



Stakeholder Engagement: Schiphol airport case

*Managing engagement with stakeholders when the interests
are conflicting*

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Executive Summary

Stakeholder engagement is the process by which an organization involves people who may be affected by the decisions it makes or can influence the implementation of its decisions. They may support or oppose the decisions, be influential in the organization or within the community in which it operates, hold relevant official positions or be affected in the long-term.

Companies are becoming more aware of the environment they operate in, and acknowledge the need to care about sustainability and take into account the interests of non-financial stakeholders while making decisions. There are GRI G4 reporting guidelines in place, that provide guidance on how to report on sustainability, pointing out that stakeholder engagement is crucial for identifying the material issues to include in a report. However, sometimes companies do not follow the guidelines at all, or the stakeholder dialogue is just nominal, resulting in artificially constructed win-win situation.

This master thesis is inspired by Habermas ideal speech situation. When steering mechanisms (legislature, business practices) are in place, it creates a society that is willing to voice its opinion or show discontent with actions of an organization. However, when a situation close to this is achieved, a new issue arises – conflicting interests of stakeholders. As suggested by Habermas' discourse ethics mechanism, the best decision is the one when the sum of negative consequences for stakeholders is minimized. In order to achieve that, all relevant stakeholders need to join the debate. In addition, the debate needs to keep in mind the stakeholders who can potentially be affected, but can't join the debate (because they are from future generations, or nature).

In this thesis the case of Schiphol airport is considered to illustrate how an organization manages the engagement with stakeholders when the interests are conflicting.

Contents

Introduction	4
1. Literature review	7
1.1 Unfolding stakeholder thinking.....	7
1.2 Distinguishing stakeholder theory dimensions	10
1.3 Engaging with stakeholders	13
2. Theoretical framework: insights from Habermas for understanding stakeholder engagement	16
3. Methodology	25
3.1 The case study.....	25
3.2 Research methods	27
3.2.1 Case selection	28
3.2.2 Data gathering	30
4. Schiphol Airport Case Study Analysis	37
4.1 Background information and Case description.....	37
4.2 Case analysis: 4 sub-cases	41
4.2.1 Noise disturbance reduction and airport expansion	42
4.2.2 Capacity and terminal renovation	44
4.2.3 Accessibility	47
4.2.4 Safety: bird strikes	49
4.3 Findings.....	50
5. Discussion and Conclusion	53
5.1 Discussion.....	53
5.2 Conclusions.....	57
5.3 Recommendations and further research	59
Bibliography	60
Annex 1 - GRI	69
Annex 2 – Interview guide	76

Introduction

Stakeholder engagement is the process by which an organization involves people who may be affected by the decisions it makes or can influence the implementation of its decisions. They may support or oppose the decisions, be influential in the organization or within the community in which it operates, hold relevant official positions or be affected in the long term (Jeffery, 2009).

Stakeholder engagement is a key part of corporate social responsibility (CSR) and achieving the triple bottom line (Brennan and Solomon, 2008). Companies engage their stakeholders in dialogue to find out what social and environmental issues matter most to them about their performance in order to improve decision-making and accountability. Engaging stakeholders is a requirement of the Global Reporting Initiative (GRI), a network-based organization with sustainability reporting framework that is widely used around the world (GRI, 2014). The International Organization for Standardization (ISO) requires stakeholder engagement for all their new standards (ISO, 2016).

In 2009, GRI issued specific reporting guidelines tailored especially for airports. They include reporting on particular things, such as noise, pollution, emissions, hours, ect (GRI b, 2014). It is highlighted that stakeholder engagement is important for determining material issues for an airport. Sustainability reports available online show that companies reach out to stakeholders and are eager to ask about what is important for them. However, several things are behind the scene: to which extent the inputs of each stakeholder (passengers, employees, airlines, government, NGOs, local communities) are taken into account, how they are prioritized, whether they are taken as input for further strategic decisions. When airlines would like to make more profits and have some night flights, but local communities do not want to have noise at nights; government would like to increase the capacity of the airport, but NGOs are concerned about the environmental consequences it will bring. In my Master thesis I would like to look into how it is facilitated.

In the existing literature there is an opinion that perfect case of stakeholder engagement can bring positive results making organizations more sustainable (Barone et.al, 2013, Archel et/al, 2011). However, that situation to exist in practice, requires certain prerequisites. Habermas' *ideal speech situation* framework requires a balance of strong *steering mechanisms* in place that empower the members of society (*lifeworld*) and create the "game rules" for organizations (*systems*) (Habermas, 1987). This model is counterfactual, but it provides a good proxy for

comparisons. The conclusion of Barone et.al (2013) and Archel et.al. (2011) was that more steering mechanisms are needed to empower non-financial stakeholders and make sure that they participate in a dialogue. This research looks into a case where *steering mechanisms* and empowered *lifeworld* is in place, thus covering the identified research gap. However, when more stakeholders participate in a dialogue, it inevitably brings more conflicting interests to the table. The research question of this thesis is *how an organization can manage the engagement with stakeholders when their interests are conflicting*. Since it is a specific case, the conclusions are not intended to be of a fit-for-all, prescriptive nature, but they will provide interesting contributions to existing literature.

Barone et.al (2013) suggests that GRI could be one of the ways of putting *steering mechanisms* in place to make sure that organizations engage with their stakeholders (especially non-financial). Indeed, the emphasis of GRI G4 guidelines is on stakeholder engagement in order to identify material issues to report on (GRI, 2014). Thus, GRI provides some guidance on how to select stakeholders. According to GRI, “*stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives*” (GRI, 2014).

In addition, GRI acknowledges that issues identified as material for stakeholders may vary, and it is up to an organization to balance the conflicting views: “*It is important that the process of stakeholder engagement is capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization **may encounter conflicting views or differing expectations among its stakeholders**, and may need to be able to explain how it balanced these in reaching its reporting decisions. ... The organization documents its approach for defining which stakeholders it engaged with, how and when it engaged with them, and **how engagement has influenced the report content and the organization’s sustainability activities***” (GRI, 2014).

General social trends and institutional expectations are making companies more stakeholder-oriented, and it goes beyond the pressure that comes from direct key stakeholders (Waddock et.al, 2002). In addition, it was found that non-shareholding stakeholders are gaining more power in corporations and more likely to be in a board of directors than 20 years ago (Luoma, Goodstein 1999). Globalization as well has a part to play in increasing stakeholder influence as Hart and Sharma (2004) found that the interests of poor and illiterate stakeholders who have

little influence over corporate decisions are becoming more powerful when they are getting support from non-governmental organizations (NGOs). Nevertheless, even though there are obvious positive effects, the stakeholder engagement still depends on a company's willingness to do so. As Edmans (2008) points out, usually successful companies, who have a good stock performance, concentrate on stakeholder engagement issues. Thus, this master thesis will contribute by analysing a case where the empowered citizens (stakeholders) don't rely on whether an organization will decide to engage with them or not, but do not hesitate to bring their perspective.

This Schiphol airport case is rich in examples of different stakeholder engagement cases – as Boons et al (2010) points out, airports are the place where economic growth meets environmental pressure. Capacity expansion necessary to facilitate global aviation growth (Eurocontrol, 2013) may be delayed due to opposition from the public (Gelhausen et al., 2013). It is at airports where the political prestige meets the concerned citizens suffering from pollution and noise (Boons et al. 2010) and it is in the context of airport expansion, more than anywhere else, that the fundamental economic and environmental challenges that aviation poses become apparent (Kivits, 2013).

1. Literature review

Stakeholder theory is focusing attention on the importance of the relationships that companies have with stakeholders, relationships that go well beyond those that companies naturally have with shareholders. Over the time, the stakeholder theory have shifted from a corporate-centric focus, in which stakeholders are viewed as subjects to be managed, towards network-based, relational and process-oriented view of engagement between company and stakeholder, where there is more understanding of mutuality and interdependence (Shankman, 1999).

In turn, increased connectivity created demands for greater corporate transparency and accountability. Companies are facing the interest from consumers not only in their products and services, but overall impact of their activities on human rights, environmental protection and sustainability. Investors would like to know not only accounting details and quarterly results, but also long-term strategy and the vision of the company to make sure it corresponds to upcoming governmental regulations and consumer tastes. Local communities with the help of media and focal NGOs have become more visible and have a say in wider range of topics (Waddock, 2000).

One response to those rapid changes has been to engage in partnerships with stakeholders who represent interests that go far beyond the traditional interest of corporations – maximizing shareholder value. In order to cope efficiently with the issues that are the matters of concern for stakeholders, companies need the better understanding of their expectations. Drawing on the literature on *stakeholder theory*, I will attempt in this part to provide a literature review that can give the overview of the reasons for increased attention to stakeholder engagement witnessed today.

1.1 Unfolding stakeholder thinking

Stakeholder thinking provides the opportunity to consider the companies and their activities through the lens of constituency concepts and propositions. The main idea is that holders who have stakes in various aspects of society cooperate with the firm and thus make its operation possible (Blair, 1998). The basic ideas about considering company's activities together with stakeholder influence are not new: Freeman considers that the first definition of the stakeholder concept can be found in an internal memorandum of the Stanford Research Institute from 1963 (Freeman, 1984).

Once it was introduced, the stakeholder thinking has become an important dimension in organizational life. However, only after Freeman integrated stakeholder concepts into a coherent construct explaining its place and importance, the stakeholder thinking gained wider attention from academia side. A number of scholars have since developed and enhanced Freeman's work. Carroll (1991) was one of the first to use the stakeholder approach explicitly as a framework for organizing business in society topics. Kay (1996) offered an interesting perspective on stakeholders: company strategy describes how it shall respond to suppliers, customers, competitors and the wider society within which they operate. It means that company strategy needs to involve values and expectations of those who can influence its performance – stakeholders. Some authors have treated stakeholder thinking as the foundation for a theory of the firm and as a framework for the business in society field (Hill, 1992). Thus, stakeholder thinking has matured from additional logic supporting the advancement of other theories to a theory of the firm in its own right.

The development of stakeholder theory development has relied on two interconnected streams: (1) defining the stakeholder concept and (2) classifying stakeholders into categories that provide an understanding of individual stakeholder relationships. One of the primary challenges in stakeholder analysis has been the construction of a universally accepted definition of the term *stake* (Donaldson, 1995). Even though there has been an abundance of articles and books using the notion of stakeholder thinking, the meaning of the term *stakeholder* has not been explained thoroughly. Freeman's definition of stakeholder – “any group or individual who can affect or who is affected by the achievement of the firm's objectives” - continues to provide the boundaries of what constitutes a stake (Freeman, 1984, p. 25).

Although debate in academia over the definition – whether it should be broadened or narrowed – continues, most researchers have utilized a variation of Freeman's concept. For example, in Hill and Jones' (1992, p 133) definition, the stakeholders are “constituents who have a legitimate claim on the firm”. Clarkson (1995) suggests a different approach for identifying and evaluating stakeholder claims: now, in a narrower definition, stakeholders appear to be risk-bearers. According to him, a stakeholder has some form of capital at risk (human, financial, etc.). It means that depending on company's behavior, stakeholders may lose or gain something.

Irrespective of how Freeman's definition of stakeholder is modified, the core idea remained unchanged (Freeman, 1984). Since business operates within society, organizations need to address a set of stakeholder expectations. As a result, organizations are working on engagement

stakeholder groups in order to identify and meet these expectations. It means that the information from stakeholders comes as input, and management decisions that provide output need to take the opinion of stakeholders into consideration. Thus, management choice is a function of stakeholder influences. Since firms operate in different industries with different stakeholders, it is important to determine who the stakeholders of a particular firm or industry are and what kind of influence they may have.

However, a stakeholder theory of the firm requires not only understanding or predicting what kind of influence the stakeholders may have, but also how a company needs to address those influences. The process of a firm's identifying and responding to those influences is called stakeholder engagement. Even though the focus on individual stakeholder relationships may be important for classifying various types of stakeholder, that kind of analysis can't be relevant for describing a firm's behaviors. The reason for that is that each firm has a different set of stakeholders, which sum up to a unique combination of influence. Ambler and Wilson (1995) show that companies do not respond to each stakeholder individually; instead, they respond to the summation of various influences from the entire stakeholder set. Thus, explanations of how companies respond to their stakeholders require an analysis of the complex array of multiple, interdependent relationships existing within the stakeholder environment.

The research has concentrated on creating classification schemes for categorizing stakeholders in accordance with the type of influence they have organizations. Several schemes exist, including Freeman's internal and external change distinction. Yet, there is no agreement on what Freeman calls "The Principle of Who or What Really Counts" (Freeman, 1994). In 1997, Mitchell et al. created a theory of stakeholder identification and salience. The theory incorporates normative and descriptive theory elements and focuses on three core variables: power, legitimacy and urgency (Mitchel, 1997). Later researches partly tested the stakeholder identification and salience theory. The results show that the companies are more interested in engaging most directly with the stakeholders who are more important and pose significant pressure that may lead to consequences for the firm's operations. As for the intrinsic stakeholder commitment model, companies are unwilling to engage mere for the sake of engagement and values.

The main conceptual competition that exists within stakeholder theory, - namely, between power and legitimacy, - is reflected in almost every major theory of the firm: particularly in institutional, agency, behavioral, transaction cost and resource dependence theories (Argenti, 1997). Resource dependence theory explains that since an organization needs resources to

operate, those stakeholders who control resources have more power, thus leading to power differentials among parties. It means that the possession of resource power makes a stakeholder important to a firm. In this case, the legitimacy may be achieved if the organizational practice is built in a way that pays more attention to a wider social system. Institutional theory describes how this adaptation may happen. Figure 1.2 classifies research themes in terms of the two underlying rationales of stakeholder thinking.

Within the perspective of resource dependence, theory suggests that organizations are driven by their interests and that they influence over the resource environment or exercise certain degree of control in order to achieve more stability. Theorists argue that organizational stability is achieved through the use of power, control or by negotiation of interdependences in order to achieve a predictable inflow of vital resources thus reducing environmental uncertainty. From a perspective of resource dependency, companies solve the problems of stakeholders and engage with them because it is in companies' interest to do so. A power perspective advocates the importance of evaluating the relative balance of power between stakeholders and the company so that it can gain legitimacy in the eyes of relevant stakeholders and so that the interaction can actually be mutual.

1.2 Distinguishing stakeholder theory dimensions

In his later work, Freeman notes that there is no such thing as a one clear, concise and agreed stakeholder theory. There are at least four different types (Freeman, 1995). These theories are often mixed up in the literature and rarely stated explicitly. Donaldson and Preston (1995) for the first time take these dimensions of the stakeholder theory that have been implicit previously: *descriptive/empirical*, *instrumental* and *normative* - and give explicit clarifications. These formulations suggest that: (1) firms and managers behave in certain ways indeed (*descriptive/empirical*); (2) definite outcomes are much more likely if firms and managers behave in evident ways (*instrumental*); and (3) firms and managers should behave in certain ways (*normative*). Recognizing and appreciating Donaldson and Preston's views on the stakeholder theory, Freeman suggests a fourth use of stakeholder thinking—*metaphorical or narrative*. In this environment, the stakeholder theory is more a story rather than a theoretical construct. Freeman believes that the “task is to take metaphors like stakeholder thinking and embed it in a story about how human beings create and exchange value” (Freeman, 1995, p. 45).

Donaldson and Preston (1995) come to conclusion that the *normative* realm area is the most promising one for further development of the concept in stakeholder theory. To support their idea, they offer a normative justification for the stakeholder theory that is based on the property rights. As for the other normative justifications, they include Kantian capitalism, social contract approaches, and the normative arguments for CSR and agent morality.

