The Role of CSR
in Sustainable Swedish Startups

Beyond Sustainability as an Exclusive Selling Point

by

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Abstract

**Research Problem** Existent literature has predominantly focused on applying the concept of CSR on large corporations, disregarding the role of CSR in startups despite the fact that CSR related aspects especially in relation to sustainability provide a fruitful avenue for new ventures to base their competitive advantage on. Investigation of the link between CSR and startups is needed since emerging firms face different challenges in regard to CSR than established companies, mostly related to their constrained resources.

**Research Aims** This research aims to shed light on the role of CSR for sustainable Swedish startups. In particular, we aim to provide a deeper understanding of possible communication, market and stakeholder management strategies these companies make use of.

**Method** We deploy a qualitative case study approach, comparing the strategies deployed by four Swedish startups who derive the competitive advantage from offering innovative and environmentally-friendly product solutions.

**Results** Based on our analysis of the case studies, we arrive at four conclusions related to the non-exclusivity of sustainability as the exclusive selling point, the consequent association of the sustainability argument with accompanying selling points, the use of third-party endorsement as a source of legitimacy as well as the trade-off between sustainability and profitability.

**Implications** Our results provide theoretical contributions regarding the role of CSR in sustainable startups which fundamentally differs from the way it is being implemented in established corporations. Practical implications include insights into how managers of sustainable startups can strategically implement sustainability as a selling point by integrating it with related selling points.

Keywords: CSR, Sustainability, Startups, CSR communication, Corporate responsibility, Entrepreneurship, Strategic Management
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1 Introduction

The concept of corporate social responsibility (CSR) has gained popularity over the last decades and forms an integral part of business strategy these days (Lee, 2008). However, the concept has been created with established corporations in mind, presuming an abundance of resources available to conduct CSR activities. Fundamental differences exist between how startups and large corporations approach the topic of CSR, starting with resources and also concerning the degree of interconnectedness of CSR and the business model, for instance (Russo & Perrini, 2010). Whereas established companies might add CSR activities and values decades after their incorporation, the perception of being responsible for one’s corporate actions beyond contributing in economic terms are oftentimes intrinsically linked with the business model and the founders motivation in emerging businesses (Retolaza, Ruiz & San-Jose, 2009).

CSR can provide a competitive advantage and serves as a possible source of legitimacy which is one of the aspects startups are typically lacking and struggle with in the beginning of their activities (Stinchombe, 1985). It is therefore of great interest to practitioners and researchers alike to explore the role of CSR for startups.

As per Snider, Hill and Martin (2003), CSR resides on a strong theoretical and empirical foundation in large companies, with large corporations being thus traditionally evaluated according to their compliance with (self-assigned) CSR standards (Fuchs & Kalfagianni, 2009). There has been some work exploring CSR in small and medium sized enterprises (SMEs) (Murillo & Lozano, 2006; McGregor & Frontodona, 2011) yet few investigations have focused on startups specifically (Retolaza, Ruiz & San-Jose, 2009). The existing research on SMEs pointed out the potential competitive advantage and financial gains from pursuing a CSR strategy from the start (Murillo & Lozano, 2006; McGregor & Frontodona, 2011, Castka et al. 2004; Luetkenhorst, 2004), giving rise to the assumption that startups can benefit from pursuing social or environmental missions as well (Retolaza, Ruiz & San-Jose, 2009).

The environmental aspect of CSR will be in focus in this study. This is due to the unprecedented popularity green business models enjoy today and especially in the startup realm (de Lange, 2017). Traditionally, the creation of new companies or startups has been associated with the aim to generate jobs, improve development, and attain the interests of shareholders (Retolaza, Ruiz & San-Jose, 2009). Nowadays, the contributions that new
organizations make to society is seen by many to be as important as the economic interests and profits derived by their business actions and decisions (Joyner & Payne 2002).

In recent decades, circumstances such as social inequalities and environmental degradation have made stakeholders call for greater responsibility of organizational activities (Barrena, López & Romero, 2016). In this context, businesses have been recently viewed as a major cause of social, environmental, and economic problems, with the belief that companies are thriving at the expense of the broader community (Porter & Kramer, 2011). With the notion that non-market issues (e.g., environmental) can have an extensive impact on the economic performance and competitiveness of companies, the interaction between sustainability and business success have received attention from both scholars and management boards (Schaltegger & Wagner, 2006). This has led to a greater interest on the concept of CSR, with scholars arguing for the reconnection between businesses and society. In a shift, there has been an increasing interest in the link between the CSR concept with the firm strategy (Porter & Kramer, 2011), in a way that the employment of sustainable activities can generate value to all stakeholders.

As per Kornuka et al. (2003), the startup process begins with the initial actions of the entrepreneur and ends with the first business activities of the newly created company. The conception of a new venture is thus a dynamic process covering different decisions and activities, including the refinement of the business idea and the attention to the relationship with different stakeholders. Together with the financial constraints experienced in the early phases of business development, this dependence and close interaction with stakeholders leads to CSR challenges that are idiosyncratic to new ventures. One example specifically relevant for startups that focus on the environmental aspect of CSR is the challenge of communicating their sustainable values. The existing literature has mostly focused on businesses selling to like-minded customers that share the startup’s sustainable mission, yet the emergence of the concept of “normalizing” green products and services is suggesting that an exclusive focus on sustainability as a selling point is niching out environmentally-friendly products without need (Rettie, Burchell & Barnham, 2014).

1.1 Purpose and Research Question

Considering previous research on startups and CSR, the purpose of this study is to contribute with perspectives to the role of CSR to sustainable Swedish startups, with attention to the communication characteristics, market strategy, and stakeholder relationship. By sustainable startups we mean newly created ventures which have CSR aspects as core values. By exploring the view of co-founders and top-managers in the interviewed companies, our intention is to expand the existing knowledge and expand the limited literature on the interaction between startups and CSR. Considering these aspects, this research will be
supported by concepts embedded in institutional and stakeholder theories, which we believe will be the necessary lens to guide us in our analysis and discussion.

Therefore, the following is our main research question:

*What is the role of CSR in sustainable Swedish startups in regard to their communication and market strategy in early phases of development?*

We complement it by asking the following sub-questions:

*a. What kind of arguments do startups utilize to communicate their unique selling points towards different stakeholders?*

*b. What are the key challenges affecting startups when adopting CSR values in early phases of business development and how do they tackle them?*

### 1.2 Outline of the Thesis

In the following section, we present the literature we find suitable to demonstrate the relevance of our research question and purpose and provide a deeper understanding of the existing knowledge in relation to the role of CSR for startups, stakeholder theory as well as institutional theory. In Chapter 3 we bring the thesis methodology by presenting the research approach and design, the process of case selection and data collection, along with considerations on research quality and limitations. The findings of our analysis and the concurrent discussion will be presented in Chapter 4, with the most relevant conclusions and implications being laid out in Chapter 5.
2 Theoretical Background

The following chapter aims to provide a deeper understanding of the realm of CSR and startups. After presenting the current state of research in the fields of CSR in the first section we will proceed to include related areas of stakeholder management and institutional forces in the second part of the chapter. Taken together, the presented findings regarding the existent literature in these fields prepare the ground for the presentation of our resulting methodological approach that will be in the chapter thereafter.

2.1 The Role of CSR for Startups

2.1.1 Definition of a Startup

It is pivotal that we stipulate our definition of what a startup is as a primary measure. The most popular two streams of interpretation center around the Kirznerian and the Schumpeterian view on entrepreneurship. Kirzner (1973) describes the entrepreneur as the protagonist who recognizes a disequilibrium in the market and works to restore all equilibria by creating an innovative solution. Schumpeter (1934) on the other hand perceives the market to be in equilibrium which is subsequently upset by the entrepreneur who acts upon an opportunity. Both forces coexist and complement each other in the marketplace (Teece, 2007). Green entrepreneurs can be seen as an example of entrepreneurship supporting the Kirznerian view since they identify a latent or very pronounced problem in society and in the market which they aim to solve in order to restore an environmentally-friendly balance. With the maturation of the green economy one can also support the view that increasingly, startups are not setting out from a problem-oriented approach (Kirznerian view) but rather an opportunity-oriented approach (Schumpeterian) where the proliferation of green trends (and the consequently growing opportunity for financial gains from acting sustainably) fosters the development of even more environmentally-friendly firms (Kiron et al. 2013). As this argument illustrates, startups are dependent on their environment to a high degree. Accordingly, we define a startup as “a human institution designed to deliver a new product or service under conditions of extreme uncertainty.” per Ries (2010). For the sake of a more specific and operational definition for this study we follow Cooney’s (2009) popular outline
of four characteristics that pertain to a green startup: “(1) it incorporates sustainability into each of its business decisions, (2) it supplies environmentally friendly products or services that replaces demand for non green products or services, (3) it is greener than traditional competition, and/or (4) it has made an enduring commitment to environmental principles in its business operations.”

2.1.2 Startups and CSR

Whereas some authors state that startups are still evaluated predominantly from a perspective of job creation and technological advancement (Retolaza, Ruiz & San-Jose, 2009), a tectonic shift is affecting new businesses, leading them to integrate CSR into their practices from day one and potentially benefit from doing so towards investors, customers and other stakeholders.

In contrast to traditional definitions of entrepreneurship from a merely economical point of view, portraying it as the identification and satisfaction of a gap in the market, sustainable entrepreneurship aims at fulfilling societal and environmental needs (Schaltegger & Wagner, 2011). For the sake of intergenerational equity, sustainable startups find a delicate balance combining economic, environmental and social aspects (de Lange, 2017; Amini & Bienstock, 2014; Elkington, 2004).

While the important role of startups in advancing societal needs has been acknowledged (Shepherd & Patzelt, 2011), engaging in sustainable practices has to pay off financially as well in order to secure a young venture’s survival, for example by helping it overcome the liability of newness in the form of increased legitimacy towards third parties such as investors (de Lange, 2017; Zyglidopoulos; 2003).

Whereas some authors find that startups benefit from having a sustainable mission and an integrated CSR approach, other studies find that the opposite is the case (de Lange, 2017). De Lange (2017) concludes that sustainable firms, especially those that are focused on environmental sustainability, struggle to find investment since investors consider them as an option too risky. The main reason lies in the fact that investors fear too wide a gap between creating value and capturing it in the economic sense since environmental startups oftentimes have to prepare the ground for their innovations, oftentimes including the time-consuming persuasion of governmental authorities that will ultimately benefit competitors to the same degree. Furthermore a sustainable national context is only appreciated by investors in the social context, not in the environmental context despite the fact that both high environmental and social standards usually lead to a better quality of life that attracts higher educated workers for instance. Interestingly, de Lange (2017) also concludes that investors do not
identify the potential synergical effects of supporting a sustainable business model in a sustainable national context. Research on established companies concludes that the lower agency costs induced from higher transparency through CSR reporting and the increased stakeholder engagement lead to CSR active firms facing less capital constraints (Cheng, Ioannou & Serafeim, 2014). However, this advantage may be levelled by the fact that emerging businesses in need of additional capital tend to become the object of extensive due diligence procedures where potential investors obtain a similar degree of transparency regardless of whether the firm pursues CSR activities or not (de Lange, 2017).

Overall, while some researchers have commenced to shed some light on the topic, drawing insight from the application of CSR in SMEs for instance (Murillo & Lozano, 2006; Castka et al. 2004; Luetkenhorst, 2004), the limited research conducted on the concept of CSR in regards to startups substantiates the need for further research such as ours (Retolaza, Ruiz & San-Jose, 2009; Spence, 2016). From previous research on SMEs we know that CSR strategies in these companies are shaped by the values of the founding team, external influence (customers) as well as pragmatic reasons (competitive advantage, working atmosphere) (Murillo & Lozona, 2006; Dangelico & Pujari, 2010). Linked to the latter, the SMEs studied by Murillo and Lozona (2006) also attributed part of their economic success to their CSR activities. Interestingly, while the investigated companies planned to extend their CSR measures to cover all areas of CSR in the long term they specialized on either environmental or social practices in the beginning (Murillo & Lozano, 2006). Luetkenhorst (2004) explores the reasons why SMEs might find it more challenging to implement CSR practices compared to larger corporations, most importantly due to their focus on short-term survival, resource constraints and their limited influence on authorities, all of which could apply to startups in a very similar vein.

2.2 Corporate Social Responsibility

2.2.1 The Evolution of the CSR Concept

The concept of CSR has a varied history, with long indications of businesses' concern for society (Carroll, 1999). From a factual point in time, as far back as in the 1940s business executives were questioned about their social responsibilities. Taking this standpoint, Carroll (1999) examines in detail the progress of the concept by tracing the evolution of CSR to provide a foundation for research on the topic.

In the early writings, CSR was viewed more often as a social responsibility rather than as CSR (Carroll, 1999). Drawing on the work of Bowen (1953), the author argues that among the many questions raised at the initial stages, a significant one relates to the responsible role
business executives may be expected to assume in society. Moreover, Drucker (1954) discussed the need to consider public opinion in companies’ decision-making process, regardless of industry or size. Therefore, an initial definition of the social responsibilities of ‘businessmen’ refers to the obligations of these actors to follow policies and make decisions reflecting actions in line with societal objectives. Importantly, at this point CSR perception as ‘social consciousness’ of managers meant that the consequence for their actions were wider than profit-and-loss statements (Bowen, 1953). To Carroll (1999), Bowen’s study marks the modern and serious discussion of the topic. As a first concept for social responsibility, Bowen (1953, p. 6) defines as “the set of moral and personal obligations that the employer must follow, considering the exercise of policies, decisions or courses of action in terms of objective values desired by society”.

Significant attempts to formalize and state the meaning of CSR were made subsequently (Carroll, 1999). As an example, Davis (1960) posited social responsibility as a vague idea that should be explored in a managerial context. He argued that socially responsible business decisions have a chance of bringing long-run economic gains to companies, paying back for the socially responsible attitude. Walton (1967) also contributed to the topic, emphasizing that social responsibility arises as actions implemented by organizations to improve their relationship with groups within their environment. Furthermore, Carroll (1999) brings the contribution of McGuire (1963), to whom corporations have responsibilities to society which extend beyond economic and legal obligations. Importantly, his definition is more specific than previous ones by saying that corporations must take an interest in the whole social world.

Definitions of CSR proliferated in the 1970s onwards, being more specific and with alternative emphases (Carroll, 1999). Another significant contribution was made by Johnson (1971), who presented a variety of approaches, making reference to a multiplicity of interests as well as linking social responsibility to long-run profit maximization and utility maximization. According to him, the former relates to social programs being carried out by organizations to add profits, while the latter relates to companies seeking for multiple goals rather than only profit maximization (Carroll, 1999). In the following decades, more attempts to conduct research on CSR were made, with alternative thematic frameworks (Carroll, 1999). As a result, the CSR concept transitioned to themes, with Lindgreen and Swaen (2010) arguing that CSR has moved from ideology to reality. Today, as per Carroll and Shabana (2010, p. 85), “one cannot pick up a newspaper, magazine or journal without encountering some discussion on the issue (…)”.

