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A Sustainable Approach to Transaction Cost Economics

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Abstract

Title: A Sustainable Approach to Transaction Cost Economics

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Key words: Transaction cost economics, vertical integration, corporate social responsibility, logistics industry, sustainability, ethics, strategic decisions, business opportunities.

Purpose: To gain a deeper understanding of CSR and transaction cost economics in the modern market, investigating the correlations to be made and further explore the nature of transactions tied to governance structure.

Methodology: A qualitative multi-case study, based on the data of ten respondents from differing perspectives. The process of the study follows Eisenhardt's eight step model to build a theory from a case study.

Theoretical perspectives: Transaction cost economics stands as the main focus of the study. It explores the attributes of a transaction, which are defined as (1) asset idiosyncrasy, (2) frequency and (3) uncertainty. At the same time, CSR has increasingly gained a foothold as part of the core business in firms, urging for analysis to connect the chasm that lies in between the theories.

Empirical foundation: The Swedish logistic company lays the foundation of the empirical data for the study, as it is heavily influenced by CSR. It is compared to the logistics *Company 1*, which chose to vertically integrate through their recently created *Project 1*. Different agencies were included in the data to get a more nuanced perspective on the matter.

Conclusions: As CSR is increasingly gaining popularity as a business strategy, it needs to be incorporated as an aspect that needs to be taken in consideration when making strategic decisions regarding governance structure.

Sammanfattning

Examensarbetets titel: A Sustainable Approach to Transaction Cost Economics

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Nyckelord: Transaktionskostnadsekonomi, vertikal integration, corporate social responsibility, logistikbranschen, hållbarhet, etik, strategiska beslut, affärsmöjlighet.

Syfte: Få en djupare förståelse av CSR och transaktionskostnadsekonomi i den moderna marknaden, genom att undersöka underliggande korrelationer och fortsatt utforska transaktioners natur kopplat till styrelsestruktur.

Metod: En kvalitativ flerfallsstudie, baserad på data av tio respondenter från olika perspektiv. Studien följer Eisenhardts åttastegsmodell för att bygga teori från en fallstudie.

Teoretiska perspektiv: Transaktionskostnadsekonomi står som huvudfokus för studien. Den utforskar attributen av en transaktion, som definieras av (1) tillgångsidiosynkrasi, (2) frekvens och (3) osäkerhet. Samtidigt har CSR fått fotfäste som en del av kärnverksamheten inom firmor, vilket kräver analys för att brygga gapet som ligger teorierna emellan.

Empiri: Den svenska logistikmarknaden lägger grunden för den empiriska datan för studien, då den är starkt influerad av CSR. Detta är kopplat till *Company 1*, som valde att vertikalt integrera med sitt nystartade *Project 1*. Olika agenturer var inkluderade i datan för att få en mer nyanserad bild av problemet.

Resultat: Då CSR blir allt populärare som en affärsmöjlighet behöver det inkorporeras som en aspekt som behöver tas i åtagande när man tar strategiska beslut gällande styrelsestruktur.

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CHAPTER 1. INTRODUCTION

1.1. Theoretical Background

Transaction cost economics (TCE) had its foundation laid in the 1937 by Ronald Coase, who highlighted the importance of analyzing the transaction as the main study unit. Building on the Coasian foundation, Oliver Williamson contributed in a series of researches to the theory by incorporating ideas from behavioral economics and contract law. By two behavioral assumptions: *bounded rationality* and *opportunism*, he formulates the contradicting difficulties in contracting. The key point in his works lies in the analysis of transaction, which is argued to have three dimensions: *uncertainty*, *frequency* and *transaction idiosyncrasy (asset specificity)*, with the latter described as the main problem causing inefficient outcomes. He argues that it is critical to align the transaction's characteristics to *governance structure* (defined as “the institutional matrix within which transactions are negotiated and executed”) of the firm (Williamson, 1979). Subsequently, this is mapped out where the different values of the dimensions directly points into distinguished governance structures (Williamson, 1979).

Since the TCE was developed in the 1970-80s, it disregards many aspects of the drastic changes in business' environments that has occurred. In recent years there has been increased focus on the role of corporations in today's society. It is an idea where corporations should take bigger responsibilities in their operations, including the entire supply chain, and implement this mindset into their business model (Borglund, De Geer & Sweet, 2012). These responsibilities include social, environmental and economic commitments aligned with corporate and societal values (Rangan, Chase & Karim, 2015) and are referred to as *corporate social responsibility (CSR)*.

CSR was first mentioned by Howard R. Bowen in his book from 1953 'Social Responsibility of Businessmen', where he examined the perception of businesses' responsibilities toward social and ethical aspects (Carroll & Shabana, 2010).

In the 60s, this idea grew stronger and got more attention, creating a stronger demand from society of corporations implementing CSR. While it has not gained popularity with everyone, it is still something most companies strive for in one way or another. If not for the sake of 'doing a good deed', then for the benefits of being viewed as an ethical company by potential customers and possible improvements for the business itself (Wang, Tong, Takeuchi & George, 2016).

Ethics are "moral principles that govern a person's behavior or the conducting of an activity" (Oxford dictionaries, 2017). In regards to corporations and their responsibilities, the ethical perspective is closely related to that of CSR. The social responsibility is built on the idea that companies should act ethically as a way of contributing to society in the decisions connected to the core business, and beyond those lines if possible (Carroll, 1991).

1.1.1. Defining the problem

When TCE, with Williamson at the helm, discusses opportunism and bounded rationality, it is uplifted as an assumption that corporations always try to take advantage of superior information. Corporations are predicted to act in a way that benefits them the most, and thereby act in unethical ways (Williamson, 1979). This assumption has been controversial, as it empirically has been hard to observe this phenomenon, due to the importance of long lasting relations. Thus, it contradicts the CSR-strategies. The strategies are instead supposed to make corporations act in ethical and responsible ways, in order to attain long term economic growth. The effect and

authenticity of the CSR-strategies and statements of the various corporations are questionable. There are many implications of companies acting in ways to promote its reputation by stating measures taken and involving CSR-strategies not linked to its operations (Gelles, 2015).

As of today, there is little connection defined between these differing fields of study, even though they touch upon each other by the reasoning of the inextricable role ethics plays in making decisions (linked to bounded rationality). As the pressure on corporations increase, the requirements of solid actions and responsible operations emphasizes the importance of CSR for a sustained economic growth (Borglund et al., 2012). We highlight the importance of CSR today and aim to establish if the subject should be taken into consideration when analyzing transactions and the traditional TCE theory.

1.2. Practical Background

The logistics and transportation market is currently experiencing a rapid change, stemming from increasing demand of social responsibility. This could for example be witnessed in the evolution of stricter regulations regarding sustainable commitments, affecting several companies. Our starting point is the use of an anonymous international logistics company, referred to as Company 1, who recently made a decision to integrate production of a sustainable transport solution, instead of relying on established suppliers. The pioneering decision has many risks, as they essentially have to start from scratch. Nevertheless, it is seen as a necessary step in the direction of being part of the solution for a more sustainable world and reducing carbon emissions. The nature of this transaction cannot be described by the recognized TCE theory. The theoretical problem of transactions is here explained by applying it to the Swedish logistics market. We do

this by analyzing three companies with differing strategies: DHL Express Sweden, PostNord and Ntex.

1.3. Purpose and Research Question

As TCE states, there are three key attributes to transactions affecting a company in the decision whether to vertically integrate or buy it from external sources. We do not wish to question these attributes, rather point out possible flaws and that it may not be able to fully describe all situations. We believe an extra dimension might be worth recognizing in this area of research, namely CSR. Our aim is to see if the dimension is something worth including in the existing theory. Our purpose is not to provide a comprehensive conceptual analysis of the theoretical framework, as there might exist yet other attributes to transactions in TCE. Instead, we aim to gain a deeper understanding of CSR and TCE in the current market, and investigate whether there is a connection to be made between the differing subjects. Due to difficulties in defining and quantifying CSR, rather than providing an empirical base, we simply aim to raise the question:

Could corporate social responsibility be added in the model of classical transaction cost theory when making decisions of governance structure?

1.4. Limitations of the Study

Due to the extent of this research, there are limitations in certain areas. We have focused on the Swedish transportation and logistics market, with a European transport company as a source of inspiration, Company 1. The decision of that company has been somewhat of a game changer, and caught our attention as to why some companies choose to vertically integrate, while others do

not. Some of those questions can be answered by Williamson's TCE theory, which explains the reasons behind make and buy decisions. We found however, that this may not be the complete explanation, and that the decision of Company 1 could have another agenda in taking the production in-house instead of outsourcing. If the company partly based their decision on an additional dimension of transactions, it might be possible that it affects other firms in deciding the boundary of the firm as well. To analyze whether this is the case or not, we have chosen to focus our study on the decisions behind the make/buy-decision, and not the actual contracting and negotiation itself.

CSR is a very vast and complicated field of study, which contains various directions of responsibilities. As we analyze the transportation sector, it is therefore natural that most of our CSR-focus will be on the environmental impact of CSR. We do not question Williamson's assumptions about bounded rationality, however empirically doubting opportunism. We also agree that the three dimensions of transaction (frequency, uncertainty and asset specificity) he argues are the foundations of TCE are valid, to which we suggest CSR can be an additional attribute to explore. The three dimensions have already been proven difficult to measure and quantify by empirical data, meaning we will inevitably encounter similar problems. Therefore our purpose is to demonstrate if and how CSR could be a part of the make/buy decision, rather than quantifying the role. Further, we realize that the stated theories are only applicable for firms of a certain size.

CHAPTER 2. THEORY AND LITERATURE REVIEW

2.1. Transaction cost economics

The idea of transactions providing a base for economic analysis was first provided in 1931 by John R. Commons. A transaction is defined as the transfer of a good or service across separable entities. He argued that “These individual actions are really trans-actions instead of either individual behavior or the ‘exchange’ of commodities”, extending transactions to a more complex area. Commons acknowledges the impact of relations in the market, and the impact of studying how to harmonize relations between separate entities (Commons, 1931).

This subject was further explored in the classical piece *The nature of the firm*, written in 1937 by Ronald Coase. He observed the value of activities in processes of production. Unlike many others, he highlighted the boundary of the firm as a decision variable which needed strategic planning, whereas others pointed it out as a set parameter. The decision to use the price mechanism on the market or to internally produce the asset in a company (also called make and buy decision) is thereby based on the transaction costs that arise. These costs originate from information searching, bargaining and costs of writing the contract. Coase meant that the cost of using the price mechanism is the main reason why firms exist in the first place: to reproduce the factor market at a lower cost than the actual market. On the other hand, larger firms has additional transaction costs, failing to reproduce the market conditions. This is given as the reason behind the existence of market transactions (Coase, 1937).