At the same time, the core of instrumental stakeholder theory is developed in the literature that attempts to link financial performance indicators with corporate responsibility (Margolis, 2001). Even though the top managers make decisions about firms' activities, they are working in open markets. It means that relations with many stakeholders in form of contracts serve as a regulative element. Due to asymmetry of information, contracting costs may be quite high. One of the ways to reduce them is adopting certain behavioral standards and ethical norms, thus eliminating the possibility of opportunism. However, even though it is easy to see systematic benefits, the individual benefits are less obvious. Frank (1988) has pointed out that trustworthy and honest stakeholders who are willing to co-operate and help companies to deal with opportunism are the most desirable counterparties in working relationships. Therefore, co-operative and mutually-trusting relations with stakeholders (social capital) may be an important competitive advantage.

When it comes to *descriptive/empirical* stakeholder theory, there are several possibilities. One possibility is that managers behave as if not just stakeholders, but several stakeholder groups, affect their firm performance (strategic stakeholder management model). Second one states that the reason for managers to behave as if stakeholders matter is the inherent justice of stakeholders' claims on the firm (intrinsic stakeholder commitment model). When it comes to support of those hypothesis, the results vary. Clarkson (1995) has gathered the empirical evidence that does not explicitly contradict either of these claims. Berman et al (1999) supports a strategic stakeholder management model, but place little emphasis on an intrinsic stakeholder commitment model. Brenner and Cochran (1991, p. 57) state the following: "The stakeholder theory of the firm posits that the nature of organizations' stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organizational behavior". Even though they point out that "values which are highly weighted should be favored in actual choice situations", they do not provide any explanation of mechanism through which such predicted behavior may take place (Brenner and Cochran, 1991, p. 44).

Table 1.1 Stakeholder Theory Dimensions.

		<i>Rationale</i>	<i>Units of analysis</i>	<i>Level of analysis</i>	<i>Underlying theory</i>	<i>Advocates</i>
Narrative approach	Metaphorical	Participants of organizational process	Macro-organizational market perspective as a system	Strategic management business policy	Strategic management business policy	Freeman, 1995
	Normative	Corporate social responsibility via principle of corporate legitimacy	Modern property rights	System-centered principles	-utilitarianism -libertarianism -social contract theory	Donaldson and Preston, 1995
			Agent morality	Organization-centered principles	Principal agency theory	Wood, 1991
			Social contracts (welfare and justice)	System-centered principles	Social contract theory	Child, 1999
			Kantian capitalism	System-centered principles	Ethical theory (categorical imperative)	Freeman, 1995
Analytical approach	Instrumental	Effect of stakeholder consideration on firm's bottom line	Efficient relationships, transactions, relational contracts	Competitive behavior	-social network theory -positive agency theory -transaction cost theory	Hill, 1992, Frank, 1988
	Descriptive	Organizational and managerial behavior for stakeholder consideration	Extrinsic performance orientation and intrinsic value orientation	Managerial behavior	Managerial economics and organizational psychology, sociology	Clarkson, 1995, Mitchel, 1997
			Nature of stakeholders and their values and their influence on decisions and nature of the situation	Organizational behavior	Organizational theory, decision theory	Berman, 1999, Brenner, 1991

Source: created by the author; based on literature review

In 1999, Jones and Wicks (1999) shaped a *convergent stakeholder theory*. The theory integrates the elements of the social science approach with the normative ethics approach. While looking at an organization through this theoretical lens, it is explainable why managers can foster

morally sound approaches to business and then make sure that they work. However, Trevino and Weaver (1999) do not agree with Jones and Wicks's (1999) claim that their convergent approach can be used to integrate various divergences in the stakeholder theory. They believe that Jones and Wicks haven't managed to prove that a sound empirical stakeholder theory that can be integrated with the normative theory exists. Freeman claims that the stakeholder theory is more divergent, rather than convergent, because there should not be any separation between ethics and performance. He explains that certain degree of responsibility is present in all actions (Freeman R, 1999).

The study considered in this thesis is positioned within normative approach: it finds a middle way between a broader descriptive and narrower normative and metaphorical approaches. According to Reed et.al (2006), this approach to stakeholder identification focuses more on achieving the desired objective via identifying and managing the behavior of stakeholders. It includes stakeholders in the broadest sense – those who are both directly and indirectly affected by the organization's objectives

1.3 Engaging with stakeholders

According to Harrison and St John (1996), when it comes to strategic aims, stakeholder groups could be weighed according to three criteria sets – impact, influence, and alignment. Each criterion is measurable, at least to a certain degree. Without any doubt, when there is an activity that is of paramount importance for business and at the same time has a strong impact on stakeholder groups, there is increasingly important to maintain a constructive dialogue. The smoother the dialogue goes, the closer the better tradeoffs are agreed on.

Looking back, the stakeholder research has concentrated primarily not on understanding the stakeholder engagement as a whole, but on classifying individual stakeholder relationships with the strategies of influence. It was Vogel (1978) who first addressed what Frooman (1999) refers to as stakeholder influence strategies, including boycotts, modified vendettas and proxy resolutions. Scholars who described those strategies in their empirical studies usually considered the efficiency of the strategies, or the market's reaction to them.

In Frooman's (1999) stakeholder influence theory it is pointed out that there are four types of stakeholder influence and four types of resource relationship. It claims that the balance of power particular for every relationship determines what types of strategy a stakeholder will use. Still, this approach does not explain clearly how a firm engages with stakeholders.

Since each firm has a unique set of stakeholders, it creates a unique influence patterns. Thus, firms cannot engage with each stakeholder individually, but rather need to answer the instantaneous demands of multiple stakeholders. Rowley (1997) describes this simultaneous influence of multiple stakeholders in a two-by-two matrix: the density of the stakeholder network by the centrality of the focal organization. This work originates from Oliver's (1991) effort to converge resource dependence and institutional theories. Then Rowley's (1997) makes an attempt to foresee how companies would respond to stakeholders in any given configuration. Since the conventional boundaries between internal and external stakeholders has weakened, the stakeholders require much more managerial attention. The primer reason for that – globalization; as Hart and Sharma (2004) found, even poor and illiterate stakeholders are now a powerful voice thanks to the support of NGOs and internet. If to look at the situation from the instrumental perspective (Reeds et.al, 2009), better stakeholder relationships result in higher profitability for the firm. The following may serve as instrumental outcomes examples: enhanced predictability of changes in the external environment that results from improved communication with external stakeholders; more successful innovations that result from stakeholders' involvement in product design; and fewer unpredicted damaging steps from stakeholders (e.g. boycotts, strikes, bad press) resulting from greater trust and better relationships.

Stakeholders contribute to the uncertainty the firms are facing, that is why organizations seek to find the ways to minimize the risks, acknowledging the importance of stakeholders. For example, political power influences environmental uncertainty. In addition, the understanding of the role of strategic choice is crucial in determining the nature of the interdependency that is existent between stakeholders and firms. Strategic decisions of all levels influence of various stakeholders.

In addition, a problem may need the interaction among multiple stakeholders for finding a solution. In environments like this, collaborative strategies are important. They are achieved by using bridging or boundary-spanning techniques (Harrison, 1996). As Pfeffer and Salancik (1978, p. 43) argue: "The typical solution to problems of interdependence and uncertainty involves increasing the mutual control over each other's activities". In today's interconnected world, there are more and more forms of counteraction that push a firm into closer alliances with its stakeholders. For example: joint ventures with competitors, product development with the involvement of customers, industry-level lobbying. Research suggests that strategic alliances are a device for reducing both the uncertainties that arise from unpredictable demand

and the pressures that come from high levels of interdependences among organizations.

Harrison and St John (1996) argue that firms need to use stakeholder engagement not only in order to increase control of the environmental uncertainty but also to increase organizational flexibility. Partnering and engagement activities are preferable because they allow firms to build bridges with their stakeholders in the pursuit of common goals, while older stakeholder management techniques such as buffering just leads to the satisfaction of stakeholder demands. For further successful cooperation, the social capital need to be at a high level.

We may use a company's relations with consumers to illustrate the potential benefits of bridges between partners. Firms with an older buffering approach towards customers focus on a gathering of traditional information about the current demand and concentrate on complying with current service expectations, all in order to buffer the firm from customer complaints and uncertainty. While applying bridging techniques, a firm involves clients directly into product developing, improvement programs as well as into planning and scheduling. Bridging relies on engagement and interdependency rather than buffering. That is why, for better understanding of stakeholder engagement, it is important to know how strategic relationships are built and collaborative strategies work.

2. Theoretical framework: insights from Habermas for understanding stakeholder engagement

In order to assist the analysis of stakeholder engagement, and see how an organization manages the engagement with stakeholders with conflicting interests, Habermas provides useful insights. First, Habermasian policy-driven framework can help to develop an interpretive understanding of stakeholder engagement, combining the notion of stakeholder engagement as a potential *ideal speech situation* with the conceptualization of *systems*, *steering mechanisms* and *lifeworld*, which will be discussed further on. Second, even when a hypothetical ideal speech situation is reached, the issue of addressing and prioritizing heterogeneous views and expectations, which are often mutually exclusive, arise (Unerman and Bennett, 2004). Habermas provides a method based on the *discourse ethics*, which gives a theoretical model for arriving at a consensus view among mutually exclusive stakeholders (Habermas, 1992).

Ideal Speech situation

Jurgen Habermas is a 20th century German philosopher. His theory has been used for developing a research methodology for accounting systems design (Laughlin, 1987). Specifically Habermas provides a framework for understanding societal change with a particular emphasis on the role of language and communication (Habermas, 1992, 2001). A primary tenet of Habermas' framework is the *ideal speech situation*: "The ideal speech situation excludes systematic distortion of communication. Only then is the sole prevailing force the characteristic unforced force of the better argument, which allows assertions to be methodically verified in an expert manner and decisions about practical issues to be rationally motivated" (Habermas, 2001, p. 97). Unerman and Bennett (2004) has suggested that Habermas' framework could be used to arrive at a consensus view among diverse stakeholders through the use of communicative discourse. This framework is characterized by transparent dialogue with all parties having equal power of expression and equal ability to express their views and to be heard (Habermas, 2001). An ideal speech situation, "... ensures not only unrestricted, but also nonhegemonic discussion" (Habermas, 2001, p. 98). The lack of controlling hegemonic power over discourse is crucial to achieving an ideal speech situation. Indeed, all speakers must be, "... transparent to themselves and others in what they actually do and believe and, if necessary, can translate their non-verbal expressions into linguistic utterances" (Habermas, 2001, p. 99).

It has been suggested that in practice stakeholder dialogue falls short of an ideal speech

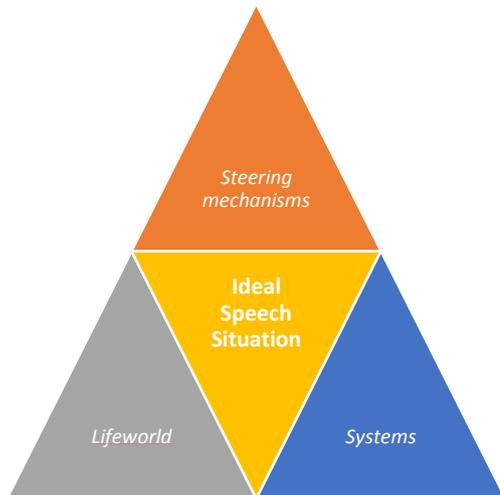
situation (Unerman and Bennett, 2004). However, this is hardly surprising as Habermas' intentionality was to provide a counterfactual which could be achieved but which usually is not, "... there is no historical society that corresponds to the form of life that we anticipate in the concept of the ideal speech situation. The ideal situation could best be compared with a transcendental illusion [Schein] were it not at the same time a constitutive condition of possible speech instead of an impermissible projection" (Habermas, 2001, p. 103). Interpreters of Habermas' work acknowledge that "... the idealizations required by this model of communication is most likely to fail. However, the idealized model allows for a systematic understanding of the different sorts of failure and provides the norms or standards for criticizing them" (Fultner, 2001, p. xxi). In the real world not only do aspects of the ideal speech situation fail, but also people can strategically design and maintain a pseudo-consensus, a simulation of ideal speech, to serve their own ends. This suggestion resonates clearly with the way in which stakeholder engagement exercises appeared to be a simulacrum of genuine accountability in Archel et.al (2011). Habermas himself acknowledged and predicted critique of his framework: "The conditions under which arguments actually occur are clearly not the same as those of the ideal speech situation - at least not often or usually." (Habermas, 2001, p. 102).

Indeed, the concept of an ideal speech situation is utopian, making its manifestation extremely difficult in the process of corporate engagement with stakeholders. However, it is always possible to normatively imagine the potential for the ideal speech situation to evolve in practice. As prior research shows, corporate capture and hegemonic control over non-financial stakeholders appears common and the most recent evidence concludes that corporate efforts at stakeholder engagement amount to little more than a simulacrum (Archel, 2011). Therefore, to attempt to conceptualize stakeholder engagement as a Habermasian *ideal speech situation* establishes a high hurdle for corporate accountability to clear. The model is useful as a counterfactual, as a means of highlighting and illuminating the deficiencies of the stakeholder engagement process as it is.

Habermas' critical theory sought to provide a means of understanding the relationship between *lifeworld*, *technical systems* and *steering mechanisms*. The *lifeworld* may be described as a "type of cultural space which gives meaning and nature to societal life", Laughlin (1987, p.486). It includes people – members of society. *Systems* are the 'self-regulating action contexts which co-ordinate actions around specific mechanisms, such as money or power' (Laughlin, 1987, p.486). *Systems* aim at building power structures that usually conflict with the interests of *lifeworld*. *Steering mechanisms* may be interpreted as mechanisms designed by society to

guide the behavior of the systems. If they are in place, the power of systems is limited for the benefit of *lifeworld*. Bringing these concepts together, "... it is the social reality which gives these systems meaning and attempts to guide their behaviour through *steering mechanisms* (Laughlin R. , 1987, p. 486). Habermas provides useful insights for accounting as his implicit methodology allows not only an understanding of the social and the technical but also about the ways in which change and development may be progressed.

Fig. 2.1. Illustration of Habermasian Ideal speech situation



Source: created by author based on literature review

The *systems* may be seen as expressions in terms of functioning definable, tangible organizations. They have money and power, and, that is why, would like to dictate their rules. As society evolves, Habermas suggests that communication skills evolve, with society (*lifeworld*) becoming more “discursively able” (Broadbent, 1991). In other words, the prescribed way that societies (*lifeworld*), societal institutions and their *steering mechanisms* should develop is through evolution using defined discursive processes (i.e. the ideal speech situation). This ideal speech situation-driven evolution should lead to changes in the societal *lifeworld*, and lead to consequent changes in *steering mechanisms* (creation on new frameworks, legislature). Within the context of this prescriptive conceptual model, the ideal speech situation turns from a utopian ideal into a powerful mechanism of change.

However, as discursive and communicative skills become more advanced, there can be an increasing differentiation between the *lifeworld*, the systems and the *steering mechanisms* which can result in organization’s steer. The increasing complexity and diversity of organizations results in significant gaps between these three theoretical constructs. Indeed, steering within organizational space can evolve such that they “get out of hand” (Broadbent, 1991, p. 5) and can become totally disassociated from the societal *lifeworld* and context which

they inhabit and the systems in place.