2.2.2 Recent Perspectives and Emphases

More recently, Carroll (2015) explains that the concept of CSR has been used as a framework to better understand businesses and society relationship. As such, CSR transitioned from a
general term for managers to consider the impacts of their actions in society to embrace actions taken by organizations to protect the welfare of society along with businesses’ interests. Significantly, Carroll (2015) argued that CSR had to include the economic, legal, ethical, and discretionary expectations society has of organizations. In relation to that, Crane et al. (2008) explain that the environmental complexity incites companies to develop competitive management models to also meet the expectations of society rather than only aiming at short-term profit margins.

Considering these requirements, CSR has been used as a key tool for companies to meet both societal and environmental pressures and improve its competitiveness (Carroll & Shabana, 2010; Boulouta & Pitelis, 2014). The analysis of the CSR concept revealed a fundamental economic function of organizations in society, which have contributed for the generation of wealth and employment (Barrena, López & Romero, 2016). Along this path, the concept was broadened to different emphases to make it more attractive to practitioners (Carroll, 2015). An example is the notion of strategic CSR, which was further explored by Porter and Kramer (2006) with the idea of shared value. According to the authors, the integration of sustainability within core business activities may lead to greater economic value. As a critique, however, Crane et al. (2008) explain the concept is based on a shallow conception of the corporations’ role in society and seeks only to regain trust in business in the current age of crisis. In line with that, Barrena, López and Romero (2016) argue that recent opportunistic strategies, social inequalities and environmental degradation have shed light on organizational activities, with increased stakeholders’ requirement for greater responsibility. The evolution of the concept, therefore, shows the complexity to explain and understand the term as it involves different actors with conflicting interests and expectations.

2.3 Stakeholder Theory

Stakeholder theory is concerned with the relationship between organizations and its stakeholders (Fernando & Lawrence, 2014). The term ‘stakeholder’ appears already in the work of Johnson (1971, p. 50), to whom “instead of striving only for larger profits of its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation”. Despite that, Fernando and Lawrence (2014) explain that the term was embraced after the 1980s thanks to the work of Freeman (1984, p. 25), who defines stakeholder as “any group or individual who can affect or is affected by the achievement of corporate objectives”. This definition acted as a groundwork for different scholars, who in the next decades have categorized stakeholders in different ways (Fernando & Lawrence, 2014). According to Barrena, López and Romero (2016), the development of the stakeholder perspective implies the transformation from a bilateral to multilateral relationships.
Considering the numerous parties involved in organizational activities, scholars such as Freeman (1984) and Clarkson (1995) make a distinction between stakeholders according to the nature of relationship: primary and secondary groups. The former relates with actors with formal contract with organizations (for example owners, employees, shareholders, suppliers, customers, etc.), and the latter relates to actors that despite not having a formal contract, can influence organizations’ actions (for instance, citizens, community, the government, the public, competitors, etc.). In line with that and relating with the implementation of CSR activities, Barrena, López and Romero (2016) bring that stakeholder theory shows that companies’ behavior will be influenced by both agents with power and dependence (employees, investors, etc.) and outside groups (social and environmental activists, the media, etc.).

Contributing to the development of the stakeholder theory, Mitchell, Agle and Wood (1997) suggest that the effort to identify stakeholders will see them as those existing in a voluntary or involuntary relationship with the firm. In their exploration to identify them, the authors argue that a few attributes can be used to classify different stakeholders within a firm’s environment. As such, supported by theories such as behavioral and institutional as well as by Freeman’s (1984) definition of stakeholders, Mitchell, Agle and Wood (1997, p. 854) propose that stakeholders can be identified according to the possession or attributed possession of one, two or all three following attributes: power, legitimacy, and urgency.

2.3.1 Power

When questioning the nature of a firm and stakeholder relationship, most answers use a power-dependence frame (Mitchell, Agle & Wood, 1997). Significantly, the authors argue that some explanations have different focus, such as firm’s dependency on stakeholder for survival, stakeholders’ dependency on the firm for achieving its interests, and mutual power-dependence relations. Drawing on the work of scholars such as Weber (1947) and Pfeffer (1981), the authors explain that the definition of power originated from the Weberian thought which perceives it as the likelihood of one actor to carry its will despite confrontation. Along with that, they bring Pfeffer’s (1981) definition of power as the relationship between two actors (A and B), where the action by actor B is only possible with the influence of actor A. Considering these approaches, Mitchell, Agle and Wood (1997) argue that although it might be difficult to define power, its recognition might be easier through the understanding of the ability of actors to attain their objectives.

Considering these, Mitchell, Agle and Wood (1997) explore the way in which power is exercised. Supported by the work of French and Raven (1960) and Etzioni (1964), the authors explain the difficulty to understand the bases of power from a sociological perspective for its complex categories, bringing a more precise logic categorization of power based on which
type of resources are used to exercise power (Etzioni, 1964): coercive power (physical resources), utilitarian power (financial resources), and normative power (symbolic resources). Therefore, the extent to which an actor can gain access to these resources to impose its will means the power an actor might have within a relationship. Yet according to Mitchell, Agle and Wood (1997) power can be considered as temporary (be acquired and lost) as the access to resources such as physical, financial, and symbolic resources can be irregular.

2.3.2 Legitimacy

The notion of legitimacy is often attached to the notion of power in evaluation attempts of different relationships in society (Mitchell, Agle & Wood, 1997). The authors explain that numerous scholars make a link between power and legitimacy, with the assumption that legitimate stakeholders are necessarily powerful. However, according to them this assumption does not hold entirely. Despite the association between power and legitimacy, Mitchell, Agle and Wood (1997, p. 866) admit Weber’s (1947) “proposal that legitimacy and power are distinct attributes that can combine to create authority”. Therefore, it is crucial to consider legitimacy as an attribute of stakeholders’ relationships.

With consideration of more recent attempts to strengthen the concept of legitimacy built upon theories such as institutional (DiMaggio & Powell, 1983), Mitchell, Agle and Wood (1997) accepts Schuman’s (1995, p. 574) definition of legitimacy: “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Importantly, according to the authors this definition puts legitimacy as a desirable social good which may be negotiated at various levels of social organization.

2.3.3 Urgency

Taking only power and legitimacy as independent variables in stakeholder relationships does not entirely capture the dynamics of interactions (Mitchell, Agle & Wood, 1997). As such, the authors propose that by adding the attribute of urgency the stakeholder relationships move from static to dynamic. Importantly, they argue that urgency can exist only when two conditions are met: First, when a relationship is of a time-sensitive nature; second, when the relationship is critical to stakeholders. Whereas time sensitivity relates to the degree to which managerial delay to attend the claim is acceptable, criticality relates to the significance of the claim to the stakeholder. As argued by the authors, identifying a stakeholder claim as urgent is not sufficient taking only time sensitivity into consideration, as the stakeholder claim must also be viewed as highly important (Mitchell, Agle & Wood, 1997).
2.3.4 Stakeholder Theory and CSR Practice

Stakeholder theory highlights the responsibility of organizations and the rights of stakeholders (Fernando & Lawrence, 2014). In the process of performing their responsibilities, the disclosure of information is of utmost importance, with Gray, Owen and Adams (1996) explaining that the provision of information should be beyond financial or regulated information of a firm as according to stakeholder theory society has the right to know its operations to be able to understand their consequences. Importantly, according to the authors the publication of information should be responsibility-driven rather than demand-driven. To Gray, Adams and Owen (2014), corporate social reporting relates with providing society with information that enables community to evaluate the extent to which organizations meet their responsibilities. With that in mind, organizations use CSR activities to position their corporate brand, yet communicating those activities does not always benefit the organization as CSR communication may trigger skepticism (Lindgreen & Swaen, 2010). Therefore, as a stakeholder-oriented concept, CSR embraces the notion that organizations exist within a complex network of stakeholders, which face conflicting demands of these stakeholders. As per Andriof et al. (2002), in order to achieve successful application of CSR, it is crucial for managers to bridge the gap between the firm and its stakeholders through both formal and informal dialogues and engagement practices.

2.4 Institutional Theory

Institutional theory is embedded in organizational theory, expanding the short-term organizational view - covering the “task environment” where a company’s reason of existence ends at paying its suppliers and offering reasonably priced products - by a holistic approach spanning the institutional environment surrounding a company (Handelman & Arnold, 1999). This way, the “social contract” interconnecting corporations and society, a notion prevalent in the CSR context, is acknowledged and internalized (Robin & Reidenbach, 1987).

This institutional environment includes norms derived from the public, the educational system as well as certification bodies among others (Scott, 1987). Despite their intangible nature, these norms constitute the basis of what is expected as “proper social conduct” (Handelman & Arnold, 1999, p. 34) from a company.

In this vein, institutional logic constitutes a lens through which the challenges companies face in matching social expectations in regards to their social responsibilities can be understood and addressed (Cerne & Elg, 2017). In the following, the core tenets of institutional theory and its linkages to environmental legitimacy will be explored and
presented, followed by a presentation of challenges and opportunities arising in the institutional context.

2.4.1 Definition of Institutional Theory

Institutional theory “provides a means to analyze companies’ strategic choices and actions in their efforts to match their corporate values with societal values, which grants them external validation or legitimacy” (Berroni, Fosfuri & Gelabert 2017, p. 364). According to this theoretical stance, environmental activities reflect a company’s position in relation to the public’s expectations and should therefore bolster a firm’s legitimacy when aligned with societal values (Berroni, Fosfuri & Gelabert 2017). In the realm of environmentalist firms, environmental legitimacy is derived from the “generalized perception or assumption that a firm’s corporate environmental performance is desirable, proper, or appropriate” (Bansal & Clelland, 2004, p. 94).

According to Scott (1995), institutions are based on three pillars, the regulative (what is permitted), the normative (what is considered as desirable) and the cognitive (what can be conceived) pillar. Regulative issues derive from legislation, whereas the normative dimension revolves around ideals the involved parties aspire to and cognitive issues describe the expectations partners hold towards each other (Scott, 1995; Andersen, Christensen & Damgaard, 2009).

The notion of legitimacy in this context is one of output legitimacy that is based on results instead of political legitimacy awarded by political authorities (Fuchs & Kalfagianni, 2009). Furthermore, it is linked to the concept of social legitimacy that transcends the definition of pragmatic legitimacy, where a company obtains temporary legitimacy by being able to fulfil a customer’s current need. In contrast, social legitimacy is defined as contributing to the society’s welfare over all (Handelman & Arnold, 1999). In the context of startups it is important to note that while institutionalists in general consider institutional considerations to overrule performative considerations (related to the task environment and potentially ignoring the good of society), DiMaggio and Powell (1983) note that new technologies in the early stage might benefit from highlighting functional aspects (Roberts & Greenwood, 1997).

DiMaggio and Powell (1983) describe three types of institutional isomorphic change that can occur simultaneously and explain the tendency of a newly formed organizational field to converge to standards. These three types are: coercive, mimetic and normative. Coercive isomorphism refers to the influence other political (state-funded and non-governmental) organizations as well as society exert on a company. Mimetic isomorphism describes a situation where companies model themselves on each other due to ambiguity and uncertainty. Normative isomorphism springs from an imitation of another organization consider to be more successful in an attempt of professionalization. In particular coercive isomorphism,
since it can stem from societal influence, provides a lens to evaluate the CSR activities conducted by a firm (DiMaggio & Powell, 1983).

2.4.2 Challenges

One of the core premises of institutional logic is that there exists no prevailing institutional logic, but it is rather the case that different logics compete against each other (Friedland & Alford, 1991; Thornton & Ocasio, 2008). This competition takes place within the organization (Leca, Batillana & Boxembaum, 2006; Besharov & Smith, 2014), across the industry (Thornton, 2002) and in particular between different countries and cultural backgrounds (Andersen, Christensen & Damgaard, 2009; Tan & Wang, 2010; Cerne & Elg, 2017).

One of the main challenges for CSR oriented startups therefore consists in trading-off the institutional logics it gets confronted with. Especially for “born globals”, startups that target international markets from the beginning, it poses an additional challenge to determine which institutional logic to adhere to or how to reconcile contradicting institutional logics due to cultural and developmental divergences across markets that lead to different societal expectations (Tan & Wang, 2010; Bondy, Moon & Matten, 2012). According to Cerne and Elg (2017), companies are more inclined towards adapting the social and environmental standards prevailing in their domestic home market. Elsbach and Sutton (1992, p. 700) propose that a company “can maintain legitimacy by adopting designs that mask or distract attention from controversial core activities that may be unacceptable to some key constituencies”. This activity of masking controversial activities, for example by bringing up compliance with regulations and withholding details about the environmental impact of an activity, is referred to as decoupling (Meyer & Rowan, 1977; Handelman & Arnold, 1999).

The company also has to negotiate its own stance between the legal regulations stating the government’s expectations (market-based view) and the expectations expressed by employees for example, that might represent a more customer-centric view (Cerne & Elg, 2017).

A third challenge arises from the fact that in global supplier networks it often proves very difficult for companies to go beyond the first tier and ensure environmental practices are being followed in all steps of the supply chain (Ford & Mouzas, 2010). Even if the contracting company manages to obtain a thorough overview of practices currently in place, persuading the supplier to implement sustainable technologies can prove costly and time-intensive. Most likely the contractor’s demands are far exceeding local regulations and the predominating institutional logic derived from the local context. Secondly, the nature of the organizational logic (cost-driven) creates conflicts when only the (short-term) costs imposed by equipping companies with more environmentally-friendly machinery, production
material and production management are taken into account, similarly to what Cerne and Elg (2017) have shown in the context of socially responsible working conditions.

2.4.3 Opportunities

The advantages of legitimacy for a firm lie in the support it will receive from its surroundings as a result of this “cultural allegiance” (Elsbach, 1994; Handelman & Arnold, 1999). This includes for instance facilitated access to resources, increased attractiveness towards employees and improved negotiation position with third parties (Oliver 1991; Pfeffer & Salancik 1978). This also translates in the absence of negative impacts on the corporation, such as boycotts when consumers deprive a company of its social legitimacy (Garrett, 1987).

2.5 Chapter Summary

The revision on the concept of CSR makes it possible to realize that the economic function of companies in society has outweiged other aspects such as environmental and social for a long time. However, as pointed out by recent research, increasing inequalities, environmental degradation, and the perception on the increasing power of organizations, have created a greater expectation on the commitment and responsibilities of companies towards society.

Consequently, the literature explored shows that today CSR is more commonly seen by consumers and the public as ethical and discretionary activities. Even though new labels (e.g., sustainability) have been introduced to highlight new conceptualizations of CSR, new ideas have not replaced prior concepts, which result in a lack of boundaries, with the different characterizations showing a dynamic nature of CSR (Carroll, 2015). Importantly, its activities can be explained as the result of how CSR has developed with the influence of different theories, which were exposed in this chapter. Within our initial exploration, thus, we understood that a cautious choice of theory would support our investigation, enabling us to evaluate our unit of analysis against criteria we think appropriate to attain the objectives of our research.

