluate or follow the the development or actions of stakeholders yourself?)
- Ketkä ovat alalle keskeisimpiä sidosryhmiä (määrällisesti 1–4)? (Who are the most salient stakeholders for the industry in a quantity of one to four?)

APPENDIX 2. Limited English transcript of Interview 1

N.B. The following list contains the transcribed and translated questions and flow of the first interview of the empirical research of the thesis. The interview was held in Finnish.

- Hello and welcome to this interview. Let's start by verifying your personal details: who are you and what do you do in this company?
- Does your work include interaction with the stakeholders of the company and/or the business branch?
- Let's move to the next section i.e. residential development as an industry. How would you shortly describe Finnish residential development?
- We dealt with a lot of challenges there. Prior to this interview I had outlined challenges (for residential development) as urbanization, migration movement, costs, and competition. Are these the main challenges in the industry?
- As you have described, the value chain and business model are very complicated and contain a lot of directions which affect the fact if a house is build somewhere or not. As the value chain is timewise long and includes different stakeholders – the landowner, the city among others – are there interconnections between the stakeholders in a sense they would together challenge the company (in residential development) somehow?
- Many challenges in realizing the business model for the industry were transpired there.
- At this point I will save the interview. On the fact that there are those conflicts and the mindset of embarking argues first, is it possible for companies (in residential development) to pay attention to those stakeholders and to collaborate for not having the traditional setting?
- There were many answers to the questions set prior to this interview. Are stakeholders organized? A city is organized. Can a landowner be organized?
- There are different means of assessing the salience of stakeholders at the managerial level. How do you yourself evaluate or follow the development of stakeholders or their actions? Do you have some own toolkit or models?
- One more question. As we have covered a lot of different stakeholders, would it be possible for you to quantify, which stakeholders were the most salient in a quantity of one to four? Who would absolutely be the most salient stakeholders? Can such a line be drawn between them?
- Well, if we consider this and the stakeholder map in which the company is usually placed in the centre, could it be possible to place the customer or the customer and the company there?
- There is an excellent conclusion for this interview. Thank you very much for the interview!

APPENDIX 3. The questions and themes for Interview 2

N.B. The following list contains the set questions for the second interview of the empirical research of the thesis. Some of the questions were sent to Interviewee 2 prior to the interview. Not all questions were asked during the interview. The English translations are inside the brackets after the Finnish versions of the questions. The interview was held in Finnish. The full list of asked questions in Interview 2 can be examined in Appendix 4.

TAUSTATIEDOT (BACKGROUND INFORMATION)

- Kuka olet ja mitä teet tässä organisaatiossa? (Who are you and what do you do in this organization?)
- Lyhyesti, miten kuvailisit sidosryhmiä yleensä? (In brief, how would you describe stakeholders in general?)
- Sisältääkö työsi kanssakäymistä organisaation ja/tai alasi eri sidosryhmien kanssa? (Does your work include interaction with the stakeholders of the organization and/or your industry?)

RESIDENTIAL DEVELOPMENT (RESIDENTIAL DEVELOPMENT)

- Minkälainen on mielestäsi suomalainen uudistuotannon ala lyhyesti? (What kind of an industry is Finnish residential development briefly from your point of view?)
- Minkälaisia haasteita uudistuotannolla on kaupunkikehityksen näkökulmasta? (What kind of challenges does residential development have from the perspective of urban development?)
- Onko uudistuotanto ja kestävä kaupunki -ajattelu menossa samaan suuntaan? (Are residential development and the idea of a sustainable city moving to the same direction?)
- Kuinka kaupungistuminen näkyy uudistuotannossa tällä hetkellä? (How does urbanization reflect in residential development at the moment?)
- Miten kaupunki ja uudistuotanto tekevät yhteistyötä? (By which means are city and residential development collaborating?)

SIDOSRYHMÄT (STAKEHOLDERS)

- Minkälaisia sidosryhmiä kaupungilla tai kaupunkisuunnittelukeskuksella on? (What kind of stakeholders does the city or Urban Planning Department have?)
- Sidosryhmät ovat usein vuorovaikutuksessa toistensa kanssa. Mitä haasteita tämä tuo/voi tuoda kaupunkisuunnittelulle? (Stakeholders often interact with each other. What kind of challenges does/can this constitute to urban planning?)
- Kuinka edustamasi organisaatio mielestäsi seuraa tai huomioi sidosryhmien kehitystä ja/tai toimia? (How does the organization you represent follow or consider the development or actions of stakeholders from your point of view?)
- Tavoitteiden ja toiveiden yhdistäminen ja hallinta – Onko organisaationne strategialla (Espoo-tarina) vaikutusta sidosryhmien muodostumiseen ja organisoitumiseen? (Connecting and managing objectives and hopes –

Does the strategy of your organization (The Espoo Story) affect the build-up and organization of stakeholders?)

APPENDIX 4. Limited English transcript of Interview 2

N.B. The following list contains the transcribed and translated questions and flow of the second interview of the empirical research of the thesis. The interview was held in Finnish.

- Hello and welcome to this interview. Let's start by verifying your personal details: who are you and what do you do in this organization?
- How would you shortly describe stakeholders in general? What is a stakeholder for an organization?
- Probably, your work then includes interaction with the stakeholders of your organization and/or industry?
- We could move onwards to the residential development's section on the interview. How do you find Finnish residential development as an industry in short?
- What kind of challenges does residential development have from the perspective of urban development? Would you be able to name some challenges from your perspective?
- Well, if construction takes place on soft clay soil and the price for parking etc. increases, are residential development and consideration of sustainable city moving to the same direction in that case in your opinion?
- Meanwhile, I will save the record. – – In the previous section, we discussed the sustainability perspectives a little. Moreover, on the residential development: how do city and housing development collaborate?
- I will move to the stakeholder section on the interview. There was mention on the old business premises in some less-central location. Does the initiative to convert it into housing come from the property owner or can a construction company spot it there?
- For instance, a property owner can be in contact with a project developer or construction company, which means that they were interacting with each other. Many times, stakeholders function so that two parties find each other and then challenge a third party. What kind of challenges does this generate or can generate for urban planning?
- How does the urban planning department follow or pay attention to this kind of stakeholders' development or actions in the background?
- In other words, also differences in views from one year to tens of years from now on is one challenge?
- Moreover, on managing and uniting objectives and hopes. I quickly examined the strategy of Espoo on the webpage of the city. As you mentioned in the beginning, there is the model of the five city centres. Does the strategy of your organization have impact on the build-up and organization of the stakeholders? There is the five-centre model, resident and customer orientation, responsible pioneering, and fairness. Does this strategy affect the build-up of the stakeholders?
- Yet, the last question. If you had to name one to four most salient stakeholders to your organization, could such a line be drawn?
- Very well. Would you still have some additional opinions or views regarding stakeholders or residential development?
- Very well. We managed to get the interview to fit into roughly twenty minutes in total. Thank you very much for the interview!