In the context of Habermasian theory, stakeholder engagement may be viewed as a form of direct communication between companies and their stakeholder groups. In other words, stakeholder engagement and reporting on sustainability may be interpreted as systems' organizational accountability mechanisms which are guided by particular organizational and organizationally interpreted societal steering mechanisms.

Even though Habermasian ideal speech situation has multiple applications in completely different fields: from female empowerment and gender specificity in speech (Day, 1993) to communication asymmetries in healthcare (Gillespie, et.al., 2014), for the sake of this research, the previous cases illustrating relations between a company and its stakeholders, financial and non-financial, prove to be most useful. In a recent case of Kraft's takeover of Cadbury, Barone et.al compare the ideal speech situation to the real stakeholder engagement that took place while the takeover, and derive in conclusion that the reason for poor stakeholder engagement was the lack of steering mechanisms in place to 1) make reporting on sustainability obligatory; 2) provide clear guidelines as for how to manage stakeholder engagement process (Barone et.al, 2013). Barone et.al pictures GRI as an effective steering mechanism, which, if made obligatory for Great Britain, where the Kraft case takes place, would lead to positive changes, at least providing companies with incentive to engage with stakeholders for the sake of including this information in a report, which is obligatory (Barone et.al, 2013). Comparing the Kraft case with that described by Archel et.al. (2011) shows that if in the later (Archel et.al) it was at least some cosmetic stakeholder engagement, the goal of which was to manage expectations and maintain reputation, in Kraft's case there were even no attempt to engage with stakeholders (Barone et.al, 2013).

The key problem, as presented by Barone et.al, is "... a voluntary environment [with] ... very little guidance for companies on stakeholder engagement" (Barone et.al, 2013, p 169). The research identified the lack of steering mechanisms as a key problem and obligatory GRI as a potential solution for creating stronger steering mechanisms that would allow to have more powerful *lifeworld*. However, they acknowledge that GRI focuses "on corporate reporting of stakeholder engagement rather than on providing guidelines for stakeholder engagement practices per se (Barone et.al, 2013). Returning to Harbrmas model, it means that *lifeworld* is relatively weak because of no effective *steering mechanisms* in place. Thus, it allows organizations to build *systems* where they can create rules.

It is arguable whether making sustainability reporting obligatory will lead to certain of ideal speech situation. Buhr argues that it is not voluntary or obligatory reporting in place, but engagement of all the sectors of society in the cause of sustainability, that can bring difference (Jeffrey Unerman, 2007). EY report on Sustainability echoes the conclusions of Buhr, pointing out, that in countries where the reporting is not obligatory, but there is a strong corporate culture in place, that creates a peer pressure, organizations are more likely to produce high-quality reports, paying particular attention to the process of stakeholder engagement, and stakeholders are willing to participate and bring suggestions to the table (EY, 2016). So far, there were the cases with weak *lifeworld* and not effective *steering mechanism* analyzed in the literature, thus creating a gap in a current literature. The aim of this thesis is to contribute to the existing literature by analyzing the case where there are steering mechanisms in place that allow all stakeholders (even non-financial) to voice their opinions.

However, achieving ideal speech situation, even though not fully, leads to a new problem – how would it be possible to negotiate a consensus among mutually exclusive stakeholders? One way is to prioritize the needs of stakeholders on whom an organization has the most negative impact (Thomson and Bebbington, 2005). Unfortunately, this method poses several problems – firstly, it assumes that negative impacts caused by organization's operations on each stakeholder can be assessed with a reasonable degree of certainty, and secondly, it presupposed that it is possible to rank the negative impacts suffered by different stakeholders objectively. In reality, any suggestions of this nature will be subjective in practice, thereby resulting in different rankings of the importance of negative outcomes suffered by different stakeholders (Thomson and Bebbington, 2005, Unerman and Bennett, 2004, Unerman et.al, 2007).

The alternative method has been suggested by Unerman and Bennett (2004) and is based on the discourse ethics of Habermas (1992) – it provides a theoretical model for arriving at a mutually acceptable view of moral standards within a society through the use of discourse mechanisms. In order to explain the discourse ethics mechanisms, the next section will look into two key philosophical propositions.

The first one is Immanuel Kant's proposition of the Categorical Imperative (1949) – the key idea is that any moral proposition is valid, if a person proposing it is willing to accept its validity in all possible situations (both in positions of power and weakness). In other words, if the person would make the same judgment no matter in what position they find themselves in relation to the situation the morality of which is being evaluated. If we apply such thought

processes to the context of corporate directors and their diverse stakeholder groups, the decision makers (executive board members) should adopt practices which are ethical, by empathetically considering whether their decisions would be the same were they to be demoted from positions of power, i.e. if they were to become the least powerful stakeholders. Put another way, actions which are considered acceptable to someone with power, wealth and privilege would be considered morally acceptable if that person would consider these actions to be equally morally acceptable if that person would consider these actions to be equally morally acceptable if they lost their power and wealth, and were looking at outcomes of these actions from the position of less privileged members of society (Lehman, 1995).

The second key mechanism within Habermas' framework is that each person's moral values and arguments should be tested and evaluated through debate with others who may hold alternative views. Habermas argues that the process in the first key stage (explained above) is insufficient alone to arrive at a universally accepted solution, because each person is likely to have a different opinion on possible outcomes of a particular action and is likely to weight the importance of the outcomes differently. Habermas believes that only through a process of democratic debate, where each person is free to articulate their own views about how a particular action will impact them, and are free to challenge the views proposed by others, a universally accepted and acceptable moral consensus could be arrived at. However, for this process to work, specific protocols of debate need to be in place, so that the force of the best argument is recognized and accepted by all. The rules of debate proposed by Habermas to make sure that the best arguments win, requires each participant to engage in the debate honestly, openly, with willingness to recognize the force of the better argument. In addition, the rules require that:

- 1) Every subject with the competence to speak and act is allowed to take part in discourse
- 2)
 - a. Everyone is allowed to question any assertion whatever.
 - b. Everyone is allowed to introduce any assertion whatever into the discourse.
 - c. Everyone is allowed to express [their own] attitudes, desires and needs.
- 3) No speaker may be prevented, by internal or external coercion, from exercising [their own] rights as laid down in 1) and 2).

Source: (Alexy, 1978, p 40, as quoted in Habermas, 1992, p 89)

However, Unerman and Bennett (2004) argue that in practice, the theoretical ideal of discourse ethics is very unlikely to be realized in practice for determining organization's environmental,

social and economic responsibilities. There may be several reasons for that, among them are the following. First, stakeholders who are potentially affected by an organization's actions, may not be able to participate in a debate, because they are not yet born, or not human-beings, but nature (flora and fauna). Second, among these who are able to articulate their interests, some may be better at debating and persuading, giving their arguments advantage. Third, some stakeholders may participate in the debate strategically, aiming at achieving their interests irrespective of what negative effect it will have on others, instead of being open and honest.

Nevertheless, even though the perfect, *ideal speech situation*, debate, incorporating all the requirements, is hardly possible in real life, it has a potential to inform stakeholder dialogue process (Unerman and Bennett, 2004, Unerman et.al, 2007). It should be considered as a range from no democratically informed procedures at all to a full ideal speech situation in place. The movement in this range, away from the situation when stakeholders, especially non-financial ones, are powerless and voiceless, towards a demographic debate among all stakeholders, is desirable.

An important issue regarding how the dialogue with stakeholders shall be set up was raised by Thomson and Bebbington (2005). They argue that the debate shall not be controlled by an organization itself. When it sets an agenda and invites only selected stakeholders, it is likely to create a cosmetic "win-win" image. What is desirable, is collaboration in setting agenda and wide range of active stakeholders participating in a discourse. As argued above, GRI guidelines provide some guidance in how to select affected stakeholders and identify with their help the material issues worth reporting on, it does not provide insights on how to manage the dialogue and prioritize the conflicting issues – it only says that the decision-making process need to be documented and assured (GRI, 2014). Tomas and Bebbington (2005) argue that in order to ensure a good-quality dialogue, measures need to be taken to equalize power between the organization and its stakeholders (and between different stakeholders as well).

As argued by Barone et.al (2013) as well, even if stakeholder engagement happens (which was not the case in the situation they considered), it only includes financial stakeholders, people in a position of power, who are not necessarily greatly impacted by the activities of an organization. Among other authors who in their academic studies wrote about stakeholder dialogue mechanisms in practice are Owen et.al (2005), Thomson and Bebbington (2005), O'Dwyer (2005) and Unerman and Bennett (2004).

As for the usefulness of dialogue mechanisms for the purpose of reporting, this area was studied

by Thomson and Bebbington (2005). The research included questionnaire surveys mailed to non-financial stakeholders phone surveys, community based meetings, focus groups. As an outcome, they found the feedback very general in nature and the set of questions very narrow. In Habermasian terms, it was a situation when organizations selected the scope of stakeholders and the topics for engagement to show a win-win, moving far away from ideal speech situation. Unerman and Bennett (2004) conducted an analysis of stakeholder dialogue mechanisms using the example of Shell's web-forum on their website. Users could post comments on any topics suggested at the forum, comment on each other's comment and create new topics. Of course, it was not the exact ideal speech situation, because probably the most affected stakeholders, without internet connection and language command, could not raise issues. What is more important, the platform was used paramountly to voice opinion, but not to listen to others and find a compromise through an honest debate.

Examining managerial attitudes towards the overall practice of stakeholder engagement, using as example large UK corporations, Owen et.al (2005) found that it was recognition of importance stakeholder dialogue. However, when asked to prioritize, the study found managers considered financial shareholders as a most important group of stakeholders for sustainability reporting. After shareholders, employees, NGOs, government, local communities were listed. The priority of non-financial stakeholders may vary, but the most powerful ones get the most attention (Adams, 2002).

Even though stakeholder dialogue is perceived as important by organizations, there is a lack of evidence of meaningful dialogue in place. The opinions of influential financial stakeholders are taken into consideration, while the engagement with less powerful stakeholders is maintained for the reputational sake. Even when stakeholders can participate in a debate (on-line platform launched by Shell), they are more willing to voice their concern than to engage in a meaningful debate that could lead to some compromise.

The gap in the current literature is analysis of the situation, when a decision is made based on an honest debate including all relevant stakeholders, who are honest, willing to listen to arguments of others and change their claims in case better argument is suggested. Of course, it is hypothetical, counterfactual situation that is not likely to exist. However, the prerequisite for moving close to it are *steering mechanisms* in place that empower *lifeworld* to reach out to organizations that affect them, and have an on-going discussion as for how to find a compromise solution. Finding a case for research where non-financial stakeholders can bring

their opinion to the table and participate in a discussion would bring an interesting perspective: in cases reviewed in the literature, financial stakeholders had most power and their needs were always prioritized. However, what shall an organization do when non-financial stakeholders have certain degree of power as well? And obviously, the interests will be conflicting. This considerations bring forward the research question of this thesis: “How does an organization manage the engagement with a wide range of stakeholders with conflicting interests?”

In order to answer this research question and to bridge the existing gap in the literature, a representative case need to be selected. One of the prerequisites is to select a country with *steering mechanisms* in place and powerful *lifeworld*, willing to participate in a debate. This will triggers a situation when engagement with stakeholders not nominal, but real, thus containing controversial issues and conflicting interests. Of course, it is unlikely to recreate a perfect ideal speech situation, but the goal is to move closer to it. The quality of the stakeholder dialogue will be evaluated using criteria suggested by Habermas (1992) and explained earlier in a chapter.

3. Methodology

This chapter outlines the research design, describes the data collection process and specific choices made.

This is a single case study research. As Yin (2003, p. 23) defines; the case study is a suited approach to investigate a phenomenon in its real life context. This is a qualitative research method where the goal is to tell the narrative by means of an in-depth analysis of the airport and the way they engage with their stakeholders and the benefits they do or do not reap from this approach. In this chapter the pros and cons of case study research are presented, followed by a discussion on how to address its challenges. In the next section the research methods are discussed, building on this methodological discussion.

3.1 The case study

Good social science ought to be problem driven and conducted conform methods best suiting the research question at stake (Flyvberg 2006). A case study is a qualitative method, one or a small number of individual cases (Yin, 2003), investigating the properties of this case (Eckstein, 1975). Case study research has been criticised, especially in the 1960's and 1970's, mainly for its perceived inability to generalise. Yet case studies have been identified as the most predominant mode of research only shortly thereafter (Masser, 1984).

The strength of the case study lies in “the ability to take account of a large amount of local detail at the same time as generally comparable information” and in “their essential flexibility in practice” (Masser, 1984, p. 141).

Flyvberg (2006) addresses five challenges to case study research posed as ‘misunderstandings’, but that would depreciate the valuable light they shed on points of attention for this study.

The first challenge is the ability to generalise from case study research. Flyvberg argues that general, (context-independent) knowledge is not more valuable than concrete (context dependent) knowledge that can be obtained by conducting case study research. General knowledge is good to start with, but “it is only because of experience with cases that one can at all move from being a beginner to being an expert” (Flyvberg 2006 p. 222). This closely related to the next challenge.

The second challenge is that one cannot generalise on the basis of a single case. Slightly evading the issue of generalisation, Flyvberg argues that generalisation is overvalued and that examples, such as case studies, are undervalued in the social sciences. The advantage of case

studies is the possibility for in-depth analysis of the case at hand. Campbell (2003) argues that researchers should explicitly explain the role and functioning of the case and reflect on to what extent one can generalise from the case. The aim of this research is to obtain a deeper understanding of stakeholder engagement processes: how to bring all the relevant parties to the table, and how to come to a decision when stakeholders have different opinions? Did the use of GRI guidelines and help to facilitate the efficient stakeholder engagement and in which way? The goal is not to generalise per se, but to provide an in-depth analysis of the case.

The third challenge again is closely related: it has been argued that case studies are more useful for generating hypotheses than for testing and theory building. Flyvberg argues that case studies can be useful for both generating and testing hypotheses, depending on the cases selected. A representative case, rich in information and not to be confused with an average case, can be used for developing a hypotheses or building a theory. Critical cases, most or least likely, on the other hand can be used for the testing of theories or hypotheses because they hold the possibility of verifying or refuting a position (Flyvberg 2006). In general, case studies are more effective to prove (im)possibilities rather than the precise likelihood of a phenomenon (Campbell 2003). It is the possibility that is explored to some extent here but the focus is on understanding the phenomenon by studying a representative case, rich in information. The role a representative case can play according to Flyvberg (2006) matches with the aim of obtaining a deeper understanding.

The fourth challenge of case study research is related to the bias towards verification, the tendency to confirm the researcher's preconceived notions in case study research. Flyvberg argues the opposite. Case studies are typically described, analysed and concluded by means of a powerful narrative. There is significant room for both counter-factual (other research contradicts) and counter-argument (your case can be explained otherwise) explanations. The effects of preconceptions on the analysis can be limited by reporting preconceptions beforehand. The main preconception in this research results from the theoretical framework. Stakeholder theory and best practices of stakeholder engagement are both prescriptive in nature. The starting point is a - not fully proven - conception that stakeholder participation is important. GRI highlights the importance of stakeholder engagement for identifying material issues to report on, but there is a scepticism as for translating the indicators being reported into real actions by the management (Habek, 2013).

The final challenge as distinguished by Flyvberg (2006) relates to the difficulty of summarizing of cases and the development of propositions and theories on the basis of cases. Flyvberg

argues that case studies are about telling narratives and the ultimate goal is not to develop propositions and theories directly based on that one case. Scientific research however is focused on understanding of complex realities and to understand these, they have to be simplified to an extent that they are understandable. Story telling does not rule out summarising the case, but though difficult, the conclusions should transcend anecdotes and mere descriptive narratives as much as possible.