However, TCE did not see its big breakthrough until Oliver Williamson in the late 1970s provided a general consensus of the meaning of transaction costs by combining different schools of literature such as economizing, internal organization and contract law. With a base in two behavioral assumptions, the theory relates the nature of a transaction to a practical guide of governance structure (Williamson, 1979).

2.1.1. Basic behavioral assumptions

The theory is founded on two behavioral assumptions that problematize contracting: *bounded rationality* and *opportunism* (Williamson, 1981). The term bounded rationality is borrowed from behavioral economics, coined by March and Simon (1958), highlighting the competence failure in a person to act fully rational. Distinguished from irrationality, agents experience limitations processing information and facing complex problems, viewing managers as “intendedly rational”. Williamson states that “Given bounded rationality, however, it is impossible to deal with complexity in all contractually relevant aspects. As a consequence, incomplete contracting is the best that can be achieved” (Williamson, 1981).

Opportunistic behavior is the pursuit of self-interest with guile, unconstrained by morality, by taking advantage of incomplete information at the expense of the greater good. This adds to the complexity of contracting. The problem originates from the differing objectives of the different parties of a contract, where each side is prone to loss due to the other part finding holes in the contract. Consequently, the cost of writing contracts increases in order to create protection from these behaviors. Opportunism and bounded rationality are closely linked as counterparts. As rationality decreases with less effort put into making complete contracts, the chances for opportunistic behavior consequently increases (and vice versa) (Williamson, 1981).

2.1.2. Transaction dimensions

Williamson (1981) further argues that transactions have three core parameters describing the multidimensional character of transactions: uncertainty, frequency and investment idiosyncrasy. Uncertainty refers to risk associated to a transaction, while frequency deals with the problem of time between transactions. The emphasis is put on the investment idiosyncrasy, which he describes as the most impactful criteria. The fundamental question to be asked in this dimension is this: “to what degree are transaction-specific (non marketable expenses) incurred” (Williamson, 1979). When assets are unspecified towards the buyer, the supplier can easily sell the output to the market without any difficulties. However, when a buyer induces their supplier to invest in specialized physical capital to better fit their own criteria, the value of the asset is by definition lower on the market than the value for which it was intended to use. This type of transaction is by Williamson (1979) referred to as idiosyncratic (specified towards an individual), where the buyer and supplier effectively gets ‘locked into’ each other. The supplier cannot find the same value selling it elsewhere, while the buyer cannot find more favorable terms on alternative sources. Built on trust relations, these transactions will benefit both parts if successfully executed, transforming into a bilateral monopoly that stems from superior production chains compared to competitors. Nonetheless, the idiosyncratic nature of specific assets opens up for hazards as opportunistic behaviors can be abused. As contracts are incomplete (by the reasoning of bounded rationality), the problem to appropriately adapt to the ever changing environments and markets arise. “Although both have a long-term interest in effecting adaptations of a joint profit-maximizing kind, each also has an interest in appropriating as much of the gain as he can on each occasion to adapt” (Williamson, 1979). Transaction idiosyncrasy is also defined by the specificity of an asset, specified in three different ways; *site specificity*:

geographical location is generating benefits by economizing on inventory and transportation;
physical asset specificity: products are physically meant to fit in the production of a component;
human asset specificity: the intellectual capital and specialization fit to the task.

2.1.3. Practical implications: governance structure

The practical use of the Williamson's theory lies in the aid of connecting transactions and contract forms to a *governance structure*: "the institutional matrix within which transactions are negotiated and executed". The different governance structures differ in their capabilities to handle transactions, to which it is crucial to align the governance structure to the transaction characteristics in order to increase efficiency (1981).

Williamson use a three-way classification of contracts, presented by Ian Macneil (1974). It includes: a) *classical contract law*: describing a market relation with the identities of the buyer and supplier plays a negligible role, b) *neoclassical contract law*: dealing with more complex problems due to unpredictable changes in market environment, dealt by using third party assistance, and c) *relational contracting*: viewing transactions as a culture or norms, using the relationship as it has developed through times as the reference point (Macneil, 1974).

Continually, Williamson aligns governance structure fit to the type of contracting. *Market governance* is the main structure used for transactions that are nonspecific and less frequent, and corresponds more with the concept of sale than that of a long-term contract. Since transactions inhibits a nonspecific nature, the protection to opportunism is simply the opportunity to turn to the market, aligning with classical contract law. *Trilateral governance* is defined as the governance form where a third party is included to further aid more complex problems, much like

neoclassical contracting. Relational contracting law is related to two governance structures, depending on the idiosyncrasy of the transaction: *Bilateral governance* and *Unified governance*. Bilateral governance is the form of cooperation preferred in order to reach a common goal. The hazard of opportunistic behavior plays a huge role, where it is crucial for both parties to acknowledge risk and restrict adjustments. As the assets become more specific, the governance leans to a unified form of vertical integration, where the advantages lies within the ease to adjust to the market without the need to consult and revise agreements (Williamson, 1981).

The variation of contracts and governance structures is “mainly explained by underlying differences in the attributes of transactions” (Williamson 1985). Subsequently, Williamson aligns the governance structure with the nature of the transaction by matching frequency and investment characteristics in a two-by-three matrix, shown below in figure 1. Summarized, higher levels of idiosyncrasy and higher frequency points towards vertical integration (Williamson, 1979).

		Investment Characteristics		
		Nonspecific	Mixed	Idiosyncratic
Frequency	Occasional	Market Governance (Classical Contracting)	Trilateral Governance (Neoclassical Contracting)	
	Recurrent		Bilateral Governance (Relational Contracting)	Unified Governance

Figure 1: Matching transaction characteristics with governance structure (Williamson, 1979)

Uncertainty, the third dimension of transactions, has been held constant at an intermediate level in the representation. Williamson does however state that it does not play a considerable role when the assets are nonspecific because either party can find alternatives in the market. But when a transaction exhibits a high level of uncertainty along with idiosyncrasy, the needs for the machinery to function is higher as the contractual gaps are larger (Williamson, 1979). Some critics argue that uncertainty should not be viewed as a separate dimension, but rather a variable solely linked to asset specificity (Shelanski & Klein, 1995).

An extra note should be taken to the size of the transaction. As the size increases, there are two effects. The first effect is the advantage of scale economies: larger transactions give higher output that a firm produces if integrated, gaining scale benefits. Seen as the cost of negotiating the contract or the internal agency costs, the second effect emphasizes the agency costs related to an asset. The larger transaction, the more accentuated the difference will be. The two effects lead to the conclusion: as transaction size increases, vertical integration increasingly becomes the preferred governance structure (Williamson, 1981).

2.1.4. Criticism to transaction cost economics

It has for long been argued that TCE has been used to explain more than what it is applicable for in the theory of organizations (Milgrom & Roberts, 1988). The weaknesses lies in the explanandum of the theory of the firm. While the critics have a valid point in many regards, Foss and Klein (2010) argue that the critics tend to focus on the faults of the phenomena that are difficult to define.

One of the main arguments, pointed out by opponents from the knowledge-based view, is the neglectance of differential capabilities in the firm. This gives rise to differing production costs, shifting the focus from more efficient transaction costs to production costs. With a heavy focus on the capabilities that originate from learning in organizations (while markets cannot learn), it is argued that firms can exist without the assumption of opportunism (Kogut & Zander, 1992).

Another factor generally neglected by TCE is the effect of internal coordination costs. It could however be argued that the reason firms develop capabilities in the first place is due to the effects of unified governance, which originate from idiosyncratic transactions (Foss & Klein, 2010).

The main criticism lays in the two assumptions of TCE. Although bounded rationality has long been a central assumption in the fields of organization theory, critics such as Gregory Dow (1987) has emphasized the inconsistency in Williamson's works. How can it be used to argue that contracts cannot be complete, while at the same time not stress the limitations of firms skills of maximizing efficiency as well as choosing appropriate governance structure? Opportunism has drawn even more attention. There is poor empirical data showing cases of opportunistic behaviors. This is due to trust relations, which can be witnessed specifically in long-term relational contracts or industrial networks (Håkansson & Snehota, 1990). There is however an obvious counterfactual argument to which one can say that the organizations choose governance structure in order to prevent opportunistic behavior. Even so, opportunism assumes all motivation to be of the extrinsic form (external rewards, such as monetary), while intrinsic motivation (pleasure of the task in itself) is neglected (Fehr & Gächter, 2000).

Despite the many opponents TCE has faced since it was introduced, it still stands tall in the contemporary view four decades later. Even though it has obvious weaknesses that in an ideal

world would be remedied, it is hard to disprove as the nature of the given phenomena are hard in themselves to define and quantify. Foss and Klein (2010) describes the theory as “sufficiently successful, theoretically and empirically”, while also pointing out that many of the critiques are closely linked, meaning it is hard to prove one point without discarding the whole theory.

2.2. Corporate Social Responsibility

The TCE’s view of the firm is closely related to financial efficiency and internal organization. Thereby, it inherently fails to guide the processing questions related to make or buy decisions when external non monetary factors are included. Moreover, the opportunistic behavior assumes that corporations act unconstrained by morality, which overlooks the advantages to be gained from strategy driven by ethical means or corporate values. Donaldson and Dunfee (1994) argues there are two desires related to business ethics as in what managers should do: a) the will to enhance efficiency by reducing uncertainty, and b) to maintain personal freedom of interpretation in regards to cultural, ideological and religious backgrounds, in order to take a socially sustainable approach. Strategy related to responsible ways of action can be defined as corporate social responsibility, also known as corporate social responsiveness (due to the tendency of responding to social and environmental demand) (Borglund et al., 2012). Borglund et al. argues that there is no unified CSR theory. It is rather a concept that affects different disciplines and theoretical frameworks. Youan, Bao and Verbeke (2011) find that “Integrating CSR initiative in business is one of the great challenges facing firms today”.

Social differences have been widely debated over time due to increased insight in these inequalities and environmental impact has become one of humankind’s greatest struggles. This has led to increased pressure on corporations to take their responsibility as well (Borglund et al.,

2012). CSR is described according to Financial Times (2017) as: “a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders”. Borglund et al. (2012) states that the responsibility goes beyond the company’s own operations: it also includes suppliers and end users.

The idea of companies taking on a broader sense of responsibility, beyond their shareholders, took off in the 1960s. From that point on, CSR has gained immense popularity and attention all around the world. While it has not been accepted by everyone as an appropriate occupation for corporations, it has had a significant uplift and expansion in the corporate world. Compared to the 1960s, CSR today have a greater focus on the processes and activities within corporations, in their aim to achieve its societal obligations, rather than maximizing profitability (Wang, Tong, Takeuchi & George, 2016).