Therefore, with consideration to the significant role of sustainable startups in meeting society’s needs, we trust the stakeholder and institutional theory will provide us with the necessary lens to observe the relationships among stakeholders, implications for business, as well as how these startups perceive and communicate with their audiences. We understand that the concepts embedded in these theories have contributed to consolidate the concept of CSR as important for organizational success, which we believe will be purposeful to guide us on our exploration with relation to startup companies.
3 Methodology

In the following section we present the methodological process we selected to answer our research question: *What is the role of CSR in sustainable Swedish startups in regard to their communication and market strategy in early phases of development?* With attention to our research aim, we explain our research approach and design, as well as describe the methods for data collection and the selection criteria for the participants of our study. We conclude by presenting our process for data construction and analysis, along with considerations on reliability, validity and limitations.

3.1 Research Approach

In the context of this study we adapt established CSR concepts to the under-researched field of the intersection between startups and CSR, supported by concepts embedded in stakeholder and institutional theories. Our study can be thus described as employing an abductive reasoning (Gioia, Corley & Hamilton, 2013). In this iterative process, we opt for a qualitative research approach (Bryman & Bell, 2015). We understand that a qualitative approach offers the chance to understand a complex phenomenon in-depth through the interpretation of experiences and views shared by the participants of the study (Creswell, 2007). This goes in line with the intention to explore and explain the role of CSR to sustainable Swedish startups which might be reflected in their communication and market strategy. As per Hammett, Twyman and Graham (2014), using appropriate methods to answer the proposed research questions is of extreme importance. Therefore, in order to attain our objective, we understand that a methodological approach centered on qualitative measures is more suitable to assess opinions, feelings and experiences of founders and top managers in the context of CSR and startups (Bryman & Bell, 2015).

3.2 Research Design

With the intention to understand the role of CSR in Swedish sustainable startups, we rely on a qualitative research method in a multiple case study, with four companies that have sustainability as a core value. According to Creswell (2007), a case study research relates with
the exploration of an issue through one or more cases. It is viewed as a type of design in qualitative research where the investigators can explore cases through detailed, in-depth data collection involving multiple sources of information (Creswell, 2007). This research design is suitable to explore contexts that are characterized by complexity and therefore an ideal fit to shed light on the dynamic process of communicating CSR practices in a growing venture (Andersson, 2003).

Considering Creswell’s (2007) notion that a case study is also a decision of what is to be studied, we decided to explore the role of CSR in early phases of a company development (e.g. startups) in the Swedish context. In order to gain knowledge before going to the field, we started off by analyzing existing views on CSR such as the institutional and stakeholder view based on which we identified challenges and opportunities arising for small companies whose business model is centered on sustainable practices. Our insights from the literature analysis led us to the design of our interview guide that aims to explore the role of CSR in startup companies with relation to their market strategy, their relationship with stakeholders and the institutional forces influencing their actions and decisions.

3.3 Case Selection

We established a list of selection criteria that guided us in selecting companies as suitable interview partners. This way, we adopted a purposive sampling strategy. According to Easterby-Smith, Thorpe and Jackson (2015), in purposive sampling the investigators have a clear idea of the units to fulfill the purpose of the study, who then approach potential participants to check whether they meet eligibility criteria. As per Bryman (2012), the stage of sampling is the selection of who is relevant to the research questions, which in our study are the companies and their employees chosen to be interviewed.

As our selection criterion, we firstly selected the companies with the premise that they were based in Sweden. This was due to the fact that we wanted to rule out the possibility of differing cultural views on sustainability to interfere with the actual subject of our study. Also, the reason to investigate sustainable Swedish startups is because of convenience, but mostly because Sweden is often seen to be at the forefront of institutional support for CSR (Strand, Freeman, & Hockerts, 2015). As such, we understand it is particularly interesting to examine sustainability in startups within the Swedish context. Additionally, we understand that the concept of CSR is based on three mutually supportive pillars: economic, social and environmental (Carroll, 1999; Moir, 2001; Joyner & Payne, 2002; Carter & Jennings, 2004; Dahlsrud, 2008). In our research, the environmental aspect will be prominent, as it emerged from the interviews with participants.
Secondly, it was pivotal to our research that the companies we interviewed pursued a mission focused on CSR and in particular sustainability, since that constitutes the cornerstone of our research. In this vein, we also confirmed that the selected companies had had upheld CSR values from the day of their foundation. This was to ensure that CSR was not added as an afterthought - as it oftentimes happens in larger corporations - but ingrained into the company from the start, which is considered one of the largest differentiators between how CSR is implemented in newly founded compared to long established companies.

Thirdly, we aimed to interview companies which we defined in relation to the number of years they had been in existence and the number of employees they had. We opted to approach companies with a maximum number of 100 employees as we understood this would allow us to gain insight into a broader range of samples. In terms of the age of the companies, we decided to approach companies that were from 2 to 10 years old. This was to ensure the founders and managers of these companies had had time to familiarize themselves with their markets and had a sales and marketing strategy in place that we could evaluate, as well as to include new-born companies. Older companies that were included in the sample have been considered valuable as the interview has predominantly encompassed aspects of their initial phases of development.

As a fourth selection criterion, we only accepted companies where we could interview founders or top managers. This was to ensure that the participants of the study possessed sufficient knowledge and a holistic view on our topic of interest.

All in all, we contacted thirteen companies that were considered to match our sample criteria and that we found to be useful to fulfill the purpose of our research. Out of the eight companies that sent back a positive reply to our follow-up criteria (available within a possible time-frame, suitable interview partner(s) available), we managed to set up seven interviews with four companies that were based in Lund and Malmö. Importantly, we aimed at interviewing two managers from each startup, which was possible among all except one, both because of their availability and because we found it relevant to enrich our data in those cases.
A detailed overview of our interview partners can be found in the following table.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interview Partner</th>
<th>Founding year</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enjay</td>
<td>Co-founder 1</td>
<td>2011</td>
<td>1-10</td>
</tr>
<tr>
<td></td>
<td>Sales and Marketing Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orbital Systems</td>
<td>CGO / Executive Board Member (Participant 1)</td>
<td>2012</td>
<td>50-60</td>
</tr>
<tr>
<td></td>
<td>Marketing Director (Participant 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suntribe</td>
<td>Co-founder 1</td>
<td>2016</td>
<td>1-10</td>
</tr>
<tr>
<td></td>
<td>Co-founder 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uniti</td>
<td>Co-founder</td>
<td>2016</td>
<td>40-50</td>
</tr>
</tbody>
</table>

*Table 1. Overview of Interview Partners.*

### 3.4 Data Collection

The data used in this study was retrieved from three main sources: the conducted qualitative interviews with founders and top managers of the startups, which was complemented by background information on the interviewed companies gathered from their websites and suitable media sources. In terms of our empirical data collection method we made use of semi-structured interviews with open-ended questions. To Bryman (2012), in qualitative interviewing there is greater interest in the interviewee’s point of view and what she/he sees as important. In a qualitative semi-structured interview, the researcher has a list of specific topics to be covered (interview guide), but questions may not follow on exactly in the way outlined (Bryman, 2012).

We understand that a qualitative semi-structured interview enabled us to investigate our area of interest, the role of CSR related with market strategy, stakeholders, and institutional forces by the means of an interview guide that had been prepared in advance supported by theoretical background in CSR, stakeholder, and institutional theories. In addition, spontaneous follow-up questions intended to address additional areas of interest that emerged in the course of the interviews (Bryman & Bell, 2015). In our interview guide, we decided to group the interview questions according to five main topics: Introduction, CSR,
communication strategy towards different stakeholders, legitimacy and institutional forces, all supported by the analytical framework which guides the research.

We preferably opted to conduct face-to-face interviews at the startups’ offices, and when it was not possible, they were conducted via Skype. The interviews lasted from 45 min to 59 min, being recorded and transcribed right after they ended, following Bryman and Bell’s (2015) guideline for qualitative research. Before, during and after each interview we updated the interview questions to account for what we had learned during previous conversations (Gioia, Corley & Hamilton, 2013). Additionally, we have decided to code segments of texts in the transcripts to enable the creation of a logic structure for analysis. The final version of the interview guide used in the last interview can be found in the Appendix A. Importantly, we obtained the consent to record all interviews.

3.5 Validity, Reliability and Limitations

A significant step in research is the reflection on the methodological choices and its implications on the research. Even though according to Creswell (2009) validation occurs in different steps throughout the investigation, we were attentive with the issues regarding the methods chosen to conduct this study. With consideration to that, we would assess the quality of our research based on the view of reliability and validity found in Yin (2013), which can strengthen the consistency through which we conducted our case studies. Along with that, we were also attentive to the notion of ‘trustworthiness’ found in Lincoln and Guba (1985). Based on these criteria, we understand that a case study protocol (Creswell, 2009) has enabled us to conduct reliability procedures. The representativeness of the cases and participants (Flyvbjerg, 2006) were taken into consideration and allowed the creation of richer data. Also, we can mention double checking transcripts, data triangulation, observations in loco, the creation of an interview protocol and digital record of data as important aspects to assess the validity and reliability of our research. We believe that our interview protocol, for instance, made it possible to structure the interviews in a way that would benefit the analysis of all cases, making us able to explore the same aspects and interpret different nuances during all the interviews. The data triangulation, for instance, has made it possible to build coherent justifications (Creswell, 2009) and link theoretical concepts presented in previous parts. In our analysis, even though subjectivity remains, it is important to mention the mitigation of personal bias when interpreting the data collected. Besides these important aspects to be considered when evaluating the quality of our research, we are also aware about its limitations. We understand that by interviewing mostly co-founders of the startups we might have captured perceptions that could be slightly different had we interviewed other managers. Also, even though we have found significant common aspects among the cases studied, we
are conscious that different interpretations could be developed if investigating startups in different contexts.
4 Analysis and Discussion

The following chapter serves the purpose of presenting and analysing the results of our empirical study of the four sustainable startups based in Sweden that constituted the source of our data. The insights we gained from interviewing in total seven founders and top managers of these firms revolve around the three main dimensions influencing the communication and market strategy of the startups in our sample. These dimensions are interlinked as illustrated in the following diagram:

![Figure 1. Dimensions Influencing Communication and Market Strategies in Sustainable Startups.](image)

To present our findings in relation to these dimensions, we structure the following part into two sections. Firstly, we focus on the communication of sustainability, exploring the individual communication strategies employed by the firms in our sample and comparing them subsequently. This way we investigate the weight sustainability represents as a selling point and how it is interrelated with accompanying sales arguments. Secondly, we expand our analysis by not only including the communication towards customers (as studied in the first chapter) but other stakeholders such as investors and employees as well and acknowledging the impact of institutional forces such as the national context of sustainable startups being active in Sweden.

4.1 The Strategic Role of Sustainability

Since we selected companies especially in regards to environmental CSR values embedded in their mission, sustainability plays a pivotal role in their strategy. Therefore, elucidating the
intricate links between the companies’ sustainable products and their communication strategy in relation to their CSR values is the main objective of this chapter. After having familiarized the reader with the individual companies and their stance towards sustainability, we continue by comparing the characteristics of how they communicate sustainable aspects of their business towards their audience across the different companies in our sample. This will allow us to gain a deeper understanding of the role CSR plays in the startups’ communication and market strategy. In doing so, we found two angles to be of particular interest: the startups external strategy of communicating sustainability towards their audience and their more internally oriented strategy to cope with the inherent trade-off between being sustainable and being profitable.

As described, we will in the following firstly give a short overview of the four companies comprising our group of interviewees and describe their business model, the product it revolves around and how sustainability and CSR play a role in the firm’s market positioning.

*Enjay*

Enjay was started by two brothers in 2011. With over 25 years in the restaurant ventilation industry, they were familiar with the problem of lost energy in professional kitchen environments from first hand experience, where the amount of soot and grease in the air does not allow conventional recycling systems to function properly. That was their motivation to develop their own system Lepido that revolutionises the way energy is being used and reused in professional kitchens in three ways. Firstly, it extracts energy from the hot kitchen air and reuses it as clean energy for heating through a patented technology, making it the world-wide first energy recovery device tailored specifically to the hostile environment in restaurant kitchens. This way, an exemplary restaurant with 7 working hours per day can save up to 123,000 kWh and 11 tons of CO₂ yearly (Enjay, 2018). Secondly, the solution has an integrated automated self cleaning system and thirdly, the cooling solution is nontoxic. The Malmö based company has conducted first successful trials with a Burger King restaurant and a food court in Malmö. The startup is targeting both the private (fast-food chains and other larger restaurants) and public sector (schools, public buildings) in Sweden whom they offer their solution to for sale.

*Orbital Systems*

Orbital Systems was founded in 2012 by an industrial engineer from Lund University, who was inspired by an academic cooperation project at Lund University in cooperation with NASA. The company is based in Malmö, with offices also in the US, Germany, and Denmark, and has currently 56 employees. The company develops a water recycling technology that can be used in domestic appliances, with the objective to bring water and
financial savings to their customers. The startup positions itself as a clean-tech company, currently offering an efficient shower system which saves 90% of water and 80% of energy while making the water cleaner than normal tap water through its innovative recycling system. The startup focuses on both B2B and B2C markets, offering two shower systems: OAS indo and OAS solo. According to the company, the OAS indo offer a seamless customization than can be planned through a contractor or architect, while the OAS solo offers plug-and-play flexibility with no disruptions for customers who want a faster installation. The company and founder have received several awards within innovation, and its showers are dubbed as ‘futuristic showers’, and the ‘Tesla of Showers’ by different media coverages. Technically, its showers work essentially by recycling shower water in a closed loop, with a filter that eliminates bacteria and other elements found in used water before the water can be reused again. According to the company, this results in a consumption of 5 liters of water in comparison to up to 150 liters for a 15 minute shower.

*Suntribe*

Suntribe was started by its three founders in 2016 to commercialize natural sunscreens based on zinc oxide as a mineral UV-filter in combination with organic oils and butters. The company took advantage of a change in European regulations in 2016 that approved zinc oxide as a UV-filter in the European Union. This was due to the fact that zinc oxide is considered to be the most effective and safest mineral UV-filter currently known to scientists. Compared to 63% of ingredients in conventional sunscreens that are considered to be harmful for either human health or the environment, zinc oxide is classified as safe for humans as well as the environment. Especially corals are threatened by chemical UV-filters such as oxybenzone (Suntribe, 2018). The company therefore positions its sunscreen products as a reef-safe, skin-friendly and biodegradable alternative to existing offers on the market. The team focuses on raising awareness of the dangers of most chemical ingredients for the environment and human skin and strives to educate people on the importance of responsible sun protection habits. Besides the unique natural formula that is reduced to the minimum of ingredients the packaging is also partly plastic-free, made from recyclable material or can be recycled. The startup is based in Lund and exports to business customers such as cosmetic stores and outdoor and sport shops within Europe and Asia as well as private customers worldwide through their webshop and marketplaces such as Amazon.