As in other methods of research, trustworthiness by means of reliability, credibility, transferability (to a lesser extent), dependability and objectivity should be guaranteed in the research method adopted. Triangulation and ensuring construct-, internal- and external validity are key (Yin 2003, p 34). In the current case, the validation of research data was conducted by verifying it from different sources: asking different people or the same person with some time interval, finding information in publically available materials and asking about it in the course of interview. Clear reporting on initial prepositions may help to reduce the ambiguity assumed by critics when it comes to case studies.

Context and Phenomenon

The way an object is defined is the result of the way it is perceived or observed and not based on assumed characteristics. Objects can be perceived in many ways, depending on the point of view, or the context.

Something that is regarded as a phenomenon in one case can be perceived to be context in another case and often the perception of reality is blurred by researchers' cultural background. The case study is a well suited strategy for the analysis of processes in which the boundaries of context and phenomenon are not clear (Yin, 1994).

3.2 Research methods

In this section the research methods are discussed. Based on the method discussed above the case selection, interviewee selection, types of questions and ethics of the research are discussed.

With respect to generalisation – as said before – this study does not pretend to provide a general one-size-fits-all answer to the question of how an organization manage the engagement with a wide range of stakeholders with conflicting interests. Neither the available body of knowledge, nor the time available for this thesis would allow for such a generalisation. The strength of the

case study lies in its ability to tell the narrative with a certain depth and so provide deeper understanding of the matter at hand.

A representative case, rich in information and not to be confused with an average case, can be used for developing a hypotheses or building a theory

3.2.1 Case selection

The goal was to select a representative case that is rich in information and can be used to obtain an understanding of the value and relevance of stakeholder engagement in a context when the interests of stakeholders are conflicting. As outlined in framework section, the situation when conflicting interests come to the table is possible when there are *steering mechanisms* and powerful *lifeworld* in place. It would create a situation when non-financial stakeholders believe in their power to influence decisions, opinionated, and willing to participate in a debate. When financial and non-financial stakeholders come together, it is likely that their opinions are conflicting.

The case selected for answering the stated-above research question is “Stakeholder engagement at Schiphol airport”. This choice was made for several reasons.

First, as Habermas (1992) argued, when there are *steering mechanisms* in place, that empower *lifeworld*, *ideal speech situation* is more likely to occur. This argument can be traced back to the body of excising literature (the recent example of Kraft case described by Barone et.al (2013) that argues that companies are unlikely to take into consideration the opinion of stakeholders which go against the current goals. They are unlikely to identify these groups of people and engage with them as well. However, when it is a clear and valid standard of how to approach the issue: how to identify who is relevant, how to build consultations, how to build a matrix with material issues, - it is more likely that a company does a thorough work in preparation of the report. In addition, the report need to be assured by the auditing firm – it provides a high degree of reliability. All these steps are part of GRI G4 – so, organizations using it are more likely to engage with a wide group of stakeholders. Even though using GRI does not necessarily guarantees that the results published will serve as input for greater strategic decisions where the conflicting results of different stakeholders may clash, at least the publicly available information can be used by a wide range of stakeholders and serve as a signal for further actions (government, NGOs, local residents, investors). It is arguable whether obligatory reporting on sustainability implies better-quality stakeholder engagement (Buhr in Unerman, 2007), but the engagement of all sectors of society in the cause of sustainability is likely to give this result. The Netherlands, used in the case, has both: it is in the top-10 of

Democracy Index, compiled by the Economist Intelligence Unit (2015), and it has a long tradition of reporting on sustainability: statutory scheme was established under an extension of the Environmental Management Act in April 1997 and the Environmental Reporting Decree, which entered into force in January 1999 (Government of the Netherlands, 2016). Several years later GRI was established in the Netherlands, and it became the leading framework for reporting on sustainability.

Second, for qualitative research, where a researcher need to use her judgement and background knowledge, it would make sense to choose an industry which the researcher is familiar with. It is important for understanding the context of the case, being able to create a bigger picture and identify relevant parties for further research. In addition, it may help to get the information needed for further research by being recommended by someone within the industry as well. It is how an aviation sector was identified as the most appropriate. The author of this thesis did internship at Aeroflot Russian Airlines dealing with the optimization of fleet composition to make sure it answers to the environmental challenges of the future, thus establishing certain connections within the organization, which later proved to be useful for connecting with experts from aviation sector in the Netherlands.

Third, the case need to be rich in information. In line with the theoretical framework of this research, it shall have multiple engagement with conflicting interests. When the author of this thesis came across information on Alders platform that was organized by members of local community to oppose the plans on airport expansion, and this initiative resulted in an on-going discussion with multiple parties involved, she realized that the case would be interesting for the purpose of research. Schiphol, as an international airport, need to develop capacity to be ready to compete with evolving Middle East airports; at the same time, the pathway for expansion is dependent on stakeholders with conflicting interests: local residents would like to have a quieter environment (thus initiating Alders platform), regional authorities would like on the one hand economic prosperity of the area (what Schiphol brings) and on the other hand, to ensure that local residents are happy about the environment they live in. Government's target is to get 6.7% profitability on its asset (Dutch state holds 70% at Schiphol Group) (Schiphol Annual Report, 2015). In addition, Schiphol is an important source of national pride in terms of being sustainability and innovation frontrunner.

Last but not the least, one of the goals was to select a company from a sector for which GRI developed one of special Operational disclosures. As mentioned above, *ideal speech situation* would like to ensure the chance to voice the opinion of all the parties that are affected – sometimes it involves future generations or flora and fauna, which obviously can't join the dialogue. GRI points out, that report needs to include material information that is relevant for stakeholders – both who were and were not identified. For certain industries, where there are material issues, that may not be obvious in short-run, but that could pose serious threat in the long-run: bird strikes, ground water contamination. Current stakeholders may not consider them to be important, but since there are operational disclosures developed, where the leading experts used their best judgement to identify the issues worth paying attention to on, these issues should be reported on as well.

3.2.2 Data gathering

Data to answer the research question is gathered by desk research as well as by conducting interviews with multiple stakeholders with varying opinions to get different perspectives on the case.

Desk research

Desk research can be subdivided into three types. First, literature review: the total of books, articles, and papers in which scientists express their knowledge and vision. Based on the consulted literature knowledge has been acquired on stakeholder theory and stakeholder engagement. Second, the analysis of secondary data: mainly details and conclusions acquired by researchers in previous studies. Third, and most important, the analysis of policy documents. Dutch state has a lot of documents, policies and legislations regulating all aspects of life: both organisations' and individuals'. My primer areas of interest were documentation related to environment, clean air, waste, noise (Ministry of Infrastructure and the Environemnt, 2016) – anything that may be related to the analysis of Schiphol case.

Interviews

For this research the aim was to identify the key stakeholders, contact them and enquire about the possibility of interview, conduct the interview and arrange a follow-up session if needed. In order to identify the key stakeholders for Schiphol, I used the Annual report for 2014 and 2015 (Schiphol Annual Report, 2015 and 2016). Of course it may be a case that they have missed some important stakeholders, but trying to identify the missing parts using the studies on airport sustainability, I didn't manage to identify any. Schiphol provides a thought analysis

of how their actions influence other parties, where interdependencies lie and what communication channels they use to reach a broad range of stakeholders. Since I could not possibly reach all the stakeholders due to time, capacity and eligibility constraints, I chose 4 representative situations that include different stakeholders and would provide interesting insights on how Schiphol manages stakeholder engagement.

The first sub-case is *Noise and airport expansion*, which is a great example of empowered stakeholders who raised the issue and didn't agree with an expansion plans that would affect them. Unfortunately I didn't manage to establish a contact with stakeholders who directly participated at Alders, but I conducted interviews with *members of local community* who were familiar with situation and acquainted with people who participated, and managed to provide some useful insights. In addition, as mentioned in desk research, I studied materials available in media, to get a better understanding of this complex situation. Since the goal of the research is to see how Schiphol manages stakeholder engagement, it was crucial to conduct interviews with someone from within an organization. The insights from a *person who participated in early Alders negotiations (Schiphol representative)* and knows, among other issues, the process from within, was invaluable. This sub-case is a perfect illustration of how non-financial stakeholders got power to voice their concerns and participate in a debate to arrive at the consensus solution.

The second sub-case is *Terminal renovation*, which brought lot of destruction to *airlines* and *passengers*, but was important for *society* in general for security measures enhancement and sustainable renovation. Here, the key stakeholders affected were *airlines* and *passengers*. Presumably, they can be categorized as financial stakeholders, because the profitability of Schiphol depends on airlines, as they pay the airport charges and relocate to another airport if they do not like the conditions. In some cases, they hold shares of the airport as well. In this sub-case, interviews with *Aeroflot representative* and frequent-flyer passenger were of tremendous importance. For seeing Schiphol's perspective on that, the explanations of *Schiphol representative* were very insightful. This sub-case is a good example of how non-financial stakeholders get more power because they can get more affected by the actions of organization.

The third sub-case deals with *Accessibility*. People travel more, and since they need to get to the airport for that, there need to be new solutions in place to accommodate everyone. In fact, there are a lot of solutions: metro, train, road, bike, - and they need to be coordinated. Since I didn't manage to reach any representatives of these organizations, I used the information from

report and answers of the *Schiphol representative* about the engagement with these stakeholders. This sub-case gives insights on how to invite to the table all parties that have something to say and let them debate, trying to arrive at the best decision possible.

The fourth sub-case is about flora and fauna protection, in GRI Operational Disclosure referred to as *Bird Strikes*. Here, the key stakeholders are *Friends of the Earth (NGO) representative*, who attracted attention to the suffering of nature because of airport operations;

As key stakeholders I identified:

Representative from Schiphol Airport dealing with Stakeholder engagement. Since the goal of this master thesis is to see how Schiphol handles stakeholder engagement, it was crucial to contact a person who actually deals with multiple stakeholders of Schiphol as part of his daily job. Even though his main area of responsibilities lies more within the first two sub-cases, he provided interesting organization-opinion on how to deal with these types of stakeholder engagement: when Schiphol is dependent on decision of other organizations (*Accessibility*), and the claims are so unrealistic that there is a need to find at least some compromise I had to sign a confidentiality agreement that I would not reveal the name of interviewee, use the information gained purely for the purpose of research, and that the opinion of the person interviewed does not necessarily represent the official views of Schiphol Group. In order to arrange the discussion, before the meeting I sent an agenda with a list of questions I wanted to discuss. In the course of interview, we covered the questions included in the agenda, and discussed other issues, that emerged on the way. So, it was a semi-structured interview. In about 3-week time, I conducted a follow-up interview. The time in-between I used to communicate with other stakeholders, get acquainted with the latest Annual report (report for 2015 was published in March 2016), and create a list of new, more specific questions that would take into account opinions of other stakeholders. In total I conducted 2 interviews.

Representative from Aeroflot Russian Airlines, SkyTeam alliance. Airlines are important stakeholders for airports. As mentioned above, in order to stand up to the competition from airports in the Middle East, Schiphol need to attract airlines that would be willing to use its services. In this case, capacity expansion is a paramount factor. At the same time, airlines are directly affected by airport's plans for expansion, renovation or security system enhancement – overall passenger experience may be negative if there is a reconstruction at the airport. When it comes to environmental restrictions that Schiphol faces, it is up to airlines, which type of aircraft they assign for this flight route, thus directly affecting noise, CO2 emissions and air quality (Items from operations disclosure which airport need to report on). Initially I attempted

to contact airlines, for which Schiphol is a hub airport, but I got responses quite late, and they were willing to only answer the questions by mail. Their responses were quite general and didn't provide any specific information. Even though Aeroflot's hub airport is not Schiphol, they have 3 flights coming from Moscow every day (Aeroflot, 2016). Aeroflot has code-sharing flights with KLM, home carrier, and all that makes it an important stakeholder for Schiphol as well. Airlines' perspective of what shall be the priority of an airport may differ considerably from the rest of stakeholders, so it is enriching for overall discussion to include this stakeholder's opinion. As well as in the case with Schiphol representative, I had to sign a confidentiality agreement that I would not reveal the name of interviewee, use the information gained purely for the purpose of research, and that the opinion of the person interviewed does not necessarily represent the official views of Aeroflot Russian Airlines or SkyTeam alliance. As preparation for the interview, I sent a list of questions that I wanted to cover. It was a semi-structures interview, because even though we tried to follow the agenda, some interesting issues were revealed during the discussion as well. It took me some time to work with the information that I got during the first interview, and we arranged a second one in around a three-week time. Both interviews lasted for around 1 hour.

Traveller, around 24 flights per year. After all, the final consumer of what airports together with other stakeholders (airlines, ect.) offer are passengers. It is they who give the rating and decide on their preferences. That is why, it would be a good addition to the case study to see how the travellers feel about the idea to shift towards airports in Turkey and Middle East for long flights, and to use small regional airports for flights around Europe. He participated in surveys that Schiphol offers passengers to fill in while connecting to wifi, as well as annual focus-group surveys conducted by Skyteam alliance to determine the best airport in different categories. He conducted the latest survey for Schiphol in March 2016, for Skyteam alliance in January 2016.

Local residents. Since it is the concerns of local residents about the environment that in a way limit the growth of Schiphol, it was crucial for the research to get in touch with them. Luckily, one of my CEMS classmates was originally from Schiphol area, so we went there to conduct interviews on their perception on the quality of stakeholder engagement. The problem of language barrier was sufficiently solved as well because my classmate translated my questions into Dutch and the answers back to English if an interviewee didn't have a good command of English. The primary goal was to learn more about Alders platform (the one that was created to oppose to Schiphol expansion) and preferable to talk to someone who directly participated in it. We managed to interview a person who was familiar with situation and shared his

perception. It was useful to do this kind of triangulation after doing a desk research reading media materials. Since the discussions on the issue began back in 2009, and now not in active phase any more, the big meetings happen on quarterly basis with agenda discussed beforehand (Community representative, 2016). The interviews were semi-structured and lasted approximately 30 minutes each.

Local authorities. Unfortunately, I didn't manage to schedule interviews with these important stakeholders. It would be interesting to see how local authorities develop the position they are going to "put at table" at Schiphol stakeholder meetings given that the opinions of local residents vary as well. However, I addressed this question to the Schiphol representative and he offered some suggestions.

Government representatives. Unfortunately, I didn't manage to schedule a meeting with this important stakeholder as well. However, it was a lecture held by Sharon Dijksma, The Minister of Environment, at Erasmus University as highlight of Sustainability days (Dijksma, 2016). She talked about the need for a right balance, gave an example of Schiphol airport, and elaborated more on that during the Q&A session. That may mean that the opinion voiced by the Minister was over-optimistic, however, the signal that the government is willing to cooperate and balance is a good sign.

NGO representative. Schiphol outlines Network and Special interest organisations as a stakeholder for a variety of issues (Schiphol annual report, 2016, p 34). Since NGO see as their goal to represent the right of generations to come for a sustainable future, it was interesting to see how Friends of the Earth are achieving this. The NGO representative recalled that first they wrote a letter to Schiphol where he provided their opinion on how harmful the operations of Schiphol were. Then he was invited to help on finding solution on bird strikes issue. The meetings were done on a weekly basis at the active brainstorming stage, later they moved to a monthly base - the general progress is discussed there. In addition, there are quarter meetings, where there are more stakeholders, including representatives of Ellen McArthur foundation (circular economy). It was a long 2-hour semi-structured interview, conducted in March, which covered the agenda agreed on beforehand, as well as provided insight on how the ideal future shall look like.

