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Saving the world while making a profit – The business case for CSR

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Abstract

Title: Saving the world while making a profit – The business case for CSR

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Five key words: Corporate Social Responsibility, Shared value, Internal competencies, Performance Measurement, Stakeholders.

Purpose: The purpose of this thesis is to investigate the business case of CSR, and how CSR can increase both corporate and societal value by exploiting the same internal competencies that are instrumental in the company's value proposition and daily operations. In order to achieve this, we also investigate how contextual factors influence companies' approach to CSR, and if one can measure the value created by CSR activities.

Methodology: The research has been performed through a qualitative approach to the subject of CSR. Empirical data was gathered from in-depth interviews conducted with several employees at two focus companies, Mölnlycke Health Care and Stampen Group.

Theoretical perspectives: Literature covering different, but interrelated, areas of CSR, its characteristics and its relation to Strategy, Internal Competencies and Performance Measurement constitutes the theoretical foundation of this thesis.

Empirical foundation: Data from in-depth interviews at Mölnlycke Health Care and Stampen are presented and analysed according to the degree of integration between CSR, internal competencies, daily business activities and corporate strategy. Furthermore, data has also been gathered from secondary data sources such as corporate web pages, annual reports and other publications.

Conclusions: The paper argues that (1) contextual factors, such as industry, internal competencies, allocation of responsibility, and stakeholders, play an important role in how companies approach CSR (2) even though companies are not entirely aware of the potential of shared value, and that integration with internal competencies is not regularly considered, there evidently is a business case for CSR (3) this can be approached, and dealt with, through a consistent engagement aimed at making CSR activities tailor-made to a company's internal competencies, external environment, stakeholders and overall strategy.

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Thank you!

Lund, May 21th, 2012

Jakob Nilsson

Joachim Olausson

"Why would you invest in a company which is out of synch with the needs of society, that does not take its social compliance in its supply chain seriously, that does not think about the costs of externalities, or of its negative impacts on society?" (Paul Polman, CEO of Unilever)

"I stalwartly believe it (CSR) is not only an obligation but a prerequisite to conducting business" (Dave Macneil, President Mölnlycke Health Care Inc)

"I believe that business will be influenced more by sustainability in the coming 10 years than it was influenced by internet during the last 10 years" (Per Grankvist, CSR Syd 2012)

"Ultimately, creating shared value represents a higher form of capitalism – a form that is based on the inextricable link between business and society. It stems from the belief that the progress of one is dependent on the progress of the other" (Lalitha Vaidyanathan, Managing Director of FSG)

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1. INTRODUCTION

Essentially, the concept of CSR - Corporate Social Responsibility - concerns corporations' voluntary and self-regulated social responsibility. Working with, and talking about, CSR has become in vogue, and today, most companies provide extensive information about their work with CSR on their corporate web page and in their annual reports. However, there is still much confusion regarding the definition and range of the concept, and as will be covered later, this lack of consensus leads to managers and business leaders not knowing exactly what is expected from their companies (Grankvist, 2009).

This lack of knowledge has recently been evident in cases of Swedish companies having been taken by surprise by the general public's criticism of them inappropriately handling their social responsibility (Lundin Petroleum, Telia Sonera, etc.). Since these events have attracted much attention and criticism in the daily media, one can clearly see the importance of CSR as a means of risk management. However, inasmuch that CSR concerns mitigating risks and taking responsibility for the company's impact on society, recent publications from researchers and institutions are increasingly examining how CSR can positively contribute not only to social welfare, but also to corporate success. The European Commission proposes that the overall aim for CSR is both to minimise and prevent negative impacts and to maximise the creation of *shared value* - value for both company and society (The European Commission, 2011; Porter & Kramer, 2006).

This view is consequently what we want to emphasise and further elaborate in this thesis; that CSR is something else than just a discretionary corporate expense, and that it rather is a phenomenon that can create value for both society and company - *the Business Case for CSR*. We want to illustrate how this is possible, and how *shared value* can be targeted through a consistent and thorough approach to CSR, in which internal competencies and organisational capabilities are matched to societal needs.

1.1. BACKGROUND

In recent literature, it is argued that current calls for sustainable business practices herald a fundamental shift in the business environment, and will have inevitable and profound effects on firms' competitiveness. Yet, few companies coordinate their efforts to deal with the sustainability trend in an overall vision or plan. If the characteristics of previous megatrends, such as IT and the quality movement, are to provide some guidance, history shows us that early movers derived value from basic cost and risk reductions, while the real winners were those who integrated the trend into their strategy and value proposition (Esty & Lubin, 2010).

Even though most executives are convinced that CSR is important for success, and that they to some extent are aware of the aforementioned trend, studies show that a majority of organisations do not even have a strategy for CSR, and when a strategy for CSR exists, it is

often weakly linked to overall strategy (Davis, 2005). Nevertheless, the true reason is not that the importance of CSR is overlooked, but rather that executives in general do not know how to navigate in what they see as *terra incognita*, where a road map is yet to be made (Esty & Lubin, 2010).

The current misalignment between the strategies and functions of business and those of CSR often leads to the allocation of company resources to CSR programs that, in the end, provide little benefit to the supposed beneficiaries and the company itself (O'Brien, 2001). For instance, neither triple bottom line reporting nor a corporate code of ethics are sufficiently, if at all, linked to strategy, since the former mainly increases information transparency, and the latter mainly concerns employee behaviour. (Davis, 2005) Moreover, Jeremy Galbreath (2009) refers to PR campaigns simply as a "*non-strategic corporate window-dressing exercise*" (p. 110), indicating that it has little to do with strategic actions.

Furthermore, one failure of frequent occurrence is that managers responsible for CSR activities often are given a fixed budget and encouraged to spread this among a wide range of charities and causes, in order to spread the goodwill diluting any real potential impact. Secondly, a company's financial resources are often allocated to CSR projects without considering the use of the company's non-financial assets, e.g. internal knowledge and competencies, and without reflecting on how the CSR projects could support business objectives. Here, internal strengths that are the base for competitive advantage in daily operations are not used to benefit neither society nor the company, which results in missed potential (O'Brien, 2001).

According to Porter & Kramer (2011), *shared value* (between companies and society) is essential in creating the next wave of business innovation and growth, and will reconnect the success of companies with the success of communities - a combination that has been lost through short-term thinking and divides among societal institutions. Shared value helps companies focus on profits that create social benefits, rather than diminish them. Importantly, this expanded view should arise out of a deeper and more thorough understanding of competition and economic value creation, and hence, it is not about pure philanthropy, but about a self-interested behaviour to create economic value by creating societal value.

To achieve this expanded value creation, and for the purpose of aligning CSR activities with corporate strategy and daily business, recent studies show that firms are better suited to achieve a competitive advantage if they base their decisions regarding CSR on the same rationale as they do with other business decisions. Thus, the process of exploiting core competencies as sources of competitive advantage should be used for decisions regarding CSR as well (Maxfield, 2008).

1.1.1. COMPANIES IN FOCUS

In this thesis, *Mölnlycke Health Care* and *Stampen Group*, both situated in Gothenburg, Sweden, have been chosen to be our two focus companies, and will consequently be the subject of our empirics and research. The two companies operate in completely different

industries; Mölnlycke as a manufacturer and service provider in the health care sector, and Stampen as a major player in local newspapers, mobile platforms and other media solutions in Sweden. This difference was of major importance when we made our choice, since an important part of the empirics will be to compare and evaluate both companies in order to find possible differences and similarities in their respective choice of approach and activities.

From our brief preliminary investigation, we found that neither of the two has a deliberately integrated or strategic approach to CSR. Therefore, we ask ourselves whether their CSR activities could be more beneficial to society, and themselves, if focus is changed from philanthropy and unconnected activities to an integrated approach, in which internal competencies, experiences and resources are exploited.

1.2. RESEARCH QUESTIONS

Our research is based on the aforementioned premises, which naturally leads to the two research questions that this paper aims to answer:

- How can CSR be pursued as a business case which can increase value creation for both company and society, and can this value be measured?
- How do contextual factors, both internal and external, influence how companies approach CSR and its relation to everyday business activities, internal competencies, stakeholders, corporate strategy, and competitive advantage?

1.3. PURPOSE

The purpose of this thesis is to investigate the business case of CSR, and how CSR can increase both corporate and societal value by exploiting the same internal competencies that are instrumental in the company's value proposition and daily operations. In order to achieve this, we also investigate how contextual factors influence companies' approach to CSR, and if one can measure the value created by CSR activities.

1.4. STRUCTURE

This thesis is structured as follows. First, basic assumptions that were made, and conditions that had to be met, in order to conduct this study, will be presented. We will also elucidate how the study has been conducted, why the specific method has been chosen, and what implications that might have on the final result. Central to our research is the assumption that companies can achieve more, and maximise value for both company and society, if CSR is considered, executed and evaluated in line with the daily business activities. It is in line with this assumption that the research and method was designed and pursued.

Secondly, we will provide the reader with an overview of how existing literature and theory

on CSR describes and depicts which areas constitute CSR, and how companies, both historically and currently, work with CSR. More specifically, we will focus on how literature discuss and describe how companies can satisfy stakeholders and help solve societal issues by using their internal competencies and resources.

After this, the literature will be summarised and consequently transmitted into a theoretical framework, in which the different features of CSR activities are presented in combination with how value creation for companies and society in general can be maximised.

In the third section, the empirical data from the two focus companies, Mölnlycke Health Care and Stampen, will be presented. The interview material provides information about the firms' current situation in general, and their work with CSR, and associated concepts and activities, in particular.

In the fourth section, the framework will be applied on the empirical data in order to find out whether there is congruence between theory and practice, and inconsistencies are consequently identified and analysed. The framework is first applied to the companies separately, and thereafter, similarities, differences and potential areas for improvements are discussed.

Finally, we will conclude this thesis by summing up our major arguments. Then, we will discuss what implications our research findings will have on theory and practice and on how the companies might choose to pursue their CSR activities in the future.

1.5. LIMITATIONS

Throughout literature, theory and practice, we have encountered numerous different interpretations and variations of CSR, but in line with the purpose and scope of this thesis, we want to make clear that emphasis will be put on CSR that goes beyond purely philanthropic activities. Instead, we want to investigate a more thorough CSR practice, in which it is an integral part of a company's strategy and daily operations. Our focus will therefore be on how companies can integrate CSR into daily business activities, and how they can use internal competencies to solve societal problems with win-win outcomes.

Accordingly, since the focus in this paper is directed at the business case for CSR, areas which are mostly concerned with the compliance of standards and on companies' external CSR reporting will therefore, despite being an important part of the wider concept of CSR, only be covered briefly. Consequently, the gathering of empirical data at Mölnlycke Health Care and Stampen Group will also focus on areas related to the business case of CSR. However, in order to get an extensive picture of the companies' work with CSR, related areas will also be covered, albeit more briefly.

Lastly, in terms of management control, the coverage in this paper is limited to the area of performance measurement. More specifically, it is limited to the fundamental arguments and reasons behind the measurement of CSR, and on how to establish linkages between CSR initiatives that are pursued today and increased profitability in the future.

2. RESEARCH METHODOLOGY

In this chapter, the research methodology is described, and insights is provided about the research approach and design, and in what way it will be used to answer the research questions. Furthermore, choices that have been made regarding data collection and data processing, such as selection of focus companies and interviewees, are motivated in line with the purpose of this paper. Finally, a discussion regarding research validation, in terms of credibility, transferability, dependability and confirmability, is provided.

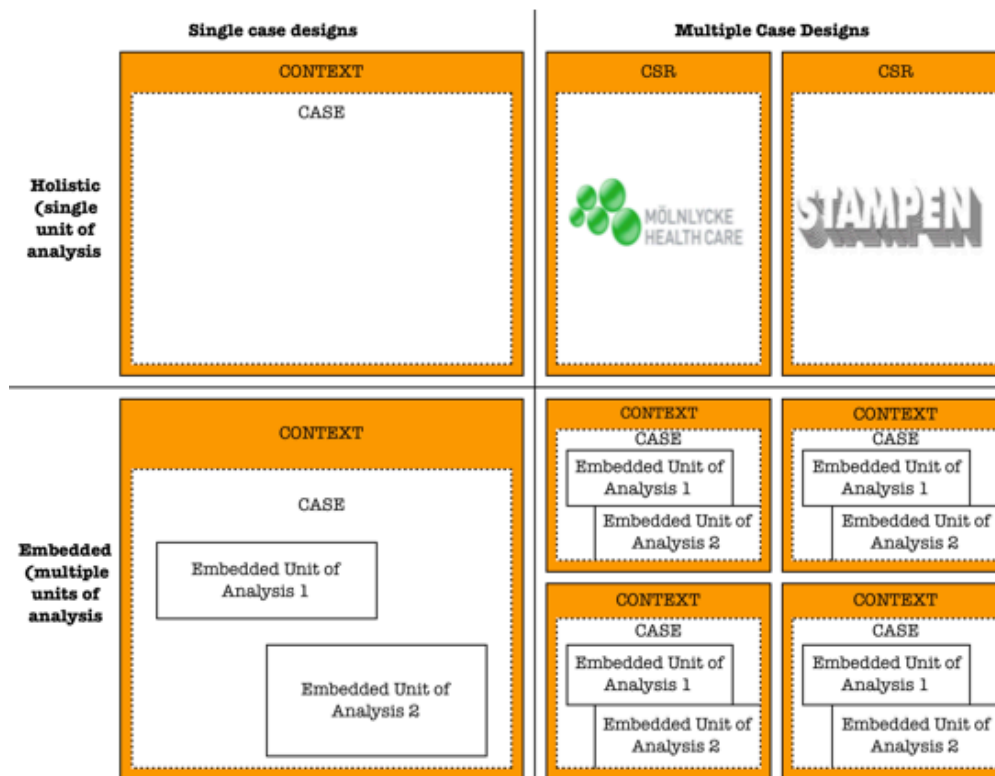
2.1. RESEARCH APPROACH

Attempts to quantify CSR, and exactly defining the responsibilities of corporations, have so far been published with limited success, and efforts to rank CSR practices between companies have so far been criticised from people both supporting and disagreeing with the concept of CSR (Porter & Kramer, 2006; Robins, 2008). Moreover, this study links theory regarding CSR to internal competencies of the firm, which is highly contextual and thus challenging to standardise and quantify. Words, and not numbers, are therefore better suited to describe the complex nature of CSR practices, its features and connections to business operations. Hence, for the purpose of this paper, a qualitative approach has been chosen (Backman, 2011).

2.2. RESEARCH DESIGN

According to Yin (2009, p. 4), a case study method would be preferred since the purpose and the research questions provide a scope that is extensive and “in-depth”, and seeks to explain circumstantial questions like “how” or “why”. Further reasons for using the case study method is that the focus is directed towards identifying contemporary events, where the investigators cannot manipulate factors and events. For this paper, contextual factors are crucial as the connections between an individual firm and its choices of CSR practices are complex. Additionally, the boundaries between context and phenomenon are not clear-cut and are therefore better explained in descriptive ways (Yin, 1989). Furthermore, such patterns and relations need to be identified over time, and observing mere incidences and frequencies is not sufficient. To deal with this, a wide array of different sources such as interviews, documents, observations and artefacts are needed, and here, case studies present a major advantage in its ability to handle all these sources. Consequently, a collection of empirical data and an in-depth analysis of few companies would be appropriate (Yin, 2009).

Yin also proposes that, when working with case studies, several methods can be used depending on whether it is a single case or a multiple case design, and whether it is a holistic or embedded study. A matrix that shows the four possible types of case studies is then suggested, and is illustrated below.



(FIGURE 2.2. – CASE STUDY DESIGN, WITH INSPIRATION FROM YIN, 2009)

First of all, one must decide whether to use a single case or multiple cases. Herriott and Firestone (1983, referred to in Yin, 2009) state that in general, multiple case research can be considered to be more robust, thus making the evidence more compelling. Moreover, Miles and Huberman (1994) argue that a cross-case design is used to strengthen the validity of the research, to increase the generalisability, and to facilitate theoretical explanations. The cross-case design allows for the investigators to compare patterns and analyse similarities and differences across several cases. Even though the relation between CSR and internal competencies is highly contextual and therefore differs between organisations, Yin (2009) argues that the chances of performing a good case study will increase if two cases are used instead of just one.

Yin (2009) states that, when theory is straightforward and when the topic does not need a high degree of statistical certainty, two or three cases are sufficient. An important consideration for case studies is the resources needed for each case and considering that the time for this paper is restricted to a few months, conducting more case studies has been deemed to consume too much resources, and thus harming the overall quality. This is consistent with what is stated by Miles and Huberman (1994); that when the number of cases increases, the particularity in one case may be missed as the researchers look for common features between cases, and both the amount of data collected and the time spent on analysing the data for each case is likely to decrease. This could harm the validity of the research, and two thoroughly examined cases may prove to be just as, if not more, useful.

Regarding the second aspect concerning whether a holistic or embedded approach is used, we have concluded that each organisation is to be considered as a single unit, and thus embracing a holistic approach. Since strategic decisions usually are centralised and taken by

top management, we see no reason for breaking the cases down into smaller subunits. The fact that CSR as a concept is treated differently in different organisations and that the activities are managed in different departments constitute further reasons for using a holistic approach (Yin, 2009).

2.2.1 COMPANY SELECTION

In selecting the cases, Yin (2009) argues that the determining factor should be whether one would have access to a sufficient portion of the potential data, such as interviews, records, documents, and field observations. In a situation where there are several potential candidates, the one who is the most likely to explain the research questions should be chosen. Both Mölnlycke Health Care and Stampen Group have expressed interest in increasing their knowledge on the subject in order to improve CSR policies and activities, and this genuine interest from the focus companies poses a significant advantage, since it might be assumed to lead to a higher willingness to give access to information and interviews, as well as a higher degree of participation.