*Uniti*

Uniti was founded in 2015 by a group of people who previously run the Social Innovation Center in Lund, which explored different concepts of sustainability, social and environmental aspects. The company is an automotive startup and is currently developing an electric city car
which is designed to be agile in urban environments, with a contemporary approach to sustainability, safety and design. Currently with 47 employees, in 2016 the startup launched a crowdfunding campaign with the goal to reach up to SEK 5 million in order to build a production-ready prototype, which was achieved just two days later. Uniti employs an open innovation approach and its ambition is to remake the electric car concept, providing a more sustainable alternative through a futuristic car which brings efficiency, environmental gains, and higher user experience. In December 2017, the Uniti One Model was revealed to the public and the first models are expected to be in the market in 2019. With every aspect of the car being reimagined, the startup claims its car will emit 75% less carbon emissions than other electric vehicles already in the market.

4.1.1 Presentation of Case Studies

The introduction of the sustainable startups selected for the purpose of this study in the preceding chapter enables us to delve deeper into analyzing the way they communicate or purposively do not communicate the sustainable aspects of their products.

Enjay

The communication of Enjay is significant because the functional aspects of the product (energy savings generated by their technology Lepido) are emphasized significantly more than the sustainable characteristics embedded in the concept of its innovative system. Our findings show that the company pays greater attention to communicating that they develop world class solutions to their customers, with a product which offers energy recovery in restaurant ventilation. The first message on their website highlights the fact that with their product, business customers can reuse energy from polluted air in their restaurants and convert it into reusable energy.

What if it was possible to take the energy from polluted air in restaurant ventilation units and convert it into useable energy to heat the actual property?

Figure 2. First Text on Enjay’s Website.

To Enjay, it is important that the customers know the financial gains the product can bring (main selling point), and secondarily that the product is sustainable as it allows the kitchen air to be reused, saving energy and CO₂ emissions.

“The first thing that they need to understand is that this is actually going to make economic sense. We focus on the well-known fact that it does pay off and
people will also know that it’s not only the money, but also the energy, and that leads to the environmental benefit.” (Enjay, Participant 1)

This mindset is also translated into Enjay’s statement on their website which communicates that their mission is “to take on the challenge of innovation where others have stumbled and found it too difficult” (Enjay, 2018). This way, the company shows that it is aware of the challenge to provide a recycling solution for their industry due to the hostile climate in kitchen environments, simultaneously strengthening the innovativeness and uniqueness of their solution as a third selling point.

In conclusion, Enjay does not make the environmentally-friendliness of their product their main selling point. This is illustrated by the founders who state that “we can’t make the environmental effects our priority, but it’s there as a secondary message” (Enjay, Participant 2) and “we are working with companies that are more interested in saving money” (Enjay, Participant 1).

In this vein, the economic aspect in the form of financial savings has priority in Enjay’s communication strategy. Supporting that argument, on their home page visitors can calculate the energy savings they could obtain by installing the Lepido technology, presenting the amount of avoided emissions as an additional, yet secondary benefit.

![Calculate your savings with Lepido](image)

*Figure 3. Savings Calculator on Enjay’s Website.*

Another important finding in the case of Enjay is the indirect communication (Nielsen & Thomsen, 2009) employed on their website. In the section ‘Case’, visitors can find customer references from the Burger King restaurant and the food court Stena Fastigheter that piloted the Enjay solution. Interestingly, the economic aspect is emphasized on the comments by both customers: while the manager of Burger King says that Enjay “has presented a solution that enables us to finally recover all the energy that we previously had to throw away” (Enjay,
2018), the manager of Stena Fastigheter says that “the savings totaled to a whooping 10% of the total energy bill” (Enjay, 2018). The fact that Enjay brings indirect communication on their main official channel (website), highlights the significance of third-party recognition as an effective communication tactic for startups to legitimize themselves as trustworthy companies towards further potential clients.

In conclusion, Enjay focuses on the functionality aspect of their technology in their communication strategy to a very high extent, followed by the sustainability and the innovativeness of their solution. The reason for the financial savings to weigh more in their messages can partly be explained by the fact that the company is focused on business customers rather than private customers. According to Lynch and Chernatony (2004), the emotional brand values appropriate for B2B companies contain aspects such as trust and peace of mind, which can be linked with what is done by Enjay. The explanation for the suitability of these values is related with the fact that usually organizational buyers make rational business decisions which involve significant expenditure. To Mariadoss, Tansuhaj and Mouri (2011) for instance, B2B firms face the challenge of convincing more rational customers into adopting sustainable product solutions. This could serve as an explanation why the managers of Enjay emphasize characteristics such as financial savings and innovativeness rather than the sustainable aspect itself. In addition, as per Merilees, Rundle-Thiele and Lye (2011), in the B2B context innovation comes as an important potential key driver for small and medium enterprises, and Enjay is an example of a company taking this approach into consideration when communicating with stakeholders.

Orbital Systems

Our findings show the startup is cautious about over exploring the sustainable aspect of their products, since that communication strategy could make consumer skeptical about other important attributes such as functionality and technology. The case of Orbital is particularly emblematic, with the Chief Growth Officer (CGO) of the company clearly mentioning that the notion of CSR is outdated, explaining that the values within the concept are values that customers in general already expect from a company. In addition, she brings up the negative associations oftentimes connected with CSR due to companies that pursue greenwashing activities and abuse the concept without actually following environmentally or socially responsible practices:

“CSR is an expression we would never use. We would like to never talk about it. We can talk about sustainability instead. I think the CSR expression does not have a high value. Then we need to sort of work around it. Because in most companies it is a way of putting make-up on the pig.” (Orbital Systems, Participant 1)
This mindset goes in line with what has been discussed in the literature regarding the role of CSR communication. According to Lindgreen and Swaen (2010), communicating sustainable activities does not always bring benefit to the organizations doing so. Instead, if the company does not have a strong and clear overall message this type of communication may be misleading and trigger stakeholder’s skepticism. In the case of Orbital, the participants mentioned that sustainability is not the main argument to be communicated through official channels. “I would not say that we have a super green, save the world website today, we focus on the other aspects very much, such as innovation and technology.” (Orbital Systems, Participant 1). Clearly, the notion that the Orbital shower is a sustainable product by itself as it saves water, opens up space for communicating aspects such as innovation and technology to attract the interest from other groups of customers rather than exclusively the sustainability-focused ones. However, even though the managers interviewed from Orbital mention this communication strategy, it is noteworthy to observe that the first message that appears on their website relates strongly to the notion of sustainability and the fact that the shower saves water: “Enjoy water better. Take the best shower you’ve ever had in a few liters of all the water you want.” (Orbital Systems, 2018).

**Enjoy Water Better**
Take the best shower you’ve ever had in a few litres of all the water you want.

**Figure 4. Headline on Orbital’s Homepage.**

The first message conveyed through their website is thus the notion that customers can take the best shower (functionality) while wasting less water (sustainability) than by using conventional showers. If a visitor of their website wants to know more about the product, the section ‘About’ also focuses on the amount of water saved, along with the message “Transforming the way we see and use water”, with the explanation that the shower lets people use all the water they want without wasting it. Significantly, the conveyed message is that the product will radically change clean water availability to all.

1 2 6 3 0, 1 5 4

**Figure 5. ‘About’ Section on Orbital’s Website.**

Therefore, even though the managers’ perception that technology and design are considered to be crucial to their communication, the main messages on their website are highly related with the sustainable aspect of the product. In a way, the reason that the product has an
environmentally-friendly appeal can also be understood as an important selling point and not just as a way of communicating the company’s best practices on CSR. As found in Lindgreen and Swaen (2010), key CSR communication tactics relate with social and environmental reporting to engage with important stakeholders. Considering that Orbital is a startup which does not have and does not intend to have a CSR team and is still in an early phase of development, the sustainable message is thus around the product, and not on other possible actions that can be found in the realm of CSR practices.

Another interesting aspect to be analyzed in the case of the communication of Orbital is transparency towards its stakeholders and the option to present case references from clients and sustainable and design awards the founder and company have received over the past years on their website. As the participants said, they opt to be very transparent in their communication with stakeholders. In relation to issues that they cannot solve in an environmentally-optimal way, e.g. the filter they use is not recyclable, they choose to opt for clear communication in case the question is brought up by stakeholders.

“We are very transparent about the environmental impact that the product has. Many times when we are having conversations with clients we are speaking to the sustainability manager, the CSR manager, you know, people that want to bring technology into their business so they can make an impact.”
(Orbital Systems, Participant 2)

“We are taking the Patagonia approach, the ‘Yes, we know, but we are working on it’. We want to be very transparent with our clients.”
(Orbital Systems, Participant 1)

Besides communicating the sustainable aspect of the shower, the idea that the shower brings also energy savings to their clients, which can be translated into financial gains, is supported by case references on their website. “Case references are very important, so a lot of potential clients want to see what we are doing with other companies in their industry segment”
(Orbital Systems, Participant 2). Case references, the news from the media, and the awards received by the company can be seen, in this case, as a way of legitimizing the company towards stakeholders (Mitchell, Agle & Wood, 1997). Even though the communication touches upon the sustainability aspect, this is strongly supported by the recognition from customers, the media, and awards received by important organizations. This type of communication process can be linked with what Nielsen and Thomsen (2009) considered as endorsed CSR communication process, being thus indirect and legitimized by a third party. The Orbital Systems communication around sustainability can be considered in this case as more indirect than direct. As an example the ‘News’ section on their website has to be noted, where it is possible to find the media coverage of the company and its product. An article by Forbes about the company, for instance, was titled ‘The Tesla of Showers’, explaining that Orbital Systems “has created a shower that recycles its own water” (Kanellos, 2015). It was
possible to identify, therefore, that Orbital Systems also has a strong focus on public relations (PR), which from a reputation point of view, as per Morsing, Schultz and Nielsen (2008), exploiting third-party endorsement when aiming for legitimization is more impactful than the company transmitting the message by themselves.

**Suntribe**

The communication pattern of Suntribe is structured in a three-fold way. Both founders that we interviewed emphasized how sustainability comes secondary or tertiary to the other selling points that their products offer, more concretely the degree of protection and the skin-friendliness of their sunscreens, both of which are performance attributes. As one of the founders summarizes the order of selling arguments:

“In general: functionality first (prime factor), then skin-friendliness (is it good for me?), then environmental-friendliness (is it good for the environment?). In reviews for example most people don’t even mention the sustainability aspect, they only talk about how the sunscreen worked.” (Suntribe, Participant 1)

The communication on their website addresses all of these aspects albeit does not cover these three dimensions according to their priority as described by the founder. Their introductory text on their landing page reads:

“Suntribe offers the new generation of sun protection: Highly effective and safe for you and the planet. We never use dangerous chemicals or unnecessary ingredients. As part of the tribe, you protect the environment and your skin.” (Suntribe, 2018)

While this presents an equilibrium between the three dimensions, the remainder of the website focuses on sustainability to a great extent: there is an extra page about the scientific evidence related to sunscreen chemicals and their effects on the environment as well as a dynamic graphic showing corals in the background illustrating the adverse effects of harmful sunscreen ingredients for humans and on the environment.

![Figure 6. Graph on Suntribe’s Website Illustrating Effects of Chemical Sunscreens.](image-url)
The latest blog post of the company describes a potential new regulation in Hawaii banning two chemicals categorized as dangerous in detail. Neither the aspect of the sunscreen’s effectiveness (besides a factual description in the product titles: SPF 30, broad spectrum protection) nor the aspect of skin-friendliness (except for some parts of the product description that mention how gentle the sunscreen is on your skin) are explored in more detail.

The case of Suntribe is particularly interesting because they use the metaphor of action sports, specifically surfing and water sports, to illustrate the most sustainable aspect of their sunscreen: its reef-friendliness. As one can see from their Instagram profile, the company predominantly works with pictures featuring the ocean and individuals pursuing water sports such as surfing, a sport that is usually considered as one of the most “natural” sports and whose followers are viewed as standing in close connection with the ocean and nature. At the same time these individuals spend significant amounts of time in the sun and require sun protection that withstands the roughest sun and weather conditions. This way, the used images and especially the professional athletes employed as brand ambassadors strengthen two of the main communication messages of the company at the same time: the functionality of their sunscreen and its environmental friendliness.
Figure 7. Suntribe’s Instagram Profile.

Most texts accompanying the posted pictures center on the concepts of surfing, being one with nature and travelling. Few product shots can be found in the company’s feed and the functional product attributes ‘effectiveness’ and ‘skin-friendliness’ are only mentioned in combination with the few posts featuring the actual products of the company. This stands in contrast to the reviews of customers below Suntribe’s products on Amazon that center on the product’s functional product features with most comments in line with “No burn nor redness, did its job very well and smelled nice on top” (Amazon, 2018).

In addition to the sports imagery they employ, the startup conjures up the image of a ‘tribe’ that uses products that make sense and go back to nature, such as their 3-ingredient sunscreen. This makes the company ‘Suntribe’ equal to its customers, referred to as the ‘Suntribe’ as well. Visitors of the firm’s website are actively asked to “join the tribe” and a large number of pictures features groups of people instead of individuals. This can be seen as the perpetuation of the concept of CSR that reinterprets the role of companies in society as being a part of the
same (Retolaza, Ruiz & San-Jose, 2009). At the time that this form of communication integrates customers into an invisible tribe linked by the values of the company, it also redefines the enterprise Suntribe as a member of our ‘tribe’ which is our society. As a part of this tribe the company is naturally expected and claiming to be conscious of and fulfil societal and environmental responsibilities beyond merely selling sunscreen products (Bowen, 1953).

Uniti

The case of Uniti is thought-provoking because the company employs a very open approach towards their operations and aims. This perception started from the interview at the company headquarters in Lund, where the interviewee wanted to show the whole office and different teams, as well as the prototypes which have already been produced at their facility. As the participant explains, the company pays close attention to their stakeholders’ expectations: “The expectations of our stakeholders are always taken into consideration and are evaluated. We have constant conversations with, for example, investors, customers, and other stakeholders” (Uniti, Participant 1). With regards to the sustainable aspect of the car and the communication around it, it was possible to identify the challenge of being still in an early phase of development:

“We do not have a CSR team, for example, we do not have a sustainability report yet. At this phase we have calculations, measurements, ideas of what our environmental impact will be once the car is on the road, but these are just estimates.” (Uniti, Participant 1)

With that being said, it is understandable that at the time where their product is still under the prototyping phase, with components and suppliers being defined, it is not possible for the company to communicate exact figures with relation to the sustainable aspect of the product. However, as in the case of Orbital Systems, Uniti also has a sustainable product itself, an electric vehicle, which has a footprint completely different than other conventional fossil fueled cars. With that being said, their communication on official channels, besides talking about the sustainable aspect, strongly mention other aspects such as design and technology. The first message appearing on their website is clear with regards to these arguments:

Figure 8. Headline on Uniti’s Homepage.
Along with the main message around the Design aspect, the presentation of the product as a premium electric car designed for better life can be related with the sustainable aspect of the product. In this sense, the sustainable aspect is indirectly mentioned for the fact that the car is electric. Importantly, the second main message on their website brings a mix of design and technology innovation:

“It’s times for cars to change. Uniti is a Swedish startup developing an electric city car. Optimised for high performance and agility in urban environments, with a user experience that replaces “press and pull” with “touch and swipe”. Holistic safety, sustainability and scalability in manufacturing are our primary focus, enabled by our recyclable carbon fibre body and organic composite interior. Unveiling 2017 – first deliveries 2019.” (Uniti, 2018)

With the message above being conveyed through an official channel, it was possible to identify that, along with the emphasis on sustainability, expressed by the words ‘electric’, ‘change’, ‘recyclable’, and ‘organic’, the company also makes it clear that the product is focused on technology and functionality. This can be related with the use of the words ‘high performance’, ‘agility’, ‘safety’, and ‘touch and swipe’, which along with the sustainable aspect are also commercially appealing for their potential customers. Differently than employing a green marketing communication strategy, where the greenness of the product overrules other aspects (Hartmann, Ibáñez & Sainz, 2005; Kaufmann, Panni & Orphanidou 2012), Uniti emphasizes important aspects valued by their target groups, such as innovativeness/technology and design, which are consequently mentioned in their communication for being relevant selling points.