Before each interview a desk research was conducted in order to prepare the questions, grasp the context and be able to navigate the discussion. It allowed the interviews to become very insightful and offer the combination of varying opinions on a research question. The interviews were semi-structured, made face-to-face. They have all been conducted in English, Russian or

Dutch (through a classmate who translated). To make the research replicable and considering the qualitative nature of case studies as well as the interpretation required to tell the narrative, the researcher opted for clear primary data, acknowledging that stakeholders might be inhibited in their statements because of the presence of a recording device. For more information on interview process and guiding questions, please refer to *Annex 2*.

Interviews as qualitative method

In general, the use of a particular method should be derived from the research topic, the research questions to which an answer is sought and the theoretical framework within which the researcher is working. The researcher moves from research concern and topic to research questions, to appropriate method via their underpinning philosophical stance and theoretical approach to understanding the social world, so constructing their methodology (Mason, 2002). Jennifer Mason argues that, despite the large variations in style and tradition, all qualitative and semi-structured interviewing has certain three core features in common. First, the interactional exchange of dialogue (between two or more participants, in face-to-face or other contexts). The second feature is a narrative approach where the researcher has topics, themes or issues they wish to cover, but with a fluid and flexible structure. Third is a perspective regarding knowledge, requiring the researcher to ensure that relevant contexts are brought into focus so that the situated knowledge can be produced. All the meanings are created in an interaction, which is effectively a co-production, involving the construction or reconstruction of knowledge (Mason, 2002, p. 62).

Interview analysis

Interviews were preceded by a desk research which allowed to learn more about the context that Schiphol and its stakeholders operate in as well as to make a list of questions to address to stakeholders. Desk research, thought helps to identify a lot of background information pivotal for understanding of the case, does not provide answer to the research question – how an organization manage engagement with a wide range of stakeholders with conflicting interests.

Since the initial idea was to select sub-cases that would be representative of Habermas *ideal speech situation* framework, I reviewed all the material issues, outlined at Schiphol Annual reports 2014 and 2015, I selected 4 of them, which covered different issues and provided different “balance of power”. In order to answer my research question – how to deal with conflicting interests – I made a list of stakeholders whom I could possibly reach and made a list of questions for each of them. Some of the questions were general, some- more specific. The interviewed I conducted were semi-structures, so I had an agenda I needed to cover for the

research purposes, but within it, the steps and sequence of questions varied in order to make interviews as tailored as possible. However, while preparing for interviews, I identified key words in each section that would enable me to compare the opinions of different groups of stakeholders on particular questions. When the interview period was over, based on my notes and audio recordings, I created narratives in English (interview language was not only English, but also Dutch and Russian), which served as a basis for a case description.

Practicalities

Case study research is impeded by barriers of language, e.g. due to untranslatability as a result of ‘non-equivalence of terms and concepts’ (Hantrais and Mangen 1996, p.9 in Dühr *et al.* 2010, p.2). There are several means to counter these challenges, such as glossaries, universal concepts and the use of home-language terms. Despite of its common use in scientific literature, simply falling back on similar seeming terms in the English language would deprive the cultural roots of the terms used as the majority of the terms have no universal scientific meaning (Dühr et al 2010). Language barriers are minimal. I have full professional proficiency in English and Russian, and was able to explain potentially confusing terms and clarify words if required.

Reflection on methods

Stakeholder engagement research is hampered by the fact that identical cases cannot be scrutinised both with as well as without the presence of a stakeholder engagement process. This makes it challenging to define the legitimacy of the findings.

The methods of interview provides a good insight to a particular case, but it always relies on the interpretation of interviewee of the information received. In addition, in this research there were stakeholders whom I didn’t manage to interview, and the questions for which I got very unclear answers. It is inevitable, because students can’t be present at important strategic meetings, even if we are willing to sign multiple non-disclosure forms. We may not end up getting a clearer question even if we ask 3 times about the same thing from different angles.

4. Schiphol Airport Case Study Analysis

4.1 Background information and Case description

4.1.1 Challenges ahead

Amsterdam Airport Schiphol is the main international airport of the Netherlands, located to the southwest of Amsterdam, in the municipality of Haarlemmermeer, province of North Holland. It is the fifth busiest airport in Europe in terms of passengers. The airport is built as a single-terminal concept: one large terminal split into three large departure halls. Schiphol is the hub for KLM and its regional affiliate KLM Cityhopper as well as for Corendon Dutch Airlines, Martinair Cargo, Transavia and TUI Airlines Netherlands. The airport also serves as a European hub for Delta Air Lines and Jet Airways and as a base for EasyJet and Vueling (Schiphol Annual Report, 2016).

In 2015 Schiphol Group adapted its strategy for the 2016-2020 period. The core of this strategy is to increase connectivity by investing in capacity and quality and to facilitate the growth of activities at Amsterdam Airport Schiphol as effectively as possible. Mainport Schiphol's strength lies in its dense network of destinations, the majority of which are served by home carrier KLM and its partners. It is this network that makes Schiphol one of Europe's key hubs. The connectivity generates growth and jobs for the Amsterdam metropolitan area and the Netherlands as a whole. The aim is to expand this network, focusing on destinations that create the most value for the Dutch economy (Schiphol Annual Report, 2016). These aspirations are important for Schiphol's key stakeholders: government, airlines, business and sector partners, financial stakeholders, travelers (Schiphol Annual Report, 2016).

On the one hand, Schiphol needs to grow in order to efficiently face international competition, adhere to rising standards and bring profits to its stakeholders. On the other hand, environmental concerns, discontent of local residents and regional authorities, as well as accessibility issues, put limits to its growth. Schiphol needs to manage an engagement with a wide range of stakeholders with conflicting interests, aiming at getting a solution that would be acceptable for everyone. As it is further discussed in the chapter, the case of the Netherlands and Schiphol is close to ideal speech situation – there is a *steering mechanism* (GRI, 2014) in place, *lifeworld* (citizens-stakeholders) is active and willing to voice its opinion (Habermas, 1992). However, when all the parties affected can voice their opinion, it leads to conflicting

interests. It is impossible to cater to the interests of all stakeholders because of that. However, the dialogue with stakeholders need to be on-going, and in order to achieve this, stakeholders need to see a value for them in participating in stakeholder engagement process.

After giving on overview of stakeholders, this chapter will look into stakeholder engagement regarding 4 sub-cases. The purpose of looking into them two issues is to compare approaches to managing conflicting interests.

4.1.2 Stakeholders

As Schiphol Representative explains: “We consider it as our social duty to make sure that the development of Schiphol brings positive overall effect. Achieving this goal is the subject of ongoing consultations with all our stakeholders. Based on them, we form our materiality matrix, comprising the key material aspects impacted by us. Thus, we weigh the interests of Schiphol Group in these aspects versus those of our stakeholders” (Schiphol Representative, 2016).

Taking into consideration the scope of Schiphol’s activities, it is interesting to learn how Schiphol reach different stakeholder groups and how they hear back. According to Schiphol representative, key stakeholders (business§or partners, airlines, government, local residents) prefer direct contact as the main channel for them to be kept informed of the strategy and targets. Schiphol also use other communication channels, such as social media, websites and newsletters, depending on the message and target group. Usually this is for travelers, network organizations perspective business partners.

As for the annual report, it primarily attracts comments from shareholders, financiers, policymakers and the regulatory authorities. Schiphol publish one report that incorporates both the results on financial and sustainability goals, because they become increasingly interconnected. It makes more sense to elaborate on on-going projects and important developments and point out how it is related to the overall strategy to become a frontrunner in the field of sustainable aviation (Schiphol Representative, 2016).

As Schiphol representative points out, for the most part, the interests of their many stakeholders vary widely, and it is not surprisingly, since aviation is a cornerstone for so many parties! Schiphol is in touch with them regularly (the most common are quarterly meetings), at various levels (counteractions on smaller issues can happen as often as it is needed, but than it is normally a two-party meeting), on a variety of issues, because by understanding their priorities

Schiphol can avoid major unexpected events in the future (it is a way to keep a strategy aligned and avoid surprises). It is difficult to tell who is more or less important. For example, Schiphol consult with their sector partners (Air Traffic Control) at operational and tactical level on a daily basis about efficient and safe operations: “we don’t learn some surprisingly new information out of these interactions, but they are crucial for day-to-day work” (Schiphol Representative, 2016).

In addition to sector and business partners, businesses from other sectors are also involved in stakeholder consultations: “their unique expertise and insights help keep us on our toes”. These have a certain influence, because they are the national frontrunners in their areas, aiming at delivering the best and efficient result in their area of expertise – and the best practices suitable for national context need to be shared. As Schiphol explains it, they can’t deal with societal issues alone, potential solutions to be sought collectively. It is important to take into account not only financial bottom line: business are connected to the surrounding community and need to fulfil an important socio-economic role (Schiphol Representative, 2016). Since it would be impossible to engage with each and every local resident individually, there are certain instruments in place. First, it is a Schiphol Community Council, where the key issues are discussed. In 2015, Regional Alders platform became an integral part of the Council, to keep all the community consultations going on at one place. The issues discussed there deal with problems that the local communities suffer in relation to Schiphol’s strategy: noise, number of air traffic movements, local area development (Schiphol Annual Report, Annual Report, 2016, p. 216).

In order to deal with more day-to-day problems, Local Community Contact Centre Schiphol (Bas) was established. It registers all complaints and visits local residents who feel seriously affected and have requested face-to-face contact. Reports may concern specific air transport movements or a specific period, or they may be of a general nature (Schiphol Annual Report, Annual Report, 2016). Sometimes there are small problems that occur presumably because of living next to the airport. Schiphol sees it as their duty to do their best in solving these issues.

Sector consultations

Perhaps the most vital stakeholders for Schiphol in terms of the continuity of operations at airport are *sector partners*. Throughout the year on monthly basis, Schiphol meet with airlines to discuss transport forecasts, investments and cost development. These consultations are more than just a formal, legal obligation; they are an ongoing dialogue with the airlines. As Schiphol representative explains, Schiphol need to understand what the demand is and what it is

dependent on, and how they can achieve a solution which is beneficial for all. By putting together information about the projected capacity and possible bottlenecks and the airlines' forecasts of passenger turnover, Schiphol can develop a basis for a fruitful cooperation where they are aware of peak times and prepared for them (Schiphol Representative, 2016). Reconstruction of the terminal at the planning stage was carried out at close cooperation and consultation with airlines. Aeroflot representative recalls that all the steps of the reconstruction as well as the harm effect reduction were discussed at on-going consultations with the airlines, but the initial decision whether to do reconstruction at the first place was not on the table. What was clearly good – airlines were given the rationale behind the decision, and it was a clear objective to soften possible negative consequences (Aeroflot representative, 2016).

“We are clearly dependent on some stakeholders that are responsible for creating the rules that guide our operations” (Schiphol Representative, 2016). Four times per year, the Chief Operating Officers (COO), senior managers of Air Traffic Control the Netherlands, the airlines based at Schiphol (KLM, Transavia, Martinair, TUIfly, Corendon Dutch Airlines and easyJet), the Schiphol Airline Operators Committee (SAOC) and BARIN advocates convene the *Schiphol Operational Consultation* (OSO), which is chaired by Schiphol (Schiphol Annual Report, Annual Report, 2016). In the OSO, capacity declarations are adopted regarding the maximum number of flights ('air transport movements') allowed during the winter and summer seasons, and important operational issues and problems are discussed. These meetings have important strategic implications – the number of air movements determine how many passengers we get, and it is a crucial variable for airport operations (Schiphol Annual Report, 2016).

Currently the ministry of Environment is working on new environmental standards, and they involve “a clever balancing act” (Dijkma, 2016). As the Schiphol representative comments on how to moderate the meetings and bring conflicting opinions to a compromise, “show them the big picture and then – several particular areas where the cooperation can be beneficial, where your aspirations go together”. For example, the development of the Asian market and the emergence of the Gulf states are shifting the balance in the global aviation sector. Major new airlines are coming onto the market, not to mention new hub airports (big picture). In order to ensure the sustainable future of Dutch aviation, Schiphol need to use collaborative capacity and innovative spirit (mutual interests for future development) (Schiphol Annual Report, Annual Report, 2016). This year, the Ministry of environment will be working with Schiphol and many other parties to draw up a ‘Schiphol Action Agenda’ (Dijkma, 2016). Thus,

bringing this party to participate at Schiphol capacity negotiations is important for making sure that Schiphol's perspective is taken into consideration stakeholders do their best to find a compromise.

In the Schiphol Community Council (ORS), government authorities, aviation sector parties, residents and trade organisations discuss Schiphol's development as it relates to the surrounding area, including the agreements in the Alders Platform covenants, the implementation of noise mitigation measures and the new environmental standards. For example, this meeting decided that night-time departure and approach procedures would begin half an hour earlier at 22:30. This will be laid down in the Schiphol Airport Traffic Decree (LVB). The ORS also discusses new plans to build housing in the airport's direct vicinity (Schiphol Annual Report, Annual Report, 2016), (Schiphol Representative, 2016).

Other stakeholders

Central Works Council (COR) is platform for engagement with employees for whom Schiphol is a place where they work, irrespective of whether they work for Schiphol directly or one of its partners. The most important meetings are chaired by the Board confidential advisor and later the outcomes are presented on a higher-level meetings. The main concerns are the comparable levels of salary, accessibility issues, human capital development and the reflection on lessons learned (Schiphol annual report, p. 95).

4.2 Case analysis: 4 sub-cases

Since I could not possibly reach all the stakeholders due to time, capacity and eligibility constraints, I chose 4 representative situations that include different stakeholders and would provide interesting insights on how Schiphol manages stakeholder engagement when interests are conflicting.

The first sub-case is *Noise and airport expansion*, which is a great example of empowered stakeholders who raised the issue and didn't agree with an expansion plans that would affect them. The second sub-case is *Terminal renovation*, which brought lot of destruction to *airlines* and *passengers*, but was important for the interests of society. The third sub-case deals with *Accessibility*. People travel more, and the existing transport infrastructure has difficulties with meeting the demand at peak times. The best decision can be found only collectively, with all the parties responsible for infrastructure. The fourth sub-case is about flora and fauna protection, in GRI Operational Disclosure referred to as *Bird Strikes*. Here, the key stakeholders are

Friends of the Earth (NGO) representative, who attracted attention to the suffering of nature because of airport operations;

4.2.1 Noise disturbance reduction and airport expansion

Fig. 4.1 *Conflicting interests:*



Source: created by author based on interviews and desk research

In 2008, while working on strategy development till 2020, Schiphol decided to create a growth forecast. This advice showed that despite economic conjuncture, high fuel prices and aviation taxes Schiphol Airport is expected to grow to an annual number of flight movements of 580,000 in 2020. In the context of economic developments, SEO consultants (2009) did an updated growth forecast. In different network scenarios the number of flight movements was still forecasted to be between 570,000 and 675,000 air traffic movements. It would mean the need for airport expansion to accommodate all the flights.