The two companies covered in this paper are operating in significantly different industries, with further differences in business models, markets and ownership structures, and they have been chosen in order to facilitate possible general conclusions. On the other hand, the companies might have some unique features which make them unsuitable for general conclusions for their respective industry, and this is dealt with by establishing what some of these features might be. Furthermore, in order to establish to what degree internal competencies are used for CSR activities, we see the aforementioned differences as major advantages, since it most likely means that, to a larger extent than if two similar companies are compared, internal competencies will differ significantly. Noteworthy, the companies also share some similar features as they both are based in Gothenburg, they employ a few thousand people, and they are among the most significant companies in their respective industry and target markets.

2.3. DATA COLLECTION

For the theoretical part of this paper, a qualitative analysis (literature review) has been conducted, where different theories and approaches on CSR have been analysed. An emphasis is put on articles and books, which are either up to date and recently published, or a bit older, but still frequently referred to in current research. The time-relevance is important since the concept of CSR is by no means a constant phenomenon (Carroll, 1999). Philosophical theories, critical reviews, case references and models have been reviewed in order to find common grounds on reasons for the existence of CSR activities, benefits for users, and approaches to integration. Furthermore, literature covering strategic adaptation of CSR, as well as literature covering the connection between CSR and corporate performance and profitability, i.e. performance measurement, has been reviewed.

2.3.1 INTERVIEWS

In qualitative research, much of the empirical data comes from interviews at the companies due to the scope of the project being rather extensive and in-depth. Here, interviews tend to be more like discussions, and less like surveys, and they can either be unstructured or semi-structured. Qualitative interviews are more flexible compared to quantitative ones and tend to have follow-up questions on subjects that, in a specific context, are especially interesting or relevant. Unstructured interviews are usually focused around certain themes with few, if any, directions decided beforehand. Semi-structured interviews, on the other hand, have lists with questions and certain themes, which are not always asked or discussed in order, and this provides flexibility while at the same time ensuring that the important aspects are included. We deem the latter to be the most suitable for this paper, as some concepts are central for this paper and need to be covered thoroughly with all interviewees, but are by no means precise enough for a standardised survey to suffice (Bryman & Bell, 2007).

The interviews have been performed on-site in Gothenburg on several occasions and in different stages of the research process. They have been conducted with employees working with and responsible for all, or parts of, Mölnlycke Health Care's and Stampen's strategy, sustainability, environmental initiatives, public relations, social responsibility, and working conditions. One significant challenge regarding the interviews is that certain responsibilities are allocated to different positions depending on the company, which leads to a bias based on the employees' position and the other responsibilities to which he or she is held accountable for. This has been kept in mind when the answers have been used in the analysis, and has been dealt with by, during the selection of which specific persons to interview, taking a few important issues into consideration.

First of all, we sought to get a thorough and unbiased picture of the companies and their work with CSR. To reach highest possible objectivity, and since the perception of CSR differs significantly depending on personal background, education and responsibility, it was decided that employees from at least three different subunits within each company was to be interviewed. Secondly, it was important to include employees working with communication (both external and internal), but also with environment and sustainability, since we consider these to be areas of CSR that is somewhat more integrated with daily business activities. However, the positions of the persons that were interviewed differ somewhat between the two companies. This is due to fundamental differences in organisational structure, allocation of responsibilities and knowledge in, experience with, and dedication to, CSR.

2.3.2 SECONDARY DATA

Some secondary data sources, such as annual reports, sustainability reports, websites and other media have also been used. Here, one need to consider the definition of secondary data suggested by Rabiński (2003), which is;

“Secondary data is facts and information gathered not for the immediate study at hand but for some other purpose.” (p. 44)

As indicated by the quote, one must consider the purpose for which the information have been gathered and published. Some of the aforementioned sources of information are used as public relation tools or to attract investors, and are therefore constructed in a way to make the company appear as appealing as possible. The information regarding CSR in these types of publications has sometimes been referred to as cosmetic “window-dressing” exercises, with little value for organisations and investors (Galbreath, 2009). Consequently, and since the purpose for gathering and publishing data in some corporate reports clearly deviates from the purpose of this paper, there is a risk that secondary data sources consists of biased information, which, in turn, may lead to a decrease in reliability. Therefore, secondary data cannot be the only source of empirical information, especially when analysing information regarding strategic decisions and causal linkages. However, as these secondary data sources are complemented with interviews, we find these concerns reduced.

2.4. RESEARCH VALIDATION

Bryman and Bell (2007) refer to Guba and Lincoln (1985, 1994) who proposed that, in contrast to quantitative research, which is evaluated on the grounds of validity and reliability, qualitative research needs to be evaluated on four aspects; *credibility*, *transferability*, *dependability* and *confirmability*. The first aspect covers whether the author’s description of the social reality is accepted; a concern that is valid for both primary and secondary data sources. Regardless of what is concluded from the study, it is important that the way in which the empirical data is presented and interpreted responds to what was actually said in the interviews. Some words have different meanings for different people, and may also vary due to social, environmental and organisational contextual factors, which have been particularly evident in the concept of CSR. In this paper, this is dealt with through *respondent validation* by sending drafts to the focus companies, on which they can provide feedback. Moreover, in semi-structured interviews, the respondents are able to explain and give further clarifications if the answer, at first, is either confusing or unclear (Bryman & Bell, 2007).

Transferability concerns to what extent it is possible to generalise the results, i.e. whether the results can be applied in other contexts. Since the empirical data is collected from two companies with significant differences in industry, markets, ownership and business models, the transferability can be considered higher compared to if the companies had been similar. However, a sample of two companies is still rather limited for generalising the results (Bryman & Bell, 2007).

The aspect of dependability concerns what contextual factors that need to be taken into consideration as they may have affected the results. Relevant aspects that therefore need to be kept in mind are, for example, current business trends, since new definitions and perceptions of CSR surface regularly, and national culture, as the companies in this study are Swedish while much of the research that is used for the theoretical framework originates

from other countries (Bryman & Bell, 2007).

The final aspect, confirmability, covers the extent to which personal opinions and beliefs are left out from the research, and that the results can be confirmed by others. Although it is not possible to be completely objective in qualitative research, it is important that the authors remain as objective as possible. To deal with this, questions and statements must be free from bias, and must not be leading in order to reach results that fit with the authors' personal beliefs about CSR. Furthermore, interviews are conducted with at least three employees in each of the two organisations as an effort to decrease personal and role specific bias from the interviews. This is especially important, since organisational structures are not identical in the companies, and it is therefore not possible to perform interviews with employees in identical positions. Opinions may differ due to events or personal opinions, and we have therefore conducted interviews on several occasions with different employees (Bryman & Bell, 2007).

3. LITTERATURE REVIEW

In the following chapter, we will provide the reader with an overview of the existing literature on CSR and important interrelated topics. First, the concept of CSR will be covered; both the historical development and the current trends and characteristics. Second, contextually important concepts, and their interrelation to CSR, are presented, followed by coverage of topics on the integration of CSR into corporate strategy and daily operations. Third, the different parts of theory will be assembled and consequently developed into a theoretical framework, which later will be used when analysing the empirics.

3.1. WHAT IS CSR?

The notion that corporations need to take social responsibility is not new. *The Economist* quotes Theodore Roosevelt from the beginning of the 20th century, as he introduced laws on working hours, health and safety.

“Corporations are indispensable instruments of our modern civilization; but I believe that they should be so supervised and so regulated that they shall act for the interests of the community as a whole” (The Economist, 2009).

This indicates that ideas regarding that corporations should benefit society has been around for a long time. Therefore, in order to get a thorough understanding of the characteristics of, and arguments for, CSR in modern society, a historical background of the concept and its development will first be provided.

3.1.1. HISTORY AND DEVELOPMENT OF CONCEPT AND DEFINITION

In literature, the concept and definitions of CSR have had a far-reaching history of diversity, but CSR is argued to have begun its modern significance in the 1950s (Carroll, 1999). During this decade, Howard R. Bowen wrote the book *Social Responsibilities of the Businessman* (1953), and Carroll proposes that Bowen, because of his innovative and influential work, should be called the “*Father of Corporate Social Responsibility*” (Carroll, 1999, p. 270). Furthermore, Bowen, as quoted in Carroll (1999), suggests that responsibilities that businessmen are expected to adopt are to engage in policies, take decisions, or to pursue those lines of activities, which are coveted when it comes to targets and values of our society.

The 1960s represented a considerable increase in people attempting to formalise, and more specifically state, the characteristics of CSR. One such definition, which Carroll (1999) finds important, is quoted from Davis (1960) as “*businessmen’s decisions and actions taken for*

reasons at least partially beyond the firm's direct economic or technical interest". Moreover, Carroll concludes from Davis' argumentation that decisions, which are socially responsible, can be motivated by potential long-term economic benefits. Interestingly, this perspective did not gain popularity and widespread acceptance until the late 1970's (Carroll, 1999).

During the 1970s, the definitions of CSR became even more explicit, and stress on alternative, but adjacent, concepts such as CSP (Corporate Social Performance) became common. Carroll (1999) speculates that CSR during this decade was heavily influenced by a sense of needing to respond to the social movements in the late 60's and early 70's. Here, one notable definition was suggested by Harold Johnson:

"A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation." (Carroll, 1999, p. 273).

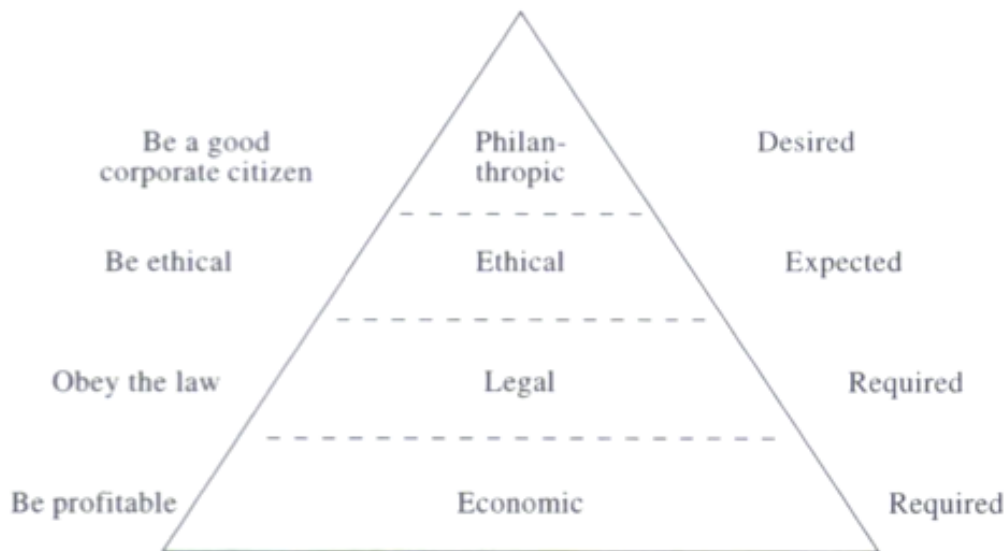
Interestingly, a "*multiplicity of interests*" has similarities to the contemporary concept of *stakeholder approach*, which will be covered more extensively later.

In the 1980s, fewer original definitions of the concept of CSR were suggested, and instead, focus shifted to research on CSR and the development of alternative themes, models and concepts, such as *business ethics* and *stakeholder theory* (Carroll, 1999). In his article from 1984, Peter F. Drucker proposes his perception of proper social responsibility, which, briefly described, is about converting social responsibilities into business opportunities. Here, Drucker criticised the current discussion about CSR, which suggested that the idea of making a profit was inconsistent with the concept of social responsibility. According to Drucker, the notion of doing good in order to do well, i.e. converting social problems and needs into business opportunities, was the only way for companies to fulfil its social responsibility (Drucker, 1984).

The trend of the 1980s continued into the decade of the 1990s, and the CSR concept functioned as a foundation for numerous other related concepts and theories. Among these, one major contribution was the concept of *corporate citizenship*. In his article from 2004, Ronald Jeurissen further elaborates and describes this concept as "*a social role, characterized by the social contract of business, a participatory ethics of business, the precautionary principle and the promotion of just international institutions*" (p. 87). Furthermore, Jeurissen suggests that corporate citizenship is dependent on numerous institutional conditions and factors that interact, and that this external environment sets conditions for a company's policies regarding social responsibility and sustainability. This, in turn, means that society to a certain extent also is responsible for a company's social performance, and that this environment can either hamper or foster the company's conditions for corporate citizenship. Furthermore, it is argued that a high degree of social responsibility can be a way for companies to improve their long-term conditions for growth and profitability, and thereby securing their long-term competitiveness (Jeurissen, 2004).

Carroll's four-part CSR definition, probably the most widely accepted conceptualisation regarding CSR, suggests that CSR is built by four different social responsibilities - *economic*,

legal, ethical and philanthropic – which is visualised in a four-layer pyramid (Carroll, 1979). The four responsibilities were explained in that “*the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen*” (Carroll, 1991, p. 43). Carroll (1999) further argued that a stakeholder view and stakeholder analysis might help in specifying to whom the corporation is responsible and which groups and people to emphasise in the CSR activities.



(FIGURE 3.1.1. - THE PYRAMID OF CORPORATE SOCIAL RESPONSIBILITY – CARROLL, 1991)

Regardless of how one chooses to define CSR, Grafström, Göthberg, and Windell (2008) argue that the most important consideration, from a company perspective, is that demands will change over time, which has been evident during recent decades. Therefore, finding *the* right definition is not the be-all and end-all, since, ultimately, it is the opinions of stakeholders that will matter, and it is their definition of CSR that will decide which companies will be seen as responsible, and which will not.

3.1.2. CSR OF TODAY

Today, numerous organisations rank companies on their work with CSR, and even though these rankings are made with the help of sometimes dubious methodologies, they still attract substantial publicity (Porter & Kramer, 2006). Furthermore, the increasing interest in CSR is also noted in international indexes, such as *Dow Jones Sustainability Index* and *FTSE4Good*, in the increasing number of ethical ETFs (exchange traded funds), and in the agendas of the EU and the UN in where the responsibility of corporations is more frequently discussed (Almqvist, Holmgren Caicedo, Johanson & Mårtensson, 2012, p. 94).

At least one tenth of all capital under administration in Europe and USA is placed in accordance with SRI criteria (Socially Responsible Investment), and in 2007, 18 per cent of European capital were placed under the same criteria (doubled since 2005). This is also

apparent in Sweden, where the market for ethical investments has grown in recent years, in line with international development (SOU 2008:107).

The Global Reporting Initiative (GRI), which is a non-profit organisation, issues guidelines for voluntary disclosure of management performance by firms, and provides a *Sustainability Reporting Framework* for the reporting on economic, environmental, governance and social performance. Today, the reporting framework is used all around the world, and the number of European enterprises publishing sustainability reports according to the GRI guidelines rose from 270 in 2006 to over 850 in 2011, but the mission of the GRI is to make sustainability reporting standard practice for all organisations (Global Reporting Initiative, 2012).

However, and as noted above, many of these rankings, indexes and frameworks are based on how companies are reporting about CSR. Here, critics argue that management frameworks aiming to cover social and environmental aspects, by providing a number of related performance measures, do not have the ability to connect to corporate strategy, and are rather poor evaluators of cause and effect relationships (Aravossis, Moschou & Panayiotou, 2008).

Nevertheless, companies can no longer neglect the importance of CSR, and recent development shows that the demands from stakeholders, organisations and institutions are becoming both higher and more frequent by the day.

3.1.2.1. NOISES FROM POWERFUL ORGANISATIONS AND INSTITUTIONS

An international organisation that is particularly committed to issues regarding sustainability and social responsibility, and especially in areas such as human rights, labour, environment and anti-corruption, is the UN (United Nations). The *UN Global Compact*, which was established in 2000, is a policy initiative and framework consisting of ten principles regarding these aforementioned areas. The objective is that, by abiding to these principles, enterprises can, through their international presence, support and benefit societies and economies elsewhere. Today, with almost 9000 participants from over 130 countries, the Global Compact is one of the world's largest, and most influential, CSR initiatives (UN Global Compact, 2012).

Another significant contribution from the UN is its *Protect, Respect and Remedy* framework, in which it is proposed that business enterprises need to avoid causing or contributing to harmful human rights impacts, both through own activities and business relationships with business partners and other parties in the value chain. Furthermore, enterprises should have policies and processes in place which provide guidance on how to meet responsibilities, and on how to identify, prevent, mitigate and address possible adverse impacts (The United Nations Human Rights Council, 2008, 2011). Moreover, the European Commission is also engaged in this issue, and expects all European enterprises to meet these human rights principles. Also, the Commission has invited the EU member states to develop their own national plans for the implementation of the principles no later than during 2012 (The European Commission, 2011).

In October 2011, the European Commission published a new policy on CSR, in which a redefined definition of CSR was presented. The definition from 2006, in which CSR was described as *“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”* was consequently changed to *“the responsibility of enterprises for their impacts on society”* (The European Commission, 2011). Additionally, in order to fully meet their social responsibility, it is argued that enterprises *“should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”*. The overall aim is both to minimise and prevent negative impacts and to maximise the creation of *shared value* (The European Commission, 2011), a concept that is central in this thesis, and that will be discussed more thoroughly later.

Furthermore, in order to maximise the creation of shared value, enterprises are encouraged to adopt a long-term strategic approach to their work with CSR, and to engage in and explore opportunities that can lead to the creation of innovative products and services that can be beneficial to both society and the enterprises themselves (The European Commission, 2011).