Another important facet observed in the case of Uniti is that by being open about their aims, and not employing a competitive communication against possible competitors, the startup is attracting the interest from different stakeholders that share their sustainable mindset.

“We can really make sure we find partners that are pursuing the same mission, the same goal, so in that sense, by communicating our mission, people have been contacting us. Automatically we are being contacted by other sustainable companies with the same ambition as ours.” (Uniti, Participant 1)

This strategy can also be related with a way of legitimization as the startup, since its foundation, employs a very honest way of communicating with key stakeholders, making it easier to build trustable and strong relationships in the long-run. Additionally, Uniti brings a media coverage space on their website, where well-known communication enterprises can be found which have already mentioned the work of the company, such as Wired, The Guardian, Business Insider, and SVT. Again, this shows the impact of indirect communication (Nielsen & Thomsen, 2009), aiming at legitimizing the company towards its stakeholders (Mitchell,
This aspect can be thus particularly important for startups which are not yet well-known and need to build trust with current and future stakeholders.

### 4.1.2 Communication of Sustainability Arguments

A consistent pattern emerged among our interviewees is with regards to how they position themselves as a green company. Their common strategy is that they do actually not position themselves as a green company in particular. We identified two perspectives regarding sustainability along which emerging companies determine their stance. The first insight refers to the non-exclusive nature of the sustainability argument. As Enjay (Participant 1) puts it, “the reason why we exist is that we help people save money and on the way we save the environment”. Linked to this insight, we found that the startups in our sample pursue different avenues of communicating sustainability as a secondary or tertiary selling point besides arguments such as functionality or design. We especially identify third-party endorsements as a powerful tool of strengthening the selling points the company wants to highlight. The following table provides a comprehensive first overview of the results that will be presented in the chapter below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Primary Selling Point</th>
<th>Secondary Selling Point</th>
<th>Tertiary Selling Point</th>
<th>Sources of Legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enjay</td>
<td>Performance (Financial savings)</td>
<td>Sustainability (Energy savings, avoidance of emissions)</td>
<td>Innovativeness / Technology</td>
<td>Case references</td>
</tr>
<tr>
<td>Orbital Systems</td>
<td>Performance (Experience)</td>
<td>Sustainability (Water savings)</td>
<td>Design</td>
<td>Media endorsement</td>
</tr>
<tr>
<td>Suntribe</td>
<td>Performance (Effectiveness)</td>
<td>Performance (Skin-friendliness)</td>
<td>Sustainability (Biodegradability)</td>
<td>Partnerships and brand ambassadors</td>
</tr>
<tr>
<td>Uniti</td>
<td>Innovativeness / Technology</td>
<td>Design</td>
<td>Sustainability (Renewable energy source)</td>
<td>Media endorsement</td>
</tr>
</tbody>
</table>

*Table 2. Overview of Communication Strategies of the Startups.*

**Non-exclusivity of the Sustainability Argument**

While sustainability provides the companies in our sample with a clear competitive advantage and makes them stand out from their competitors in a positive way, the unanimous result from
our interviews is also that sustainability by itself is not a sufficient nor a primary unique selling point. Whereas Enjay for example assumes that they could niche themselves as a green company, they purposely do not follow that strategy since that would restrict their potential target group and limit the potential impact of their technology:

“To be fair, most of our customers are very aware and are actively looking for it but they wouldn’t save energy if they don’t make one dollar more or save one dollar more. For big impact it has to go hand in hand, the economy and the environmental things.” (Enjay, Participant 2)

In our analysis we identified two main selling points that the startups in our selection address in addition to sustainability: performance (Enjay, Orbital Systems, Suntribe) - which can be further subclassified as either focusing on functionality (Suntribe) or money savings through technology (Enjay, Orbital Systems) - and design (Orbital Systems, Uniti). As can be seen, usually two additional selling points co-exists next to the sustainability aspect.

Enjay is an example of a company that promotes their product based on its superior performance which grants money savings. Their innovative technology Lepido recycles heat in kitchen environments where previously existent recycling technology could not be employed due to the soot and grease contained in the kitchen air. In doing so, it allows Enjay’s customers to reuse a significant amount of energy and consequently reduce the length of their energy bills. As their main slogan already conveys, “We have created a financial incentive to save the environment.” (Enjay, 2018), the company primarily focuses on the money savings its technology enables and ranks sustainability second. As one of the founders of Enjay puts it, “We could say that we do this because we want to save the environment, and we do. The difference is that we’ve acknowledge the need of also saving money on the way. (...) You can’t base a product on people’s good nature.” (Enjay, Participant 2). In a similar vein, Suntribe claims that “People want to know that it works first, whether it protects them from the sun, then they are interested in their own health and then in the planet. We got the feeling that people have less trust in a product’s performance when they know it’s natural, so we have to prove it even more that it works before talking about anything else.” (Suntribe, Participant 1).

Previous research on factors influencing green purchasing behavior focused predominantly on exploring why customers buy products labelled as green, namely they are influenced by eight factors: their environmental knowledge, altruism, environmental awareness, environmental concern and attitude, belief about product safety for use and availability of product information and product availability, perceived consumer effectiveness, collectivism as well as transparency/fairness on trade practices (Kaufmann, Panni & Orphanidou 2012). This stream of research assumes an exclusively green marketing strategy, actively promoting the green aspects of a product on a functional (listing the positive impact on the environment) and emotional level (eliciting a “warm glow” as a reward for altruistic behavior) (Hartmann,
Ibáñez & Sainz, 2005). A new stream of literature proposes the “social normalisation” of green products. Instead of putting emphasis on the greenness of products, these authors suggest presenting the products as normal and everyday (Rettie, Burchell & Barnham, 2014). This also entails placing other selling points rather sustainability at the forefront, such as functionality or design.

Orbital Systems is a company that serves as an example for how both innovate technology and aesthetic design of a solution inherently developed to be more sustainable can morph into prime selling points. Celebrated for their “Out of this world shower design” (Braw, 2014), Orbital Systems not only opted for a solution that saves significant amounts of water, but stressed the importance of developing an aesthetically pleasing and exceptionally well designed shower. The Chief Growth Officer of Orbital Systems uses the expression “born attractive” to explain their holistic marketing and product development approach: “Today, if you want to be a born attractive, I think it is very good if you include some kind of sustainable core value. If our customers cared only about the design aspect, they would buy a less expensive product. Our product ticks every box. It is green, it is design, it is innovative.” (Orbital, Participant 1). It is therefore not only the sustainability aspect that makes people buy.

Substantiation of Sustainability Arguments

In regards to the communication of sustainable benefits of our interviewees’ solutions we observed two different strategies that we classify as the ‘cognitive’ and the ‘affective’ strategy. According to Villarino and Font (2015), cognitive communication strategies are focused on facts and figures, proposing rational sales arguments, whereas affective strategies aim at eliciting emotions and creating experiences. The majority of green businesses continue to address mostly the first field by describing the environmental impact of their product in descriptive terms (Villarino & Font, 2014). The company Enjay from our sample represents such an example. The general tone on their website is very factual and they provide a calculator where visitors of their webpage can calculate their personal savings for example. The drawbacks of such a communication focus are that it tends to be overly product focused, leading to a ‘sustainability marketing myopia’ which entails customers feeling they receive unnecessary information and their needs are not being addressed (Villarino & Font, 2014). However it has to be said that Enjay is a purely business to business focused company whereas all other companies in our sample sell (exclusively) to private customers which might influence the tone of their marketing communication.

The alternative is to center one’s communication around affective marketing messages. Orbital Systems (2018) for example promotes its innovative shower with statements such as “Take the best shower you’ve ever had in a few litres of all the water you want. (...) You’ll enjoy every shower in true water-conscious comfort.”, combining both facts (water saving) and experiential (comfortable shower) sales arguments. Suntribe follows a similar, yet slightly
differently focused approach, which centers on creating a sense of community, a feeling of belonging to the Sun’tribe’. By sharing their personal story of how they developed their sunscreen out of personal need they make their product relatable and make their product more accessible for their customers.

Relating oneself to one’s customers is one possible approach to mitigate the risk of alienating customers by creating a bad conscience in them if they should not buy the evidently more sustainable solution. Another way is to place emphasis on being humble in one’s environmental claims as Enjay (2018) does for instance: “We have made the decision not to be the company that screams out: We are the most sustainable” (Enjay, Participant 2).

Customers object companies that claim moral superiority because of the feelings of inferiority this causes in them by comparison. In addition, they might feel their consumer right of following their free will to choose the product the most appealing to them is being threatened (Gössling & Buckley, 2016).

Besides the risk of alienating customers when making them feel inferior another risk consists in being perceived as not trustworthy in one’s environmental claims. With the increasing demand for sustainable solutions, the amount of firms only ‘greening’ their products has skyrocketed, diminishing the trust repertoire for all companies active in promoting ecologically beneficial products (Delmas & Burbano, 2011; Saha & Darnton, 2005). When it comes to sustainability, being a startup can therefore not only come with ‘liabilities of newness’ but also with advantages: a ‘green-green’ startup emanates significantly more credibility in terms of their ecological mission compared to an established ‘greening’ business that is switching to more sustainably practices after a past of commonly neglecting this part of their responsibility a large extent. This quote from Orbital illustrates the potential advantage startups enjoy in this matter:

“Most companies are not born attractive, because they have been probably existing for a hundred years, then it is very hard for them to adjust to the time-being, to 2018. And that is when they have to come up with CSR, just to sort of put makeup on the pig. But with startups, where you perhaps from the beginning have a business idea like ours, who cares about the environment, it is different.” (Orbital Systems, Participant 1)

4.1.3 Trade-Off Between Sustainability and Profitability

Research is still inconclusive as to whether CSR provides a positive return on investment. Some authors confirm the positive impact of CSR, especially when strategically implemented and integrated (Maqbool & Zameer, 2018). Other researchers confirm the general positive
link between CSR and business performance (Price & Sun, 2017; Gregory & Whittaker, 2013; Jo & Harjoto, 2011). At the same point they point out the vulnerability of firms engaging in CSR activities: firms acting slightly irresponsible in some fields and slightly responsible in other fields perform better than firms engaging in high levels of both, due to irresponsible actions having a longer enduring effect than positive CSR activities (Price & Sun, 2017). Bhardwaj et al. (2018) find that the attractiveness of implementing CSR activities is dependent on factors such as customer appreciation of CSR, their sensitivity of the evaluative context (their sensitivity to expectancy disconfirmation) and the ubiquitousness of CSR. They distinguish between company ability relevant CSR (linked to the core business) and company ability irrelevant CSR (for instance donations for every purchase). They reveal that customer expectancies are likely to increase when companies engage in ability relevant CSR, linking to the insights of the previous chapter where we find that sustainability is not a sufficient sales argument per se, a product has to offer superior benefits in at least one other area in addition. While our interviewees confirm the positive relation between their CSR and inducing a positive customer response - “The environmental impact is the number one aspect when we are talking with clients.” (Orbital, Participant 2) - other stakeholders like investors complicate the picture. Further aspects like the limits of sustainable product development due to prohibitive costs as well as the mitigating effect of intrinsically motivated founders are taken into account as well.

While a startup is not exempt from needing to create positive returns in order to sustain itself over time only because it is sustainable, we observe two traits in our sample that are specific to sustainable startups: they have access to a wide range of governmental funds, allowing themselves more time until they have to become profitable enough to find investors or fund themselves through sales, and the intrinsic founder motivation can help overcome financial shortages in the early stages since creating personal wealth is not the primary goal. Noticeably, this attitude is more pronounced in the founders that have worked in their startups for a shorter amount of time and are more likely to be driven by their idealism that has not yet been confronted with the realities of private funds being depleted due to not receiving a salary yet or having to pay employees. Suntribe, the smallest company in our sample, provides an interesting example for how the environmental mission of the company is carrying the founders through the first years of foregoing a salary:

“I know I could find a very well-paid job quite easily, and sometimes the temptation is there. But very seldomly, most of the time I enjoy the ease of getting into the office in the morning when you know you’re doing something that helps the planet, even if we shouldn’t succeed financially we’d have made a positive contribution. I’ve never liked Mondays as much as I do know. But of course that motivation only lasts so long when you start fearing the monthly bills.” (Suntribe, Participant 1)
This overlaps with a statement from one of the founders of Enjay who states that their company probably has more potential in terms of their ecological rather than their economical impact, which is what they were driven by as a founding team from the start. About his personal motivation to start the company he explains that “For me, it has always been a main driver why I do something and what I do, if you ask me as a person. It is also a very important part of me being happy at work.” (Enjay, Participant 2).

The tone changes slightly in interviews with the other two companies, potentially since these have reached a state of more maturity and their founders have been faced with financial challenges for a longer time. Orbital Systems for instance has to address both the needs of investors that invest in their company because of their long-term environmental agenda and another group that has invested purely based on expectations of a foreseeable return on investment, putting the sustainable mission of the founders in the background.

In addition, we also notice a certain pragmatism in regards to sustainable product development. While all companies stress their quest for making their products more sustainable in the long-term - for example by introducing a biodegradable water filter (Orbital Systems) - they also acknowledge the need of reaching a satisfying minimum viable product that will allow them to prove their product idea and provide them with financial support to improve the product further towards their imagined solution. In doing so, they acknowledge the reality of being a small company dealing with large suppliers who are not willing to accommodate fundamental changes for small order volumes and count with limited internal resources:

“Sometimes you want to do something but you cannot, you know, we are just at a very early stage, so you don’t always have the budget, the people, or the resources. And you know, when you are a startup you have a certain amount of time to become profitable, so there is a big focus on that. That’s kind of like a trade-off.” (Orbital Systems, Participant 2)

A second perspective regarding product design comes from Enjay (Participant 2) who emphasize the need to adapt one’s solutions to people’s behaviour in order to increase their rate of acceptance.