Air traffic movement is a landing or take-off of an aircraft, in the meantime it creates noise and pollutes the atmosphere, affecting people who live in the area. When local residents learned about the plans, they, obviously, didn't want to bear the consequences of expansion and aimed at stopping the expansion plans. It is fascinating that stakeholders were so aware of their rights and were willing to defend them (Representative of local community, 2016). As a result, for the purpose of consultation with local residents and other stakeholders (Schiphol, other airports, regional authorities, government representatives, scientists, architects), the Alders Platform was launched (Schiphol Annual Report, 2016, p. 216). Now it has been absorbed into the Schiphol Community Council. The name (Alders) comes from the chairman of the Platform, former minister and former Queen's Commissioner Hans Alders. Currently he serves as a chairman of the Schiphol Community Council (Schiphol Annual Report, 2016, p. 91).

As local community member, familiar with the Alders Platform process, recalls, the meetings took place with different intervals: in the most intense time, prior to advice to the Cabinet, until mid-2010, the administrative meetings took place once every two months whereas the civil

pre-consultation took place bi-weekly or even weekly. From June 2010 onwards, both take place quarterly (Representative of local community, 2016). Among the stakeholders were:

- Representatives of the responsible for the spatial-economic development of the region (from regional authorities): The province of North Holland, the municipality of Haarlemmermeer, and the Brainport Foundation,

- A representative of the economic interest group, Employers Organization

- Representatives of the stakeholders responsible for the integration of the airport into the environment (spatial, environmental, noise), most affected by noise nuisance

- The Schiphol representatives, also charged with representing the users of the airport (airlines, general aviation and other non-commercial aviation)

- Two representatives of the federal government (the ministry of Transport, Public Works and Water Management (referred to as Infrastructure and Environment now)

- Local community stakeholders, familiar with the issue and representing the interests of other local residents.

In discussion with Schiphol representative, he gave a similar overview of participating stakeholders. When explaining how the dialogue process went, he pointed out that the scope of discussions was very wide, and it was not easy to create a shared ground and willingness to come to consensus. When there are many stakeholders who are affected by the situation, it is necessary to let them come together and listen to each other opinions. That's how they see the complexity of the situation. Showing common ground gives incentive to aim at reaching the best consensus possible. The goal was to come to an agreement as widely supported as possible. Mr. Alders (the chairman) invited stakeholders to submit points of discussion that may lead to increased support of the advice.

As Schiphol representative recalls, the initial goal was to reach an agreement regarding how many flights may take place until 2020 and how the number of flights can develop from then on. As a result of negotiations, the parties agreed on 500,000 air transport movements until 2020, with the possibility of more air traffic movements given the noise disturbance level will be the same (Schiphol Representative, 2016). It may be possible if quieter (with less noise disturbance) aircrafts are performing the flights to Schiphol (Aeroflot representative, 2016).

As Schiphol representative explains, it should not be perceived as a tragedy or the glass ceiling to their development. After all, the goal of these negotiations is to bring together stakeholders,

listen to their story and collect all these into a one big narrative. In addition, it is a right place for contradictory opinions to meet and listen to each other's rationale. Since Schiphol is located in a residential area, they can't grow there forever. That is why, Schiphol needs to change their priorities in line with the current restrictions.

On the one hand, Schiphol Group operate not only Schiphol, but also regional airports: Rotterdam/The Hague, Eindhoven, Lelystad. Regional authorities would like to bring more dynamism to these areas. On the other hand, people fly more, as a response to this demand, low-cost airlines emerge. Their main market – direct flights for business/leisure purposes. Schiphol representative explains, that keeping in mind these two trends gave a solution: negotiating to move some airlines to regional airports (Schiphol Representative, 2016).

Recalling Habermas' ideal speech situation and discourse communication mechanisms, it is possible to argue that the right balance of powers (strong *lifeworld*) resulted in society who is willing to defend their opinion, and there is a legislation and business ethics (*steering mechanisms*) in place that made an open dialogue possible. It seems that all the stakeholders that could bring new perspective, irrespective of the fact that their views were conflicting, were at the table. They could voice and defend their opinion, discuss the claims of others, and it created a situation close to ideal, when the best argument of the debate won. From financial perspective, it would be more beneficial to expand the airport, but from the sustainability perspective, the decision that the Alders table arrived at was better.

4.2.2 Capacity and terminal renovation

Fig. 4.2 *Conflicting interests:*



Source: created by author based on interviews and desk research

In an effort to strengthen the competitive position in international aviation and meet the capacity challenges, Schiphol Group is making substantial infrastructural investments. Even

though there is a restriction by noise and air traffic movements, the planes are becoming quieter, more efficient, can fit in more passengers and the occupancy rates are close to 100% thanks to effective pricing policy of airlines. As a result, the passenger turnover is growing, creating pressure at peak hours (Schiphol representative, 2016). That is why, the capacity extension is needed irrespective of whether there will be further deductions in air traffic movements. The Master Plan contains all the amendments planned. (Schiphol Annual report, 2016).

According to the Aeroflot representative, the rise in the number of passengers has been dramatic, in the past 15 years, especially from Asian directions. That is why, he sees the strategic need for Schiphol to expand facilities to accommodate more passengers and be competitive with emerging “transfer-hub” airports (in Gulf countries). However, he points out that the scope and scale of renovation work is too big, and it takes much longer than discussed initially. All this noise and construction creates disturbance for Aeroflot passengers. Aeroflot used to have code-sharing flights to the UK (Edinburgh, Manchester, Glasgow) with a transfer to KLM in Schiphol. As a result, the passenger satisfaction level dropped when a reconstruction began. Of course, it was reflected in the number of tickets sold. Aeroflot raised this concern to Schiphol and managed to reach some compromise – they shifted most of the work to night time. However, the construction anyway took longer than expected, thus causing more disturbances (Aeroflot Representative, 2016).

As Aeroflot representative explains, there were consultations with airlines at the stage of creation of renovation plan (individual ones – monthly, big meetings – once in 2 months), but these included only airlines, Schiphol, and organizations responsible for renovation works. From the very beginning, it was not a question of whether airlines support renovation or not, it was about “how we could conduct it to cause less disturbance to you”. When it came to the scope of work (including the security issues and sustainability features) it was not under negotiation whether it needs to be implemented or not – it was already in the plan. Airlines could suggest something air traffic related – new stands for planes, for example – but the suggestion to limit the scope of renovation was not on the table for discussion. “It was something agreed on beforehand without the participation of airlines” (Aeroflot Representative, 2016).

If to refer to Habermas, it is a step-back from the attempts to move closer to ideal speech situation – some parties (airlines) could not negotiate the whole scope of decision, thus creating a situation when not necessarily the best solution was found. When I raised this issue in a

discussion with Schiphol representative, he pointed out that Schiphol has a great social function and need to think about other stakeholders whom Schiphol's actions or, especially, lack of actions can impact. With the increased threat of terrorist attacks it is crucial to have all the possible systems in place to prevent them (Schiphol Representative, 2016). It makes perfect sense that EU and the Dutch government as stakeholders as well – for them, Schiphol is gateways to the Netherlands and the EU, and so there is a need to enhance the security systems to make sure it can cope effectively with incoming migrants and other groups of passengers that need a particular attention. So, returning to Habermas, the actions of Schiphol mitigate one of the drawback of ideal speech situation – that stakeholders who have a high risk to be affected, do not participate in a discussion. Terrorist attack is something we can't predict, so doing all possible to prevent it is in interest of all the citizens. I didn't ask Schiphol representative whether these measures were particularly agreed on with the state or not and how the dialogue went (I assume that most likely yes), but definitely it is in the interest of everyone and much more important than passengers disturbed by noise for a short period of time.

While doing renovation, Schiphol is doing their best to implement the latest breakthrough of environmental technologies, especially the ones created in the Netherlands (Schiphol Annual report, 2016). As Schiphol representative explained, the airport acts as a show-room to demonstrate the country's achievements in the field of sustainable development. It is another social function (Schiphol Representative, 2016). As for the renovation process, the new systems are unique: the climate control system is linked with Schiphol's flight information system. The air regulators, which know how many passengers will be arriving, blow more air through the various spaces at peak times. The air regulators are able to detect the presence of people on the piers on the basis of mobile phones trying to find a Wi-Fi source. As soon as no more signals are received, the ventilation stops. Moreover, the new floors have smart sun blinds. Instead of electric, energy-consuming blinds, the windows are fitted with a screen print containing millions of small dots: black on the inside and white on the outside. From inside people can see out, while at the same time the white dots on the outside reflect the sunlight (Schiphol Annual Report, 2016). The Schiphol representative acknowledged that they are in close contact with sustainability business and technology frontrunners and that it is a mutually beneficial initiative to launch projects like that. When I raised the question about why would not it be possible to have a stakeholder dialogue with both airlines and technology frontrunners, the Schiphol representative tried to explain that airlines would be more interested in timeframe issue, and would try to negotiate it down. Using Habermas framework, here there was not an

ideal speech situation because an organization didn't want to find the consensus solution through debate, because only the particular outcome was desirable. If discussed at one table, probably the airlines would agree in the course of debate to the proposed length of renovation.

This sub-case brings a new perspective: there may be issues that an organization see as a matter of high social priority. In this case, Schiphol adhered to its long renovation even with the risk of losing airlines who were not satisfied with a long and unnecessary (in their opinion) renovation, which took longer than agreed on beforehand. Talking about Schiphol's social function, the representative pictures it as something core, in DNA of Schiphol. I would argue that *lifeworld* is so strong in this case that even organization thinks about the consequences of its actions.

4.2.3 Accessibility

Fig. 4.2 *Conflicting interests:*



Source: created by author based on interviews and desk research

This sub-case is fascinating in a way how bringing all the relevant stakeholders to the table can lead to the best solution possible. Their opinions are not conflicting in their final goal – to create a sustainable and reliable transport system in Amsterdam area, increasing the accessibility of Schiphol airport. The conflict is in how to better achieve it. Each stakeholder (metro, rail, electric bus) think that others will solve the problem with Schiphol accessibility problem, while he could concentrate on other things. Since all three represent different organizations, they are not likely to be aware of strategic plans of each other and since they do not counteract, it is not likely that they will know.

However, they are all stakeholders to Schiphol accessibility problem, and on good coordination of their actions depends the final solution. As Schiphol representative explains, the journey begins when a traveler steps out of her apartment, so ensuring easy accessibility is a prerequisite

for safeguarding competitive position. Schiphol Group itself does not offer public transport, but it does play a coordinating role in improving public transport access to its airports and increasing the sustainability of the solutions offered, in close consultation with the transport companies (Schiphol Representative, 2016, Schiphol Annual Report, 2016).

The meetings with stakeholders on accessibility are held on a quarterly basis. As Schiphol representative explains, they try to imagine different ways of how a traveler, businessmen or employee would prefer to get to Schiphol, and how all the transport stakeholders together could make a passenger's experience pleasant and environmentally friendly. By car, by train, by metro, by bike, by bus – Schiphol group can provide parking places for cars and bikes, but it can't possibly own all the infrastructure to arrange it according to the preferences, that is why stakeholder engagement is so important (Schiphol Representative, 2016). In order to get more information about the transportation preferences of people and their environmental footprint, there are surveys conducted, among people using Wi-Fi at Schiphol, as well as analysis based on total number of people arriving by train, car, bus and other means of transport. Based on this information, forward-looking projections are made. Then, based on various assumptions new projections are built. For example, how many people would use metro to get to Schiphol if they had this option? To what extent the pressure on railway will be lessened? Will it allow to run new destination? How the use of electric buses will reduce the environmental footprint? As Schiphol representative explains, it takes time to run these projection, raise all the issues that can occur and arrive at a final plan that is in interest of everyone.

This sub-case provides yet another perspective on how to manage stakeholder engagement when the interests of stakeholders are conflicting – each hopes that someone else will contribute to the solution to the problem. Recalling Habermas discourse mechanisms, here stakeholders can arrive at the best solution possible by participating in a debate and finding arguments to prove their position, but at the same time are willing to give in to find a consensus solution. However, what attracts attention, only the stakeholders with a power to bring a solution participate in a full-scale dialogue. Passengers and employees, who are stakeholders as well, can voice their opinion by filling in and sending a survey, but it means that the scope of issues that they can provide their opinion is limited by Schiphol. However, in a survey there is “other comments” field, but still, the scope of their influence is limited. On the other hand, as sub-case 1 showed, *lifeworld* is powerful enough to bring up issues that triggers strong disagreement, and this way of stakeholder engagement is convenient for both Schiphol and passengers&employees. In addition, aggregated information from all who travel to Schiphol

allows to get a more full-picture understanding of the problem that helps to address interests of all the passengers.

4.2.4 Safety: bird strikes

Fig. 4.2 Conflicting interests:



Source: created by author based on interviews and desk research

Birds are a serious flight safety risk for airports – when birds end up in the airplane’s engine, it can lead to fatal consequences for all the passengers (Aeroflot representative, 2016). In order to control this risk, Schiphol employs bird controllers who patrol the landing area round-the-clock. In 2015 the mild winter led to a mouse infestation and it triggered a sharp increase in the number of birds of prey throughout the Netherlands, and at Schiphol of kestrels in particular. Some solution was needed to deal with the problem and keep the birds away without harming them.

As Schiphol representative explains, they often get correspondence from NGOs and Nature protection activist groups whose suggestions are unrealistic (closing down the airport because it harms the nature, for example). In these cases, we usually acknowledge the receipt of their letter, thank them for suggestions and propose to find together the solutions to lessen the impact on the nature. Sometimes it can be just a small change that could bring amazing results. In addition, being in partnership with organizations that have a lot of experience in implementation is beneficial (Schiphol representative, 2016). Schiphol is in partnership with Ellen MacArthur foundation that promotes the idea of circular economy – no waste, everything can be reused, recycled, or used differently (Ellen MacArthur foundation, 2016).

As a representative of Friends of the Earth recalls, he was contacted by Schiphol with a suggestion to participate in a working group on finding a solution how to minimize the danger of bird strikes. There were other NGOs as well, including Netherlands Control Group for Bird Strikes (NRV), as well as representatives from Ellen MacArthur foundation, ornithologists, and Schiphol representatives who coordinated the process. After several months of discussion (in 2015), the solution was found and moved to implementation phase. To keep these birds away, it was agreed to sow large areas of Schiphol with a type of grass that is inedible for insects and mice, prompting them to seek out different foraging areas. As soon as the mouse population decreases, the kestrels will move out too (Friends of the Earth representative, 2016). NGOs activists were helping to coordinate the projects on later stages to make sure it works accordingly and helps to lessen the danger.

In the first communication instance, coming to a mutual solution (continue running airport while Friends of the Earth proposed to close it down) through a discourse mechanisms would be close to impossible. However, when an issue where there expertise and opinions might be useful, Schiphol reached out to them. According to Habermas, it is still far from *ideal speech situation* debate when any participant can offer a topic for discussion and it is not decided on solely by an organization. In Schiphol case, the airports outlined clear borders of stakeholder engagement. In the process of dialogue, the parties managed to arrive at the final solution.

4.3 Findings

This sections provides findings made after the analysis of 4 Schiphol sub-cases, and aims at answering the research question, how an organization manages the engagement with stakeholders with conflicting opinions. The first 2 conclusions are of a more general nature, and the other 5 are derived from the sub-cases analyzed earlier in this chapter.

The need to manage conflicting interests occurs only *when stakeholders are empowered to join the discussion and influence its outcome*. According to Habermas, it is possible when strong *steering mechanisms* are in place. Having rules and regulations may help. But what is more important, is citizens *lifeworld*, who are aware of their rights and willing to spend their time and energy to intervene to decision-making process to make sure that their interests are considered as well.