In 2010, the *International Organization for Standardization, ISO*, issued a voluntary international standard called *ISO 26000; Guidance for social responsibility*, which covers seven core subjects of social responsibility. ISO, a NGO, is the world’s largest developer of international standards, and could be described as a bridge between the public and private sectors. 163 countries are part of the ISO network, and therefore, its influence is unquestionably high even though the standards per se are voluntary.

In the standard, it is proposed that an organisation’s CSR performance can influence and improve, for instance, competitive advantage, reputation, the ability to attract and retain employees and customers, employees’ morale, commitment and productivity, and the relationships with suppliers, customers, media and the community in which it operates (ISO 26000, 2010).

Social responsibility: 7 core subjects



* The figures denote the corresponding clause numbers in ISO 26000.

(FIGURE 3.1.2.1. – THE SEVEN CORE SUBJECTS OF SOCIAL RESPONSIBILITY, RETRIEVED FROM ISO.ORG)

3.1.3. CSR IN SWEDEN

In 2008, fifty per cent of the large publicly traded companies in Sweden explicitly informed about their work with, and involvement in, CSR activities. However, this type of CSR, referred to as *explicit CSR*, has not always been common in Sweden. Instead, and partly due to political scepticism regarding companies' involvement in societal issues, Swedish companies have, until recently, mostly been pursuing *implicit CSR* (Jutterström & Norberg, 2011).

The Swedish history of implicit CSR can perhaps be traced back to Swedish and Nordic political-economic culture, in which it never have been opportunistic to brag. In his renowned and widespread research about differences in national culture, Hofstede (2001) proposes that Scandinavian countries in general, and Sweden in particular, score extremely low in the *Masculinity versus femininity* (MAS) index. In essence, this means that feminine values, which include personal relationships, supportiveness, and modesty in achievement, are widespread.

Swedish companies have traditionally focused less on explicitly talking about their CSR activities, and more on implicit activities, such as care for environment and employees, without making much noise. This is in sharp contrast to North American companies, in where explicit CSR, often in the shape of philanthropic donations, has been common for a long time (Jutterström & Norberg, 2011). This difference can partly be explained by cultural differences, since North American countries in general have high scores on the MAS index, which means that they set value to competitiveness and to overt manifestation of achievement and success (Hofstede, 2001).

Interestingly, it is argued that companies with a history of implicit responsibility often do *more* than they tell, and according to numerous recent reports, Swedish companies are leading in social responsibility. Especially when it is put in relation to the size of the country's economy, Swedish companies are overrepresented and successful in participating in global CSR initiatives and rankings (Gjølberg, 2009).

3.1.4. CRITICISM OF CSR

People and organisations with a sceptical attitude towards CSR often base this on two main arguments. First, they propose that social responsibility is an issue for the public sector rather than for companies, and second, they see it as highly dubious that social responsibility can create value for shareholders (Grankvist, 2009). The first argument is often heard in countries, such as Sweden and France, which historically have had an extensive public sector, and where corporate involvement almost has been perceived as undesirable. The second argument is closely connected to the view of Milton Friedman (1970), who suggested that in a free-enterprise system, the sole responsibility for businesses is to maximise productivity and profits. Since CSR initially can be seen as a deviation from this profit-maximising responsibility, it can, from his neoclassical economics point of view, be perceived as wasteful, and this perspective has led to a focus on short-term profits and quarterly reports (Grankvist, 2009).

The on-going debate about CSR shows that it is a controversial phenomenon, and that there still, in this day and age, is no consensus regarding the definition of CSR. This constitutes a fundamental issue regarding the concept of CSR, since it is neither unambiguous nor well defined, which makes it difficult to evaluate whether there is a clear positive connection between CSR and long-term profitability. Here, the crucial question is how to measure CSR when its definition is debated, and when the demands on CSR vary significantly between different industries, regions and countries (McWilliams et al., 2006, in Almqvist et al., 2012, p. 95).

Another area for critique is that CSR activities sometimes differ significantly from other business activities. Here, a layer of complexity in terms of how to measure and choose CSR activities is added, since they originate from social needs that are practically endless (Sharp & Zaidman, 2010). Furthermore, there are also concerns regarding the benefits of CSR, once all proper policies and practices are in place. Sims and Brinkmann (2003) state that *Enron*, involved in one of the largest corporate scandals in history, not long before the collapse was seen as a perfect corporate citizen, with successful management of all of Carroll's aforementioned dimensions of social responsibility.

Another criticism concerns that the definition of stakeholders, which constitutes a fundamental part of CSR, is vague and ambiguous, and that no clear guidance is provided regarding how trade-offs between competing interests should be handled (Robins, 2008). Furthermore, Robins argue that no clear link to how CSR initiatives add to the bottom line has been presented, leaving CSR as a discretionary expense without obvious benefits.

Corporate Watch, on the other hand, bases its criticism on that the concept of CSR is defined as something that goes beyond the legal requirements of companies, i.e. as something that the companies are not obliged to do, which then clearly emphasise the voluntariness in CSR activities. By doing this, the responsibility of a corporation becomes defined by the corporation itself and not by society, which in turn means that its worth cannot be measured, but instead becomes arbitrary (Corporate Watch Report, 2006).

3.2. CONTEXTUAL CONCEPTS

CSR cannot be seen as an isolated phenomenon, but is rather interdependent with, and influenced by, other concepts and areas. The most important contextual factors will therefore be covered in the following section.

3.2.1. STRATEGY

Due to increasing globalisation, the importance of a comprehensive and well-considered strategy is growing. Galbreath (2009) summarises several scholars' work, and concludes that strategy is

"...concerned with understanding and addressing issues that impact on a firm's ability to achieve its mission, so that products and services can be produced to meet the needs of the markets it serves through effective resource configuration, in order to build and sustain a competitive advantage." (p. 110)

Although helpful, this definition does not suggest how strategy should be approached and handled, but simply defines which issues that can be considered as strategic. Porter (1996) states that a company, due to the rapid development of new and game-changing technologies, cannot rely on that its current competitive advantages will last forever, and therefore, companies need to continuously increase operational effectiveness. However, increasing productivity through doing the same things more efficiently is not the same as a strategy, and a clear distinction is needed. While operational efficiency concerns performing similar activities in ways superior to competitors, strategic positioning is about doing different activities or similar activities in different ways (Porter, 1996). Moreover, strategy relies on unique activities - a deliberate selection of different activities - which lead to a unique mix of value.

Furthermore, strategy concerns trade-offs; decisions regarding what to do, and what not to do. Although, often neglected, the latter is of great importance since it is close to impossible to compete in all segments over time. Related to this, and also of significant importance, is the *strategic fit*, which refers to value creation through the combination of activities. Strategic fit can be of three different kinds; first, a simple consistency between the strategy and business activities can be reached. The second type of fit is when activities are reinforcing, leading to a combined value that is greater than the sum of all individual activities. The third kind is the optimisation of effort, where activities are targeted at optimising factors critical for the strategy. A stronger fit is harder for competitors to imitate, and therefore a source of more sustainable competitive advantage. To achieve this, it is crucial that strategy is consistent over a longer period of time, and additionally, shifting strategy is costly since individual activities, as well as entire systems, must be reconfigured and realigned (Porter, 1996).

Mintzberg (1987) suggests another approach to strategy, and distinguishes between *intended* and *realised* strategy, where the former focuses on present and future actions, and the latter puts an emphasis on actions in the past. A distinction is also made whether the intentions become realised, for which a strategy is *deliberate*, or strategy comes from multiple sources and develops through organisational learning, for which a strategy is *emergent*.

Mintzberg further states that strategy is about finding a niche, which is a position in the environment that generates economic *rent*. By finding the right niche, the company will have less competition and thus increase profits.

Strategy also refers to the culture of the organisation; whether it is, for example, putting an extra emphasis on marketing, engineering or constantly looking for efficiency gains. Two important features in this definition are that it is a *concept*, which is *shared* among members of an organisation.

3.2.2. STAKEHOLDER THEORY

The concept of stakeholders has been frequently used since the publication of *Strategic Management: A Stakeholder Approach* by R. Edward Freeman (1984). He defined a stakeholder as “*any group or individual who can affect or is affected by the achievement of the firm’s objectives*” (Freeman, 1984, p. 25), and business units are evaluated in how important stakeholders are affected, and what plans exist for mitigating potential negative impacts. The definition suggests that a stakeholder could be a person, group of persons, organisation, institution, and even society in general, and specific examples of stakeholders that a firm can have are governments, suppliers, owners, local community organisations, customers and employees. However, by this definition, almost anyone can be considered a stakeholder, and Mitchell, Agle, and Wood (1997) argues that Freeman’s principle regarding which stakeholders that really counts (1994), which aims to clarify which specific stakeholders that managers need to take into consideration, is not successful in doing so. In response to this, Mitchell et al. published *Toward a Theory of Stakeholder Identification and Salience* (1997), in where a theory to deal with these questions is provided. In order to identify ways to prioritise among competing interests, each stakeholder’s salience needs to be determined. The judgment is based on three attributes; the first refers to the stakeholder’s *power* to influence the firm, the second refers to *legitimacy* of the relationship between the firm and the stakeholder, and the third refers to the claim’s *urgency* (time-sensitivity and critical importance).

The combination in which a stakeholder possesses these attributes determines its *salience*, which, more specifically, is defined as “*the degree to which managers give priority to competing stakeholder claims*” (p. 869). Moreover, it is important to keep in mind that stakeholder salience is by no means a static measure, as the attributes may vary between issues and over time. In terms of stakeholder management, the more attributes an entity possesses, the more salient it is likely to be, thus requiring more attention. Stakeholders that

possess all three attributes, such as the stockholders of a company, are the most salient and need to be prioritised and adhered to by managers (Mitchell et al., 1997).

3.2.3. LEGITIMACY THEORY

Legitimacy theory is based on the notion that there is a social contract between a company and the society within it operates, and that a company risks facing economic and operational limitations if the expectations of society and stakeholders are not met.

According to *legitimacy theory*, companies strive to find ways of convincing society and other stakeholders that their activities are legitimate. Since the interests of stakeholders are not constant, it is vital for companies to continuously consider the potential changes in these opinions and demands. This view can also be seen as explicitly connected to the aforementioned concept of *corporate citizenship* (Deegan & Unerman, 2006).

Legitimacy theory can be used to explain why business executives act the way they do in relation to the changing demands of society, and here, the dramatic increase in companies reporting about their social responsibility can be seen as a reaction to society's increasing demands on their social responsibility (Frost & Wilmshurst, 2000).

Grankvist (2009) also touches upon the subject of legitimacy, and proposes that, in terms of communication, focusing on what is left to do, and which challenges lie ahead, is as important as communicating what has already been achieved. By doing this, companies ensure that new challenges and goals are continuously pursued, which also will increase credibility and legitimacy in the eyes of customers and other stakeholders.

3.2.4. SOCIALLY ANCHORED COMPETENCIES (SACS)

The SAC Model, presented by O'Brien (2001), proposes a way of identifying core business competencies and combining them with stakeholder analysis, which, if done properly, results in socially anchored competencies. Porter (1990) describes core competencies as the set of skills, experiences and abilities that represent the shared learning of a company. These competencies are unique, and hard to imitate for competitors, and are therefore considered to be the roots of a company's competitiveness. More specifically, Prahalad and Hamel (1990) describe corporate core competencies as the innovative combinations of skills, knowledge, information, technologies and unique operating methods that can provide what customers value. Organisations often have many different competencies and capabilities, but only a few of them are combined and integrated in a way that makes them core competencies.

The identification of core competencies is the first step of the SAC model, and O'Brien suggests that these core competencies should form the foundation of companies' CSR strategy.

Thereafter, one of the most important steps in the SAC model is to examine these core

competencies in order to determine what potential impact they have on various stakeholders. This process could be likened to the aforementioned stakeholder analysis, but with core competencies as the primary input for the analysis. In this way, not only negative effects of core competencies on key stakeholders are identified, but also the way in which these can be used and leveraged in innovative ways to benefit both stakeholders and business. This examination then results in an improved set of competencies with “social awareness”, which can be seen as intangible resources that have the potential to increase competitive advantage in environmentally and socially sensitive markets (O’Brien, 2001).

However, it is argued that one company’s core competencies are not always sufficient when addressing the competing and diverse stakeholder concerns. It is therefore proposed that strategic alliances, which can range from information and research sharing to joint ventures, can be used to acquire new abilities and skills that are necessary for successful CSR initiatives and to enhance the credibility of the company. Companies should therefore try to identify credible potential partners with which to form mutually benefiting alliances. As a case in point, O’Brien mentions the strategic alliances between companies, such as Chiquita and Starbucks, and credible environmental organisations, in order to certify their products by introducing compliance to certain social and environmental standards.

If the SAC model is to be implemented successfully, there are a number of key factors that must be acknowledged. These include, for instance, an understanding of the core competencies, knowledge of key stakeholders, commitment from top management, the ability to think outside the traditional philanthropy box, and a culture of teamwork and learning.

O’Brien, inspired by the conventional device of “*what gets measured gets done*”, also insists that performance measurement of the business benefit of CSR activities is crucial if CSR is to become an integral part of a company’s operations and strategy.

O’Brien then concludes his article with what is explicitly aligned with the main topic of this thesis:

“Instead, the truly outstanding companies will find ways to fold notions of stakeholder management, corporate citizenship, corporate philanthropy, and the business model into an integrated strategy that gives them unprecedented competitive advantage in global markets.” (O’Brien, 2001, p. 20).

3.2.5. BLENDED VALUE & SHARED VALUE

Jed Emerson (2003) argues that the differences between for-profit and non-profit companies are diminishing since good intentions cannot, and shall not, excuse suboptimal performance of non-profit activities. Furthermore, a clear trade-off between financial, social and environmental returns does not exist, and societal value should therefore not be taken out of the equation in for-profit activities. Consequently, one should expect all companies to deliver what he defines *Blended Value*, which would enhance environmental, social and economic value regardless of a firm’s legal form. Related to this discussion, Porter and

Kramer (2006) present the concept of *Shared Value*, a principle similar to Emerson's Blended Value. This proposition, which aims to increase the value from CSR activities, is founded in two fundamental points; first, there is interdependency, rather than tension, between businesses and society, and secondly, approaching CSR in a generic way does not fit to a firm's individual operations and strategy.

Historically, four relevant justifications for CSR have been proposed; moral obligation, sustainability, license to operate and reputation. However, they all focus on tensions rather than interdependencies between companies and society, and even if a corporation manages all these aspects properly, direct business benefits will be difficult to identify. As a remedy for this, an approach, which emphasises on finding shared values based on the firm's internal competencies, is suggested.

The first step in this approach is to identify both *inside-out linkages*, social impacts of all activities in the value chain, and *outside-in linkages*, social conditions that affect operations and activities. For the former part, it is important to note that impact is not always obvious and that variations may exist depending on location, and for the latter part, factors such as rule of law, local demand and availability of suppliers, are often unintentionally overlooked despite their significance for long-term success. Secondly, companies should rank these linkages by placing them into three separate categories; social issues that do not relate to the company at all, social conditions that are affected by activities in the value chain, and social factors that can affect companies' competitiveness. Galbreath (2009) explains this by providing an example of a program for recapturing heat, which aims to decrease energy purchases. In turn, this spills over to the public in terms of a decrease in aggregate energy consumption and lowered negative environmental impact.

Third, companies should use this ranking in order to form a corporate social agenda divided into two categories; *responsive CSR*, which is aimed at meeting society's expectations, and *strategic CSR*, which goes beyond these expectations by turning social issues into business opportunities. Responsive CSR is dealt with by an analysis of the social impacts of every activity in the value chain, and thereafter adopting best practice in order to mitigate risks. Strategic CSR, on the other hand, aims to achieve competitive advantages through integration of a social dimension into the value proposition. Importantly, an individual company cannot solve all issues in society, and therefore, in order to create highest potential benefits, each firm should merely focus on a few strategic issues in which it can have significant positive impact. This is done by taking a consistent approach to internal competencies and their interrelation with society and its conditions, i.e. institutionalising the pursuit of shared values (Porter & Kramer, 2006).

In order to choose which social issues to address, a clear understanding of the distinction between problems and issues is crucial. A social issue is a social problem that is recognised as problematic by people in society who, in some way, are able to influence either company policy or government regulation. However, it is important to consider that social problems can turn into social issues, and in order to manage this risk, proactive consideration of expert verdict and media coverage is needed to predict shifts in consumer patterns, regulations and actions of competitors (Galbreath, 2009).

3.3. ARGUMENTS FOR THE INTEGRATION OF CSR

CSR and its important relation to strategy and daily business operations are increasingly acknowledged by CEOs. Environmental and social performance is by these persons perceived as strategic areas for increasing the value of their companies and not solely as areas for PR and marketing (Emerson, 2003). Although its importance is acknowledged by some, Jutterström and Norberg (2011) argue that there still is a widespread myth about CSR: that CSR only increase legitimacy, and that the only way it affects efficiency and profitability, if at all, is negatively. Instead, they propose that complete integration of CSR rather increases the efficiency of companies and other organisations. The major argument for this is that CSR-adaptation to a high degree means that you economise with scarce resources, which is in accordance with the basic definition of economy. For the company, this means that it takes responsibility for the environment and its own economy at the same time. One explicit example of this is the change in how hotels worldwide nowadays are handling the guests' towels by only washing towels when guests put them on the floor. Here, the weight on the environment is lowered through decreased use of detergent, warm water and electricity, which, at the same time, positively affects hotels' income statement (Jutterström & Norberg, 2011).