To get an overview of the trends for the last few decades, Wang et al. (2016) put together a chart based on articles published in Academy of Management Journal (AMJ) during this time. Between 1958 to 2015, 87 articles were published on CSR. Based on those articles, trends fixed to different decades are presented. As seen in figure 2 below, almost no articles were published in the 1960s, which is not too surprising since CSR was still a very “young” subject. Except from a dip around the 1980s, CSR is proven to be a topic which keeps being analyzed over the years, judged by the number of articles published. To this day, it is still a frequently discussed subject (Wang et al., 2016). Borglund et al. (2012) analyze a similar case and states that articles published in Financial Times and The Guardian between 2000-2009 which includes the phrase “CSR” saw a rapid increase. With only 17 articles published in the year of 2000, the phrase was mentioned in roughly 200 articles per year after 2002. It should be mentioned that there was a dip

in publications on CSR during the financial crisis in 2008-2009 and that other important economic incidents, like the Enron crisis, affected the amount of articles related to CSR in the beginning of 2000.

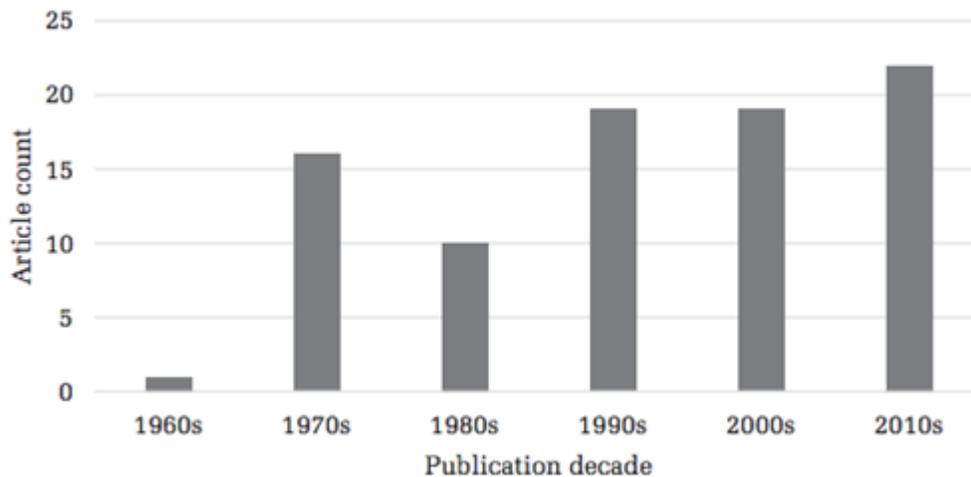


Figure 2: CSR Research in AMJ 1958-2015 (Wang et al., 2016)

The publications show the overall trend in CSR-research and strategy. When research address certain problems or trends, this often correlates with how the research affects real-life examples since organizations often are examined in the publications or are affected by the public’s general opinion (Borglund et al., 2012). Borglund et al. (2012) claims that since the beginning of the millennium, a general consensus has been established saying that companies and organizations have a greater responsibility, beyond the regulations of current laws.

Firms and companies have high pressure to fulfill their stakeholders’ objectives regarding financial output and profits from their operations. However, there is increasing pressure from both the public and stakeholders to hold corporations responsible for their level of sustainability and social impact. The term corporate social performance (CSP) is closely related to the subject

as a measurement of social performance and accomplishment. Firms must hence formulate and implement goals integrated with ethics and responsibility in order to get a better CSP value (Carroll, 1991). A misconception commonly perceived among managers is the trade off between the CSP and financial performance, which empirically across studies instead has been linked with a positive correlation. Furthermore, the relation tends to be bidirectional and simultaneous, as the business benefits of a good CSP are numerous (Orlitzky, Schmidt, Rynes, 2003).

Many companies choose to get involved in CSR for the possibility to improve their reputation (Fombrun, 2005), create customer loyalty (Bhattacharya & Sen, 2001) or to manage risk (Fombrun, Gardberg & Barnett, 2000; Husted, 2005). According to Porter and Kramer (2006), there are several beneficial outcomes as a result of CSR commitment. Production inefficiencies may decrease along with risk and cost. This in turn may have positive results in forms of increases in sales, access to new markets and even brand recognition.

CSR has grown to become a “business case”, aligning CSR-strategies in order to achieve financial goals (Margolis and Walsh, 2003). Wang et al. (2003) describes how publications of different outcomes of CSR-strategies have differentiated since the subject was introduced. Figure 3 shows that the studies of non-financial outcomes of CSR-strategies first appeared in the 1990s and has been the dominating field of study in recent years. Even though financial outcomes might correlate positively with CSR-strategies, they do not necessarily have to depend on financial implications and goals. Chase, Karim and Rangan (2015) instead highlights the importance of linking CSR-strategies to the company values and mission instead of the financial goals. If the CSR-strategies further contributes to the financial results and improve the company’s image, it is an additional positive outcome. These outcomes should however not be the reason why a

company chooses to include CSR-strategies. In order for the strategy to permeate through the organization, the board and CEO need to be in charge of the CSR-strategies. George Serafeim (2014) argues that the trends toward greater social responsibilities often are more important in larger corporations. These corporations have both larger amounts of stakeholders and more resources to invest in CSR (HBS Working Knowledge, 2014).

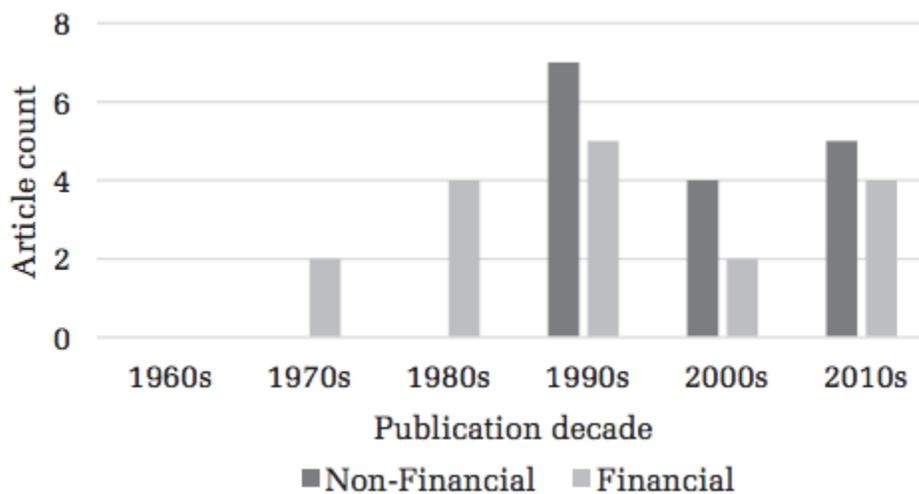


Figure 3: Categories of Outcome (Wang et al., 2016)

2.2.1. Carroll's pyramid of CSR

Archie B. Carroll (1991) presented a model of CSR with several components on different levels. He explained the model by a pyramid, containing economic, legal, ethical, and philanthropic responsibilities of companies. The different aspects are not meant to be seen as mutually exclusive, and are intended to portray the total CSR with distinct components. All of these components have to some extent always existed, but ethical and philanthropic issues have not been very prominent until the last decades.

The bottom level of the pyramid includes the economic responsibility. As firms historically were created to provide goods and services, the pursuit for profit was the incentive for

entrepreneurship. Hence, it lays the foundation of all economic activity, with the primary goal of consistently attaining maximum earnings per share by being highly competitive and efficient. The level of legal responsibilities exists as a restriction to the profit motive. It acts as a social contract between the operating firms, reflecting the ‘codified ethics’ (Carroll, 1991). Should a firm not follow the rules set, there are clear sanctions. It is therefore important that a firm performs in a manner reflected by the government and laws. Further on, the pyramid includes an ethical level. It takes the standpoint of society, concerning norms, standards or expectations, while not coded into the law. The focus lies in the obligation of doing what is right, while avoiding harm. The problem of defining and understanding the demand makes it a consistent issue and hardship for companies to deal with. The philanthropic component at the top of the pyramid regards the corporation’s voluntary will to reach further than what the market demands. It aims to actively participate in activities that promotes welfare or improves quality of life. The line distinguishing this level from ethical responsibility lies in ‘the extra’. The firm is not regarded as unethical if it does not provide the philanthropic aspect. Thereby, it is more voluntary and discrete (Carroll, 1991).

2.2.2. Criticism to CSR

It has been widely debated how to define and measure what responsibilities the organizations and companies actually undertake. In 1970, Milton Friedman famously argued that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”, reflecting over the economic and legal levels of Carroll’s pyramid. The reason why it has not been that much criticism towards this statement is, according to Anderson, Havila & Nilsson (2013), due to the rationality behind the

business case of CSR-strategies. However, Henderson (2001) argues that CSR is harmful towards profitability if too strict regulations are introduced regarding corporations' responsibilities. The idea of CSR as a problem solver is questioned by Visser (2011), who argues that CSR has not actually helped in issues regarding bad working conditions and climate change. External factors compel corporations to adopt CSR-strategies which results in corporations using CSR as a PR-trick in order to change their image and to appeal more to stakeholders. When CSR is used in this purpose, the image given rarely correspond to the actual measures taken to handle the issue. The term greenwashing is used to describe the problem of firms referring to themselves as sustainable, while in reality being less sustainable than portrayed. Gelles (2015) states that with increased awareness of consumers, companies have been taken the opportunity to capitalize on this trend. The competition about being a 'green' company has often resulted in exaggerated statements and pointless credentials. This can be done by changing the focus of CSR, for example supporting charity while having large negative environmental impact. Some firms also claim facts that are not scientifically reliable. However, this seems to have become less common lately since companies realize the value CSR might create and the opportunities it may offer. Tougher requirements regarding transparency could also be a reason for this trend (Porter & Kramer, 2006).

2.3. Summary of the theory and preliminary theoretical framework

TCE was developed in the 1970-80s and has three dimensions in regards of transactions which all play a role in make or buy decisions. At the same time, the research behind CSR has developed substantially over the last decades, linking a good social performance to economic growth.