“A lot of new products require people to change their behavior, a very slow process. If it’s not something that is fairly easy to get done, a small change to your routines, and the environmental impact is huge, it’s a lot harder for those products to fly. For us we’ve tried to design a technical solution that doesn’t require any changes in behavior.” (Enjay, Participant 2)
Besides having to integrate as seamlessly as possible with the customers’ existing behavioral patterns, the new solution also needs to fit current systems established in the market to ensure its compatibility.

“You can include all the good environmental effects that you can dream up, you can put into the idea stage. Once you start getting closer to a practical product that you’re actually going to sell and install reality will interfere. The systems that are already built in the market will play a huge role in what you can and cannot do. Because if you want to get products in they obviously need to fit the systems, the other option is that you fight a political battle first. (...) It needs to be taken in small steps, you can’t change the whole logistics, or the energy distribution system because the costs of that would be prohibitive.” (Enjay, Participant 2)

This is one of the aspects that differs the most for startups and corporations. Whereas larger companies oftentimes enjoy a certain degree of influence (or suggestive power) for adapting existing regulations to new technologies, emerging firms lack any authority in proposing legal changes. At the same time that they could be the ones suggesting the most radical changes, they do not have the resources to actually change the legal landscape so that it would enable their solutions.

4.2 Stakeholder View and Institutional Forces

It is recurrent to find that the participants of our study, regardless of their size or industry, adapt their conversation towards different types of stakeholders. An important example is the case of Uniti:

“The message is adapted to different groups, definitely. We have a video editing team, for example. They focus a lot on the environmental aspect of the vehicle, to show hopefully how sustainable is the car. But then the investors are more interested in numbers, such as how much the car is reducing carbon-dioxide emissions compared to other vehicles. Government officials, for example, they go deeper into the life cycle of the vehicle, how much does it emit (CO₂) during production, about the supply chain or end of life. They want to know more details about that.” (Uniti)

The case of Uniti is similar to others and illustrates the different interests of primary and secondary stakeholders with regards to sustainable aspects. This goes in line with what is affirmed by Nielsen and Thomsen (2009), to whom the communication depends on the nature
of the relationship and on the context and type of CSR concerned. Whereas for customers it might not be relevant to know the exact numbers of CO₂ emissions during production, to government officials and potential investors this might be extremely relevant with regards to regulations and funding. This example illustrates the importance of analyzing the relationship between the startup and its most relevant stakeholders: customers, investors, employees, and the government, which will be investigated in the following.

4.2.1 Customers

With the notion that stakeholders are any group or individual who can affect companies’ corporate objectives (Freeman, 1984), the company-customer interaction constitutes a relationship between primary groups (Clarkson, 1995) which can also be considered as a voluntary relationship (Clarkson, 1995; Mitchell, Agle & Wood, 1997). Customers can be perceived as the only stakeholder group that makes the company generate revenue, which is of course crucial for survival. It thus make sense to bring the view of the participants of the study on customers and potential customers with relation to CSR aspects.

Demand for Sustainable Products

Sustainability is becoming mainstream both from a customer as well as from a company perspective and triggered by advances in technologies and lifestyles. Groups of increasingly educated customers are actively demanding and supporting more environmental solutions, potentially shaping the sustainable landscape more than supportive regulations (Berger, Cunningham & Drumwright, 2007). Already 60% of executives consider sustainability as pivotal for their company’s strategy according to a McKinsey and Company survey and take it into account when developing new products (2010). Innovations and new trends create unforeseen market opportunities. This overlaps with previous research conducted on SMEs where CSR practices were found to be influenced by external sources such as customers, pragmatic reasons like a potential competitive advantage as well as the values of the founding team (Murillo & Lozona, 2006; Dangelico & Pujari, 2010). In a similar fashion we distinguish between a customer-driven, market-driven and a founder-driven approach towards sustainability in the following.

Regarding the customer-driven approach to sustainability, Orbital Systems confirms that “[sustainability] is actually not a trend anymore, this is the direction things are moving and that this focus will only continue to grow, especially with the millennial generation, who are very much more engaged, willing and wanting to work for sustainable companies and use sustainable products.” (Orbital Systems, Participant 2).
This approach creates additional benefits, namely the higher degree of identification with the company through their environmental mission that is being shared by their customers. The sustainable movement creates a new sense of community between customers and companies. Uniti explains that “the environmental aspect of the vehicle is the reason why people are joining forces with us”. In a similar way, Suntribe (Participant 1) describes how “People support us and want to work with us because they feel we have a well-rounded concept that is the future. We’re not just another startup following a short-term trend.” This way, their environmentally-friendly philosophy helps these companies to create a sense of community, engaging their customers and employees and increasing their own credibility since a sustainable company perspective is being considered a long-term commitment.

From a company perspective, Enjay predicts that “Companies are developing into having much more values than only making profit in the future. It’s a lot better to collaborate with such companies that see their time on earth as worth improving lives for everyone, not only for their money’s sake.” (Enjay, Participant 2). Innovations are spurred by companies seeking a competitive advantage by filling an underlying new customer demand or following the intrinsic motivation of the founding team. Uniti is an example for the first:

“We saw that there was a lot of statistics saying that in the average commuting there was only one passenger per car, it is a short range, and cities will be growing, so most of the transportation will happen within cities, and there is a lot of pollution in big cities. There is also digital trends, such as people using social media, youth being able to create their own products from nowhere and with almost nothing. We could also mention the sharing economy, these type of trends that brought up the idea of Uniti like an efficient car that is as sustainable as possible. We have built this car for the planet.” (Uniti, Participant 1)

Enjay and Suntribe are examples of the third category where the focus of the founders was to build a product that would live up to their personal values of creating sustainable solutions:

“After all, when you invest your time in something without getting any immediate payback you need a strong intrinsic motivation and I can’t imagine a better one than knowing you’re doing the right and needed thing. In our case it is protecting the oceans from harmful chemicals but anything that I know helps us in making the world a slightly more habitable place would get me out of bed in the morning. If there’s no such connection to the planet and its inhabitants, I could never strive towards making a difference with the same vigour.” (Suntribe, Participant 1)
Different Types of Customers

In our exploration, we identified that even though the companies and their products are focused on sustainability issues, with products that are sustainable by themselves, the majority have made distinctions between customers who are more environmentally-conscious and customers who are more interested in other aspects, such as functionalities and technology. Orbital Systems for instance adapts their conversation according to the different values and interests of customers:

“We have our global corporate messaging, which talks more to a higher level, and we have also messaging that talks also to specific industry segments. We adjust our message depending on the audience and the type of industry they are in, and what their values are, what they are valuing.” (Orbital Systems, Participant 2)

In this sense, the arguments of Orbital Systems are not only sustainability-focused. With the understanding that their customers have distinct values depending on, frequently, their geographical location, the startup adapts its conversation to convey the most commercially attractive message. Two significant examples to be mentioned here are the commercial conversations with IKEA in Sweden and with the hotel Caesars Palace in Las Vegas, USA. Whereas to IKEA it was important to buy a sustainable shower for its employees in Malmö, to the managers of Caesars Palace in Las Vegas the only preoccupation was with the IoT technology of the product and how they could track the amount of energy and water saved. As per Nielsen and Thomsen (2009), these adaptations when communicating sustainable aspects towards different audiences relates with a strategic communication practice within organizations, which is also seen in small and medium enterprises. This can be understood as a way for these newly created companies to build and maintain favorable relationships with key stakeholders.

Sustainability-focused Customers

It was recurrent in the conversations the perception by the companies that European customers, especially those in Scandinavia and Germany, are more interested in the sustainability aspect of their products rather than only in technology and product functionality.

“At least in Europe, I would say, it is because of the sustainability aspect, it is because they want to look after the planet. If our customers cared only about the design aspect, they would buy a less expensive product. We also made surveys with customers that have pre-ordered the car, and the environmental aspect of the vehicle is the reason why people are joining forces with us, so to say. And then after that comes technology.” (Uniti, Participant 1)
“In Denmark, in Sweden, in Germany, customers are very much into sustainability. It is really important for them. Our customers look at us as a green tech company. We have deep green clients coming over. For example, Skanska, when they come over here, they start questioning us about the footprint of our product. So when they see we fly components from China, they question what kind of sustainable footprint is that.” (Orbital Systems, Participant 1)

Interestingly, to some companies and in regards to both B2C and B2B relationships, the sustainability aspect of the product can overrule the financial aspect. With regards to B2C, the example of Uniti shows that sustainability-focused customers are willing to pay more for a product that meets their values. In relation to business customers, a significant example is the perception that even cost-efficient large corporations are considering to partner with sustainable startups, as shown in the quote below:

“If all our customers cared only about the design aspect, they would buy a less expensive product. IKEA, for example, is one of our clients, and they are very cost-conscious. But when it comes to sustainability, it overrules the money. For some companies, now, everything that is digital and that is sustainable overrules the money.” (Orbital Systems, Participant 1)

As per Barrena, López and Romero (2016), in recent decades, circumstances such as environmental degradation cause actors affected by a company’s actions to require greater commitment and responsibility from those companies. Customers (B2B and B2C) of sustainable products and sustainable companies are both actors that can affect and be affected when choosing a specific product. While they are investing their money in an environmentally-friendly product and generating revenues for the firm, they are not harming the environment supporting their business operations. Therefore, in accordance with the stakeholder perspective, companies must gain support of society, gradually changing their behaviors and actions to a greater commitment with societal expectations. Here, these commitments can be achieved both by the buyer and the seller. Whereas the startups investigated in the study have CSR in their core values since they are born, buyers (e.g. larger companies) which opt for products that are more expensive but more sustainable, show their commitment to pressing issues (e.g. environmental degradation), which is a way of legitimization towards society. The example of large corporations being significant primary stakeholders of sustainable startups can be linked with Davis’ (1960) advice which mentions that organizations that exercise their power without caring about the impacts of their actions on the environment might lose respect and trust of customers.

Within more price-sensitive customers, the notion was also recurrent that buyers (e.g. business customers) are becoming more sensitive towards sustainable issues that might
influence their buying decisions, as well as the notion that new generations are more sensitive to these issues.

“If you have two equally priced, one is more environmentally-friendly – which one would you choose? People and companies are ultimately moving towards a situation where they actually experience that sustainability is worth doing. Companies are not only doing because of the money. Companies are developing into having much more values than only making profit in the future.” (Enjay, Participant 1)

“This is the direction things are moving and that this focus will only continue to grow, especially with the millennial generation, who are very much more engaged, willing and wanting to work for sustainable companies and use sustainable products.” (Orbital Systems, Participant 2)

The recurrent mention of the millennium generation mindset by the participants can also be linked to the changing behavior of Business customers of the startups interviewed. This can be related to the rationale for the business case for CSR (Carroll & Shabana, 2010), within the argument that engaging in CSR policies can strengthen legitimacy and reputation of brands. In this view, large corporations such as IKEA and Skanska, attentive to the environmentally-conscious mindset of new generations (e.g., millennials), become aware of their responsibility towards both their image and the community, making them partner with sustainable startup companies. As per Carroll and Shabana (2010, p. 101), “a firm therefore would be perceived as a member of its community”.

Functionality-focused Customers
In our study, besides the sustainability-focused customers, it was also possible to identify the participants’ perception that they do not only have this type of customers. It was interesting to see that even though the companies interviewed are highly related with sustainability, some of their customer do not value sustainability as much as they value aspects such as design, technology, and functionality. Significantly, whereas customers from European countries are perceived as more interested in sustainable products, customers from other markets, such as the US, are focused on self-benefits rather than societal benefits.

“But then, when you go over to the US, for example, I would say the sustainable aspect of our product is not important at all for the clients. They like the design, which is Scandinavian, and they like the functionalities, but our feeling is that the customers from our product in the US do not care about sustainability.” (Orbital Systems, Participant 1)
Interestingly, in the same interview the manager of the startup has mentioned a commercial meeting in the US where the sustainable aspect of the product was disregarded on their buying decision process, which also relates to other parts of the world outside Europe.

“When they realized we had a lot of slides with relation to the environment sustainable aspect of the product, they just asked us to skip them, because that guys were just interested in innovation and technology. I would say this is also common in the Middle-East, like Kuwait and Saudi Arabia. (Orbital Systems, Participant 1)"

The same applies to other startup companies, to whom some of their clients are very interested in the functionalities of the product as well as in the financial gains they can bring. When investigating the attributes that most interest their clients, one of the participants has mentioned that, surprisingly, sustainability comes only after the self-benefits of the use of the product.

“In general: functionality first (prime factor), then skin-friendliness (is it good for me?), then environmental-friendliness (is it good for the environment?). In reviews for example most people don’t even mention the sustainability aspect, they only talk about how the sunscreen worked. (Suntribe, Participant 1)"

“My perspective of some of our customers: “Oh that’s great that we can save the environment on the way, but how much money do we save?” (Enjay, Participant 1)"

With consideration to the two distinct groups of customers identified in the study, it is important to mention that all companies were aware about the importance to be attractive for both groups. By being only a sustainable company with products without commercial appealing attributes that are highly valued in their industries, such as technology and innovation, the startups would probably reduce their capacity to become profitable. The same applies to only being technological and innovative, and leaving the sustainable aspect aside. Since these companies were born already with CSR values and are attentive to the mindset of their customers, being attractive to all enables the firm to build strong relationships with primary stakeholders and to garner their support in the form of customer loyalty for instance (Carroll & Shabana, 2010).

4.2.2 Investors

An interesting aspect observed in our data collection is the relationship between the interviewed companies and their investors along with the notion of CSR. The nature of this
relationship can be considered as between primary groups (Clarkson, 1995), which entails actors with formal contracts with the organizations. In relation to CSR, Carroll (1979) differentiates it into four types, with the economic aspect being one category here relevant for discussion. According to the author, the economic responsibility of a company relates to providing return on investment to owners and shareholders. Among the companies interviewed in this study, all have mentioned their attention towards the economic expectations of investors.

The companies in our sample are in different stages: one has not yet received private equity funding, relying exclusively on governmental funds and sales revenue (Suntribe), whereas the other three have obtained funding from private investors (Orbital Systems, Enjay, Uniti). The companies report similar experiences in terms of obtaining governmental funds: early-stage state-funded investments were often directed to them based on their projected environmental impact, with the economic aspects (that were harder to assess at that point in time) playing a secondary role. However, the question of profitability gains more weight the further along a company comes: “The further you come into the private sector, the more emphasis you need to have on what’s in it for the customer. And there the focus shifts more towards the economy of things.”, as Enjay (Participant 1) summarizes their journey from governmental funding to business angel investments. This overlaps with Suntribe’s experience: “In the beginning it was basically enough to establish how dangerous current sunscreens are. Now it is more about how we will create a self-sustaining company out of offering a better solution.”