3.3.1. LINKAGES BETWEEN CSR AND CORPORATE SUCCESS

Per Grankvist (2009) argues that there always is a connection between CSR and profitability, but that it in some industries, and for some companies, can be harder to find. He then suggests that the issue regarding *if* sustainability is profitable should be modified to *how* sustainability is profitable, in order to change the mind-set and to arrive at more useful answers and ideas. Moreover, Eccles, Ioannou and Serafeim (2011) conducted an extensive study regarding the impact of sustainability on corporate behaviour and performance, in which 180 companies were studied retrospectively; 90 of them classified as *High Sustainability* and 90 classified as *Low Sustainability*. The main difference between the two groups was that the high sustainability companies since long ago had adopted policies regarding strong commitment to social and environmental performance, while the other companies had not. Also, the high sustainability companies were characterised by a higher and deeper level of stakeholder engagement, higher attention to non-financial measures, and governance mechanisms that link sustainability objectives to executive compensation.

During the 18-year period that was studied, the high sustainability companies clearly outperformed the other group of companies, both in terms of stock market and accounting measures. However, and importantly so, the results suggested that this outperformance only occurred in the long-term. Thus, one who hopes to gain a competitive advantage in the short-term by integrating sustainability into the firm's strategy is likely to be disappointed (Eccles et al., 2011).

In recent years, the importance of CSR as a factor in *employer branding*, i.e. increasing the attractiveness of the employer, has been discussed more frequently. According to numerous

studies, companies' work with CSR plays an increasingly important role in the ability to attract, recruit and retain talented labour in general, and students and graduates in particular. Employees are increasingly looking for organisations that have a clear reputation of being socially responsible, and companies that do particularly well in pursuing and communicating CSR activities seem to attract employees who are more loyal to the company (Jutterström & Norberg, 2011).

In the end, these factors affect the financial performance of the company in many ways. First of all, high employee turnover, which result in higher recruitment, administration and education costs for new employees, is generally costly for most companies. Furthermore, if a company loses out on talented labour in the recruitment process, it is not unreasonable to assume that long-term performance will be negatively affected.

3.3.2. TURNING SOCIAL NEEDS INTO OPPORTUNITIES

In their article *Creating Shared Value* (2011), Porter and Kramer further elaborate on their concept of shared value, in which integrating CSR with corporate strategy and operations is crucial. They then present three distinct ways in which companies can create economic value by creating societal value: “*reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations.*” (p. 67).

Reconceiving products and markets. Here, the authors argue that the starting point for companies is to identify all the societal needs, benefits and harms that are, or could be, incorporated in their products. A continuous exploration of societal needs will introduce companies to new opportunities for differentiation and repositioning, and even to completely new, and earlier overlooked, markets. Recognising and serving needs in these markets frequently requires redesign of products, and new innovative distribution methods. One example of this is Thomson Reuters, the world’s leading data provider for businesses and professionals, which has developed a monthly service for farmers in India, which provides them with weather information and agricultural advice for a fee of \$5 a year. Approximately 2 million farmers are reached by this service, and early indications show that it has helped increase the income of more than 60 per cent of them, and in some cases even created a tripling of incomes (Porter & Kramer, 2011).

Redefining productivity in the value chain. Porter and Kramer (2011) propose that the value chain of a company inevitably affects, and is affected by, a number of societal issues, including natural resource use, working conditions and health & safety. Since societal issues can cause costs in the company’s value chain, opportunities to create shared value appear. One real life example of this is Wal-Mart that was able to address both greenhouse gases and excess product packaging by rerouting trucks and reducing packaging. Here, Wal-Mart both saved \$200 million and increased the number of products shipped, while at the same time decreasing negative environmental impact. The authors argue that a shared value-approach can transform and improve the value chain, and put emphasis on six areas that are considered as the most important: *Energy use and logistics, Resource use, Procurement, Distribution, Employee Productivity and Location.*

Nespresso, one of *Nestlé's* fastest-growing divisions, provides an interesting example of a relatively new way of approaching procurement, which improves supplier quality and productivity (and guarantees access to growing volumes) by, for example, the sharing of technology and increasing access to inputs. Here, in order to address issues of low productivity and poor quality at small farmers in distressed areas, *Nestlé* redesigned procurement by closely working with the coffee growers; guaranteeing financing, providing advice on proper farming practices, and helping to secure inputs such as fertilisers. Also, local facilities were set up in order to measure quality at the point of purchase, so to be able to pay a premium for high quality beans and to thereby improve the incentives for the growers. Furthermore, higher yield per hectare and higher quality resulted in higher incomes for growers and lower environmental impact, while at the same time providing *Nestlé* with a greater and more reliable supply of high qualitative coffee. According to the authors, this is a perfect example of how shared value can be created (Porter & Kramer, 2011).

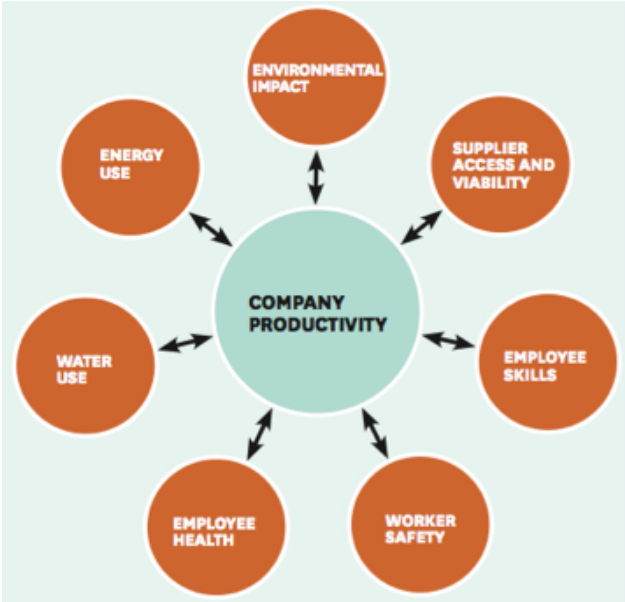
The shift in focus from holding down wages and reducing employee benefits to the positive effects that fair wages, wellness and safety have on *Employee productivity*, has led to an understanding among leading companies that poor employee health often cost more than health benefits do. One example of this is *Johnson&Johnson* that helped employees to stop smoking, and implemented a number of other wellness programs. The company saved \$250 million on health care costs between 2002 and 2008 (a return of \$2.71 for every dollar spent), and reaped benefits from a more productive workforce and decreased employee absence.

Building supportive industry clusters. The authors propose that the success of all companies are affected by the companies and infrastructure around them, and that productivity and innovation are clearly influenced by what they call “clusters” - geographic concentrations of firms and related businesses, logistical infrastructure, suppliers and service providers - and present IT in Silicon Valley as an explicit example. Clusters also include, apart from businesses, schools, market transparency, quality standards and trade associations, i.e. institutions and public assets in the surrounding community. The authors further argue that these clusters are instrumental and play a vital role in driving productivity, competitiveness and innovation, and that, conversely, a lack of a supporting and developed cluster decreases productivity. If a company builds and develops clusters in its most important locations, the connection between the success of the company and the community will increase. For example, the success and growth of a specific company has profound effects for the community, since jobs are created, new companies are supported, and demand for ancillary services augments.

One example of cluster development is illustrated by *Yara*, the world's leading mineral fertiliser supplier, which, with support from the Norwegian government, invested in improving basic infrastructure, such as ports and roads, in Tanzania and Mozambique.

Previously, poor infrastructure had the effect that many farmers had inadequate access to fertilisers, and transportations of crops to markets were inefficient. The investment, which

created agricultural clusters, benefitted both farmers, with increased yields and more efficient access to selling the crops, as well as Yara through increased sales of its products.



(FIGURE 3.3.2. - THE CONNECTION BETWEEN COMPETITIVE ADVANTAGE AND SOCIAL ISSUES – PORTER & KRAMER, 2011)

3.4. POTENTIAL CHALLENGES AND ISSUES WHEN INTEGRATING CSR

When CSR is adapted and integrated throughout the organisation, there is a possibility of tension and conflicts of interest among executive managers, employees and units. One reason for this is the varying view of CSR, resulting from differences in personal background, working responsibilities and prioritising within the company, and different groups simply emphasise different advantages with CSR. If integrated thoroughly, CSR affects many functions within organisations, such as investor relations, human resource, finance, IT and environment. Hence, there will be conflicts when different groups, despite differences in opinion, have to unite internally and in the external communication with stakeholders (Jutterström & Norberg, 2011).

3.4.1. CHANGE IN ROLES AND RESPONSIBILITY

Organisational changes are often problematic since they face different shapes of resistance within the organisation, and then the question regarding how CSR is organised within a company becomes important. Formal ambiguity regarding CSR paves the way for internal organisational conflicts between different departments, and issues that traditionally have been dealt with by departments of, for instance, human resource and environment might now become a part of the wider concept of CSR. If and when such responsibilities and assignments shift, conflicts and ambiguities regarding responsibilities may arise, resulting in outbred negativity towards CSR (Jutterström & Norberg, 2011).

Executive managers are not always coordinated regarding CSR issues, and there is not always an obvious place for CSR in organisations. Traditionally, the responsibility for CSR has been widely spread in organisations, ranging all the way from business executives to departments of human resources, communications and environmental issues. Companies that delegate the responsibility for CSR to the department of communications tend to see CSR mostly as an external issue (public relations and marketing), sometimes totally isolated from line-management and business decisions, rather than something that clearly affects the internal operations (O'Brien, 2001). This might lead to activities communicating about the role of the company in society, combined with some symbolic initiatives. However, this approach to CSR lacks integration with other activities, and sometimes, allocation of CSR to the department of communications is done to avoid more complex intra-organisational changes (Jutterström & Norberg, 2011).

3.4.2. TENSION BETWEEN CSR AND FINANCIAL RATIONALITY

Managers that are put under high demands on short-term financial results do not have the same ability and interest to see how CSR creates long-term financial value as managers who are subject to other measures and goals do. Managers with high economic responsibility can automatically become sceptical regarding CSR, and it is hard to justify expensive CSR

programs with unclear causality to long-term results if you at the same time are responsible for short-term results. Furthermore, it is challenging to measure the contribution CSR has on higher revenues, and this is often a reason to conflicts about CSR among executive managers (Jutterström & Norberg, 2011).

Even though CSR can make the organisation more efficient if integrated properly, there is a risk of new and higher costs initially. While the pressure from external stakeholders regarding CSR increase, executives must also act in line with the internal financial expectations on profitability et cetera. This is where the ability of CSR to produce financial value in the long-term becomes crucial since it makes it possible to amalgamate these two, potentially conflicting, demands (Jutterström & Norberg, 2011).

3.4.3 MEASURING CSR

There are indeed numerous challenges related to the measuring and quantifying of CSR practice and performance. CSR is, due to the definitional disagreements in academic writings and the wide variety of practices in the corporate world, an elusive concept which can be said to defy quantification.

Due to the increasing importance of environmental and social issues in business today, many companies have implemented specific management systems with explicit environmental and/or social alignment. However, these systems are rarely integrated with the general management system in use, and as a consequence, social and environmental management is not linked to the economic success of the company. Thus, the economic contribution of environmental and social management to this success remains unclear (Figge, Hahn, Schaltegger & Wagner, 2002).

In this following section, a number of methods for establishing a connection between CSR and long-term profitability will be discussed. Since this thesis' focus is on a strategic approach to CSR, emphasis will be on methods intending to achieve corporate strategy through the identification of causal linkages, therefore making the notion of social responsibility less abstract, and thus also easier to relate to core business activities.

3.4.3.1. BALANCED SCORECARD

The Balanced Scorecard (BSC) was originally presented by Kaplan and Norton (1992) as a new strategic approach to performance measurement, which sought to solve problems with short-termism and too much focus on financial measures in traditional management accounting. The authors argue that the BSC can help to identify the major strategic issues of a business and describe the causal contribution of those issues that contribute to the achievement of a company's strategy. The BSC focuses on corporate strategy in four different perspectives; *financial*, *customer*, *internal process* and *learning and growth*, in where strategy is translated in terms of objectives, measures and targets. One aim is to make the contribution and the transformation of intangible assets and soft factors (eg.

intellectual capital, knowledge creation and first-rate customer orientation) into long-term financial success explicit, and thereby controllable (Kaplan & Norton, 1992).

The main differentiating factor of the BSC is the causal chain in which the four perspectives' measurements are linked together. To put it briefly, the measures of learning and growth drive the measures of internal processes. These then drive the customer perspective, which in turn drive the financial measures. Thus, it is argued that a BSC should comprise an appropriate mix of performance drivers (lead indicators) and outcome measures (lag indicators), both financial and non-financial. Here, increase in turnover is an example of an outcome measure, while order execution time is an example of a performance driver. This mix of both financial and non-financial measures, together with their cause and effect relationships, aims to counter the short-termism of traditional management accounting mentioned earlier (Kaplan & Norton, 1996).

However, Kaplan and Norton (1996) acknowledge that some variation to, and within, the original framework can be beneficial, and say that the specific nature of corporate vision and strategy may require further perspectives or/and a modification of the original perspectives.

3.4.3.2. SUSTAINABILITY BSC (SBSC)

Figge et al. (2002) propose that, if companies are to contribute to sustainable development, it is eligible that corporate performance improves in all the dimensions of sustainability, i.e. *economic, environmental and social*, simultaneously. It is then argued that the BSC, with its ability to also consider soft factors and non-financial measures, has the ability to integrate these three dimensions into general business management.

The authors then suggest that there are basically three different ways in which environmental and social aspects can be incorporated into a BSC. First, one could integrate the new aspects into each of the four original perspectives. By doing this, these become an integral part of the original BSC, and are automatically integrated in its cause and effect linkages.

The second alternative is to add a supplementary perspective, which will specifically consider the environmental and social aspects. This additional perspective will be particularly viable when integrating strategically relevant (but not market-integrated) aspects that do not fit into the four standard perspectives, but still significantly influence the company's success.

The third alternative is to create and formulate an explicit sustainability scorecard. Here, it is important to acknowledge that this must not be an independent alternative for integration, but rather an extension of one of the two earlier mentioned alternatives. This scorecard draws its contents from an already existing BSC system, and is therefore mostly used in order to organise, coordinate and further develop the environmental and social aspects once their strategic relevance in the cause-and-effect linkages have been identified by one of the two other alternatives (Figge et al., 2002).

Finally, it is stated that the SBSC, implemented through one of the three alternatives discussed above, can be a powerful tool in integrated sustainability management, which can overcome the shortcomings of non-integrated environmental management accounting.

3.4.3.3. STRATEGY MAPS

In order to deal with the issue of employees having insufficient understanding of how to achieve corporate strategy, Kaplan and Norton (2000) developed Strategy Maps. It is a tool that assists with communicating the strategy and which systems and processes that are needed to implement it. Furthermore, intangible assets, such as employee skills, customer relationships, knowledge and innovations, are increasingly becoming sources of competitive advantage and accordingly essential for strategy, leading to a need for tools like strategy maps.

Kaplan and Norton (2004) argue that value creation from intangible assets differs significantly from value creation from physical and financial assets in four basic features. First, in value creation from intangible assets, linkages to bottom-line performance are seldom direct, but are rather achieved through logical chains of causal relationships. Secondly, the types of intangible assets that impact performance greatly depend on contextual factors. Methods such as *TQM* and *Six Sigma* lead to more significant outcomes for firms that pursue a low-cost strategy, compared to product leadership or a strategic innovative approach. Thirdly, the value of intangible assets is almost impossible to estimate, since the underlying value is potential value and not definite market value. Processes which will transform the potential value into realised value are needed to create tangible value to the customer value proposition or bottom-line performance. Finally, the value of intangible assets cannot be isolated from organisational strategy or context, as these assets usually are bundled along with other assets to create value.

Strategy maps constitute a further development of the BSC through a holistic approach, where cause-and-effect linkages between targets are explicitly stated. By doing this, management is able to identify gaps in what gets measured compared to what is formulated in strategy. It is preferable to construct strategy maps top-down, beginning with reviewing corporate mission and core values in order to get a clear picture of the company's beliefs and ambitions. The strategy is then created and broken down into different aspects which are plotted out on the strategy map. Since strategic goals are long term, not only long-term indicators, but also indicators that show progress both in the short and intermediate term should be included (Kaplan & Norton, 2000).

“There are literally hundreds of processes taking place simultaneously in an organization, each creating value in some way. The art of strategy is to identify and excel at the critical few processes that are the most important to the customer value proposition.” (Kaplan & Norton, 2004, p. 43).

As illustrated by this quote, in order for companies to excel and prosper, it is important to identify processes where a significant difference can be achieved, and depending on what strategy a company chooses, the perspective that will be the most significant will differ. Nevertheless, Kaplan and Norton (2004) argue that, regardless of strategy, a holistic approach is vital, and companies must include all four perspectives in order to balance short-term and long-term measures. Ultimately, it is essential that these processes not only are clearly linked to strategy, but also to each other through cause and effect linkages.

Still, the question of how to measure CSR remains unanswered, and is also beyond the scope of this thesis to determine. What is clear is that ways of measuring and evaluating will, and should, differ between companies, and should be closely connected to how each company normally measures and controls its activities. Also, it is of greater significance to make sure that one *do* measure and evaluate, than *how* one do it.

3.5. THEORETICAL FRAMEWORK – “THE BUSINESS CASE FOR CSR”

Following the line of argumentation from O’Brien (2001) as well as Porter and Kramer (2006, 2011), companies should, in order to maximise value for both company and stakeholders, engage in a strategic and thorough approach to CSR. The myth that sustainable activities do not positively influence efficiency, and inevitably require financial trade-off, has been proven to be just that - a myth. Several theories and practices show us that it indeed is possible to engage in CSR aligned with everyday business activities and to find activities and opportunities which are beneficial to both society and the company. Here, the concept of shared value is crucial in explaining and demonstrating how mutually reinforcing activities can be pursued.