As seen in Carroll's pyramid (1991), there are four steps of CSR. The economic and legal responsibility represents a firm's core goal of attaining economic profit. These two steps can be described by TCE, which highlights the importance of transactions and its different dimensions. It does not however reach further, as it is restricted by the opportunistic assumption it is based upon. In contrast to the last two steps of ethical and philanthropic responsibility, opportunism is heavily based on the human behavior of acting unethical and purely out of self interest. The argument of bounded rationality highlights the limitations of making good ethical decisions, as a result of personal interpretations of social responsibility. It should be noted that the authors hereon will refer to CSR as the ethical and philanthropic responsibilities. The economic and legal responsibilities are deemed for all firms to be a mandatory commitment to exist in the market. Hence, the theoretical framework links these differing subjects to each other, explaining the top two levels of Carroll's pyramid. This is depicted in figure 4 and figure 5 below.



Figure 4: Carroll's pyramid of CSR integrated with transaction cost economics (Carroll, 1991)

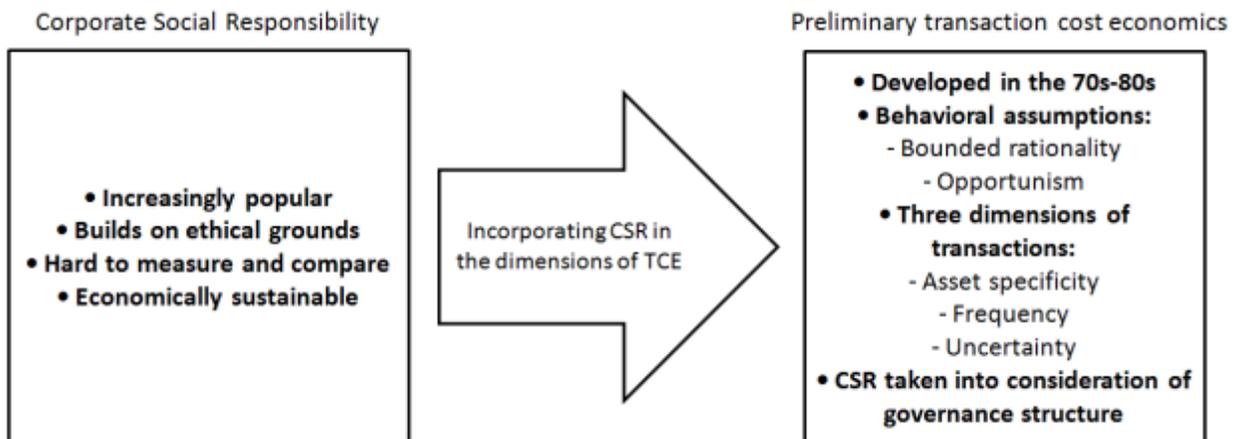


Figure 5: Preliminary theoretical framework

CHAPTER 3. METHOD

3.1. Research Design

The choice of research design is crucial since the design decides how to collect, transcribe and analyze given data (Bryman & Bell, 2011). For our study, we have chosen a qualitative research method in order to get an in-depth understanding of the phenomenon. The research took form in a multi-case study, where we chose three companies to represent the Swedish transport and logistics market, to analyze the different factors concerning our framework and how they affect the result. The case study was of an exploratory nature at a specific point in time. Yin (1984) describes this to be the best fit when the purpose of the study is to identify and raise questions about a phenomenon. The questions are not fully answered, as the validity is limited.

Nonetheless, they open up doors for future research and exploration. We do not take a holistic approach to fully analyze the chosen firms, due to the limitations of resources and time in the scope of this study.

The process of our study follows Eisenhardt's (1989) eight-step model to build a theory from a case study research. The first step, *1) Getting Started* aims to get an initial definition of the problem, forming a general structure of the research. This was performed through discussions prior to constructing the thesis, and can be viewed under '*3.1.1. Identification*' and '*3.1.2. Qualitative Approach*'. The second to fifth steps: *2) Selecting cases*, *3) Crafting Instruments and Protocols*, *4) Entering the field* and *5) Analyzing data*, are explored in a subsection below; '*3.2. Selection Process*'; '*3.3. Research Instruments*'; '*3.4 Collection of data*'; '*3.5. Analysis of data*'. The following two steps of *6) Shaping hypotheses* and *7) Enfolding Literature* take form in

Chapter 5, where we link the analyzed data to existing theories. Chapter 6 will be concluding the last step of 8) *Reaching Closure*, where we discuss the results (Eisenhardt, 1989).

3.1.1. Identification

As suggested, the theory of Williamson's TCE has gaps. We searched for a transaction where the theory would not suffice to describe the problem. In doing so, criteria for an event to fit the purpose of the study were formulated: a) a merger or acquisition (change in governance structure) has taken form which would not align with the nature of the given transaction, as described from the three dimensions in TCE, b) an event at a specific point in time which is not ongoing and can be empirically studied, c) an event that could be viewed from various perspectives, d) where respondents are available for interviews. From this event, a multi-case study was formed based on companies in a similar market or industry that deal with resembling questions in order for us to inspect further development of similar events.

3.1.2. Qualitative Approach

The role and importance of CSR has changed over the past few decades. At the same time, CSR is poorly integrated with the Williamson's of TCE. As a practical example, we noticed that a logistics company, which will remain anonymous in this study and referred to as Company 1, made a unique decision to integrate with a smaller company as a sustainability commitment: Project 1. We started off by contacting Company 1 to get a better understanding of the decision and their perspective of the project. Secondary data from press releases and articles was also used, to get an idea of how the project was received outside the company. The findings from these compiled sources worked as a starting point for our research. We proceeded by analyzing the Swedish logistics market to see if we could find any evidence suggesting a correlation

between the market and our framework. This was done by using a qualitative approach and conducting interviews with relevant parties based on our opinion. As opposed to a quantitative research method, which focuses primarily on numbers and statistics, the qualitative approach emphasizes on the value of words (Bryman & Bell, 2003). The qualitative method has its strengths in finding underlying relations, describing the “how” and “why” of a case, understanding emerging relations (Eisenhardt, 1989). This is however one aspect the qualitative method is criticized for, as the outcome may be colored by subjective thoughts and values. There is also an issue of generalization, since it may be hard to replicate as well as strengthen with quantitative data (Bryman & Bell, 2011).

We used a multi-case study approach to look at different cases and determine how well they are in line with the chosen theory. A central point in this type of case study is for us to present enough empirical data combined with a well thought out theoretical idea. According to Mitchell (1983) and Yin (1984), the question is not whether the results can be generalized or not, but how good of a theoretical analysis the authors can provide given the results acquired. We have used an inductive approach, meaning we use observations and results from an already finished event to base our framework upon (Bryman & Bell, 2003). There are traits of a deductive approach as well, however, as we both focused on the development of the theory (inductive) as well as testing it using our different case studies to see if it generated the wanted results (deductive) (Isd, 2013).

3.2. Selection Process

The case of Company 1 and Project 1 has been engaging a lot of media coverage, where they integrated the operations of producing sustainable transport solutions with a differing core business. The levels of frequency and uncertainty are seemingly low, which Williamson implies

would be governed in a market structure, instead of a unified governance. Moreover, the transaction took place in recent years and is no longer ongoing. There are also different perspectives to view this from, as it has a large impact on the market. The idea was to contact and interview our chosen companies to show the difference in thoughts of governance structure.

We used convenience and snowball sampling in the selection process of respondents.

Convenience sampling is when the respondents are available or in close reach for the people conducting the study. Snowball sampling is when the people you get in contact with from the first step refer you to another person who continues the process until you have reached the people needed for the interview (Bryman & Bell, 2011). A negative effect with these sampling processes is that the people you are referred to may give you a biased view. However, a positive aspect lies in the availability to find respondents, as the last person of the snowball sampling may be more prone to say yes to an interview when the request comes from within the company (Bryman & Bell, 2011).

3.2.3. Selection of case study objects

The companies chosen for our study are based on three criteria. It has to: 1) be a logistics company of some sort (the market being more exposed to CSR questions), 2) operate in Sweden (convenience reasons) and 3) have the size of medium to a large company (for theories to be effective). The third criteria is also based on the assumption that smaller companies have a harder time adapting to CSR-strategies before they can fully ensure an economic growth, and the idea that larger companies face more pressure from stakeholders as well as external actors such as media and competitors. We also tried to choose companies with a proximity to our geographical

location to enhance the possibility of face-to-face interviews. With that in mind we chose DHL Express Sweden, PostNord and Ntex.

3.2.4. Selection of respondents

As mentioned above, we used a combination of convenience and snowball sampling when finding our respondents. Our first contact was an employee at Project 1 with a key role in the initiative, who provided a general idea of the project. He answered some of our inquiries, but due to a shortage in time, a face-to-face interview was not possible. We then talked to Tibor Blomhäll (journalist and electric car expert), Erik Söderholm (editor in chief at Recharge.se) and a CSR-consultant (C) who wish to remain anonymous. They were valuable for our research as they provided us with a new dimension of CSR along with their opinion of the decision Company 1 made in relation to the rest of the industry. Michael Källbäcker (environmental and quality manager at DHL Express Sweden) gave us some details about the company's mission and visions for the future and how the decision of Company 1 is viewed by DHL Express Sweden. We then proceeded by getting in touch with the operational manager at PostNord, Susanne Lundström, to get her view of the decision and how they deal with aligning their processes with CSR. We also contacted Mats Pråme, traffic manager at Ntex, to see how they handle the same issue. A highly ranked advisor and business analyst (E) at a major financial institution in Europe was approached with the intention to provide us with additional insights regarding financial prerequisites and the pressures companies face related to CSR. Furthermore, we had an interview with a management consultant (D) at an audit company, with whom we spoke about the general managerial issues CSR may cause and how to deal with it. Finally, we were able to have an interview with the global manager for quality and sustainability at Company 1, providing us with further insight in regards to the Project 1 decision. This gave us an important background story and understanding

of the problems identified by Company 1 and their somewhat unusual solution. We contacted people from DHL Express Sweden, PostNord and Ntex who we thought had the most insight in the matter and by snowball sampling (Bryman & Bell, 2011). It was narrowed down to the following people: Michael Källbäcker, Susanne Lundström and Mats Pråme. They were asked similar questions as we analyzed the companies in a similar way. The journalists and consultants had separate, but similar, questions from the logistics companies, with the aim of analyzing the possibilities and limitations of CSR in the logistics market and in general. For various reasons, some of our respondents have chosen to be anonymous, including the company that much of our practical background is based on. We will instead refer to them in other ways, as well as provide a chart with clear definitions, see table 1 below.