When the *conflicting interests are inevitable*, because the stakeholders with different backgrounds and aims emerged, a situation (a sub-case) is managed based on minimizing the

overall negative consequences. It means that the balance of power shifts from financial vs non-financial stakeholders to limiting the harm overall. In a way, it makes organization more aware of the world they operate in. If 30 years ago the key stakeholders of Schiphol were only aviation-sector related, the topics discussed were about the safety of aircraft landings and take-offs (Schiphol Representative, 2016). Now the scope is much broader, with noise reduction, accessibility and nature protection issues in place as well. To cover them as efficiently as possible, it is necessary to collaborate, bring expertise from others.

Debate close to ideal speech situation with discursive mechanisms in place (sub-case 1) can bring the best solution possible that minimizes the harm for all the parties and leads to consensus. However, it happened because local residents were empowered enough to voice their concerns, because the information on the projected air traffic movements increase was publically available, because there were experts in place who cared about delivering objective opinion (about environmental, social and economic consequences).

Habermas argues that sometimes relevant stakeholders can't join the discussion (because they are not born yet, or it is an issue of social importance), and in this case an organization needs to make sure that their concerns are taken into consideration while making a final decision. As sub-case 2 showed, it can lead to conflicts as well, because stakeholders who are participating in a dialogue may disagree. When stakeholders doubted the need of such an extensive renovation that would affect their operations, in order to manage the conflicting interests, Schiphol made it clear that the extent of renovation is non-negotiable. However, they were willing to discuss how to minimize the harm that stakeholders (airlines and their passengers) got.

Sometimes, as in sub-case 3, the interests may be conflicting in not what the final aim is – greater accessibility of Schiphol airport even at peak times, - but how to achieve it and what should be a contribution of each stakeholder. In addition, an organization, Schiphol, is problem-owner, but there are other parties (stakeholders) who are solution-owners. When there is no agreement on how to solve the problem, bringing all the relevant stakeholders to a discussion can make sense: it creates common ground, a sense that a problem is shared and only coordinated actions can bring a solution. The difference with sub-case 1 is that there stakeholders reached out to organization, but here Schiphol initiated a dialogue, primarily because it was in its interest to arrive at solution. An open debate, where stakeholders worked to arrive at consensus, has a potential to deliver a result that is not in the best interest of each stakeholder, but the sum of negative consequences is minimized.

In a situation when the interests an organization (Schiphol) and a stakeholder (NGO) were too conflicting, opposite (aim at closing down the Schiphol to save the nature), Schiphol didn't attempt to continue the dialogue to find a common solution (sub-case 4). It may be so because this opinion don't have a wide support, while the real risk of increased noise disturbance (sub-case 1) worried a lot of local residents. However, Schiphol initiated a stakeholder engagement with the NGO on a selected issue with a limited scope where NGO's expertise would be useful. The engagement was not covering any other areas, only the ways to minimize bird strikes, and it was not in accordance with Habermas's discourse mechanisms, when stakeholders can raise any issue for discussion. Nevertheless, it is better to have some engagement then no engagement at all.

Another interesting finding from this sub-case, is that interests may be just different, not necessarily conflicting (Schiphol and Ellen MacArthus foundation promoting the idea of circular economy). Having such a stakeholder at the table helped to made solution to the problem not only effective for Schiphol (minimizing the bird strikes), but also circular (elephant grass can be used for furniture production). In addition, having a stakeholder with more moderate views on how to save the nature helped to make a work with NGO more productive, concentrated on a particular solutions.

5. Discussion and Conclusion

5.1 Discussion

The primer inspiration of this master thesis was to analyse a case that would provide an example of what happens when non-financial and non-governmental stakeholder can voice their opinion and contribute their considerations to decision-making process. As Barone et.al (2013) pointed out, for that, strong *steering mechanisms* and empowered *lifeworld* are needed. These terms are in according to Habermas's *ideal speech situation*: when there is legislature affects business practices and promotes a high level of social responsibility in society, in making members of society more active in social life and willing to go against decisions they do not like (Waddock, et.al, 2002). When there are no such mechanisms in place, it leads to a situation when an organization on purpose ignores stakeholders who are affected by its actions, because there are no mechanisms in place that would make an organization act differently, and stakeholders (members of local community) didn't think that they had any power to intervene, as showed by Barone et.al (2013). Alternatively, it can be a case of cosmetic stakeholder engagement, when topics for discussion or debate are determined by on organization – thus, the outcome is predetermined, and an organization gets a reputational gain, creating an attractive narrative about this win-win situation (Archel et.al, 2011). Cases like these can't provide any answer to a question how an organization manages engagement with stakeholders when the interests are conflicting, because there is no engagement on the conflicting topics. That is why, only the case that fulfils the prerequisite of steering mechanisms (rules and regulations) and active citizens in place, can serve the purpose of bridging this gap in the literature.

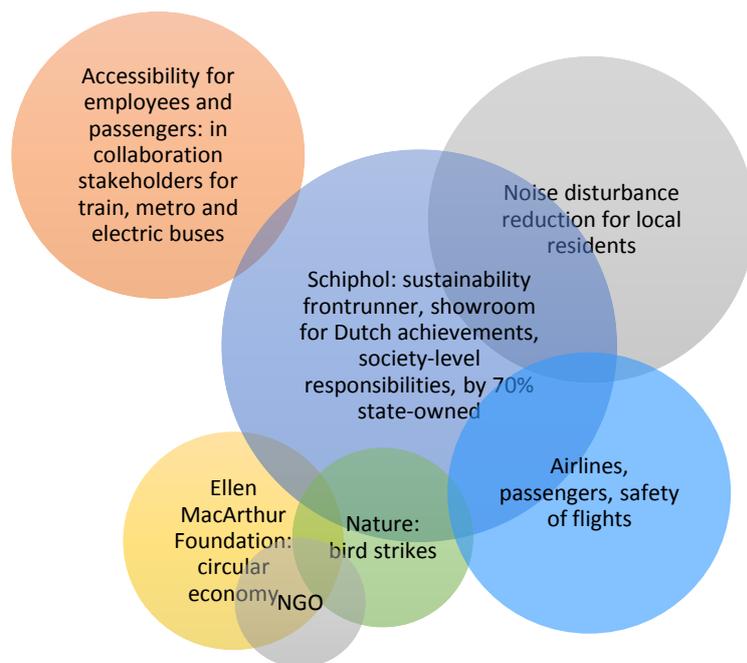
This thesis considers the example of stakeholder engagement of Schiphol airport as illustrative and giving a selection of cases with different stakeholder engagement approaches (4 sub-cases). The Netherlands have obligatory reporting on sustainability for almost 20 years in place (Government of the Netherlands, 2016), and the country is leading in the ratings for transparency, democracy, the ease of doing business, which demonstrates a society-wide commitment to being accountable and thinking beforehand about the impact of one's actions (The Economist Intelligence Unit, 2015). Such openness creates an environment for not only existence of different opinions, but also willingness to voice them. Citizens don't delegate the decision-making to someone up the hierarchy, but willing to contribute (based on discussion with RSM professor, 2016). The previous research looking into mechanisms of stakeholder

dialogue (Thomson and Bebbington, 2005, Unerman and Bennett, 2004, O’Dwyer, 2005), identified that even it took place, it was very limited to scope of discussion determined by a company, thus not leading to a situation where interests conflicted, creating a ground for finding a compromise solution.

The previous research distinguishes between financial vs non-financial stakeholders, because shareholders are usually seen as key stakeholder for any organization, thus getting particular attention (Owen et.al, 2001). In the case of Schiphol, the majority of its shares is owned by the state, so it has more freedom to concentrate on long-term goals, not just financial indicators.

Even though the case is a good example close to ideal speech situation and discourse ethics, it is not any way near to situation where all the stakeholders came together to agree on an issue. As a study analysing the relevance of bringing all the stakeholders to discussion argues, it may be harmful in cases where a decision need to be made quickly, or when a level of experience is paramount for arriving at a right decision (Gillespie et.al, 2014). As a figure below illustrates, Schiphol does not bring all the stakeholders together – rather, there are issues on which it engages with a set of stakeholders who are the most relevant. Since the goal of every engagement is to find a solution to a problem, where a mutually agreed decision is needed, this approach makes sense.

Fig. 5.1 Mapping Schiphol’s stakeholders:



Source: created by author based on interviews and desk research

The dialogue with stakeholders is initiated differently. Sometimes, as in sub-case 1, stakeholders reach out themselves. Local residents didn't want an increase in air traffic movements that would affect the area they live in, so they voiced their concerns and initiated discussion. More parties, who could contribute to discussion with their expertise, also participated (scientists, regional authorities). As a figure above shows, dark-blue Schiphol and grey Noise reduction areas are very connected and influenced each other greatly: as a result of dialogue, Schiphol needed to move 80,000 air traffic movements (annual number) to other Dutch airports, which required an important shift in its strategy.

Even though airlines and passengers are in the heart of Schiphol operations, and meetings with airlines on aviation-related issues occur on a monthly basis; when it came to renovation works, especially for their scope and length, these topics were not under negotiation, even though it caused a lot of disturbance (Aeroflot representative, 2016). As Schiphol representative explained, they have responsibilities on society level as well – to ensure sufficient safety, keeping in mind that Schiphol is a gateway to EU, as well as implement Dutch achievements in sustainability. That is why, even light blue area of Airlines and passengers counteract with dark blue area of Schiphol quite a lot, the issues that are “in their DNA” are not under discussion. On the one hand, it may be interpreted as a care for all the citizens who do not participate in a discussion but would like to be protected from terrorist attacks, for example, or all the Dutch citizens would like their main airport to reflect national achievements in the field of sustainability creating more opportunities for business growth in this area.

Accessibility of Schiphol by different means of transport is important for passengers and employees, and the relevance of this issue was acknowledged in surveys that were conducted to identify areas for improvements. However, Schiphol does not own transportation networks. That is why, in order to make sure that the most efficient decision will be arrived at as soon as possible, it initiated dialogue with stakeholders whom the decision relied on. They share the same goal – solving accessibility problem, but the conflict lies in the amount of work that each party need to contribute. Learning more about each other's strategies, available resources and bringing it to alignment will allow to arrive at the well-rounded decision for solving the accessibility issue. The orange area of Accessibility and dark-blue of Schiphol counteract, because they have some degree of influence on each other (Schiphol is a big regional player whose interest need to be cared for), but to a lesser extent than Noise reduction of Aviation areas.

Nature around the Schiphol airport is not of primer concern of airlines – in a way, the interests of airlines (performing flights thus polluting the environment, creating noise) in conflict with “returning back to nature”, as NGO puts it. However, bird strikes may seriously hinder the safety of flights that is why the green area counteracts with the bright-blue area of airlines. Schiphol’s responsibility is to minimize this risk, for which it may engage with stakeholders who have some expertise to bring. As discussed earlier, the case when Schiphol decides on the scope of engagement doesn’t represent an ideal debate situation advocated by Habermas – it gives an impression of artificially-created win-win situation, even though the core concerns of NGO were not addressed. If to look at big-picture situation, with the view to risk that climate change poses for future generations, open debate (including NGO’s radical perspective) would help to find a solution to address this issue. However, it may be not acceptable for Schiphol in a long-term because of interests of other stakeholders it needs to take into consideration as well. The participation of Ellen MacArthur foundation in a dialogue brings an interesting perspective - their interests are not in conflict, but different, however, the dialogue helps to identify areas of Schiphol’s activities where circular economy ideas could be implemented, thus bringing a better solution. In addition, it influenced the engagement progress with NGO showing then that discussion is always better then confrontation, because it can bring results at least at some areas (Friend of the Earth representative, 2016).

On the one hand, for efficient and result-oriented stakeholder engagement, as discussed in (Gillespie et.al, 2014), only a limited number of stakeholders are needed. The example of Schiphol (sub-case 3, accessibility) shows that sometimes a full-scale engagement only with the most relevant stakeholders can deliver results. Having on the table stakeholders with lesser scale of understanding the situation would cause unnecessary complications. On the other hand, the selective approach to stakeholders may undermine the quality of stakeholder engagement, leading to the less representative discussion where not all the variety of opinions is presented (Manetti, 2011). As Schiphol representative explained, it is usually common sense and experience that rules the decision on whom to engage with on a particular issue. There are GRI guidelines that have outline of the principles of stakeholder engagement to determine the material issues to report on (details on GRI are in Annex 1), but they do not provide a guidance on how to carry out the dialogue and deal with conflicting interests (GRI, 2014). The conflict of interests is not necessarily bad as it allows to consider more points of view while arriving at final decision. However, the willingness to compromise among stakeholders is paramount.

The format of sub-cases each looking into how an organization manages the engagement with stakeholders showed that even in within one organization the approaches can vary. The setting of all 4 sub-cases is the environment with *steering mechanisms* and empowered *lifeworld* in place, provides important addition to the literature on stakeholder engagement, showing that when organizations can't get away with ignoring stakeholders or maintaining just a cosmetic engagement, they need to manage conflicting interests. The stakeholders and engagement with them is grouped around a particular issue – noise disturbance reduction, for example, and in actual decision-making only the most relevant ones participate (it depends on situation). When the decision is made (restriction to 500,000 air traffic movements annually), Schiphol engages with other stakeholders (airlines that use the airport) to sufficiently follow this restriction. Interestingly, the participation of airlines who are affected by air traffic movements' restrictions in the first dialogue, could be twofold: either bringing unnecessary destruction, or leading to solution that took into account their interest as well. According to Habermas, the outcome of the stakeholder dialogue needs to minimize the sum of negative impacts. Presumable, even if the airlines would participate in the first discussion as well, their argument would not win in the debate, because the harm some of them get because of the need to move to another airport is not as great as sufferings of local residents because of noise. Looking this way, engaging with airlines only on how to implement the results of the first discussion made the overall engagement process more efficient, thus not ensuring that the best possible result was achieved.

5.2 Conclusions

This master thesis looked into how an organization can manage stakeholder engagement when the interests are conflicting: both the interests of an organization with a stakeholder on a particular issue, and of several stakeholders and an organization. After looking into all 4 sub-cases that show examples of stakeholder engagement, it is possible to derive certain conclusions. What is striking, when engaging with stakeholders, Schiphol tries not to forget about the values that are “in its DNA” – listening to the needs of local communities (noise disturbance reduction), taking seriously the society issues (terminal renovation to enhance security), being a Dutch company (and thus demonstrating national achieves in sustainability already at the airport, to everyone who arrives in a country). Even though it owned by 70% by the Dutch state and by 20% by the municipality of Amsterdam, it still has profitability target,

which shows that it is not just a national company that presents national interests irrespective of financial results.

When it comes to engaging with stakeholders, there is a set of issues (ways how Schiphol's actions influences others) and set of parties concerned. When initiating a dialogue, Schiphol makes it clear from the very beginning what is a scope of discussion: when discussing the renovation of terminal with airlines, Schiphol stated from the very beginning that the depth of renovation is not under discussion – only how Schiphol can minimize the harm for airlines (Aeroflot representative, 2016). Even though it is not an ideal discourse ethics case that had a potential to lead to a perfect solution, it brings stakeholder engagement process with a clear objective. Since the firmness of Schiphol's position could be explained by the need to present the interests of other stakeholders who are not at the table (society threatened by terror attacks), probably the more inclusive dialogue would lead to similar conclusion, but would take much more time. While initiating dialogue with train, metro and electric bus stakeholders (NS, Amsterdam metropolitan area and The Ministry of Environment) to solve the accessibility issue, Schiphol outlined the goal of engagement from the very beginning. It created a shared ground that motivated the parties to share each other's strategies and think about how they can be aligned in order to solve the accessibility issue in the most efficient way. As pointed out by Schiphol representative, only stakeholders with the same "size of the picture", or the depth of understanding the problem can participate at discussion on this level: employees and passengers who travel to the airport are stakeholders to the issue as well, but they don't have a "big picture" – however, engaging with them through surveys and aggregating information allowed to get a "big picture" of their needs and problems. In case when the opinions of an organization (Schiphol) and a stakeholder (NGO) are too different (running airport vs closing it down), the discussion is not likely to bring any viable results. However, when the situation when NGO could provide its expertise occurred (anticipated increase in bird strikes), Schiphol initiated a dialogue with NGO, stating an objective of stakeholder engagement, and brought another party to the table (Ellen Macarthur foundation), which, thought caring about the nature, focuses on a more result-based approach.