However, there are also a number of pitfalls. As mentioned earlier, much of the current debate regarding CSR is concerned with the difficulties with clearly establishing causal linkages between activities and results. Following Kaplan and Norton’s (2000, 2004) line of argumentation, the most significant challenge is that many benefits that stem from CSR are indirect and long-term. Consequently, this is also one of the biggest challenges when it comes to the adoption of integrated CSR, and therefore it is crucial to also focus on, and to hold managers accountable for, the longer-term results of the company, instead of solely focusing on quarterly earnings.

3.5.1. INCREASING THE VALUE OF CSR

CSR can create value in different ways, and these will differ depending on which action, activity or program that is pursued (Porter & Kramer, 2006, 2011). Many companies perceive CSR as an independent area, often in the shape of a separate unit or through allocating the responsibility of CSR to a specific person or group. By isolating the CSR activities into one separate business unit, one only consider the internal competencies and knowledge of this particular area, and strategic benefits and synergies stemming from cooperation and integration with other areas and activities may be missed or not fully utilised.

The consideration and usage of the internal competencies, in combination with thorough stakeholder analyses, can result in Socially Anchored Competencies (SACs), which is an important concept. Here, companies ask themselves how they, by using their internal competencies and resources, can satisfy stakeholder demands and contribute to societal well-being. Sometimes it can also be beneficial to engage in *strategic alliances* with other organisations, both for-profit and non-profit, in order to combine the respective competencies and reach adequate legitimacy and credibility in the eyes of stakeholders. By doing this, the results and benefits have the potential to be even higher.

Simplified and summarised, CSR can be said to create value in four various ways; risk management, brand value (both external and internal), operational excellence and cost savings, and finally, revenue and new market opportunities. Risk management can be seen

of as of “defensive” nature, intending to increase legitimacy, while the latter three categories are of a more long-term and strategic approach, aiming for long-term value and profitability. Here, brand value is included since organisations with a thorough and consistent approach to CSR is perceived as more attractive for customers and labour, both existing and potential, which can lead to a decrease in employee turnover and recruitment costs (Jutterström & Norberg, 2011). Furthermore, the latter two categories are strongly integrated with other business activities and in line with internal competencies and skills, thus targeting the potential for CSR as a source of competitive advantage.

3.5.2. THE THREE SHADES OF CSR

Drawing upon the work of several scholars (Freeman 1984, 1994; Kaplan & Norton, 2000, 2004; O’Brien, 2001; Porter, 1996; Porter & Kramer, 2006, 2011) and for the purpose of this paper, CSR activities will be classified into what the authors believe are the three shades of CSR; *Purely Philanthropic CSR*, *Business-Related CSR*, and *Tailor-Made CSR*. Here, focus is directed toward the degree of integration between activity and internal competencies, as well as the degree of integration with strategy and other corporate activities.

Purely Philanthropic CSR. This category has the least integration to strategy and business operations and here, a typical activity is to donate money to various aid organisations and charitable causes, often without any clear relation to the company itself. Another activity is to let employees join Volunteer programmes in where they assist in tasks, but where their respective competencies and experiences are not explicitly matched to the tasks and assignments. The potential of shared value creation (corporate and societal value combined) is not considered and any linkage to corporate performance is not expected. Furthermore, these activities are usually not subject to any performance measurement and evaluation after the donation is done. Justifications for this kind of activity could be, for example, to be perceived as a good corporate citizen who is doing the right thing, and to increase legitimacy in the eyes of certain stakeholders.

Business-Related CSR. As indicated by the name, this type of CSR has stronger relation to, and integration with, the firm’s line of business. In this category, there are two main sources of value creation; to increase brand equity and to manage risk related to activities throughout the value chain. Brand equity is directed both internally, through activities aimed at increasing internal pride and employee motivation, and externally, through increased brand value and employer branding. Managing risk is aimed at preventing potentially declining profits, by mitigating negative impacts from activities in the value chain and ensuring sustainable business practices.

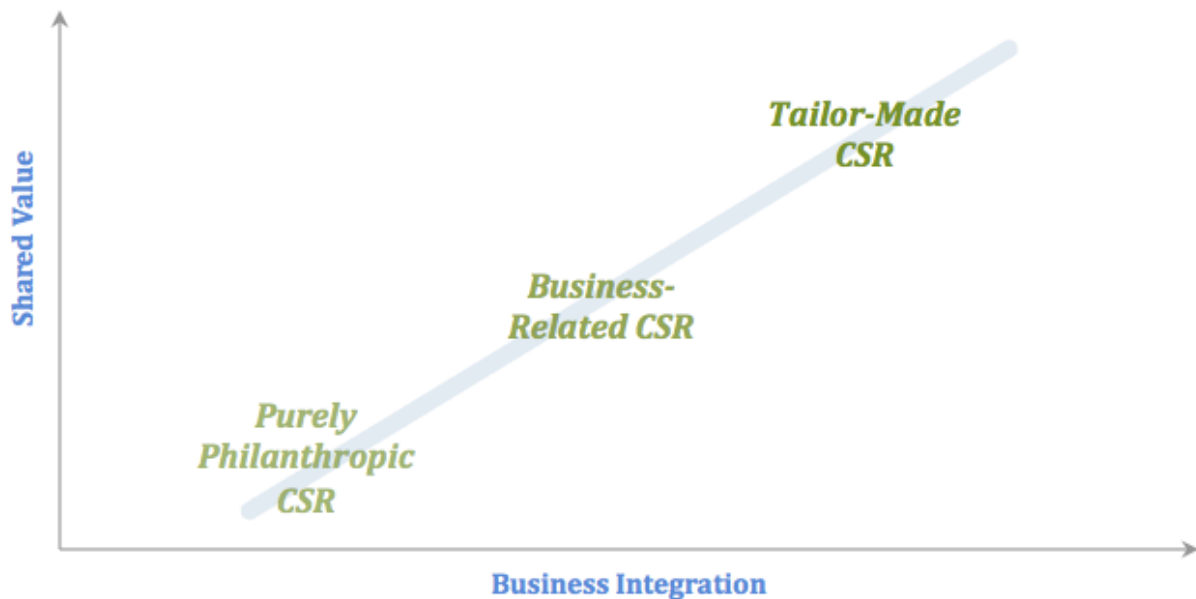
Furthermore, community involvement in the shape of money, products or labour (through volunteering programmes where employee skills are matched to the tasks and assignments) with clear connection to the firm’s field of operations is common. Performance measurement is seldom pursued, but some corporate value creation and linkages to bottom

line performance are expected. Here, one can expect the shared value creation to be more significant than Purely Philanthropic CSR, and even more so since companies are contributing with their internal competencies and knowledge.

Tailor-Made CSR. The idea of using internal competencies and strengths when pursuing CSR activities is central in the concept of Tailor-Made CSR. Simply put; there is no reason to why companies should not use their strengths, competencies, knowledge and resources that have been built up for years, when they are instrumental in the daily operations and vital for their competitive advantage. These factors are what make companies survive and thrive in the first place, and are naturally used in more or less all other business areas and activities. Furthermore, Tailor-Made CSR has a strong link to corporate strategy and is clearly integrated with other business activities. A wide array of CSR activities is possible depending on societal, environmental, economic, and company-specific factors. In addition to activities common in Purely Philanthropic and Business-Related CSR, a company can also assume responsibilities that historically have been considered to be the responsibility of governments and municipalities, such as improving infrastructure and educating people in the local community. Nevertheless, when reframing what types of investments are possible, one should keep in mind that measurement and evaluation of the investments should be equivalent to that of non-CSR business decisions.

The CSR activities are clearly tailored to each company's conditions, needs and capabilities, and value creation stems from either gaining access to new markets and segments or increasing productivity and innovation in the firm, which is possible in numerous ways. Here, the emphasis is put on shared value creation, and on identifying causal linkages to long-term success. When these linkages are understood and pursued, the effectiveness of CSR activities will increase for both company and society as a whole. The initiatives and activities are therefore focused on achieving measurable impacts and outcomes, consistent with corporate strategy and core competencies. The activities are also often reinforcing each other, thus giving the company a competitive advantage that will be harder to imitate. It is important to note that activities classified as Business-Related CSR could become Tailor-Made CSR if causal linkages to shared value creation are identified and pursued, and if the activities are tailored to the company's competencies and societal conditions.

The 3 Shades of CSR



(FIGURE 3.5.1. – THE THREE SHADES OF CSR, DEVELOPED BY THE AUTHORS)

As seen in the figure above, the more integration with regular business activities, the higher shared value can be achieved. When companies clearly consider and exploit their internal competencies and knowledge in the work with CSR, and integrate CSR with other business activities, the potential for positive impacts on both company and society will consequently increase. Simply put, if companies do what they do best and exploit their internal competencies in CSR activities as well, the return on resources employed will be higher than if they only engaged in purely philanthropic and unintegrated activities. Consequently, in order to maximise the creation of shared value, and thereby improve conditions for both society and company, one should reach for *Tailor-Made CSR*.

4. EMPIRICS

In this chapter, we compile and present the empirical data that have been acquired through the interviews at Mölnlycke Health Care and Stampen Group, and through the study of corporate information. Through the in-depth interviews, we intend to provide a profound picture of how CSR, and interrelated areas, are perceived and pursued at the two companies. The compiled empirics will then, in combination with the theoretical framework, constitute the foundation of the analysis in the subsequent chapter.

4.1. MÖLNLYCKE HEALTH CARE

Mölnlycke Health Care, with headquarters located in Gothenburg, Sweden, is a world leading manufacturer of wound care and single-use surgical products, and a service provider to the health care sector. According to their website and their Sustainability Magazine (2010, 2011), Mölnlycke Health Care is “one of the most respected professional health care brands in the world”, and is known for its unique and high-quality range of products and patented technologies. During the financial year of 2011, Mölnlycke had revenue of 1,014 MEUR.

The enterprise is owned to 96% by Investor AB, the Swedish industrial holding company, and the remaining share is owned by management. Furthermore, Mölnlycke operates under a seven member board of directors, including five independent members, the CEO, and one member from Investor AB. Mölnlycke Health Care is, as made clear in the picture below, divided into two divisions; *Wound Care* and *Surgical*. The seven corporate functions are kept centrally, but the 7000 employees can also be found in sales offices and manufacturing plants located in 29 different countries around the world (Sustainability Magazine, 2011).



(FIGURE 4.1. - MÖLNLYCKE HEALTH CARE ORGANISATION MAP, RETRIEVED FROM MOLNLYCKE.COM)

4.1.1. CSR AT MÖLNLYCKE HEALTH CARE

According to the Sustainability Magazine, as well as the interviewees, Mölnlycke's approach to, and work with, CSR constitutes mainly of various monetary donations and philanthropic activities. It is stated that the company wants to stay flexible when it comes to its charity efforts in order to be able to respond quickly when natural disasters strike. An example of this flexibility is the swift actions taken after the earthquake and tsunami in Japan in 2011, when 31,000 *Biogel*® gloves and 136,000 face masks were donated. Organisations and projects that the company have supported, and currently are supporting, include, for instance, *Operation Smile* and *DebRA*. Among these, Mölnlycke is a main sponsor of *Operation Smile*, which, briefly described, is a mobilised force of medical professionals who provides reconstructive surgery for children born with facial deformities. Here, Mölnlycke provides financial support and donates around 250,000 pairs of *Biogel*® surgical gloves and 10,000 wound dressings each year (Sustainability Magazine, 2011).

In the Sustainability Magazine (2011), the company states that it feels a strong sense of commitment to the medical professions and the patients undergoing treatment, and that it wants to help to improve the lives of patients and support those who care for them. Prior to deciding on which causes to support, thorough investigations are made in order to make sure that the organisations are reliable. The criteria (presented at Molnlycke.com) state that the organisations must:

- Clearly state their mission and purpose
- Work in the medical field
- Be actively engaged in either working to improve the lives of patients, to improve staff protection, or to increase the level of knowledge in the medical field
- Provide credible and measurable results
- Research should be based on solid scientific facts

Mölnlycke has also set up a Volunteer programme in which employees have the possibility to apply for, and join, *Operation Smile* medical missions, where they assist in various tasks and assignments. This is the main part of the Volunteer programme, but as of this year, Mölnlycke employees will also be able to volunteer and join the *Burn Mission Program* of *Operation Smile*, a program that exclusively treats patients affected by accidental burns in rural areas. This program is performing 3-4 missions per year mainly in India and Vietnam, but aims to expand its missions to countries such as Kenya, Nepal and Cambodia, where a great need for support is seen (Sustainability Magazine, 2011). However, according to one of the employees responsible for the application process, employees applying to the Volunteer programme are not chosen explicitly on behalf of what they can contribute with at the specific missions.

According to all the interviewees, no clear definition of CSR is today being communicated internally at Mölnlycke. Instead, it is seen as something made up of other miscellaneous concepts, such as environmental issues, philanthropy and the company's code of conduct. Today, the main responsibility for CSR is allocated to the Department of Communications. Furthermore, a significant means in both external and internal communication of the company's CSR activities is the annual release of *Mölnlycke Sustainability Magazine* (last

year awarded with two *Platinum MarCom* awards), which gets substantial amounts of attention and effort within the company. Moreover, information about CSR activities and philanthropic donations are also communicated and published on Mölnlycke's corporate web page.

According to the interviewees, the decisions regarding which projects and organisations that will be supported are made at top level of respective market or business area. Mölnlycke's local sales offices also drive different charity initiatives to support the societies in which they operate. One explicit deviation from this approach is Operation Smile, a project and cooperation which is managed and decided on by the Executive Team. The cooperation with Operation Smile, which Mölnlycke is particularly passionate about, is also regulated by a contractual agreement, in which specific details about donations and the Volunteer programme are stated. According to Jenny Jakobson, *External Engagement Manager* at Mölnlycke, budgets for charity initiatives are made on a project basis and consequently, there is no fixed total amount that should be spent each year. However, and for reference, the total amount of charity donations and sponsorship per employee was €70 during 2011 (Sustainability Magazine, 2011).

When asked about their knowledge and usage of various sustainability reporting standards and CSR policies, such as ISO (14001 & 26000) and GRI, the interviewees expressed familiarity with a majority of the mentioned standards. According to Karin Andresen, *Global Environment, Health & Safety Manager* at Mölnlycke, ISO 14001, which addresses various aspects of environmental management, gets a lot of attention within the company through certified management systems. However, the guidelines in Mölnlycke's *Corporate Code of Conduct* are also based on the principles of a number of the mentioned standards and policies - *ISO 26000*, *UN Global Compact* and *UN Declaration on Human Rights*. Moreover, Mölnlycke's Sustainability Magazine follows the GRI guidelines for sustainability reporting.

It is stated that Mölnlycke see it as its unquestionable duty to ensure that business partners and suppliers do not abuse any human rights (Sustainability Magazine, 2011). Furthermore, Mölnlycke does also have a recently developed *Supplier Standard*, which is a document that summarises how the company and its suppliers should work together in order to reach superior quality and ensure sustainability. The suppliers have to sign the standard, which means it becomes a legal document, and they thereby agree upon maintaining specific sustainable business practices. Here, it is stated that Mölnlycke continuously will evaluate the performance and compliance of the suppliers in order to ensure appropriate behaviour, and work closely together with them to resolve problems that might arise (Sustainability Magazine, 2011).

4.1.2. CSR AND ITS RELATION TO STRATEGY AND BUSINESS OPERATIONS

Today, CSR is not explicitly seen as a strategic issue, or as a means of increasing long-term profitability, but, during the interviews, it is made clear that there is a widespread desire to change this approach in the near future. However, one distinct deviation from this is some of

the environmental initiatives, through which increased efficiency and lowered costs are expected. Another deviation is the *Burn missions* operated by Operation Smile, in which a potential business case is seen through an increased awareness of, and new markets for, the company's wound care products.

Regarding the internal communication of corporate strategy, the interviewees state that the different divisions and business areas manage this individually. The strategy is easily accessible through the company's intranet, but is not efficiently communicated throughout the organisation. Even though there is no explicit connection between CSR and strategy, it is explicitly expressed in corporate strategy that the company aims to be "*a desirable employer*". When discussing this topic, the interviewees acknowledged CSR as an important factor in creating pride and motivation among the employees, and also in employer branding, both internally and externally.

When the topic regarding what grounds CSR activities are evaluated and measured on, our interviewees expressed that the company do not engage in much follow-up. Instead, the focus is, somewhat simplified, on how much money that is spent, rather than on how well it is spent. However, two areas in which evaluation is pursued are environment and employee satisfaction. Specific environmental goals are set, and each year an employee survey is conducted and consequently evaluated.

When asked about what they thought were Mölnlycke's internal core competencies, the interviewees gave a number of different answers. The service concept, i.e. the ability to create complete solutions to issues (*procedure packs*), was suggested as one concrete example. A more abstract suggestion was innovation; both the ability to come up with innovative ideas and products, and the encouragement to do so throughout the organisation. Here, we asked them to further expound on what it is that makes innovation possible. A high level of knowledge inside the organisation, in combination with explicit encouragement from top management, was then mentioned, together with one of Mölnlycke's core values - *learning* (the other two being *passion* and *integrity*). Regarding the encouragement from top management, the feeling of being a "small company" with the ability and desire to continuously try new things, despite being a rather big company, owned and controlled by an investment firm, was also outbred among the interviewees. Moreover, they feel that this engagement from management also is evident in CSR activities, particularly in environmental issues, and feel that initiatives and suggestions from employees are encouraged.