Company	Respondent	Position	Date
Anonymous logistics company (1)	Anonymous (A)	Global sustainability and technology manager	2017-05-12
Project within above logistics company (1)	Anonymous (B)	Vice president	2017-04-07
DHL Express	Michael Källbäcker	Environmental and Quality manager	2017-04-27
PostNord	Susanne Lundström	Operational manager	2017-04-28
Ntex	Mats Pråme	Traffic Manager	2017-05-10
Recharge.se	Erik Söderholm	Editor in chief	2017-04-26
Elbilen i Sverige Tesla Club Sweden	Tibor Blomhäll	Freelance journalist, President, Electric car expert	2017-04-24
Anonymous CSR consultant firm (3)	Anonymous (C)	CSR consultant	2017-04-28
Anonymous audit company (4)	Anonymous (D)	Management consultant	2017-05-10
Anonymous financial institution (5)	Anonymous (E)	Business analyst	2017-05-10

Table 1: List of respondents

3.3. Research Instruments

The data was collected through primary data, more specifically ten interviews, and secondary data in the form of articles, reports, books and the organizations' own websites and press releases. The research was based on a qualitative approach with semi-structured interviews, as is fitting for understanding a given context. There were pre-formulated interview questions as a guide to ensure that all relevant subjects were mentioned (Bryman & Bell, 2011). The interviews were constructed in a way that would fit the specific respondent, but still have the overall theme as the others in order for us to be able to analyze the results. The reason for this was to not be bias

or to favor anyone in particular. To minimize misunderstandings and to make sure our interviews would not be too colored of leading questions, they were formulated in an open-end fashion. Before carrying out the interviews, test-interviews with four different students were made, as recommended by Yin (2009), to ensure that the questions would give relevant information.

Our theoretical framework is based of TCE, with Williamson and Coase as the main developers. The study was carried out by all three authors of this research. Eisenhardt (1989) argues this strengthens the confidence in the findings, due to the enhanced creative potential, as well as the idea that conflicting perceptions of the data keeps the study away from reaching a premature conclusion.

3.4. Collection of data

The empirical data was first collected by secondary sources, to get a better understanding of the given market and companies, as recommended by Gioia, Corley and Hamilton (2013) in order to reduce subjectivity. This data was found through articles and press releases, both positive and negative, to increase reliability. The questions (found in attachments) were sent to the respondents before the interview to increase the validity (Bryman & Bell, 2011). They were later carried out by one author interviewing the respondent, along with two other impartial authors aiding with follow-up questions. To ensure the validity and truthfulness of the answers, we asked for permission to record and later transcribe the interviews. A sign of confidentiality was signed with one of the parties to ensure that they would read through the work before we would publically publish any information. Close contacts were held with the respondents, in case they would wish to fill in or change any information given. The risk of misinterpretation was dealt with by giving a short introduction before each interview about the purpose and questions of the

study. All the interviews lasted between 30 and 85 minutes, for a total of approximately eight hours. The data was carefully discussed between the three different authors, to decrease bias and misinterpretation due to differing personal backgrounds, ideologies and beliefs. Due to the availability and limitations of the authors and/or the respondents, most of the interviews were carried out by telephone. The exceptions were Ntex and the audit company which were carried out face to face, and one respondent from Project 1 whom we got in contact with by e-mail. All interviews were transcribed.

Semi-structured interviews have strengths in qualitative studies, as the flexibility gives room for personal opinions and interpretations to be captured. As the interviews progressed and more data was collected, the more insight we gained about what relevant questions could be asked. Thereby, adjustments were made during the data collection process. Eisenhardt (1989) describes this freedom as a legitimate key feature of theory building, as the goal is to understand the case in as much detail as possible, rather than summarizing statistical data of a set of observations.

3.5. Analysis of Data

The analysis of data plays a major part in forming a theory. Eisenhardt (1989) argues that this is the most difficult part due to the major chasm that separates data and analysis. One cannot summarize the overwhelming amount of data into a few pages without leaving out major parts of information. People are poor processors of information due to various different information-processing biases, such as neglecting statistical facts and disconfirming evidence.

To be able to reach further beyond initial impressions, a structured pattern matching strategy was implemented. The transcribed text would be coded directly after it was carried out and analyzed.

The answers were put into one of the six categories of dimension formulated: *CSR questions*, *economy related*, *related to classical TCE theory of transactions* (asset specificity, frequency and uncertainty), *market/competition analysis*, *legal issues* and *organizational and cultural issues*. A cross-case searching tactic was applied as recommended by Eisenhardt (1989) to capture novel and subtle information from the data. Every category of coded data would be put together, to be researched if intergroup similarities and differences could be found. The risk is however that the given answers could be disconnected from the context, to which we decided to connect the questions to the answers. The collected data would later support the formulating of the revised theoretical framework.

3.6. Validity

According to Bryman and Bell (2011), validity discusses how well the conclusion of a study correlates with the given purpose of the research. In other words, it asks the question of how well the test measured what it was meant to measure.

The internal validity refers to how well the collected data can be transferred into generating new knowledge. This is done by avoiding mix-ups, and is based on to what degree the data is based on systematic errors or biases (Bryman & Bell, 2011). A couple of measures were taken to raise the level of validity when collecting the data (see section 3.4). However, there were clear biases to be seen when we interviewed the different companies, as they were favoring their own firm. We chose to combat this by interviewing third party journalists and anonymous agencies. Secondary data was also used to get further perspectives on the subject. The respondents also gave similar answers where patterns could be spotted. However, there is an ambiguity when defining CSR, as there is no set definition of it, which means different respondents may have interpreted it

differently. A qualitative case study has limited validity due to the heavy influence by the researcher's own perceptions and biases. We therefore conclude that this study cannot give any definite answers. Rather, we aim to raise the question.

External validity discusses how well the data is generalizable and transferable outside of the studied case. Qualitative research is naturally under fire when it comes to external validity, as the data has no statistical power to support the knowledge (Bryman & Bell, 2011). It is however not the goal of a qualitative study to attain a high external validity. A theoretical framework can still be developed as analytical patterns can be found (Yin, 2009). As there is a large difference in the view and maturity on CSR depending on industry, we also noted that the logistics industry which we have chosen is one that is very established and developed in sustainability questions. The theories formed will therefore be limited in generalizability to the few industries that have a similar maturity in CSR-questions, such as the industry for energy and power plants (Financial institution (5), 2017).

Due to the fact that some conditions changed over time in regards to certain levels of anonymity, some interviews are misdirected and lack relevant questions as they were already conducted. This affects the validity of the research since some findings remain unanswered.

3.7. Reliability

According to Bryman & Bell (2003), reliability is a matter of the extent a study can be repeated, whether the result would be the same if it was done again or if it simply was a matter of coincidences and random occurrences. Reliability is closely linked to the term *replication*, which is another criteria when conducting research and presenting the results, meaning it should be

possible for others to imitate or redo. This requires the authors to present an accurate and detailed description of how they performed the study. This is a crucial step for the reliability of the analysis. Another form of reliability is the internal reliability (Bryman & Bell, 2003) which concerns the authors' understanding and interpretation of the gathered information. As all three authors attended the interviews and coded the transcribed material together, it gives the study a higher level of internal reliability.

External reliability refers to the above mentioned ability to replicate or repeat the study. This is difficult in qualitative approaches, since interviews (especially semi-structured) can never be exactly replicated even if the same questions are asked. It is impossible to freeze and recreate a certain situation as the environment is changing and people act and answer based on their surroundings and opinions at that particular time, which lowers the external reliability.

CHAPTER 4. EMPIRICAL DATA

4.1. Corporate social responsibility in the current market

There are many reasons for CSR-strategies in the transportation and logistics industry. Smog and pollution are part of the greatest threats against global health and the World Health Organization states that up to seven million premature deaths are caused by air pollution each year (WHO, 2014). The deaths linked to air pollution in Europe accounts for approximately 500,000 every year (Smith, 2015). The European Union have, due to the severity of the problem, introduced the Real Driving Emissions procedure (RDE) (European Commission, 2016), and severe punishments against cheating manufacturers (Condliffe, 2017). Furthermore, countries and cities all over the world have started to take action against fossil fueled vehicles with hefty fines and bans, which can be witnessed in other cities like London and Paris (Condliffe, 2017).

The increased interest in CSR, and more specifically in the environmental threat, is linked to the increased global legislation and discussions regarding the problem, with the Rio convention in 1992 as a major starting point. The Rio Earth Summit included the UN Framework on Climate Change (UNFCCC) and a framework to limit interfere with climate change was established. To review the convention's implementation, an annual Conference of Parties (COP) is held. COP21, the 21st conference, was held in Paris in 2015 and it was the first conference of UN negotiations in over 20 years that actually resulted in "a legally binding universal agreement on climate" for its more than 190 member states (Sustainable Innovation Forum, 2015).

A CSR-consultant (C) interviewed in the matter argues that CSR is a rapidly developing subject, with differences to be noted from year to year. Ten years ago, the common approach to include ethically justifiable actions within a company would be to give money to charity, and be satisfied with that. That is however not the case today and he argues that we are in a paradigm shift. The shift from the economy being able to control the nature, to the limited natural resources limiting the economy. All products or activities have to be characterized by CSR, integrating the mindset on all levels of the firm, linked to the organizational culture. The most important step is for the top managers to believe in CSR in order for the different stakeholders to adhere to the message and go along with it. The CSR-consultant (C) further points out that CSR should be viewed as business opportunities instead of risks. The management consultant (M) further strengthens the point by stating that the core goal of any firm is to maximize profits, but it does not exclude ethical activities. Like any other strategy, it is all about understanding where to prioritize the resources within a firm. When the environment changes, a company must decide whether to take a risk to gain competitive advantages by adapting and gaining first mover advantages through innovation, or wait and sonder the market. CSR is thereby closely linked to adaptation and innovation. Innovation in supply chains tend to make the production more efficient, using less resources. This is further aligned with the sustainable approach.

The CSR-consultant continues by stating that there is a broad spectra of maturity in different companies, which varies heavily depending on industry, country and type of business. According to the management consultant (D), transparency holds a key role in the matter as it is better to be open and honest about what strengths and weaknesses a company possesses, instead of letting someone else expose weaknesses which can blow up to become huge scandals. Due to the increased pressure of transparency and stricter regulations, greenwashing has been harder to get

away with and companies have to prove their claims. Audit is also an important tool in dealing with greenwashing. Companies are forced to publish CSR reports by third parties, which can be witnessed in Company 1 for example, confirmed by their press release from 2013. The third-party audit firms identify problems and give clear directions of what steps are needed to be taken in order for the claims not to be classified as greenwashing. There is also a risk associated with hidden unethical activities, with the possibility that someone will reveal it. Further on, the management consultant (D) points out that having a sustainable approach integrated within the organizational culture also has multiple benefits, such as working morale, reputation and employee satisfaction.