All in all, the analysis of Schiphol case contributes to the body of literature on stakeholder engagement, providing a qualitative research on how on organization manages stakeholder engagement when the interests are conflicting.

5.3 Recommendations and further research

Stakeholder participation in general is a means to reduce uncertainties concerning decision making as well as engage in a dialogue and develop and maintain support for the development on the long term, not a strategic instrument to facilitate Schiphol in its growth.

The importance of engagement of a wider group of stakeholders for decision making processes is still not indisputable. In the case of Schiphol, it leads to finding compromises that allows the airport to develop, but at the same time to serve as a tool that brings growth to other regions. It would be interesting to see what would happen if the opinion of the key stakeholders (shareholders, government, local authorities, Ministry of Environment, Air Traffic Control) were misaligned and the willingness to find a compromise would be much lower.

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Annex 1 - GRI

Brief history

GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. As of 2016, 9,895 organizations used GRI Guidelines for the sustainability reports (Sustainability Disclosure Database, 2016). Among them are multinational organizations, public agencies, smaller and medium enterprises, NGOs, industry groups.

GRI have pioneered sustainability reporting since the late 1990s, transforming it from a niche practice to one now adopted by a growing majority of organizations. At that time, reporting on non-financial performance was essentially unheard of (White, 2007). There was no understanding of its scope, content or metrics. But the world was changing fast and the notion that companies should be accountable through some kind of mechanism, credible disclosure framework, was ready to emerge. The triggering event was the Exxon Valdez accident, which gave birth to Ceres (Coalition for Environmentally Responsible Economies). However, by 1997, the Ceres reporting work was at a crossroads: it was an environmental-only, North America-only framework, far from becoming generally accepted. Thus, the decision was made to move from environmental only initiative to sustainability reporting framework, from US-based to global scope (White, GRI, 2007).

The GRI released a “draft” version of the Sustainability Reporting Guidelines in 1999, the first full version in 2000, the second version was released at the World Summit for Sustainable Development in Johannesburg — where the organization and the Guidelines were also referred to in the Plan of Implementation signed by all attending member states (GRI, 2009). Later that year it became a permanent institution, with its Secretariat in Amsterdam, the Netherlands. Although the GRI is independent, it remains a collaborating centre of UNEP and works in cooperation with the United Nations Global Compact.

In December 2014, EC has adopted a new directive obliging large multinational corporations to provide non-financial disclosure to the markets. The law applies to public companies with more than 500 employees (BSD, 2014). Companies that would provide such a reporting would be required to report on environmental, social and employee-related, human rights, anti-corruption and bribery matters (Howitt, 2014). The reporting techniques are encouraged to rely

on recognized frameworks such as GRI's Sustainability Reporting Guidelines, the United Nations Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights, OECD Guidelines, International Organization for Standardization (ISO) 26000 and the International Labour Organization (ILO) Tripartite Declaration (GreenBiz, 2014).

Stakeholder engagement and Materiality Principles

There are 4 main principles for defining the report content outlined in the GRI G4. The main concern about the previous GRI G3 was that Sustainability reports contained information that was not material, didn't include the data that would be of most concern for those who are affected by companies' operations. That is why, in GRI G4 this problem is addressed. These principles are Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness. This section explains the Stakeholder Inclusiveness and Materiality Principles.

Stakeholder Inclusiveness Principle: the organization should identify its stakeholders, and explain how it has responded to their expectations and interests. The situation is close to what Habermas meant with *ideal speech situation*.

According to GRI, "Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and services" (GRI, 2014). At the same time, stakeholders' actions are expected to affect the ability of the organization to successfully achieve its objectives. Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society). Even though the expectations of stakeholders are a key for many decisions for report preparation, not all of an organization's stakeholders will use the report. Thus, their interests need to be acknowledged in decisions about the report content as well, by the means of using proxies. However, an organization may decide to prioritize in the report information important for key influential stakeholders. Even though GRI outlines the importance of documenting the processes of making these decisions, prioritizing one stakeholders over others may hinder a Habermas' ideal speech situation. In addition, an organization may encounter conflicting views or differing expectations among its identified key stakeholders, and may need to explain how it balanced these in reaching its reporting decisions to make a report assurable. While the failure to identify and engage with stakeholders is likely to result in not fully credible reports, systematic stakeholder engagement enhances stakeholder receptivity and thus the usefulness of the report. In is especially important because

proper execution of stakeholder engagement process will result in ongoing learning process. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, fortifies report credibility.

Materiality Principle: The report should cover Aspects that: reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may be important for revealing the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders. Thus, while creating the ideal speech situation, it is also important to identify the contradictory issues of concern to identify and report on.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization's financial statements (investors). In sustainability reporting, it is concerned with a wider range of stakeholders and impacts: economic, environmental and social. Together, they affect the ability to meet the needs of the present without compromising the needs of future generations.

A combination of internal and external factors should be used to determine whether an Aspect is material: organization's overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations. In addition, assessments of materiality should take into account international standards and agreements with which the organization should comply. Overall, decisions on how to report data should be guided by the importance of the information for assessing the performance of the organization, and facilitating appropriate comparisons.

The General Standard Disclosures are applicable to all organizations preparing sustainability reports. Depending on the organization's choice of 'in accordance' option, the organization has to identify the required General Standard Disclosures to be reported. The General Standard Disclosures are divided into seven parts: Strategy and Analysis, Organizational Profile, Identified Material Aspects and Boundaries, Stakeholder Engagement, Report Profile, Governance, and Ethics and Integrity. GRI provides a detailed explanation of what shall be covered in each part of the Disclosure.

For example, according to G4-17 from Identified Material Aspects and Boundaries part, an organization need to list all entities included in its consolidated financial statements and report whether any of them are not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents (GRI G4, 2014). Or, following G4-24 and G4-25 from Stakeholder Engagement part, an organization need to provide a list of stakeholder groups engaged by the organization, as well as report the basis for identification and selection of stakeholders with whom to engage. Further, an organization need to describe the approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process or they are conducted irrespective of the reporting requirements (GRI G4, 2014).

An organization need to go through four-step process to define specific content of the report – material aspects and boundaries

The first step is *Identification*. When assessing the range of potentially relevant topics, the organization should identify the most relevant ones based on the impacts of its activities, regardless of whether these impacts occur within or outside of the organization.

The next step is *Prioritization* - to identify Aspects that are material and therefore to be reported on.

By applying the Principle of Stakeholder Inclusiveness, the organization should be able to identify its key stakeholders, their views, and how these views may affect decisions on the report content. *“The analysis requires the organization to translate the varied opinions of different stakeholders into a series of decisions on what to include and exclude from its report”* (GRI G. , 2014, p. 36).

The stakeholder engagement process described in GRI G4 Implementation Manual (GRI G. , 2014) aims to identify Aspects that are important to key stakeholders and to recognize gaps between the perceptions of the organization and stakeholders. Aspects of high significance to key stakeholders should be considered material, especially those Aspects that concern the stakeholders’ own interests.

The proper stakeholder engagement process is two-way in nature, systematic and objective. In addition, prioritizing stakeholders requires an analysis of how stakeholders relate to the organization and to the Aspect being considered. This process may include the degree to which stakeholders have potential to be affected by the impacts of an organization’s activities, may

influence outcomes within the organization and are invested in the success/failure of the organization.

Even some of sustainability impacts are visible to stakeholders, not all of them are. Some impacts may be slow and cumulative. Others occur at a distance from stakeholders, so that causal links may not be clear. The main goal is to prioritize Aspects that may positively or negatively influence the organization's ability to deliver on its vision and strategy.

Then, after completing the analysis, an organization need to define threshold that would determine which Aspects will be reported on. This determination involves discussion, qualitative analysis and quantitative. Aspects of high significance to key stakeholders concerning their own interests are expected to be considered material for reporting.

The final steps are Validation and Review: after the report has been published, it is important that the organization undertakes a review of its report while is preparing for the next reporting cycle. The findings inform and contribute to the *Identification* Step for the next reporting cycle. At the end of this guidance text, a summary of the actions to be taken for each Step is presented.

GRI's Airport Operators Sector Supplement

The Airport Operators Sector Supplement is a version of GRI's Sustainability Reporting Guidelines tailored for the airport sector. It was developed by an international multi-stakeholder Working Group, which included experts on airport operations, sustainability, aviation and emerging environmental issues. The Supplement provides guidance on material issues for the sector, which may not appear to be important for some stakeholders, but create severe problems for others and pose threat to sustainability for future generations. First, the indicators were published for GRI G3. When G4 was launched, the Airport Operators Sector Disclosures were upgraded as well. Now, the indicators include:

Total number of passengers annually, broken down by passengers on international and domestic flights, by origin-and-destination and transfer passengers, and including transit passengers. It allows to indicate infrastructural, economic and customer service implications. Transfer and transit passengers do not leave the airport facilities, therefore mainly have an impact on airport operator.

Total number of aircraft movements by day and night, broken down by commercial passengers, commercial cargo, general aviation and state aviation flights provide an important indicator of economic performance and contribution to the local economy in the region of the airport.

Total amount of cargo tonnage.

Quality of storm water by applicable regulatory standards ensure effective drainage systems to minimize the effects of storm water on the environment. Storm water can be contaminated by leaks and spills of oil, diesel, and jet fuels during the operation and maintenance of ground service vehicles, and fuel storage and handling activities.

Ambient Air quality levels according to pollutant concentrations in microgram per cubic meter ($\mu\text{g}/\text{m}^3$) or parts per million (ppm) by regulatory regime. In order to track the impact, there are standards developed by the World Health Organization (WHO), based on health impact studies. Concentration levels of pollutants can affect health conditions for airport workers and neighbouring communities (GRI, 2014).

Aircraft and pavement de-icing and anti-icing fluid plays a vital role in the removal and prevention of the accumulation of ice and snow on aircraft surfaces to ensure proper operation and public safety (Aeroflot First Officer, 2016), however, it is an airport's responsibility to provide the infrastructure necessary to collect, convey, and mitigate the impacts.

Number and % change of people residing in areas affected by noise (GRI G. , 2014). Noise is a subjective issue: political, economic, social, and public relations issues can all affect attitudes towards noise. That is why, different solutions may be effective depending on local circumstances. For aircraft noise, this is reflected in International Civil Aviation Organization's (ICAO) Balanced Approach to Noise Management (ICAO, 2016), which recommends looking for the most cost-effective solutions on an airport-by-airport basis, taking into account the potential contributions from reductions at source, land-use planning, operational procedures and operational restrictions.

Number of persons physically or economically displaced, either voluntary or involuntary, by the airport operator or on its behalf by a governmental or other entity, and compensation provided. Potential impacts may include loss of productive land, loss of employment and income, loss of housing, loss of access to common resources and public services, and social fragmentation. Vulnerable groups can be disproportionately affected by displacement and resettlement. Therefore, where information is available it can be useful to identify the breakdown of those displaced by characteristics such as gender.

Total annual numbers of wildlife strikes per 10,000 aircraft movements – the majority of them occur when an aircraft is approaching, departing or on airport premises, and consequently the steps taken by airport operators to manage this risk have significant implications for the safety of passengers, crews and ground staff (GRI, 2014).

The Airport Operators Sector Disclosures document contains a set of disclosures for use by all organizations in the Airport Operators sector. The disclosures cover key aspects of sustainability performance that are meaningful and relevant to the Airport Operators sector and which are not sufficiently covered in the G4 Guidelines.

Annex 2 – Interview guide

Interviewees

<i>Interviewee</i>	<i>Date(s) of interview</i>	<i>Place</i>	<i>Comment</i>
Schiphol airport representative	March 3rd 2016, March 23rd 2016	Schiphol airport	Provided useful insights on how Schiphol (in his view) deals with stakeholders when the interests are conflicting
Aeroflot representative	March 3rd 2016, March 23rd 2016	Schiphol airport	As an airline that works with Schiphol since Soviet Union times, Aeroflot shared another view on how stakeholder engagement goes
Local residents to Schiphol area	March 10th, 2016	Residential area close to Schiphol airport	Multiple interviews were conducted with the members of local community around the Schiphol area, but only one interview, explaining the process of Alders platform, proved to be directly used in the thesis
Dutch NGO representative	March 17th, 2016	Erasmus University, RSM	Focus on nature protection and proposing to use only environmentally friendly means of transportation (thus abandoning cars and closing down airports)
Passenger, more than 24 flights per year	March 23rd 2016	Schiphol airport	Shared insights on how Schiphol engages with stakeholders by the means of surveys and newsletters

Guiding questions

Introduction

- permission to record
- introduction of research
- introduction of interviewee

Interviewee's activities

- in general
- in relation to aviation and Schiphol
- in relation to Sustainability

Are they stakeholders of Schiphol and how are they included in the process of stakeholder engagement?

What was the goal of the process and was it clear from the very beginning?

Were the interests of a stakeholder and Schiphol, or among stakeholders, conflicting?

Process

- what was the goal of stakeholder engagement process, in your opinion?
- how was it organised? (location, other stakeholders, relevance, expertise)
- what methods were being used? (interviews, surveys, newsletters, meetings, table discussions?)

- could stakeholders speak freely at the meetings, voice their concerns, offer topics for discussion?
- were stakeholders sincere in their participation?
- were you and they holding non-negotiable positions? Why?
- were there any relevant stakeholders missing?

- what has been done with the outcomes of the participation process?
- were stakeholders satisfied with the outcomes?

Do stakeholders get the opportunity to introduce new knowledge (scientific or local), share expertise?

Were there anything you would like to see differently?

Note: The interview with Schiphol representative was structured along the same questions, but with more focus on how an organization manages stakeholder engagement and addresses conflicting interests. The first interview included a more general discussion on issues identified as material by Schiphol and its stakeholders, outlined in GRI materiality matrix. The second interview was done after interviews with other stakeholders and a more tailored desk-research. It focused on several specific issues (4 sub-cases), which illustrated how an organization manages engagement with stakeholders when interests are conflicting.

Research Ethics

It is important that procedures for interviews are laid out in writing, and are clearly explained to interviewees before interviews proceed.

It is important to select a location for interview that is convenient for interviewee, and alternatives should be offered if possible. This issue can be addressed by asking the interviewees to suggest a location for the interview.

Confidentiality is an important concern. Interviewees should not normally be named (unless their permission has been explicitly sought, and this should only be done where a name is essential for the pursuit of the research in question). In particular cases, confidentiality agreement is signed beforehand.

Furthermore on the topic of permission: any recorded contribution, in written form, on tape etc., or in notes taken from the interview by the interviewer, should be used in accordance with the wishes of the interviewee. Interviewee can outline the preference on in which form the content of interview can be kept (sometimes only written notes are allowed).