In terms of the concept of stakeholders, it is defined in Mölnlycke's Sustainability Magazine (2011) as "*anyone who has an interest in, or interaction with Mölnlycke Health Care*". Examples of stakeholders that get mentioned are customers, local communities, the media, suppliers, authorities, NGOs and the employees. During our interviews, it was stated that stakeholder analysis is made differently depending on what project that is pursued, and consequently, different stakeholders are considered depending on the nature of the specific projects.

Since 2009, Mölnlycke Health Care (MHC) has collaborated closely with the Burns Department of Xijing Hospital, China, in educating and training surgeons and nurses in wound care and management, and in November 2011, the *MHC-Xijing Hospital Wound & Scar Therapy and Training Centre* was established. This centre was the 6th MHC Wound & Scar Centre in China, and will serve as a model for new centers in the western and northwestern parts of China. The first centre was set up in September 2010 together with the *Peking Union Medical College Hospital*, China's leading teaching hospital. Mölnlycke also shares knowledge and experience with other medical, nursing, and allied health care professionals in western and northwestern China, and will continue to invest in new centers and train Chinese clinicians to embrace best practice and advanced wound technologies (Mölnlycke.com).

Currently, Mölnlycke educates 2,000 Chinese nurses each year through an e-learning programme. Also, 50 burns and plastic surgeons are present at Mölnlycke Wound Centres, providing treatment of both acute and chronic wounds. The interviewees stated that the company sees potential in pursuing with similar projects in other developing countries. Right now, the main focus is on India, and although no formal steps have been taken at this moment in time, it is stated that *learning* (knowledge sharing) will play a big part in the company's entry into India as well (Sustainability Magazine, 2011).

4.2. STAMPEN GROUP

Gothenburg-based *Stampen Group* is today one of Sweden's largest owners of daily newspapers and many of these newspapers are market leaders in the local markets. Stampen is also owner of digital media, printing houses, distribution companies and free weeklies (financed through advertisement). Stampen Group is family owned and not publicly traded, and is divided into six different business areas, namely *Göteborgs-Posten*, *Mediabolaget Västskusten*, *Promedia*, *GISAB (Gratistidningar I Sverige AB)*, *V-TAB* and *Stampen Media Partner*. It is a relatively flat organisation where the subunits enjoys a great deal of local autonomy in both daily activities and the work with CSR. *Stampen AB* is the parent company with approximately 30 employees, and this is where all the corporate functions are kept. In total, Stampen Group have close to 5000 employees, excluding the paperboys, and during the fiscal year of 2011, the company had a turnover of 5,6 billion SEK, and a net profit of 298 million SEK (Stampen Group Annual Report, 2011).



(FIGURE 4.2. - STAMPEN GROUP ORGANISATION MAP, RETRIEVED FROM STAMPEN.COM)

4.2.1. CSR AT STAMPEN GROUP

The core value at Stampen is, alike it has been for several years, to give as many as possible access to information and knowledge, since *“knowledge gives freedom; freedom to choose and to take individual, informed decisions. Simply put; it is good to know”* (Stampen Annual Report, 2011, p. 33).

During the interviews it is stated that, although Stampen AB actively work with CSR, they do not have a clear definition of what it means within the company. One aspect of CSR, which is brought up by all interviewees, is the idea of being a good corporate citizen, but this also lacks a clear and precise definition within the company. Furthermore, Tomas Brunegård, *CEO* of Stampen, states that Stampen has the two general purposes of being profitable and working as a guarantor for freedom of the press, with the latter clearly connected to CSR.

In terms of communication, a great deal of the CSR activities are done without explicitly talking about them being done. Although under current development, internal documents and guidelines regarding what to do, and how to approach CSR, do not yet exist. However, according to Ann Flyning, *VP Communications* at Stampen Group, a number of stories are published on the corporate intranet, and the HQ-office hosts *Samhällsnyttans Dag* (Public Welfare Day) each year to inform about community activities. Regarding external communication, a sustainability report was issued in 2012, but is not published regularly. However, Stampen does include some statements regarding CSR-related activities in its annual report. The interviewees state that a conscious decision has been taken to, at least internally, not use the abbreviation CSR, as it is seen as a “buzzword”. It has been decided that it simply should be called societal responsibility, and here, Stampen wants to underline that its newspapers have practiced societal responsibility since long before academics started to talk about CSR.

According to Gunnar Springfeldt, *VP of Business Development* and also responsible for sustainable environmental practices (and CSR) at Stampen, the CSR activities can be divided into two categories; global issues, such as environmental problems and press freedom that are targeted and decided at Stampen level, and local issues, that are targeted by local newspapers with little involvement from central top management. For instance, Stampen Group has recently achieved the ISO 14001 environmental certification in all organisational units, a process that took three years to accomplish. In the certification process, Stampen has focused on reducing environmental impact from transports, reduce energy-consumption and to use more recyclable materials, thereby making waste treatment more effective (Stampen Group Annual Report, 2011).

During the interviews, it was stated that CSR can be seen as the *raison d'être* of newspapers, and that their regular business, in itself, can be seen as CSR. This is explained by factors of historical, professional as well as commercial nature. In Sweden, historically, local newspapers were started as an instrument to investigate institutions and to spread political agendas in order to improve societal conditions. Moreover, a free society needs a free press to investigate that laws are followed and that abuse of power do not occur. Therefore, Stampen continuously supports media professionals in countries and regions throughout the world, where this is not taken for granted. As an example, in the last 12 months, Stampen employees have assisted newspapers from, for instance, China, Vietnam and Lebanon in improving their business models. Here, Stampen has chosen to assist newspapers, promote press freedom and sell media platforms, but not to own newspapers, since the existing restrictions and censorship on media could harm the credibility and brand value of Stampen

as a group.

Furthermore, CSR initiatives are also motivated from a business point of view. All interviewees expressed that the singlehandedly most important asset for a newspaper is its credibility, which is entirely dependent on public perception. In order to achieve this, Stampen needs to practice what it preaches, and here, CSR is seen as an important tool, which also is reflected by the following quote regarding Stampen's work with environmental initiatives.

"To invest time and effort into environmental initiatives is a question of credibility for the whole group. Our journalists are working with investigating corporations' and institutions' work in the area and it is therefore extra important to put one's own house in order."
(Gunnar Springfeldt, Stampen Group Annual Report, 2011)

On a local level, Stampen is convinced that newspapers coexist in symbiosis with society and that it is difficult to prosper over time if the local community do not. Therefore, local newspapers put an effort into promoting local people, places and businesses, and assisting in solving local issues. This can be exemplified with efforts to make the general public aware of societal problems, such as segregation and organised crime, in order to put pressure on politicians and institutions (Gunnar Springfeldt, 2012).

4.2.2. CSR AND ITS RELATION TO STRATEGY AND BUSINESS OPERATIONS

In general, no clear strategy regarding social responsibility currently exists at Stampen, other than the policy that local newspapers should focus on the local area in which they operate. On local level, examples of previous initiatives are the sponsoring of youth sport tournaments (GP-pucken) and establishing a database for job applications during the financial crisis (Nerikes Allehanda). Most of these initiatives are decided on at local level since Stampen believe that, due to the superior knowledge of local conditions at each newspaper, a great deal of autonomy should be given to them.

According to Gunnar Springfeldt, some strategic reasons to CSR do exist when media companies in developing countries, such as Vietnam and China, are assisted in building up their businesses. Considering that Stampen owns and sells technology for media platforms, mobile platforms and mobile advertising solutions, the intention is that Stampen also promotes these technologies in new markets. Stampen sees these companies as potential future customers and CSR as a means of increasing brand recognition in these markets.

Links to corporate strategy are vague since initiatives are mostly due to interests of local employees, and causal links to bottom line performance are not investigated. Gunnar Springfeldt states that CSR activities are mostly seen as philanthropic activities, and not as an area with the potential of profitability. Notably, one exception concerns environmental initiatives, where causal connections to bottom line are expected, even though efforts to measure the financial performance of individual investments are not made.

Another significant deviation is the collaboration with the Swedish governmental agency *SIDA*, where Stampen has received approximately SEK 10 million in order to assist media development and to support democracy and press freedom in developing countries. Here both quantitative and qualitative performance targets are used for projects such as *Women in News*, in which Stampen share professional and organisational knowledge to assist in educating female journalists in African countries (Tomas Brunegård, 2012).

When asked about Stampens' internal competencies, the interviewees stated that the most central competency is the extensive knowledge of local markets, actors and society in general. Another competency concerns the ability to publish information with a high penetration rate, sometimes reaching local markets more effectively than any other media. Additionally, a culture of innovation and the ability of navigating the media landscape (finding new ways of interacting with customers) are presented as other competencies.

Despite that Stampen seems quite aware of its capabilities, no guideline or policy for using these skills in the area of CSR exists yet, although it is under development. Moreover, there is no allocated budget for CSR activities, and resources to the initiatives are allocated on a project basis. One exception is the area of purely philanthropic donations that has a budget of approximately 250,000 SEK each year, unless there is a major event such as the Haiti earthquake, in case this amount can be doubled. In terms of decision-making, top management are mostly involved in decisions regarding the limited number of CSR initiatives that affect the whole group. Some activities are chosen as they require swift actions, while others are based on factors that the company believe is likely to benefit the local community. Purely philanthropic donations are chosen by the *Donation Committee*, which, in a rather arbitrary way, decides how to allocate the aforementioned budget. These philanthropic activities are not communicated externally, since they are rather seen as a tool for creating internal pride.

Ann Flyning states that Stampen has categorised its stakeholders into eight categories, based on their importance for, and potential impact on, business operations. These are considered both for CSR activities and other investments, and examples of stakeholders are advertising clients, current employees, future employees, unions and leading actors in the industry. Furthermore, before an investment or contribution is made, due diligence is performed to ensure that the activity will not associate Stampen or its subsidiaries to controversial issues, and this is crucial in ensuring credibility and legitimacy in the eyes of stakeholders.

Lastly, according to Tomas Brunegård, the linkage between CSR and employer branding is getting more important by the day. Today, Stampen Media Partner (developer of media platforms) is competing with giants such as Apple, Google and Facebook for customers as well as talented employees. Internally, being a good corporate citizen instead of finding a last extra cent of profit is encouraged, and over time, the company hopes that a consistent approach to social responsibility will create a corporate culture that attracts the right people.

5. ANALYSIS

In this section, the empirical data is thoroughly analysed. The theoretical framework is applied to the empirical data on one company at the time, in terms of whether there is congruence between theory and practice. Inconsistencies and similarities is consequently discussed and related to contextual factors that may have been influential.

5.1. MÖLNLYCKE HEALTH CARE

Today, there is no integration of CSR into corporate strategy, which might not come as a surprise, since it is hard to integrate something into strategy when intentions and objectives are unclear. Much of this comes down to Mölnlycke's lack of definition of what CSR means within the company, and the fact that no internal policy regarding CSR (objectives, reasons etc.) exists. This can potentially lead to confusion and hinder efficient communication within the company. Due to the lack of consensus regarding CSR definitions in general, it might not be necessary to have a clear-cut definition of what CSR stands for within the company. However, in order to maintain (and increase) credibility and legitimacy in the eyes of stakeholders, it is important to communicate what the company wants to achieve and what it can do better, and to adjust communication depending on which stakeholders that are concerned.

A consistent external communication regarding CSR is becoming more important by the day, especially since the connection between CSR and employer branding is increasing in relevance. Also, the importance of clear internal CSR communication should not be neglected, as CSR can play a huge role in employee motivation and pride. This connection was also noted during the interviews, which shows that CSR has some connection to the Human Resource Department at Mölnlycke. Improved employer branding through improved work with CSR can be crucial in the recruitment process of young talents, who increasingly have a high interest in sustainability and social responsibility. Here, by improving the work with CSR, and the external communication of it, Mölnlycke can ensure that it is attracting talented employees.

As stated earlier, much of Mölnlycke's external, but also internal, communication regarding CSR is made through the annual issue of its *Sustainability Magazine* and various short articles on the corporate web page. However, and in line with the lack of a clear definition of CSR within the company, it is not always communicated what the company is trying to achieve with its activities, or if they even are considered as CSR. An example of this is the aforementioned activities in China; activities that are not explicitly seen as CSR internally, and even less communicated as such externally. Conversely, companies are often criticised for a too narrow focus on *explicit CSR* - talking the talk, but not always walking the walk. It is all well and good to communicate and demonstrate what the company is doing, but too often, grandiose words and eye-catching activities ("window-dressing") take focus away from opportunities and activities that could be more beneficial, and are often used only in order to be perceived as a good corporate citizen doing the right things. Even though

Mölnlycke puts much emphasis on its Sustainability Magazine, which in some quarters is seen mostly as cosmetic, the aforementioned “criticism” should not be fully applied to the company, since Mölnlycke in some instances do *more* regarding CSR than they explicitly tell (China, for instance). Furthermore, this *implicit CSR* has historically been quite common in Swedish companies, and Mölnlycke seems to be slightly influenced by this as well.

A related question is whether the extensive focus on the Sustainability Magazine is a result of CSR today being mostly handled by the Communications Department. As noted earlier, CSR will take different shape depending on which department or person that is responsible for the associated activities, and it might therefore be natural that much emphasis is put on external and internal communication at Mölnlycke.

5.1.1. DIFFERENT TYPES OF CSR AT MÖLNLYCKE HEALTH CARE

Mölnlycke’s philanthropic donations are connected to the firm’s industry and field of operations, and the organisations that are to receive donations must fulfil certain criteria before final approval is made. However, when the criteria are met, Mölnlycke does not perform any activities connected to the measurement and evaluation of how well the money was spent, but rather, focus is on the amount of money spent. If analysed, this type of purely monetary donations that are not connected to strategy, core competencies and performance measurement, fit under our first category - *Purely Philanthropic CSR*.

Each year, Mölnlycke send a number of employees to the Volunteer Programme set up in collaboration with Operation Smile. This collaboration can also be seen as a *strategic alliance*, since it gives Mölnlycke further opportunities and credibility in an area which is closely related to its field of operations. However, the employees that are chosen do not get selected on what they, in their capacity of specific knowledge or position inside the company, can achieve or contribute with. Instead, the volunteers are, when admitted and sent out to the missions, mainly used as factotums. By neglecting the specific competencies of the employees, both Mölnlycke and Operation Smile are missing out on more significant contributions (in relation to resources employed) that would have been possible if these competencies were considered and explicitly used. Therefore, this voluntarism will also be classified as *Purely Philanthropic CSR*.

In contrast to the aforementioned monetary donations, the huge amount of surgical gloves that Mölnlycke donates each year can be considered as an activity with some strategic intentions. By donating gloves, and thereby raising knowledge and awareness of the firm’s products, one can possibly expect an increase in sales in the longer-term if the users are satisfied with the products. Furthermore, by donating its products, Mölnlycke is indirectly using its internal competencies which have been instrumental throughout the entire innovation and production phase - *Business-Related CSR*.

The donation of gloves and face masks to the disaster relief after the earthquake and tsunami in 2011 is another example of how Mölnlycke, through the use of internal

competencies, can support and provide help in times of sudden difficulties and hardships in society. These kinds of activities, in where Mölnlycke provide their own products and knowledge, have great future potential and need. Natural disasters and catastrophes will, unfortunately, continue to happen all over the world, and health care products - provided quickly and effectively - are vital in the pursuit of minimising negative consequences and casualties. Seeing as Mölnlycke is at the forefront of developing such products, and since this is an area in which all the company's internal competencies are exploited, one can, in line with theory, expect that the donation of such products has a greater impact than if the same amount of resources were spent through purely monetary donations. Additionally, this value is not only concentrated to the affected people and society, but also to the company itself through the raised awareness and knowledge of its products and through raised goodwill and legitimacy in the eyes of stakeholders. Hence, activities of this kind are classified as *Business-Related CSR*, and shows how shared value increase when CSR gets more integrated with business operations.

Interestingly, Mölnlycke is already pursuing CSR activities and projects that, in accordance to earlier definitions, can be described as adjacent to *Tailor-Made CSR*. One example of this is the establishment of numerous MHC Wound & Scar Centres in China, and the education and training of surgeons and nurses at several hospitals throughout the country. By doing this, Mölnlycke contributes and uses its extensive internal competencies and knowledge in order to help solving a pressing societal issue in China. In relation to the number of inhabitants, there is a huge deficit of skilled hospital personnel in parts of China, and this leads to people not receiving proper and sufficient, if any, health care when needed. Here, there is a huge Mölnlycke supports and contributes by educating thousands of Chinese nurses each year, and by helping to spread best practice to numerous health care professionals.

Perhaps the most interesting part of this is that Mölnlycke achieves most of this by using the internal competencies and knowledge that exist within the company. What also makes these projects and activities interesting is that Mölnlycke, when educating and spreading best practice, expands the market for, and raises awareness and knowledge of, its wide range of health care products. There is also an obvious potential to improve health care services for the Chinese people, thus increasing demand for high quality health care products such as Mölnlycke's. Considering that China, with its massive population and increasing need for advanced health care, has the potential of being a hugely significant and profitable market for Mölnlycke in the future, then one can categorise this as *Tailor-Made CSR* if performance measurement is pursued.



