SHOULD TREES BE STAKEHOLDERS TOO?
- A DYNAMIC APPROACH TO STAKEHOLDER IDENTIFICATION

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Abstract:
The context for this analysis is the Canadian mining industry, which suffered two environmental accidents approximately one year apart. In each case the accident involved the failure of a tailings dam. Drawing on the Mitchell, Agle and Wood perspective of stakeholder theory, I argue that environmental issues did not have a high level of priority for shareholders at the time of the first accident. For this reason, shareholders should take this accident in stride. However, once the full repercussions of that accident became known, environmental protection was rated much higher in priority in shareholders' minds. Shareholder response is therefore likely to be more pronounced at the time of the second accident. I also argue that management was likely to respond to the first accident with greater disclosure of environmental information so as to regain legitimacy and/or communicate the extent to which it was dealing with environmental risk.

My findings support the first argument, but not the second. A portfolio of gold mining stocks showed a statistically significant decline in return immediately after the second accident, but not the first. Furthermore, the portfolio exhibited an increase in total risk after the second accident only, and the betas of most of the individual companies declined, suggesting there was a change in the structural relationship of gold stocks with the overall market while shareholders assessed the information about the accident. My analysis of disclosure is incomplete at this time. While I can make very tentative remarks about the increase in disclosure of individual items that possibly relate to company efforts to mitigate environmental risk, the results to date do not indicate an increase in overall environmental disclosure after the first accident.