A group that is currently maturing is the investors, who increasingly seek socially responsible investments. The business analyst (E) mentions that the whole finance sector is currently facing the question of how to price stocks with CSR in mind. The larger companies have more pressure to have a sustainable CSR-profile, which in turn trickles down to the smaller firms as they require sustainable suppliers. Financial institutions have taken on a bigger role as they have progressive CSR-guidelines to follow when financing investments, looking at how companies solve problems related to CSR. The industries attracting most attention are logistics & transportation and energy, as these areas tend to have a more negative impact on the environment and society. Each case is assessed to see if it stands on morally and ethically stable grounds. However, the business analyst (E) further reveals that there is not as much pressure for a CSR-commitment outside the given industries.

The CSR-consultant (C) claims that the pressure for a more developed CSR-approach is rising from a political and legal standpoint. It is no longer something that can be neglected, as it is high

up on most politicians' agenda. The business analyst (E) states that CSR-issues often are seen as a rich people's problem, where developing countries are usually in another phase and tend to put more focus on other aspects of life. However, in most parts of the world CSR is seen as a new industrialization and something that develops the economy rather than stagnates it. Many countries have directions for CSR-reports, where the most common regulations are related to transparency and disclosure of extra financial data. It is however difficult to formulate these reports, as the subject is complex and unquantifiable while containing many grey zones. As reports are getting more strictly regulated, companies must increasingly integrate these kinds of questions in their main strategy. Erik Söderholm emphasizes the role of media in the matter and argues that journalism plays a large role in evaluating organizations.

Business analyst (E) thinks that regulations will be more linked to hard law, such as the Due Diligence Law passed earlier this year. The Due Diligence Law holds companies responsible for the entire supply chain, where companies using contractors may end up with a fine of up to 20 million euros. The law makes it harder for companies to exploit and outsource non-ethical activities, as they cannot put the blame on anyone else. This is the reason why companies with well-developed CSR-strategies usually attract other companies with similar maturity of responsibility, as that also corresponds with reliability. The management consultant (D) further stresses the role of responsibility when outsourcing. A company should always research potential suppliers. If a supplier should fail, it shows that the research has not been done correctly.

CSR continues to be difficult to measure. However, different measurements have been introduced in recent years such as Key Performance Indicators (KPI), which can be measured and viewed as trends over the years. The important thing is to be able to prove that there is a benefit of the

activity. These numbers are then assessed by a third party financial agency. Even if CSR is hard to measure, the CSR-consultant (C) is positive that the ability to measure CSR will evolve. He compares the measurement issue with financial reporting, which has not always been straightforward either. Financial reporting has developed into being more standardized, and something that can be assessed and compared with other corporations' financial reports. Many of the laws affecting the companies in this research are coming from EU directives, effectively forcing most parts of Europe to align with their regulations. When a CSR-strategy is introduced to a company, the business analyst see further connections to financial reports, where the company wants to see yearly improvements. He continues: "It forces companies to do something about CSR, and it acts as a CSR warm-up".

As investors' awareness of responsibility increases, it is important that the risks and opportunities of mergers and acquisitions are assessed, including the CSR aspects. The role of CSR in investments is largely depending on the industry and maturity of the company. According to the business analyst (C), an integrated value chain is one way to certify corporate social responsibility. By integrating the activities within the company, a higher level of control of the supply chain is reached. This provides better control of assets, worker conditions, business ethics, suppliers, etc. He argues that the trend for the last twenty years has been to outsource huge amounts of production, which has led to a lower level of control from a sustainability perspective.

Along with other dimensions of CSR, environmental sustainability has grown to become not just a way of improving life standards and an attempt of saving the earth, but also a business model. "Consumers want green solutions and are keen to demonstrate that their consumerism is environmentally acceptable" (Berret, 2016). Several years before the legislation against

emissions in major cities around the world and before COP21, one of the world's leading logistics companies made a quite drastic strategic choice.

4.2. Logistics Company 1

The company behind mentioned decision is referred to as Company 1, and is the base for our research. Due to internal pressure and demand, the CSR-strategies of Company 1 is developing. To comply with tougher regulatory measurements and increased pressure from stakeholders, the company realized that CSR was a business related matter. "Sustainability is no longer something you do beside your business, it is something you are required to successfully incorporate in your business", states the quality manager of the company. He further suggests that sustainability is about expanding your perspective. A financial report concerns your own risks and it states where you want to be in ten years. An environmental strategy on the other hand involves external objectives you have to achieve. Company 1 is transparent about their strategy being linked to COP21 and the stricter legislations regarding CSR. Due to a sustainability initiative released a few years ago and a goal of improving their carbon efficiency, the company decided to shift their last mile deliveries to carbon neutral solutions. The company's quality manager explains that as a logistics and transportation company, they were aware of their connection to the problem, but also their role as a part of the solution. In a long term perspective there is no rush to have all the answers, however on a short term basis the company needs to have a business perspective which they can sustain.

With the decision to switch their operations towards carbon neutral deliveries, the company turned to established manufacturers to discuss their environmental objectives. The quantity and idiocracy requested by Company 1 could not be met. The Project 1 representative explains that

there were no economically justifiable solutions on the market, which is why Company 1 decided to take one step further in order to meet their ambitious goals (Quality Manager at Company 1, 2017).

At the same time as Company 1 investigated possible solutions to attain their sustainability goals, a startup company producing carbon neutral transport solutions was founded (Project 1). A relationship between Company 1 and Project 1 evolved through similar objectives and the finished product of Project 1 corresponded well with what Company 1 was looking for. However, with the large volumes required by Company 1, being dependent on a small producer seemed risky. To finance the project, usage of ‘business angels’ and hedge funds were evaluated, but also the possibility to acquire Project 1 and take the risk on Company 1’s side. Due to the fact that they already had a developed, well working business relationship and “secured” volumes from Company 1, the latter was seen as the favorable option. In a press release, Company 1 announced that it had acquired Project 1 as a fully owned subsidiary and vertically integrated the production into their own operations. (Quality Manager Company 1, 2017)

The pioneering project to vertically integrate a part of the supply chain was a risky decision. However, it is a decision which shows that Company 1 is taking the CSR-goals seriously. According to the business analyst, “The easy way to do it would have been to let the market set the limitations for their CSR-strategy”. Since there was a demand without any supply, Company 1 created the supply. He further says that even if it is risky, the business model we used to know is changing and that this decision creates their future competitive advantage.

In a recent press release from Company 1, one of the board members stated that the company wanted to become market leaders in green logistics and that they wanted to spread their expertise within sustainable mobility. It is not just about the environment, but also the business benefit. “We are better off in business if we are leaders within sustainability”, says the quality manager. A target should be ambitious, but not completely unrealistic. People within the organization must believe in the target and work for something that is actually manageable. Being leaders will force other companies to follow, both within and outside the industry.

Freelance journalist and electric car expert Tibor Blomhäll reviews the decision and argues that it is made in regards to the environmental goals of Company 1, as suggested by the company. The strategy could be a trigger in the business, but Blomhäll highlights the difficulties with competing with established suppliers with well developed networks and knowledge in the field. A cooperation with an established supplier might have been a better solution. However, Company 1 argues that the business model is solid and the demand for their products is overwhelming. Industry journalist Erik Söderholm states that even if the project does not survive more than a couple of years, the effects on the industry will remain. Even at this point, the effects of the project has set its mark. He also states that “they did not have to be this early, they are in front of the legislation”.

With the pioneering decision of Company 1, established manufacturers reacted sharply. Erik Söderholm suggests that the lobbying from these powerful companies could possibly force local governments to take action. The quality manager of Company 1, however, argues that since they have a sustainability goal linked to COP21 and that their goals are similar to the ones of the local government, the risk is very limited.

4.3. The Swedish Logistics Market and CSR

According to the sustainability reports of DB Schenker (2015) and PostNord (2016), the biggest actors on the Swedish logistics market are DHL Express Sweden, DB Schenker, PostNord, DSV and Bring. These are also the ones with the most focus on sustainable logistics. The three companies chosen for our study are PostNord, DHL Express Sweden and Nttx, all having differing strategies depicted below. The companies were chosen because they belong to the logistics sector, but differ in size and strategies.

DHL Express Sweden is part of one of the world's most international companies through the Deutsche Post DHL Group (DPDHL). When state owned Deutsche Post was privatized and merged with the logistics company DHL, a logistics giant was formed. DHL Express Sweden strive to minimize the environmental impact of their operations and they follow the DPDHL's GoGreen initiative. The initiative links today's operation to future goals of the company. There is however some adaptability for every division and market and the CSR development is much linked to education of employees (Källbäcker, 2017). Furthermore, they offer climate compensated solutions for their clients (DHL Express, 2017).

Another company with its roots in the postal industry is PostNord. The company was founded in 2009 through a merger between Swedish Posten AB and Danish Post Danmark A/S and is thereby co-owned by the two governments. With the Nordics as its home market, PostNord has a long term goal of being the leading logistics and communications company in Northern Europe. The company provides various solutions for different kinds of logistics and communications,

including world wide freight through partners and solutions within e-commerce (PostNord, 2017). PostNord, in similarity to DHL Express Sweden, states their long term goals regarding environmental impact and are transparent about the steps towards these. PostNord further explain that their goals will be reached by electric vehicles and collocation of company divisions. Both PostNord and DHL Express Sweden identifies the emissions from transportations as their main footprint on the environment.

PostNord and DHL Express Sweden are two major players on the Swedish market. Ntex on the other hand is a medium sized competitor and differentiate themselves with solutions that are tailored for the customer (Ntex, 2017). The three companies states that they take sustainability and CSR-strategies seriously in their operations. According to Ntex Quality Manager Mats Pråme, the bigger the company is, the more pressure they face to pursue sustainable solutions on the basis of a more extensive amount of stakeholders. For DHL Express Sweden, much of the directives regarding sustainability comes from DPDHL group but it is important that they show local customers that they take CSR seriously. Ntex also provide their sustainability approach, with a lot of focus on efficiency regarding the transports, something that according to Pråme (2017) is beneficial for both the environment and their expenses. In comparison, he argues that Company 1 has huge financial strength, which opens up capital heavy investments worth billions of euros. Källbäcker adds that the decision of a larger company often has more impact. These investments could include innovative solutions, such as Project 1. An investment like this could not be possible in the current state of Ntex.

Blomhäll believes that selling the transport solution to other companies would be beneficial for both seller and buyer. He mentions PostNord as a potential customer. However, buying future

vehicles from a competing company is noted to be a quite unlikely transaction (Lundström, 2017). She states that it is more likely that they try to pursue a similar strategy themselves, as they have done once before. Lundström and Källbäcker are both positive towards the news of a large logistics firm producing their own sustainable transportation solution instead of relying on external suppliers. In the quest for sustainable logistics, PostNord have had a few bad experiences of electric vehicles which did not live up to their standards. Therefore, manufacturing the desired vehicles within the company might be a better solution, where employees can give input on appearance and functions.