(FIGURE 5.1.1. – 3 SHADES OF CSR AT MÖLNLYCKE HEALTH CARE, DEVELOPED BY THE AUTHORS)

5.1.2. CSR AND ITS INTEGRATION WITH STRATEGY AND BUSINESS OPERATIONS

The interviewees did not consider the initiatives in China as CSR, but instead, these projects have rather been pursued as daily business activities outside the scope of CSR. Here, Mölnlycke is using its internal competencies in order to support and help solving a societal issue, while at the same time opening up a future market for its products which has the potential of being highly profitable in the long-term - a definite case of *shared value*, and turning a problem into an opportunity. Also, knowledge sharing benefits not only the health care staff and the patients that receive better health care, but also the company which gets insights into, and an understanding of, local needs. This suggests that Mölnlycke already, without explicitly acknowledging and communicating it, is pursuing CSR activities that have a clear strategic touch.

Furthermore, this suggests that Mölnlycke has the potential of identifying equivalent cases of shared value by doing what the company does best. This is also something that has been touched upon within the company, with Mölnlycke seeing potential in pursuing similar projects in other developing countries such as India, although without considering CSR as a part of the strategy for entering new markets. Interestingly, this potential would most probably increase if Mölnlycke embraced a more thorough and strategic approach to CSR, which would make the identification of shared values a natural part of daily business activities.

The initiatives in China can partly be explained by one of Mölnlycke's three core values - *learning*. During the interviews, this value was brought up several times, and it is clear that knowledge, and the dissemination of it, is highly emphasised and encouraged within the

company (including top management). Furthermore, knowledge was also suggested as an important part of the company's core competencies, and especially in innovation. Since learning and knowledge is so highly valued inside the company, it is probably no surprise that learning has evolved into *teaching* (of best practice) and knowledge sharing, and become an integral part of one of Mölnlycke's most promising CSR projects.

It is clear that Mölnlycke puts a lot of effort in trying to influence and control the behaviour of suppliers, and in controlling its own activities throughout the value chain. The recently developed *Supplier Standard* presents tough demands for suppliers regarding sustainability, human rights and social responsibility. If the behaviour of the suppliers is measured and evaluated properly, then Mölnlycke can make sure that appropriate behaviour is maintained and disseminated. Since Mölnlycke's *Code of Conduct* is based on a number of standards and policies for human rights, sustainability and social responsibility, Mölnlycke also makes sure that appropriate behaviour is followed throughout the company and its value chain.

The corporate definition of stakeholders as "*anyone who has an interest in, or interaction with Mölnlycke Health Care*" proposes that Mölnlycke has a very wide approach to stakeholder management. This is further supported by what was stated during the interviews; that stakeholder analyses are mostly made on a project basis. If made thoroughly, this suggests that different stakeholders are considered depending on the specific activity and circumstances at the time, which should also mean that the *right* and most affected stakeholders are considered. However, if no clear instructions on how to make stakeholder analyses exist, or on which stakeholders that generally should be given most attention, Mölnlycke could face the risk of neglecting important stakeholders, and thereby lose legitimacy towards them.

All of the interviewees expressed that they felt a high degree of top management engagement and encouragement for employees to come up with their own ideas and initiatives regarding CSR, and that an outbred desire to change the current non-integrated approach to CSR exists. The engagement and encouragement from top management to try new things was also proposed as one of the core competencies within the company. Even though this, by definition, cannot be seen as an internal core competence per se, it is still a crucial part of the innovation process, and could prove to play a major part in the company's new approach to CSR. If a change to a more thorough and strategic approach to CSR is desired, clear support from top management is vital in order to unite all departments and employees despite role- and responsibility-based differences and preferences regarding CSR. Here, the perceived ability to pursue activities with a "small company"-mindset, despite the potential pressure on quarterly earnings and short-term results that Investor as a publicly listed company faces, may prove valuable as well.

Finally, some of Mölnlycke's activities are not even considered as CSR, and in some cases, the huge potential for shared value has been overlooked. One example of this is the non-usage of the employee's specific competencies and knowledge when sent out on volunteering missions, which neglects the potential for shared values. With the rather simple modification of matching skills to tasks, a higher degree of contribution from the employees

is possible, which would lead to increased benefits coupled with more extensive opportunities for learning, knowledge sharing and increased product awareness.

5.2. STAMPEN GROUP

Drawing from the interviews and other sources, it is clear that neither an explicit definition of CSR, nor any policies in the area, is used in the company. This might be an obstacle to an effective internal communication and can potentially cause confusion since social responsibility is an ambiguous concept. Since Stampen has started to look into this, with an internal policy under development, it is evident that this concern is somewhat existent in the company.

Currently, a great deal of local autonomy is granted to each newspaper, and this gives them a lot of flexibility in adapting social responsible activities to local conditions. However, relatively flat organisational structure leads to that local initiatives will remain that - just local - since Stampen do not centrally administer a sharing of successful initiatives from the CSR field.

Another significant aspect, which is emphasised numerous times during our interviews, is that the most valuable asset of both Stampen Group and its subsidiaries is the brand value, which is dependent on the perceived credibility. People have to trust the publisher, and this does not only break down to the actual accuracy of the stories; people do not want newspapers to have double standards or to be exposed to hidden agendas. In order for CSR activities to be perceived as credible, a consistency is required, and Stampen Group needs its actions to reflect its opinions. Hence, when the lack of press freedom, or other undemocratic tendencies in certain parts of the world, is criticised, Stampen is well-suited and obliged to actively assist in changing this. Additionally, this line of reasoning is also evident in the work with environmental certification, since Stampen simply cannot back its demands on corporations to improve their environmental performance if it does not practice what it preaches. The higher perceived credibility that Stampen possesses among its stakeholders, the higher standards it can demand, and this constitutes a crucial argument why Stampen needs to comply with as high standards as they can.

5.2.1. DIFFERENT TYPES OF CSR AT STAMPEN

It is evident that the degree of business integration differs between CSR activities at Stampen. For example, one can state that the Donation Committee's choice of which charitable causes to support is a case of *Purely Philanthropic CSR*, since Stampen simply donates a sum of money and do not measure the outcomes. Furthermore, recipients are chosen in an arbitrary way, no internal competencies are used, and it is not evident how these initiatives add value to the company.

More effective CSR activities appear when Stampen Group uses its internal competencies and helps newspapers abroad to make their operations more commercially viable. This

sharing of knowledge is not very costly, yet it is more efficient for the assisted newspaper compared to if equal resources were assigned in form of cash donations. Furthermore, when supporting professionals in countries with restrictions on press freedom, brand value and employee motivation are likely to increase, since the idea of press freedom is essential for journalists. Although it may not be easy, or even possible, to identify clear causal linkages to increased profitability, it is still evident that it can have greater positive impact on society. Hence, these activities are classified as *Business-Related CSR*.

Stampen's newspapers reports on numerous social issues and puts pressure on the people responsible to act, and additionally, initiatives are launched in order to deal with these issues and situations. The newspapers mostly have local focus, which makes engagement in the local community essential, and this is visible in the targeting of CSR activities. The establishing of a database for job applications, made by Nerikes Allehanda, is a great example of a newspaper using its competencies in publishing and spreading information with a high penetration rate, reaching out to numerous employers and potential employees. Here, the use of internal competencies qualifies these activities as *Business-Related CSR*.

Even though the aforementioned activities are both honourable and important to Stampen's business model, there is still potential to derive even more value from CSR activities. *Tailor-Made CSR* activities are evaluated on the same criteria as other business decisions, and can be a pivotal part of the value proposition and a source of operational excellence and competitive advantage. When newspapers in other countries are assisted with improving their business models, Stampen Group considers these to be potential future customers of its mobile platforms and service solutions. Therefore, inasmuch as it can be seen as a CSR activity it can also be considered to be a strategic business decision, and close to *Tailor-Made CSR*. However, these initiatives are not measured or evaluated, and causal linkages to long-term profitability are therefore not explicitly considered.

Interestingly, and also rather surprisingly, the most extensively measured CSR activities are the ones that are performed, for mostly philanthropic reasons, together with the Swedish governmental agency SIDA. Here, in this *strategic alliance*, Stampen is providing assistance in line with its internal skills and competencies, and these activities are thereafter measured through a wide array of both quantitative and qualitative measures in rather abstract societal areas such as democracy and gender equality. Despite that this is a highly integrated CSR activity, it is not entirely *Tailor-Made* for Stampen since any linkages to increased productivity or access to new markets have not been explicitly considered. By emphasising organisational learning and other potential business benefits deriving from these initiatives, the value from CSR activities can increase for both Stampen and society.



(FIGURE 5.2.1. – 3 SHADES OF CSR AT STAMPEN GROUP, DEVELOPED BY THE AUTHORS)

5.2.2. CSR AND ITS INTEGRATION WITH STRATEGY AND BUSINESS OPERATIONS

As previously described, Stampen sees several reasons to pursuing CSR activities both centrally locally, and the company has a rich tradition of aiding and supporting the community in which it operates. Although several rationales for CSR are presented, there are no explicit intentions to use CSR activities as a strategic measure in order to gain a competitive advantage. Currently, CSR is rather seen as a professional duty and a side-activity without any clear link to corporate strategy, value creation and competitive advantage. However, professional ethics of journalists and social responsibility are closely related and have a long-going tradition, at least in Sweden. Therefore, CSR activities are performed at the local newspapers without management giving clear directives to do so, and are a result of the local autonomy that is allowed. On the other hand, these initiatives are sometimes more related to the local needs than the organisations' overall commercial strategy. Consequently, the lack of a common definition of, and clear guidelines for, CSR within the organisation makes the potential creation of shared value less effective.

Even though Stampen lacks a consistent approach regarding CSR, it is evident that, unconsciously, Stampen has performed some CSR activities with distinct strategic features, perhaps due to the aforementioned journalistic tradition. The work with assisting newspapers in other countries is motivated by both commercial and professional arguments, since it also introduces the media platforms to potential customers in yet untapped markets. Here, Stampen is clearly using its internal competencies, skills and experiences for a good cause, and, possibly, a new customer. Furthermore, the line between what can be considered as CSR, and what cannot, is by no means exact, which adds another challenge.

On the other hand, since *Tailor-Made CSR* is integrated with, and managed by, the same means as other business activities, a clear distinction is not essential, and CSR activities moves from being peripheral to an integral part of core business.

Interestingly, Stampen Group does not regularly publish any sustainability report, and although some stories regarding its CSR is included in the annual reports, a majority of the activities are done without explicitly communicating about them - *implicit CSR*. However, if needed, Stampen possesses the appropriate, and possibly most relevant, tools (through its newspapers) to inform the general public about initiatives and progress in the area. Therefore, it can be argued that Stampen do not need to devote resources to the issuing of sustainability magazines, and can instead focus on performing the actual activities.

Before donations are made, a thorough due diligence of the potential beneficiaries, in relation to the perceived stakeholders, is performed. This indicates that both the business aspect of the activity and the brand value are somewhat considered, although this is mostly related to risk management instead of value creation. However, the philanthropic activities are not measured on their performance, and this means that there is no data on how effectively the resources have been used.

In terms of how to manage CSR, both benefits and disadvantages can be found in the decision to grant local newspapers a great deal of autonomy. Obviously, local knowledge is crucial for targeting suitable CSR activities, but by not formalising ways of sharing experiences and best practice, CSR performance is likely to be suboptimised. For instance, the database created by *Nerikes Allehanda* could prove to be a successful initiative for other newspapers as well, and the same line of reasoning can be applied to numerous initiatives.

Stampen Group's work with certifying all of its business units with the environmental standard ISO 14001 is a part of risk mitigation, as well as internal and external brand building. Furthermore, when investments that are made in order to be certified are evaluated on the same criterion as other investments, full integration is reached. These investments are not only socially responsible, but also financially motivated since resources are used more effectively, and are thus tailor-made for the company. The same line of argument could also be used for community involvement if Stampen Group wants to achieve competitive advantage through other CSR activities.

It is evident that CSR is an important area for Stampen, and the dual purposes of making money and working as a guarantor for freedom of the press is communicated by top management. Furthermore, even though CSR by many is seen as a newspaper's *raison d'être* and an obvious part of corporate culture, it is still possible to increase both efficiency and effectiveness by increasing the value from CSR. For instance, although the work with promoting press freedom is integrated with internal competencies and other business activities, performance measurements is not used for these activities. Here, the collaboration with SIDA sets examples of how to measure and evaluate rather abstract objectives. By setting performance targets and combining the two purposes, instances

where it is possible to both promote press freedom and to earn profits can be identified, and thus align business activities with both purposes.

6. DISCUSSION

In this chapter, findings from the analysis of the companies are contrasted in order to gain insights into how contextual factors may explain differences, but also similarities. Furthermore, similarities and differences will be evaluated and considered in relation to relevant concepts and conditions. Lastly, potential improvements to the companies' current approach to CSR, as suggested by the theoretical framework, are discussed in general terms.

6.1. THE INFLUENCE OF CONTEXTUAL FACTORS

Despite differences in ownership structure, top management at both Mölnlycke and Stampen show clear engagement and support when it comes to CSR. Support and encouragement from top management is often a crucial factor in to what degree a company engage in CSR activities. It has been suggested that family-owned companies and organisations have certain conditions that make them more suited to CSR in general, in contrast to publicly listed companies which face higher pressure regarding short-term performance and quarterly earnings. Even though Mölnlycke is not publicly listed, it is still owned by Investor; a publicly listed investment company that has to live up to quarterly expectations from investors and analysts. Even though we have not found any explicit differences that could be causally explained by the differences in ownership, this could still be of major importance in the event of a changed approach to CSR and in the implementation of it. Here, resource consumption is often high initially and the related positive effects may not show until several years ahead, and could therefore be harder to justify when pressure on short-term results is higher. However, since management is clearly engaged and interested in CSR at both companies, the influence of short-term focus may be reduced, and therefore, the difference in ownership may not prove to be of significance in this case.

Today, both companies actually pursue activities that are, neither externally nor internally, clearly communicated as CSR. However, whether this is down to the lack of knowledge and a clear definition of what the CSR concept embraces, the tradition of implicit CSR in Sweden and a desire not to show off publicly, or a combination of both, remains somewhat unclear. What is clear though is that both companies can improve their communication of what has been done, what is trying to be achieved, and what is left to do regarding CSR. By doing this consistently, both companies have the potential to increase employee motivation and pride, while at the same time increasing legitimacy and credibility in the eyes of stakeholders.

A majority of the modern literature and theories about CSR, and especially those focusing on an integrated and strategic approach to it, emphasise the importance of using internal competencies, knowledge and resources if companies are to produce maximum value for the company itself, its stakeholders and society. Since internal competencies will differ

significantly from company to company, and even more so from industry to industry, the work with CSR and the activities pursued will consequently differ. This difference is also something that we, during our study of the two companies, have found evidence of. Mölnlycke pursue CSR activities that are completely different to Stampen's activities, and this is presumably a result of the differences in industries and internal competencies and resources. For example, Mölnlycke supports organisations and causes clearly connected to the health care industry (Operation Smile, for instance) and educate nurses and establish Wound Centres in China, while Stampen, through their subsidiary newspapers, supports local communities and help foreign newspapers in their pursuit of freedom of the press.

Alternatively, when CSR is not fully integrated with other business activities, differences in practices could also be due to the CSR activities being influenced by the responsible persons or departments. The persons with most responsibility for CSR at Mölnlycke works in the Communications Department, while at Stampen, this responsibility is assigned to the person responsible for business development, who interestingly also has journalistic education. Hence, Mölnlycke's focus on its Sustainability Magazine and on compliance with standards (ISO, GRI) and Stampen's focus on promoting and aiding foreign newspapers in their pursuit of freedom of the press, can possibly be explained by these role-based factors of influence. It is also important to note that Stampen has practiced community involvement, through a wide range of activities, since long before the concept of CSR appeared. Here, it is possible that this rich tradition of community involvement, in combination with the company's essential need for credibility, has led to CSR having some natural integration with daily business operations.

Of significant importance is that, by isolating responsibility for CSR to separate departments or specific persons, one only considers a minority of the internal competencies and knowledge within the company, and strategic benefits and synergies stemming from cooperation and integration with other areas may be missed or not fully utilised. Consequently, and despite the explicit use of internal competencies in a number of CSR activities, the usage could still be much more extensive at both companies. By changing the overall approach to CSR to a more integrated and strategic one, the conditions and possibilities will increase significantly.

Naturally, due to differences in business models, industries and external conditions, companies will have different stakeholders, and should therefore, in order to reach legitimacy and credibility, direct and design its activities, including CSR, accordingly. This is also evident in the CSR activities and stakeholders that Mölnlycke and Stampen choose to focus on. As an example, Stampen have extensive local focus, trying to develop and support the communities in which the local newspapers act, while Mölnlycke focus on organisations and people associated with the health care industry. However, both Mölnlycke and Stampen have a wide range of parties perceived as stakeholders, and see different stakeholders depending on the nature of the specific activities. Evidence of this is, for instance, seen in Stampen's support of foreign newspapers in their pursuit of freedom of the press, in where the journalistic profession in general is seen as a stakeholder, and hence having an international rather than local focus in this case.

6.2. INCREASING THE VALUE OF CSR

In order to effectively manage CSR activities, important questions that should be asked are, for instance, what the company wants to achieve and how, and with what means, the company plans to achieve it. With clear and explicit goals regarding CSR, the implementation and evaluation within the company can be pursued with greater ease. Regarding communication, both companies has the potential to perform much better if they more specifically and effectively communicate *what* the companies have and want to achieve, *how* they want to achieve it, and *why* they want to achieve it. A clear internal definition of what the companies are trying to achieve in their work with CSR can help in guiding and coordinating activities within both companies, and thus provide consistency.