It deserves attention that all companies acknowledge the need to gain a profit from their sustainable business practices. It is only the startup in our sample that has not yet taken in equity funding that claims it would not consider limiting or adjusting their environmental mission due to investor demands:

“*In the future it will have to shift more towards economic sustainability but in addition to environmental sustainability, not replacing it. If an investor should come in demanding us to favour short-term profits over long-term sustainability, we will simply have to look for smarter money, we will not work with someone who is not in line with our environmental mission.*” (Suntribe, Participant 2)

All other companies - the ones that actually have investors on board already - are aware of the need for compromise this can entail in terms of their environmental mission:

“To be social and environmental responsible are of course our priority, but of course now we have pressure from investors, because we need to raise a lot of capital to produce the car, so this obviously questions what is our turnover,
when is our first profitable year, when will we break-even, how much money will we make, and so on.” (Uniti, Participant 1)

This behavior goes in line with Barrena, López and Romero (2016), who argue that stakeholder theory shows that companies will be influenced by both agents with power and dependence, which is the case of investors. Being in an early stage of development can thus bring both opportunities and challenges when sustainability (e.g., environmental) is a core value of the company. However, while these companies have a clear message on the issue, with many of their products contributing with environment protection, they also struggle with some inevitable actions that do not match with their mindset and desirable actions:

“It is of course not sustainable for us also to send out our products by airplane around the world. We know it is not sustainable but we cannot avoid it in an early stage.” (Orbital Systems, Participant 1)

“We also have the time-to-market pressure, for example. In a dream world we would probably go with a sodium battery, but these are still in a prototyping phase from other potential partners. But if we are scaling up quickly to make the product available, we maybe could not escape to use a lithium battery, for example.” (Uniti, Participant 1)

According to Mitchell, Agle and Wood (1997), firms tend to pay significant attention to primary stakeholder management with focus on bottom line expectations. In the view of the authors, firms prioritize their stakeholders based on attributes such as power. This characterizes an utilitarian power by investors, which is exercised with the use of financial resources. Considering that these companies are still not profitable and that they must also attend to the expectations of investors, the trade-off between some decisions that do not go in line with the companies’ DNA is recurrent in our observation, such as having to use non-sustainable materials or non-sustainable transportation methods. This concern also goes in line with the firm’s dependency on stakeholders for survival, which is the case of startups, which depend, among others, on financial incentives from investors. Here, the concept of power is viewed as the economic interest of investors, who want return on their investment, making it inevitable for startup companies to make market-driven decisions that might go against social or environmental desired actions.

Another important aspect which emerged from the startups-investors relationship is the concepts of power, legitimacy, and urgency with socially expected behaviors from firms (in this case, the expected behavior from startups by investors). In this sense, it was interesting to see that the CSR values and the sustainable DNA of the companies have had a positive impact in their efforts to increase capital.
“The investors realize this is a green product and that it is also doing good for the world, and then of course they do their math. They think, ‘if we invest here, this can become huge, that are many places in the world which need this product, and then it would probably be good for us to invest in this company’. But I would say that from our main investors, all of them are focusing on sustainable companies. That is why they invested in us. It is very important for them to invest in sustainable projects and in sustainable companies. Instead of being seated on billions of Swedish Crowns, it is better to invest them in healthy green companies, and that is what they are doing. (...) I would say that the first investors we had, they did it for the sake of it. The whole point is that we are a green sustainable company.” (Orbital Systems, Participant 1)

In this case, one could argue that the investors have also exercised the normative power rather than only the utilitarian. Having encountered companies that fit with their intentions, both private and public investors have exercised their power over the startups, which have also benefited in this relationship by having access to financial resources. Taking into consideration the power-dependence frame (Mitchell, Agle & Wood, 1997), it is interesting to see that the relationship between these companies and sustainable-focused investors can also be considered as a mutual power-dependence. At the same time that the company in an early stage of development needs financial resources to be sustainable, investors with a sustainable mindset also need sustainable companies to make their ideas thrive. Although it might be difficult to define power, the recognition of power might be easier when analyzing the ability of actors to reach their objectives. In this case, one can think that investors who have a sustainable mindset might achieve their objectives of e.g. a greener planet by influencing green companies.

Within the notion of legitimacy, which relates with the perception that the actions of an entity are desirable in a socially constructed system of values and norms, investing in green companies can also be a way of legitimization of investors, while being sustainable legitimize startup companies to partner with specific types of investors.

“We started from the very first seed investment, from Klimate Kick, an EU fund Klimate Kick, which is for very early phases of startups and the requirements are basically that you need an idea or a product that could lead to a paradigm shift, basically putting everything on its head”. (Enjay, Participant 2)

As shown in the quote above, while being sustainable makes the company eligible to receive funding from Klimate Kick (which is a kind of legitimization), investing in a green company also legitimizes the EU fund among society. Additionally, the notion of urgency is also relevant to the relationship between the companies and specifically sustainable-focused
investors. As per Mitchell, Agle and Wood (1997), urgency can only exist when a relationship is of a time-sensitive nature and when the relationship is crucial to stakeholders. Interestingly, those two conditions seem to apply in this case, such as the pressure that investors might have to influence the world towards sustainability and the importance of companies who can help them achieve it.

4.2.3 Employees

An important stakeholder relationship identified in our analysis relates to the employer-employee interaction, which proved to be of great relevance for the participants of the study. Our findings suggest that among the startups analyzed, all of them pay close attention to the match between employees and the company’s values, which are surrounded by sustainable aspects. This can be illustrated by the comment of the manager of Uniti who says: “We are purpose oriented to bring in human resources and to find a group of interested people that can make this car happen.” (Uniti). On the same direction, the manager of Enjay mentions the importance of choosing people that understand and identify themselves with the environmental impact enabled by their product. This perception is clear when asked about the role of sustainability in their human resources department.

“Also, when we recruit people, it is (the sustainable aspect) also a very important factor. The first people that come in now, they can’t be driven just by a new job, they should be driven by a new job in a company that has a mission to create environmental impact. They need to be genuinely happy about working in a company where the products will actually do good as well.” (Enjay, Participant 2)

The strong consideration on the importance of attracting the ‘right’ people that fit with the companies’ values can be linked with what Mitchell, Agle and Wood (1997) explain as dominant stakeholders. The authors characterize these stakeholders as dominant in regard to legitimate claims they have upon the company. Any stakeholder with legitimacy and power (dominant) will thus attract close attention to managers. As such, it is understandable that startup managers acknowledge the importance of the company-employee relationship.

Thus, the analysis of our data makes us consider employees as dominant stakeholders (with power and legitimacy), which have strong influence on the organization. Considering that these companies are in an early stage of development, the invested effort into attracting people with shared values makes this aspect even more relevant, as they need to develop fast. Importantly, the core values centered in sustainable aspects make the company attractive to people with the same values. This is also illustrated by managers of Orbital Systems and Suntribe:
“For many of our employees it is very important that you get up in the morning and that you actually do something good. That you are actually developing a product that is good for the world. We are a born attractive company. A born attractive is a company that from its start attracts people.” (Orbital Systems, Participant 1)

“People support us and want to work for us because they feel we have a well-rounded concept that is the future. We’re not just another startup following a short-term trend.” (Suntribe, Participant 2)

Along with the characteristics discussed above, we have also come with the notion that the participants of the study pay attention to the way they communicate the sustainable mindset and arguments that they can use in commercial conversations. Even though the companies do not have a clear internal communication strategy, as for example they lack resources such as time, they want to make their employees aware about the environmental benefits their products can bring.

“We don’t really have a specific communication strategy towards employees (read interns, in our case), since we don’t have the time for that. And we are super transparent towards our customers so there is not much information that we’d share with our employees but not with our customers. Basically we use the same material to attune our employees as for employees: our website, studies, media articles. Maybe we focus a bit more on where we are not as green as we’d like to be towards our employees, so that they can explain that towards customers if those questions should come up” (Suntribe, Participant 1)

“It’s important to the founding team that everyone knows we are definitely in this to a large extent because we do want to be part of the solution of a reduction in fossil CO2. And it’s because all our employees need to know about the environmental impacts of our solution. Once the client starts asking that they can really get into it and they can really be enthusiastic about that.” (Enjay, Participant 1)

It is clear that the startups, in a stage where they are currently marketing their products to different audiences, find it important that their employees know about the impact of their product in the environment so that they contribute to the company’s goals. This can be also understood as a process of legitimization of the company towards their employees, which in the case of the startups studied is built through an informal but transparent communication process. According to Brammer, Jackson and Matten (2012), the legitimization process enables organizations to achieve efficient access to resources from stakeholders, which can be the respect and commitment of employees, in a process that helps the company to improve
their financial performance. Therefore, with an attentive and honest relationship between the company and the startup, the former increases their chances of fostering commitment of its employees to their business.

4.2.4 Government

On purpose we selected sustainable startups that operate from Sweden as their base. This allowed us to evaluate their experience in the Swedish institutional context: how are their operations and CSR values influenced by being a sustainable startup in Sweden? Institutional theory describes the ‘social contract’ between a firm and society, the strength of which depends on the engagement of both sides and differs depending on the national setting (Robin and Reidenbach, 1987). In Sweden, the norms regarding socially responsible behavior is traditionally high and consequently the demands towards firms regarding “proper social conduct” are comparably stringent (Handelman & Arnold, 1999, p. 34). As such, we have found the governmental influence to be of particular interest to be explored. Interestingly, the participants have expressed the positive contributions of institutional support by official bodies in early stages of development. The Market Director of Orbital explains the perception on the institutional forces which have contributed with the development of the company around sustainability:

“The obvious thing would be to start the company in the Silicon Valley, or maybe in Asia, and have a huge manufacturer to help us produce the car. But
looking at the possibilities here in Sweden, we see that there is a good network of companies and also government support that has a strong relation with sustainability. We have government funds, government agencies approaching us and we have been in relation with them to see also how this product should be built, so to say. There is an interesting community here.” (Uniti, Participant 1)

It is interesting to note that despite the intangible nature of institutional environments (Handelman & Arnold, 1999), the contributions of government bodies (e.g., through government funds) can be illustrated through the institutional influence which results in the flourishing of sustainable companies in Sweden. Being a sustainable company in Swedish, thus, can be related with the attainment of legitimacy (Fuchs & Kalfagianni, 2009) which brings opportunities such as facilitated access to resources and negotiation position with third parties (Oliver, 1991). Additionally, the view of participant 1 from Orbital (which suggests that Swedish people are generally interested in sustainable companies and products) can be related with the notion that companies are motivated to adapt social and environmental standards found in their domestic market (Cerne & Elf, 2017). Therefore, it is noteworthy that the norms derived from the public have influence on the institutional environment (Scott, 1987), as well as the tendency of newly created companies to converge to standards (DiMaggio & Powell, 1983).
5 Conclusion

In the following we will summarize our four most important insights derived from this study of sustainable Swedish startups. Linked to our main research question - What is the role of CSR in sustainable Swedish startups in regard to their communication and market strategy in early phases of development? - we explored two subquestions. In connection to the first one - What kind of arguments do startups utilize to communicate their unique selling points towards different stakeholders? - we find that sustainability has a non-exclusive stance as a selling point despite the fact that the startups in our sample consider themselves as highly focused on offering environmentally-friendly solutions. Consequently we explore the integration of sustainability with accompanying sales arguments in the communication strategy of the firms in our sample as a second point. Our third insight relates to our second sub-question - What are the key challenges affecting startups when adopting CSR values in early phases of business development and how do they tackle them? We find the challenge to legitimize the business, especially as a green company that is naturally more susceptible to being criticized for its self-imposed green standards, to be particularly relevant. As a fourth insight, we identify the challenge related to the inherent trade-off between sustainability and profitability in a sustainable startup and how this imbalance develops over time. The following table presents our results:

<table>
<thead>
<tr>
<th>What kind of arguments do startups utilize to communicate sustainability towards different stakeholders?</th>
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<tbody>
<tr>
<td><strong>Overview of Employed Arguments</strong></td>
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<tr>
<td>Performance, Design, Technology / Innovativeness</td>
</tr>
<tr>
<td>Sustainability</td>
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<th>What are the key challenges affecting startups when adopting CSR values in early phases of business development and how do they tackle them?</th>
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</thead>
<tbody>
<tr>
<td><strong>Key Challenges</strong></td>
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<tr>
<td>Trade-off: sustainability vs. profitability</td>
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<td>Legitimacy</td>
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Table 3. Overview of Results.

Firstly, an interesting insight enabled by this study relates with the notion that even though sustainability is a strong core value for the analyzed startups, it is not enough for them to rely only on the sustainable aspect for their business success. Our findings show that all participants are aware of the importance of having a market strategy focusing on other characteristics rather than solely on CSR and environment related aspects. The study displayed that the participants view sustainability not as a trend anymore, where stakeholders would value more sustainable products and sustainable companies only in specific contexts or industries. Their perception goes in line with Berger, Cunningham and Drumwright (2007) idea that a wide range of customers are now actively demanding and supporting more environmental solutions. This has been acknowledged by executives of whom 60% consider sustainability as critical for their company’s strategy according to a the study of McKinsey and Company (2010). However, while there has been an agreement among the participants of our study that CSR constitutes an important competitive advantage, the startups are cautious about over exploring this aspect commercially. This behavior can be considered as a way of avoiding the disappointing performance of green marketing found in Peattie and Crane (2005). Since sustainability is an intrinsic element of their products, the startups emphasized the importance of connecting sustainability with other attributes for market success, which can be seen as an holistic approach to sustainability with a customer focus (Peattie & Crane, 2005).

Thus, in this pool of key characteristics for the achievement of their initial goals, our findings show that founders and managers pay great attention to the expectations and views of primary stakeholders, especially investors and customers. Regarding investors, the concept of power has enabled us to draw conclusions on the investors-startups relationship and how it is being affected by the sustainable mission of the startup. Even though some of their investors are considered to be ‘sustainable investors’ (i.e., capitalizing solely sustainable-focused startups), this type of investors and others who might be more ‘profit-driven’, pressure the startups to become profitable and break-even soon. The preoccupation towards the interests of investors can be a burden for founders, who might have to go against desirable sustainable solutions in order to become profitable faster. This leads us to the understanding that the pressure exercised by investors on these companies to achieve commercial and operational success makes the startups employ activities that can go against their sustainable mindset, such as the use of different industrial components and the use of non-environmentally-friendly shipping methods. Regarding customers, our findings have shown the perception by founders and managers that they have both sustainability-focused customers as functionality-focused customers. In the first group, it was possible to identify the particular interest of European
customers (mainly Scandinavia and Germany) in the sustainable characteristic of their products. The recurrent mention of the sustainable mindset of new generations also led us to the rationale for the business case for CSR found in Carroll and Shabana (2010), to whom engaging in CSR practices strengthen legitimacy and reputation of brands. In our findings, this was related to the B2B relationship, with business customers valuing more the sustainable products of the startups studied. A challenge, however, is to convince more rational buyers such as business customers to engage in new sustainable solutions, as per Mariadoss, Tansuhaj and Mouri (2011), since they value high performance besides the sustainable aspect. Other attributes such as innovation found in their communication thus support their selling arguments, which goes in line with the notion that innovation is a key aspect to be emphasized, as found in the study by Merilees, Rundle-Thiele and Lye (2011). Remarkably, our findings have shown that the sustainable aspects of products are weighed carefully in their market strategy as even the customers driven by CSR values expect functionality and technology. These two aspects, together with design, are considered to be the most valued attributes for what we decided to call functionaity-focused customers. These types of customers were identified in all the studied cases. Interestingly, markets outside Europe were perceived to value the technological aspects more than others, whose buying decisions are rather driven by financial and personal gains. Thus, the notion that sustainability is not sufficient to the business success of a startup’s market success leads us to the next finding of our research, which relates with the way they communicate other selling points in conjunction with sustainability.