Källbäcker explains that the strategy of DHL Express Sweden is very focused on long term advantages and benefits, which is why innovation, CSR and sustainability play such big roles. This strategy is brought down from the top, with their CEO showing interest in the subject. All three companies have a common belief that motivated workers is key to quality work and good customer service (Källbäcker; Lundström; Pråme, 2017). According to Pråme, this is a particularly important matter for Ntex. Passenger vehicles are much more developed than vans in regards to sustainability and quality. Larger trucks are even further behind according to Söderholm (2017). Since Ntex is more dependent on trucks than vans, the company deals with the issue of less developed environmental possibilities for their transportations. The trucks have certain EU standards, but as Pråme explains, many of the tenders he receives require the best possible ratings, until they discuss price.

Pråme argues that there is definitely an increased interest in CSR, but a will to change is more doubtful. While they are continually working on improving their environmental impact, they have adapted to another dimension within CSR: the social aspect. Instead of using cheap

subcontractors from low cost countries, the company tries to hire Swedish employees with fair agreements. As the business analyst stated, vertical integration could be a way of gaining increased control of the supply chain, certifying oneself that laws and rules in regards of CSR are followed. Ntex is convinced that their strategy is in the best interest for the company, client and society. Their vertically integrated strategy, to use people with whom they can build trust and communicate with, results in sound contracts, financially and ethically. The contribution to the society is also considerably higher this way. Ntex does not have the same possibilities to use environmentally friendly transportation, therefore the social factor has become an important part. One example is the Driver's Manual distributed to all drivers, which contains instructions and guidelines. According to their International Organization for Standardization (ISO), they have an obligation of making sure everyone gets one of these manuals. Ntex provides these in English and Swedish at the moment, but even though Ntex have a high percentage of Swedish employees there are still times where they use drivers who do not speak either of those languages. In a legal perspective they have still done their job by giving out the manual, but as Pråme said, they can do better and he intends to change it.

Michael Källbäcker recognizes transparency of emissions as something that helps them stand out from the competition. He further argues that many large players in the industry understand their part of the problem and solution. Global players often try to position themselves as influencers. Even though there are more pressure for sustainable solutions today, most parties are still sensitive to increases in price. Being players in the transportation industry, they all have legal requirements to follow. These requirements include environmental, health and safety certificates, and laws and regulations regarding environmental zones etc. (Lundström, 2017). At this point, Sweden does not have any cities or zones with bans against fossil fueled vehicles, like a few

other countries do, but it is a possibility in the future. If tougher legislation is introduced, the mentioned companies will have to adapt. According to the three companies, this is already something they have taken into consideration. Ntex for instance has plenty of routes outside of Sweden and is already forced to comply with these kinds of regulations. Local governments could trigger the development towards more sustainable solutions, and in this case the Swedish government invest significant amounts into infrastructure and grants, as well as penalty taxes on fossil fueled vehicles (Söderholm, 2017). There is however more to be done and Söderholm suggests certificates as one possible solution.

CHAPTER 5. ANALYSIS

5.1. Economic and legal responsibility

Historically, the economic responsibility of maximizing earnings per share lays the foundation of all economic activity, representing the first level of Carroll's pyramid of CSR. This is further strengthened by the respondents. Although, chasing economic profit does not exclude ethical activities on other levels.

There are difficulties forming regulations, however, the laws regarding transparency and disclosure of extra financial data is rapidly evolving. This increases the pressure to integrate CSR into companies' strategies. Stricter bans and regulations, not only on the Swedish market but in general, are factors the case companies have taken into account by trying to stay ahead and be innovative. The companies often align their strategies according to national regulations. Small differences are however noted on an operational local level. As the economic and legal aspects depict the basic goals within firms, it is easy to state that the case companies 'fulfill' these responsibilities.

When analyzing the two basic assumptions of TCE, opportunism and bounded rationality, connections in the Swedish market can be found in the theoretical work. As other researchers have pointed out, it is empirically hard to witness opportunistic behavior in real life cases. This can be seen in the collected data, where there is mutual trust on both parts of a contract. In contrast to how Williamson describes the issue of opportunism as taking advantage of the counterparts lack of information, it is instead viewed as a disagreement of activities and a breach

of contract with legal consequences. Since CSR today emphasize the importance of transparency, it is difficult to hide secret motives in contracting. Companies with well formulated CSR-goals empirically correspond well with reliability.

A connection between bounded rationality and CSR can be witnessed in the Swedish market. We see that CSR plays a crucial role of a firm's survival, while the maturity level is differing in various industries, with many companies showing lack of competence and rationality. There is still plenty of work left to improve the understanding of CSR within companies, especially when consumers' demand increase.

Asset specificity in the transport sector lies within the lower to mid-level of specificity.

Transportation vehicles are for example using older technology and are often of a simpler construction. Electric vehicles are manufactured with less specificity than fossil fueled ones.

Most vehicle manufacturers use the competence of suppliers when they buy their components on the market, decreasing the requirement of business knowledge. Since the specificity is rather low, TCE suggests that the market should be used. In the case of Company 1 however, they chose to vertically integrate for, what we assume, CSR-related reasons. They are facing a challenge when starting the business from scratch with little knowledge of the manufacturing industry. Regarding frequency, it is not an important factor in the transactions of transport solutions. The companies buy vehicles in large bulks to replace the old ones. Regarding uncertainty, the contracts between companies and suppliers are based on long term relationships and the level of trust to the manufacturer is high. However, since the pressure on control of supply chains increases, much due to the Due Diligence Law, the link between CSR and uncertainty becomes more prominent.

Looking back at Williamson's theory of applying the nature of the transactions to contract law and governance structure, the low level of investment idiosyncrasy along with occasional transactions in the industry would hint that the real world companies would end up in a classical contract and with a market governance. It could also be argued that the level of idiosyncrasy is mixed: neither nonspecific or idiosyncratic. This would suggest a state of trilateral governance with neoclassical contracting, witnessed in DHL Express Sweden, PostNord and Ntex. However, it does not fit with the commitment of Company 1 and Project 1. Even when taking the size of transaction being noticeably larger into account, the integration to a unified governance with relational contracting does not fit in the model. It could be argued to be a bad business deal by reason of bounded rationality. The project has however received massively positive responses, with potential to gain competitive first mover advantages. Either way, it strongly suggests that the existing theories studied are not sufficient for our understanding of the transaction, needing further explanation by incorporating the top layers of Carroll's pyramid.

5.2. Ethical and philanthropic responsibility

As the interviewed companies have fulfilled the first two levels of the pyramid, the next two steps are more intriguing. In contrast to the economic and legal responsibilities of CSR, the ethical and philanthropic responsibilities are not satisfied as easily. There is an increasing demand for transparency, where CSR is viewed as a business opportunity.

It is apparent that CSR takes a large part of the interviewed companies' core organizational culture. It is deeply rooted within the companies' processes, especially prominent in the CSR-reports, where the strategies are made of clear and set goals. At DHL Express Sweden it takes form in the GoGreen initiative of DPDHL Group that they follow, while offering climate

compensated solutions for their clients. PostNord combats emissions through electric vehicles and collocation of company divisions, while Ntex shows their sustainable approach by having fair agreements for their employees. The efforts Ntex are making, including the aim of designing the Driver's Manual in several languages, shows that they are willing to go that extra mile and not just be content with the absolute minimum. It may seem like a small gesture, but responsibility is not only about the grandiose or revolutionary things, it is as much about the small extra steps that can be taken. This is one part of the social aspect, which gives reason to believe that Ntex have reached the ethical level of the pyramid, beyond the economic and legal levels. The CSR-approaches of PostNord and DHL Express Sweden also shows that they have attained the third level of the pyramid.

As the case study has identified, the core business of transportation and logistics has much room for improvement since it is closely linked to harmful emissions. Fossil fueled vehicles with today's technology is de facto more efficient in capacity, making electric vehicles a less preferred asset. With capacity in mind, the traditional vehicles will most likely be favored. Electric vehicles will however enhance the CSR-approach, also being the better equipped solution for the increasingly strict regulations. As technology develops, electric vehicles will eventually be more preferable. Company 1 states that the short term goals of the company, undertakes operational answers with economic objectives, while the long term goals are left unanswered but still in pipeline. We interpret this as TCE playing a large role in the decision making, as suggested by the theory studied. However, CSR is taking a larger role in the long term strategic goal settings and thereby affecting TCE. One could note that the long term strategies of the case companies follow the same pattern.

As seen above, governance structure on the Swedish market aligns well with the given theory by Williamson. At the same time, there is a clear emphasis on CSR when talking about the strategic decisions within the companies. Some of the strategic decisions seem to have been based on philanthropic grounds, as defined by Carroll. As stated above, DHL Express Sweden takes philanthropic responsibility with the GoGreen initiative as it was introduced before COP21, however being a long-term goal. On the Swedish market, Ntex is assuring philanthropic goals of sustainable employer agreements with their commitment to Swedish society. The example of Company 1 integrating with Project 1, exemplify the connection between TCE and CSR. The decision is seen by many as radical and revolutionary and Söderholm claims that they are in front of legislation and did not have to be this early. This is a key point, as it fits into the philanthropic responsibility, as the 'extra' that is done. Even if philanthropic responsibility is seen in many parts of the case studies, not all of them correspond to vertical integration. It does however link CSR with TCE, in that it is an important part in many of the decisions organizations make. The results are summarized in in Table 2, shown below. It should be noted that a philanthropic goal in Table 2 is not equal to have reached philanthropy. It is exclusively a term that confirm philanthropic ambitions with the strategies. At the same time it is important to point out the aspects of the problems with sustainability and inflated reports regarding sustainability. Decreased emissions does not necessarily correspond to sustainability for example. The aspect palliates with a more transparent society and the decrease of greenwashing. It is however an important prospect to uplift.

	Company 1	DHL Express Sweden	PostNord	Ntex
Economical	Fulfilled	Fulfilled	Fulfilled	Fulfilled
Legal	Fulfilled	Fulfilled	Fulfilled	Fulfilled
Ethical	Sustainable certificates, electric vehicles	Sustainable certificates, climate compensated solutions	Sustainable certificates, emission goals	Sustainable certificates, fair employee agreements
Philanthropic	Vertical integration of sustainable solutions	GoGreen initiative	Historically shown ambitions to vertically integrate production of sustainable means of transportation	Philanthropic approach of contracting their drivers.