A similarity between the two companies is the lack of measurement and evaluation of how much value the different CSR initiatives contribute with. For CSR to be perceived and acknowledged as an equally important part of a company's business, one must measure and evaluate it to the same degree as other business activities. Like mentioned several times in this paper, this has been identified as one of the hardest parts of a proper implementation of CSR throughout the organisation, and is evident in the lack of commonly used metrics and measures. The challenges and hardships connected to the measurement of CSR activities are numerous, and often stem from problems with establishing definite causal linkages between today's actions and long-term results, and with how to measure a constantly changing and complex concept as CSR. Actually, it can sometimes be extremely hard, if not to say impossible, to explicitly measure certain CSR initiatives, but this should not mean that they should be neglected; just because one cannot always measure or monetise certain activities in complete detail, it does not mean that one cannot talk about the strategic value they create or that measuring should be overlooked. Instead, it is favourable to have a systematic measurement approach, which makes sure that all activities get measured in one way or another.

At first, and due to the aforementioned challenges, this might sound like a difficult task, but in reality, it may not be as difficult as initially perceived. The reason to this is that if CSR gets thoroughly integrated into corporate strategy and becomes a natural part of the daily business activities, then CSR will consequently be measured and evaluated under the same conditions as other business activities. This is also something that both Mölnlycke and Stampen could strive for, since today, CSR is mostly seen as a peripheral activity which is loosely, or not, connected to strategy, involving only a minority of employees or business areas, and most often not measured or evaluated at all. By changing this approach and mind-set, both companies have the potential to create higher collective value for both company and society, and to make it a natural part of business.

For philanthropic activities, many argue that business benefits are not necessary, or even desirable, as the good intentions constitute a sufficient motivation. However, since both companies have limited resources to allocate, some kind of performance measurement on CSR activities should be encouraged. By evaluating these activities, clearer linkages between CSR and bottom-line performance can be identified, and mind-sets can be reframed from seeing CSR simply as a cost, to seeing it as an opportunity for combining societal benefits

with increased profitability. As an example, both Mölnlycke and Stampen have a significant interest in, and express a great sense of responsibility for, environmental issues, and put a lot of time and effort into mitigating their environmental impacts. This is also an area in where they expect effects on long-term profitability through a more efficient use of resources, even though this is not the reason for pursuing with it. Consequently, business practices that provide collective value are often far more worthwhile than monetary donations, and this aspect is important to consider in all the work with CSR.

6.3. OPPORTUNITIES FOR IMPROVEMENT

It is only when CSR is fully integrated, and treated, performed and evaluated on equal terms as other activities, that a company can achieve competitive advantage derived from a *Tailor-Made CSR* approach. Even though neither Mölnlycke nor Stampen are there yet, one can still see promising features in their respective approaches to CSR. Mölnlycke's sharing of knowledge through its activities in China is a striking example where the company, through knowledge sharing and spreading of best practice, actually expands its potential market in China while at the same time increases brand recognition; an obvious case of a win-win situation. At Stampen, the strategic use of journalistic competencies is extensive when working with CSR, and perhaps most evident in the assistance of foreign newspapers where both the mission of earning profits and the mission of working as a guarantor for freedom of the press are pursued. Importantly, in both examples, it is the combination of competencies, activities and purposes that can make these CSR activities significant and successful for both business and society.

For Mölnlycke, the most striking example is that CSR have been used as a tool for expanding and entering into new markets, even though they have yet to realise that it, with appropriate performance measurement, would become *Tailor-Made CSR*. Consequently, there is no need for reinventing the wheel, but instead, simply reframing focus on CSR from charity to *collective value*, and to realise what is already performed. Mölnlycke has the potential to further improve business impacts in, for example, ensuring that the e-learning programme not only is an activity where they teach, but also that it is seen as an opportunity to learn about local conditions by conducting surveys et cetera. Although the positive societal impact remains the same, Mölnlycke can derive more business value from the activities and therefore consider it less as a cost and more as a natural part of everyday business activities.

At Stampen, CSR could be seen as a part of the value proposition and its *raison d'être*, but successful local initiatives initiated by subunits are not regularly spread to other units or subsidiaries, despite encouragement from top management. By lacking specific measures and guidance for spreading information on successful local initiatives, Stampen misses out on further opportunities for value creation, since many of the activities could, if somewhat adjusted, be pursued by other units. Consequently, a systematic approach to finding, evaluating and internally sharing local initiatives and value-creating opportunities could be a way of solving this, and thereby increase the total value of CSR activities.

For both Mölnlycke and Stampen, it is evident that, in terms of approach to CSR, no revolution is needed, since a number of the CSR activities are already somewhat related to strategy and internal competencies. Noteworthy, Stampen's local knowledge and ability to reach many people at once are competencies that can, and should, be embraced in CSR activities. One activity that newspapers therefore are well-matched to perform is to inform about CSR, to put it on the agenda, and to spread best practice. This can work as a catalyst for companies to embrace *Tailor-Made CSR* on a broad scale, by creating a sense of prestige for companies to be mentioned as role models when it comes to CSR. Hence, Stampen has the potential of making a substantial positive impact, not only through its own activities, but also through influencing other companies to thoroughly embrace this approach.

Mölnlycke's activities in China and Stampen's engagement in local communities are two explicit examples of approaching a social issue that is at the core of business, and consequently solving it by exploiting internal competencies - *Tailor-Made CSR*. Here, the companies are using their internal resources and capabilities to solve very specific social problems in ways that are clearly aligned with the company's strategy, that strengthen its competitive positioning, and that enable it to increase profitability in the long-term. The final step for both Mölnlycke and Stampen is to actually realise the potential of these and equivalent activities, and to establish ways of measuring their impacts - both for society and company.

The collaboration between Stampen and SIDA constitutes an interesting example due to the extensive use of performance measurements. Here, one might argue that there is a greater responsibility involved when dealing with taxpayer money and that the actual positive impact therefore needs to be identified and measured. However, this example is especially interesting since it shows that it definitely is possible to measure impacts of social investments, even if measures and objectives are of abstract nature. When showing that it is possible, and that appropriate ways of measuring are in place, there is no reason to why it should not be pursued in other CSR activities as well (with slight adjustments). In the end, companies have to act in a responsible way towards their shareholders as well, and showing that CSR can be pursued in ways that maximise value for both stakeholders and company will help in proving that there indeed is a business case for CSR.

7. CONCLUSION

- Do Mölnlycke and Stampen consider the business case for CSR?

However, our results indicate that the two companies have yet to deliberately embrace CSR as a way of creating value and development for both company and society. Today, several of the CSR activities lack clear integration with regular business activities, internal competencies and strategy, and as a result, both companies miss out on opportunities for shared value. Instead, focus is still mostly on a purely philanthropic approach, in where the companies do not expect any explicit gains, or even find it desirable to do so. However, we have found that both Stampen and Mölnlycke, without deliberately considering it themselves, are pursuing a few CSR activities with clear integration with their internal competencies and knowledge. These activities clearly illustrate how one can approach CSR as a business case, and that creating value for both company and society simultaneously is both achievable and preferable. This also indicates that neither of the two companies needs a revolution, and that they, with a modified approach to CSR and its increasing importance for corporate success, have the potential to move away from *Purely Philanthropic CSR*, and instead embrace *Tailor-Made CSR*.

- How do contextual factors influence CSR practises?

As suggested in theory, a number of factors have major influence on how a specific company will pursue its work with CSR. Naturally, it is hard to draw any definite generalisable conclusions from an empirical study of only two companies, since factors unique to the companies, or the point of time in which the data was collected, might have influenced the outcome. However, our findings indicate that some consistency do exist between theory and the empirical data collected for the purpose of this paper. We have found that there are significant differences in how Mölnlycke and Stampen approach and perceive CSR, and that these differences can be due to a number of different factors, some more explicit than others. Firstly, the daily business activities and internal competencies at Mölnlycke and Stampen differ significantly due to the two companies operating in completely different industries. This has led, and should lead to, differences in which CSR activities that get focus, since it is with one's specific internal competencies that one are best suited to contribute.

Secondly, the allocation of responsibility for CSR differs between the companies, which can be due to owners', managers' and employees' perception and opinion of CSR, in combination with the organisational structures. At Mölnlycke, the responsibility of the Department of Communications has led to high focus on communication, both internal and external, and the Sustainability Magazine, while at Stampen the relatively flat organisational structure gives local newspapers extensive autonomy, which has led to significant variance in activities within the organisation. However, the difference in ownership structure

between the two companies has not been proven to explicitly affect the respective approach.

Thirdly, Mölnlycke and Stampen have different stakeholders, and must therefore respond to, and satisfy, different interests and claims in order to reach legitimacy. This has led to Mölnlycke having focus on parties associated with the health care industry, while Stampen focuses on freedom of the press and the support of local communities in where the local newspapers operate. These factors, sometimes in combination with each other, have consequently led to distinct differences in which CSR activities that are pursued, in how CSR is approached, and in what ways the companies can contribute to societal development.

- How can integration of CSR increase value creation for both company and society?

In line with what is suggested in theory, it is not desirable to turn CSR into a standardised phenomenon, since each company should do what they do best depending on their field of industry and internal competencies. Here, we found one explicit deviation in the purely philanthropic monetary donations that are made by both Mölnlycke and Stampen each year, which have almost negligible relation to the respective companies' daily business activities and their internal competencies. The central point here is that these standardised, unintegrated and purely philanthropic CSR practises are the least valuable in relation to resources employed, create the least shared value of *The Three Shades of CSR*, and clearly neglects the business case for CSR.

Even though CSR in general, and the target of *shared values* in particular, are challenging to quantify, and that causal links to bottom line performance sometimes is hard to establish, it is still vital to measure CSR activities. Stampen's collaboration with SIDA, and the extensive performance measurement that is involved, shows that, despite somewhat abstract targets, measuring CSR is still possible, and this could serve as inspiration for others. Seeing as neither of the companies regularly measures their work with CSR, this is an area that should receive further attention and effort, especially since a lack of established causality between CSR and corporate performance is where sceptics often direct their criticism.

Even though the concept of CSR, and its increasing importance in the contemporary business climate, has been the subject of vast amounts of recent debate and research, many questions and issues remain unanswered. Future research is especially desirable in areas concerning the measurement and evaluation of CSR activities, and in establishing clear causal linkages to long-term profitability. This is an area that is frequently questioned by managers with responsibility for short-term financial performance, and by investors and shareholders whose money is at stake. Finally, we also encourage further and more extensive research on how differences in ownership, organisational structure, industry and internal competencies affect companies' work with CSR. It is clear that these are all factors that affect (and should affect) how companies work with CSR, but it is unclear to what degree it occurs, and if companies in certain industries have better conditions for, and higher potential in, a pursuit of Tailor-Made CSR and shared values.

However, having elaborated on Mölnlycke's and Stampen's approach to, and work with CSR, researchers and practitioners can now have a deeper understanding of how contextual

factors influence how companies approach CSR, how internal competencies decide which activities that are pursued, and how CSR can create value for both company and society in a way that triumphs purely philanthropic donations. In this, it is also evident that, if companies reframe the mind-set regarding CSR from isolated and unintegrated activities to the business case of *Tailor-Made CSR*, they can seize the opportunity to unite corporate and societal success.

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Interviews

Ann-Kathrin Halvorsen, *Corporate and Financial Communications Manager*, Mölnlycke Health Care, 2012-02-06 & 2012-03-21

Elisabeth E Gustafsson, *Management Assistant Corporate HR*, Mölnlycke Health Care, 2012-02-06 & 2012-03-21

Jenny Jakobson, *External Engagement Manager*, Mölnlycke Health Care, 2012-03-21

Karin Andresen, *Global Environment, Health & Safety Manager*, Mölnlycke Health Care, 2012-03-21

Ann Flyning, *VP Communications*, Stampen AB, 2012-05-04

Gunnar Springfeldt, *VP Development*, Stampen AB, 2012-02-07 & 2012-03-21

Tomas Brunegård, *CEO*, Stampen AB, 2012-05-03

APPENDIX

INTERVIEW QUESTIONNAIRE

Since the interviews are of semi-structured nature, the following questions have been used more as a support and foundation in a thorough discussion, rather than being strictly followed.

- ✓ How is CSR defined inside the company?
- ✓ What business areas inside the company are seen as CSR (e.g. environment, social issues, human resource)?
- ✓ How do CSR projects get initiated?
- ✓ How are CSR, and associated projects and activities, communicated internally and externally?
- ✓ How important is CSR for your company?
- ✓ Is top management involved and/or engaged in the work with CSR?
- ✓ Who decide which projects and organisations that get sponsored and supported?
- ✓ Do you have a fixed budget each year regarding CSR and/or philanthropy?
- ✓ Do you have any guidelines or internal document regarding CSR today?

- ✓ What is your knowledge about global standards regarding CSR, such as GRI and ISO (14001 and 26000), and about CSR policies, such as the European Commission's policy that was issued in 2011?
- ✓ Is CSR today seen as an activity that can lead to decreased costs or increased profits, or mainly as something that should, and must, be done regardless?
- ✓ How is corporate strategy communicated internally?
- ✓ Is there today any connection between CSR and corporate strategy?
- ✓ On what grounds are CSR activities measured and evaluated, both before decision-making and after implementation?
- ✓ Are CSR activities treated in isolation or in cooperation with other issues and areas (e.g. employee motivation, employer branding, marketing)?
- ✓ Do you conduct stakeholder analyses on a regular basis and is it conducted for CSR activities?
- ✓ Who do you consider to be a stakeholder? How do you analyse this?
- ✓ According to yourselves, which are your internal core competencies (i.e. what makes you prosper, and what differentiates you from your competitors)?
- ✓ Are the internal competencies deliberately considered when deciding on CSR activities?

Saving the world while making a profit – The business case for CSR

A consistent and integrated approach to CSR can create value for both company and society in a way that triumphs purely philanthropic donations, and which seizes the opportunity to unite corporate and societal success.

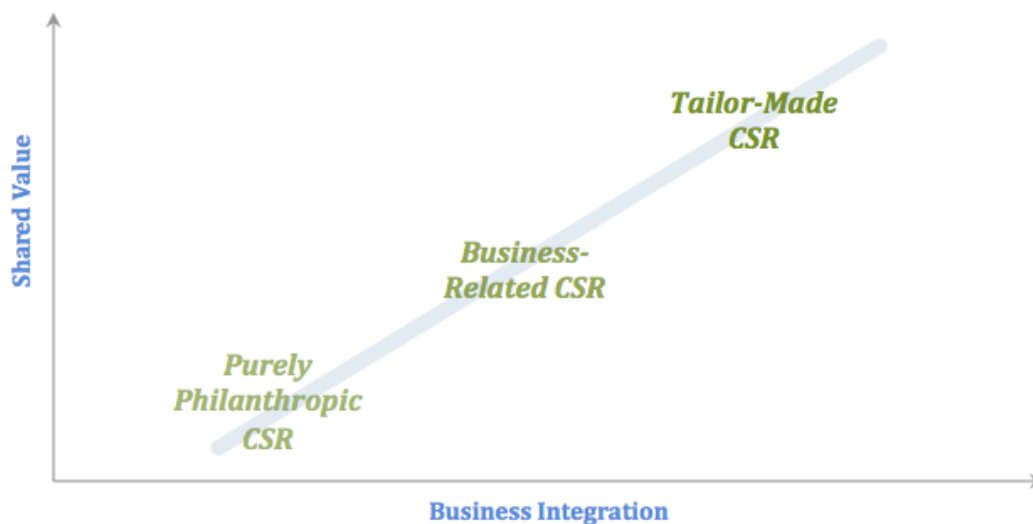
Although CSR is a concept of increasing importance in contemporary business climate, companies find it challenging to integrate CSR with corporate strategy and daily business activities. Inasmuch as they are struggling with defining the concept, identifying business benefits can be even more troublesome, and consequent responses have often been simply cosmetic in the shape of PR campaigns and sustainability reports. However, managers need not to worry - through theory and practice, numerous examples of how to combine good intentions with superior corporate performance can be found.

This line of argumentation is supported by a study at the Swedish companies Mölnlycke Health Care and Stampen Group, which covers aspects of CSR and its relation to contextual factors, such as internal competencies, stakeholders, corporate strategy and daily business activities.

First, it is suggested that contextual factors, such as industry, internal competencies, allocation of responsibility, and stakeholders, play a vital role in how companies approach CSR. Secondly, it is stated that even though companies are not entirely aware of the potential of shared value (corporate and societal value combined), and that integration with internal competencies is not regularly considered, there evidently is a business case for CSR. Third, this can be approached, and dealt with, through a consistent engagement aimed at making CSR activities tailor-made to a company's internal competencies, external environment, stakeholders and overall strategy.

Consequently, the authors have classified CSR activities into *the Three Shades of CSR*; *Purely Philanthropic CSR*, *Business-Related CSR*, and *Tailor-Made CSR*. Here, focus is directed toward the degree of integration between activity and internal competencies, as well as the degree of integration with strategy and other corporate activities.

The 3 Shades of CSR



As suggested by the figure, the more integration with regular business activities, the higher shared value can be achieved. The central point here is that standardised, unintegrated and purely philanthropic CSR practices are the least valuable in relation to resources employed, and that in order to maximise the creation of shared value, and thereby improve conditions for both society and company, one should strive for *Tailor-Made CSR*.

However, when approaching CSR activities, there is no need to reinvent the wheel, and the study indicates that some activities at both Mölnlycke and Stampen already show features of *Tailor-Made CSR*. By simply reframing the mindset regarding CSR from seeing it as a cost to seeing it as a business opportunity, to realise what is already being performed, and to identify potential improvements, companies will have promising prospects of emerging as a winner in this current trend. Hence, CSR is not only about philanthropy, but also about self-interested behaviour to create economic value by creating societal value and by turning societal issues into business opportunities.