The integration of sustainability with other significant selling points in the startups’ communication constitutes the second fundamental insight of our study. As stated above, sustainability was not perceived as the main selling point in the communication strategy of the startups investigated. The findings suggest that the common strategy employed in early phases of development does not exclusively emphasize the green aspect of the companies. Instead, attributes such as performance (comfort, financial savings, effectiveness) and technology and innovation, were found to be primary selling point for all sustainable companies, regardless of industry or size. As per Crane (2000), products marketed only for their environmental friendliness aspect can generate skepticism in buyers. Instead of employing a communication strategy where the sustainable aspect of the product overrules other significant features, as per Kaufmann, Panni and Orphanidou (2012), the companies leave space for other important selling points. Therefore, even though the startups pursue diverse ways of communicating the sustainable aspect of their products, this was perceived only a secondary or tertiary selling points. In two of the companies (Enjay, Orbital Systems), sustainability comes as a secondary selling point, with a primary emphasis on performance either resulting in energy savings (Enjay) or a better shower experience despite less usage of water (Orbital Systems).
Accordingly, the communication of the sustainable aspect which is ingrained in the products (technology which leads to water and energy savings) can be also linked with the functional aspects of the products, which benefits both the environment and the buyers (financial savings through water and energy savings). To the other two companies investigated (Suntribe, Uniti), sustainability surprisingly comes only as a tertiary selling point, with aspects such as biodegradability and renewable energy source also considered as inherent to their products. However, being these two aspects strongly related with environmental friendliness rather than with tangible personal gains (such as measurable water and energy savings), it is noteworthy that the startups make the sustainable argument not a selling point as significant as performance and design which they decide to communicate instead, avoiding a green marketing communication strategy (Hartmann, Ibáñez & Sainz, 2005). Our findings thus suggest that the non-exclusivity of the sustainability argument among the companies studied relates with the concern to not niche themselves only as a green company, because of the restriction towards potential target groups of customers. Them being green companies, this interestingly contradicts with what is usually found in the communication of businesses with a green focus. As per Villarino and Font (2014), this type of businesses frequently suffers from ‘sustainable marketing myopia’ (being product instead of customer focused). In doing so, the companies generate confusion on consumers as they can receive information that might not be relevant to their decision-making (Villarino & Font, 2014). As such, we can conclude that even though the startups analyzed in our study pursue values strongly related with sustainability, from a communication point of view the startups aim to build an image around technology, innovativeness, and performance, with messages around sustainability being conveyed as integral to their business yet kept out of the spotlight. We conclude that these startups do not want to be just another company “greening” their products, as discussed by Delmas and Burbano (2011). Importantly, as newly created companies, important characteristics such as the selling points mentioned earlier, need to be legitimized in a way that they can attract the interest and trust of different stakeholders. This leads us to the next insight that could be drawn from our study.

As a third point, our results show the special importance of overcoming the lack of legitimacy as a ‘liability of newness’ (Stinchcombe, 1965). Following the framework of Zimmermann and Zeitz (2002), we can substantiate the importance of the four strategies presented by the authors as suitable avenues to foster legitimacy: conformance, selection, manipulation, creation. The aspects of conformance and selection are linked to the institutional background the organization is placed in (DiMaggio & Powell, 1983). It grants the company legitimacy by achieving conformity with the expectations and demands placed on the firm by its surrounding social structure (conformance) and locating the firm in a favourable environment (selection) (Zimmermann & Zeitz, 2002). Manipulation involves influencing the norms and
values of society, as Uniti does by changing the preconception that transportation vehicles should have a single owner. It transitions into creation where companies actively create new norms such as the norm that sunscreens should be safe for coral reefs which was not previously included in the list of attributes associated with sunscreens (Suntribe). From our research we can extend this framework by adding third-party endorsement as an external source of legitimacy. All companies in our sample rely on different methods to enhance their credibility through third parties, ranging from the classical media approach to reference cases and brand ambassadors. As we tie together with the aid of stakeholder and institutional theory, these different points of reference support the recently established startup with credibility for its sustainability and performance related arguments and infer legitimacy through association. It provides enhanced persuasiveness through the combination of a usually more affective (emotional) communication of selling points and the perceived impartiality of the statements since the source is external to the company (Villarino & Font, 2015). We identify two main sources of third-party endorsements: case references and collaboration with partners that enjoy authority in the relevant field (Enjay, Suntribe) and media endorsement (Orbital Systems, Uniti). In addition, the use of third party sources appeared to constitute a potential solution to avoid the perception of greenwashing which one of our interview partners referred to as “putting make-up on the pig” (Orbital Systems). An additional insight is linked to analysing the stakeholder relationship in reversed direction: not only do third parties provide the startup with legitimacy, the startup also grants their customers and partners they collaborate with legitimacy. As became very clear in our analysis regarding the B2B business of the companies in our sample, both public as well as private customers are interested in the sustainable solutions presented to them also in response to the institutionalisation of the ‘green trend’. While business customers enjoy a corroboration of their stance as an environmentally oriented public figure that represents the institutional background of an internationally as sustainability oriented country like Sweden for example, private customers are affected in a similar way. With the sustainable trend winning ground and becoming established as ‘normal’ and a social standard - also due to the fact of how the company’s communication has changed as described related to our first and second insight - customers potentially gain reputation by choosing the sustainable solution over a conventional one.

The fourth main insight we gained in the course of our study revolves around the inherent trade-off between sustainability and profitability in a green startup. As we discover, the relevance of sustainability as the prime communication and business aspect changes over time. In the beginning, the founders are very driven by the green aspects of their innovative new product and derive a large part of their internal motivation to start a business around it from their conviction that they will make a positive contribution to the planet. The second
motivating factor is external and relates to the institutional environment the founder starts their company in, for example the national regulatory background and the founder’s personal network (Schlage, 2006; Schaltegger, 2002; Walley & Taylor, 2002; Linnanen, 2002). As per Schick, Marxen and Freimann (2002) and Spence et al. (2005) it is especially the sustainable internal mindset of the founders themselves that explain the choice for green entrepreneurship since the external factors apply to both conventional and sustainable entrepreneurship to a similar extent, for example market opportunities (Schlage, 2006; Schaltegger, 2002). Our study confirms and expands this view. We find that it is especially the sustainable mission of the ecopreneur that carries them over the first hurdles during their entrepreneurial journey and fosters the communal spirit within the team, strengthening the social cohesion within a team of like-minded founders and attracting first employees based on their shared beliefs. Over time financial concerns start affecting the founders’ personal lives. In addition, the entrepreneurial team transitions from a phase of uninhibited ideation to the phase of actual product development where imagined solutions clash with the boundaries of producing with potentially inflexible suppliers or unavailable technologies. In the next phase the founders then experience how their customers disregard the sustainable aspects of their solution to a high extent because they are more interested in other benefits of the product such as performance and money savings or design. These transitions and confrontations with different stakeholders and views along the way force the entrepreneurs to continuously adapt their products and communication pattern in regards to the sustainable aspects of their business model.

5.1 Theoretical Contributions

The main contribution of this study is to provide and improve perspectives regarding the intersection between CSR and startups. With research in the relationships of startups and the scope of CSR activities still being under-developed, knowledge that connects the view of managers and activities of new ventures to the role of CSR is required. As such, the discussion on the perceptions of managers as well as the messages of the startups around sustainability have contributed to improving the landscape of research within two significant areas, namely CSR and startups. Researches within both fields may benefit from this approach by problematizing underdeveloped aspects of this literature stream.

Another important contribution relies on the adoption of two well-developed theories to understand the intricate relationships between crucial actors in early phases of a company development. Thus, integrating different but complementary domains of knowledge such as stakeholder and institutional theories is a significant contribution as they proved to be important lenses to make a connection between the role of corporate social responsibility in
sustainable startups. The diverse relationships and actions taken by startups in relation to sustainability was found to be driven by multiple forces. From the theoretical perspective adopted in this study, these relationships involve stakeholders with important power relations which leads to specific legitimacy-building strategies. Therefore, by exploring the stakeholder view of the startups in connection to the significance of sustainability to their business, this research offers an understanding of perceptions which are reflected in market and communication strategies.

5.2 Practical Implications

Our study provides two potential insights for founders and managers of sustainable startups. Firstly, they should aim to take a holistic standpoint in regards to the selling points their product or service entails. By going beyond the scope of their focus on exclusively communicating the environmental benefits of their solution - a communication standpoint often naturally originating from their motivation as founders - and emphasizing other USPs such as performance, design and technology, they can address target groups covering both sustainability and functionality-focused customers.

Secondly, our research confirms the importance of taking into account the institutional background. By acknowledging the national and regulatory landscape an entrepreneur is placing their startup in, he or she can make use of the existing social structure to obtain legitimacy as well as financial support.

5.3 Limitations & Future Research

Based on the limitations as well as the most intriguing results of our study, we propose three possible avenues for future research that could explore the investigated angle of the role of CSR in startups in more detail.

Firstly, we limited our study to the environmental and economic dimension of CSR, deliberately excluding the social aspect of CSR. It could provide valuable results to replicate a similar study as ours on startups that center their business model around social core values. Especially in regards to which selling points should enjoy the highest priority and emphasis in
communication, such research could result in valuable insights for both practitioners and academia.

Secondly, we only included startups based in Sweden in our study and found the national context - in particular the popularity of green thinking - to be an influential factor in the firms’ strategies, providing them with legitimacy and facilitating the acceptance of their products on the market. To strengthen or refute our insights concluded about the influence of the national institutional context, further research comparing results across countries or exclusively including startups from another country would help further the understanding of the institutional context.

As a third suggestion for additional research, we propose to investigate the link between the personal motivation of the founders and the financial strategy and growth rate of the company. We found the founders’ intrinsic environmental values to be a strong mitigator in the trade-off between sustainability and profitability, potentially influencing the way sustainable companies grow compared to conventional startups that do not focus on the greater good of society.
References


Braw (2014). Accessible online:


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Appendix A

**Introduction**

1. **How many employees** do you have and **when did you found** your company?

2. What is **your position** in the company?

3. We're exploring the **role of CSR in startups** and **how to communicate** your CSR values and activities in the best way towards different stakeholders. While there has been a lot of research on CSR in the context of big corporations, the connection between startups and CSR is fairly under-researched. That's why I'm super happy to have the opportunity to interview you today. If it's ok we'll record the interview. If you happen to say anything that you wouldn't want us to use afterwards, just tell us right after.

**CSR**

4. For our purposes, we define CSR as activities in the economic, social and environmental field that go beyond legal requirements. Are you familiar with the concept of CSR and **how important** is CSR for your operations?

5. Which of the **three dimensions of CSR (economic, social and environmental)** applies the most to your company?

6. **Why** is CSR / environmentally-friendliness / social sustainability pivotal to your business?

7. **Which challenges** have you experienced when (trying to) **implement** CSR / environmentally-friendly activities?

8. Do you find it **easier or more challenging** to integrate CSR values and activities as your company is growing? Why?

9. Which are the **advantages** you see of implementing CSR activities while your company is still small and agile?

10. What does your **supply chain** look like?

11. **How transparent is your supply chain**, to which extent are you fully informed about the environmental standards adhered to by your suppliers?

12. **How do you ensure environmental and social standards** are fulfilled by your suppliers and partners?

**Communication Strategy Towards Stakeholders**

13. **How important is the environmental impact** of your product / service / technology when **communicating** towards your customers?
<table>
<thead>
<tr>
<th></th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>How do you communicate your CSR activities / environmental benefits of your products towards customers?</td>
</tr>
<tr>
<td>15</td>
<td>How do you communicate your CSR activities / environmental benefits of your products towards employees?</td>
</tr>
<tr>
<td>16</td>
<td>How do you communicate your CSR activities / environmental benefits of your products towards investors?</td>
</tr>
<tr>
<td>17</td>
<td>Which <strong>challenges</strong> have you encountered when communicating the environmental benefits of your technology towards customers, investors or other stakeholders?</td>
</tr>
<tr>
<td>18</td>
<td>Do you experience that your CSR activities give you legitimacy towards your investors?</td>
</tr>
<tr>
<td>19</td>
<td>Do you experience that your CSR activities give you legitimacy towards your customers?</td>
</tr>
<tr>
<td>20</td>
<td>Do you experience that your CSR activities give you legitimacy towards your employees and additional support?</td>
</tr>
<tr>
<td>21</td>
<td>What is your experience of being <strong>CSR active in the Swedish market</strong> especially?</td>
</tr>
<tr>
<td>22</td>
<td>Do you target different international markets / industries?</td>
</tr>
<tr>
<td>23</td>
<td>Do you experience that <strong>societal expectations differ</strong> across the different markets you're targeting? (International markets or different industries)</td>
</tr>
<tr>
<td>24</td>
<td>Do you address <strong>different markets with different marketing messages</strong> depending on the strength and scope of environmental values?</td>
</tr>
<tr>
<td>25</td>
<td><strong>Is there anything you'd like to add</strong>, any question you would have expected us to ask?</td>
</tr>
</tbody>
</table>

*Table 4. Final Interview Guide.*
## Appendix B

<table>
<thead>
<tr>
<th>Company</th>
<th>Interview Partner</th>
<th>Location</th>
<th>Duration</th>
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<tbody>
<tr>
<td>Enjay</td>
<td>Co-founder 1 / Sales &amp; Marketing</td>
<td>Malmö / Skype</td>
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</tr>
<tr>
<td>Enjay</td>
<td>Co-founder 2 / Production &amp; Product Development</td>
<td>Malmö / Skype</td>
<td>59:12</td>
</tr>
<tr>
<td>Orbital Systems</td>
<td>CGO / Executive Board Member</td>
<td>Malmö / Skype</td>
<td>54:28</td>
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<tr>
<td>Orbital Systems</td>
<td>Marketing Director</td>
<td>Malmö / Skype</td>
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</tr>
<tr>
<td>Suntribe</td>
<td>Co-founder 1</td>
<td>Lund</td>
<td>45:17</td>
</tr>
<tr>
<td>Suntribe</td>
<td>Co-founder 2</td>
<td>Lund</td>
<td>56:08</td>
</tr>
<tr>
<td>Uniti</td>
<td>Co-founder / External Relations</td>
<td>Lund</td>
<td>51:22</td>
</tr>
</tbody>
</table>

*Table 5. Overview of Conducted Interviews.*