Table 2: Representation of the companies' taken responsibilities

Company 1 is seen as a pioneering example and is the starting point in this research. It is a large company with a lot of focus on innovation, and prioritizes the development of competitive advantages. In reference to previous statements, large companies have more stakeholders, but also greater effects on the market and suppliers. They also have bigger transactions, giving further reasons to integrate. Company 1 is at the forefront of the industry and shows great responsibility, benefiting both the society and the firm. We believe more companies will follow and include more industries in the transition. Partly due to the aspect of competition, but also that higher responsibility increases the yearly requirements from audit firms, customers, clients and society. Even if greenwashing is harder to perform these days, companies want their CSR-strategies to be looked upon in the most favorable way. This might trigger better CSR-strategies, but also include a bias to make processes appear better than they actually are. The case of Company 1 is however hard to not take as a serious commitment to their sustainability initiative.

Vertical integration and TCE has traditionally not been linked to CSR in an ethical or philanthropic sense. The data does however show the importance of ethical and philanthropic responsibility in the decision making process of managers when dealing with the make or buy question. We hereby introduce our revised theoretical framework, integrating CSR into classical TCE.

5.3. Revised theoretical framework

According to Carroll's pyramid in the preliminary framework, the economic and legal responsibilities are explained by TCE in relation to the boundary of the firm. We suggest that the ethical and philanthropic responsibilities are further connected to TCE. The categories in the pyramid are the same, however the increased demand for sustainability is pushing the borders upwards. Part of what previously was defined as philanthropic is now included in the ethical responsibility. Furthermore, stricter legislation enforce some ethical strategic choices to become included under the legal responsibilities.

Further differences between the preliminary and the revised theoretical framework lies in the nature of CSR, which stems from increased demand. The decision making does not build on purely ethical grounds. Instead it should be seen as a business development strategy which gives rise to ethical processes. Transparency plays a key role as an assessment to the risk of being exposed when performing questionably sustainable strategies, thereby making greenwashing a less common issue. The level of CSR is highly dependent on industry, in which different companies have varying maturity. This is depicted in figure 6 below.

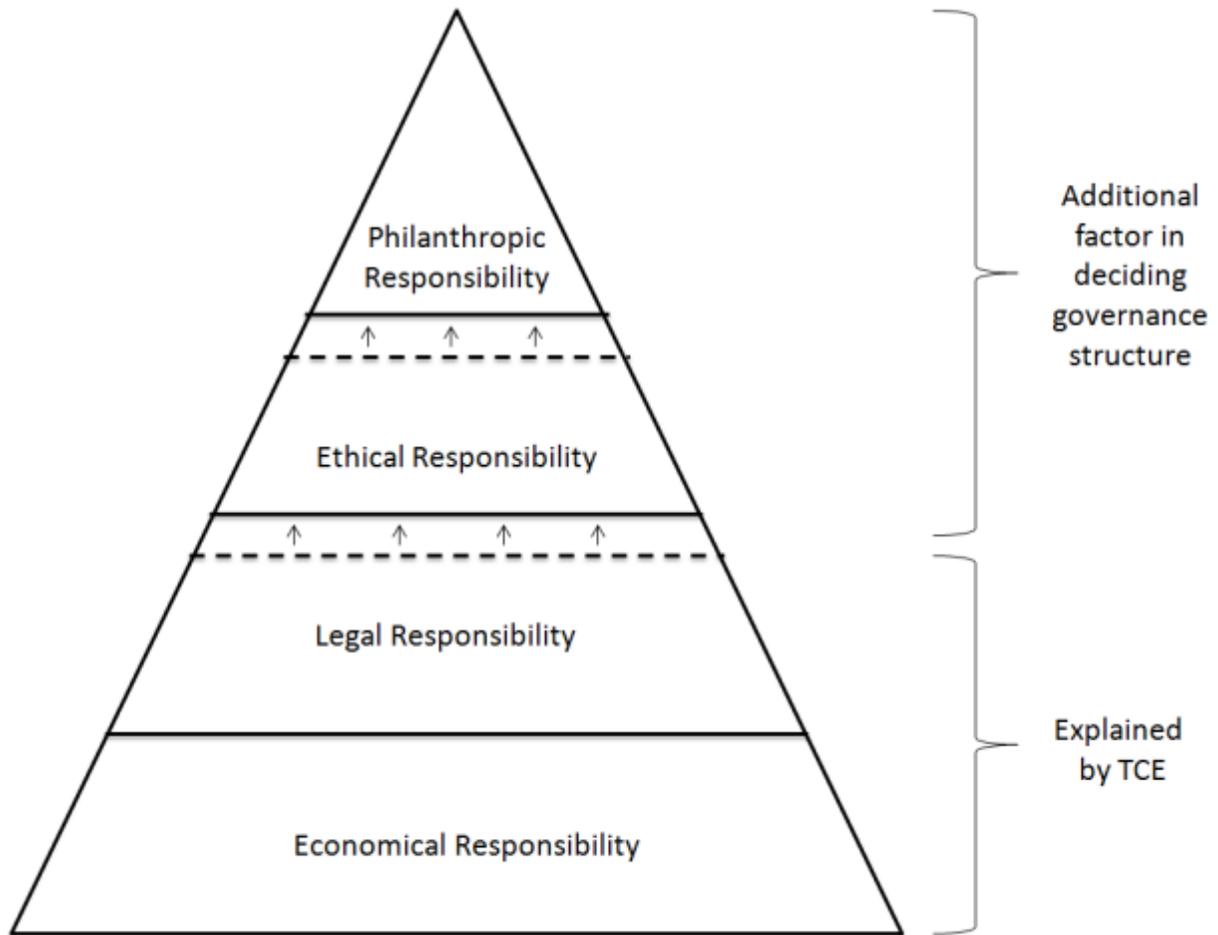


Figure 6: Carroll's pyramid of CSR, revised

Looking at the two behavioral assumptions of TCE, bounded rationality is heavily supported by the difficulties dealing with CSR. However, opportunism is continually under fire due to poor empirical evidence. The theories for understanding a transaction are not sufficient to explain the real life case. From the data we can depict that decisions concerning the boundary of the firm is taken with respect to CSR. It is also important to note that we do not separate CSR from the three dimensions presented by Williamson (1979). It can be tied to mostly asset specificity and uncertainty, but also frequency. As the requirements for a better sustainable approach increase, more specific assets and processes are requested. A unified governance structure allows for better

control of resources and processes of the supply chain. A contractor with a CSR-approach is also connected to uncertainty, as it legitimizes the firm. CSR is connected to frequency as a more efficient supply chain, where less transactions use less resources. Similar to the other dimensions, there is suggesting evidence of a linear progression in CSR. This could be witnessed as a high level of CSR taken by Company 1, resulted in the decision of integrating Project 1. Another example is Ntex, whose recruiting processes have philanthropic arguments. The revised framework can be seen below in figure 7.

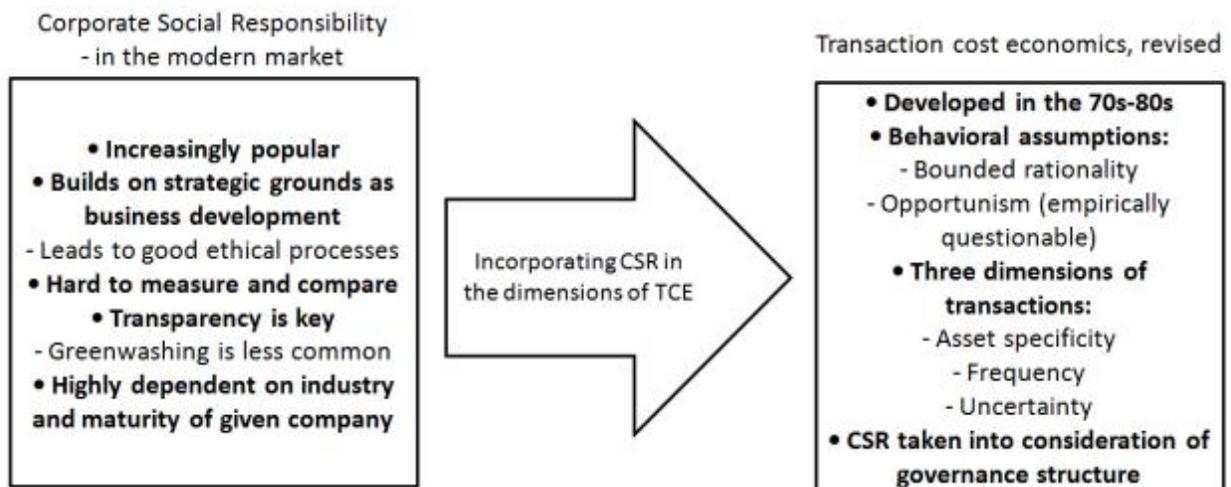


Figure 7: Revised theoretical framework

CHAPTER 6. CONCLUSION AND DISCUSSION

6.1. Conclusion

We found that our initial idea of combining TCE and CSR could be a step in the right direction. Our empirical base further strengthened the criticism against CSR of the opportunistic behavior, while at the same time highlighting the missing bridge between the two theories. The increased importance of CSR in business decisions shows its significance connected to governance structure, depicted in our revised theoretical framework. In parallel with the development of CSR in the current market, the case study has shown that the understanding of the subject is growing as well. We believe in increased importance of the incorporation of CSR when managing governance structure, since stakeholders and financial institutions are increasingly unforgiving of unethical actions. The revised framework is however mostly based on the decision of Company 1 and Project 1, which affects the generalization of the results.

The complexity of the concept CSR makes it difficult to properly define and include in an already recognized theory. For this reason, we are not specifying to what extent CSR should be included, merely stating that it needs to be taken into consideration, and to be further studied as a part of the theory. Our results act as an eye opener for future development of our revised framework in the contemporary market. It also provides guidelines for managers who wish to revise their governance structure following Williamson's model.

6.2. Discussion

As the study had a qualitative approach, the validity is only sufficient for theory building, investigating relations of CSR and TCE. It is good for understanding why correlations and relationships appear, including the causality. The study is limited to the logistics industry since it is one of the industries with the highest pressure for obtaining CSR-strategies, limiting generalizations and application of the results outside the studied cases. Company 1 is in this context seen as an extreme case, being an outlier compared to similar firms. The studied framework could also be problematized by taking an evolutionary standpoint of viewing the firm, investigating the historical progression of activities over time. More perspectives could have been included, such as the politics or marketing role of the issue. Including more cases in the Swedish market would be yet another way to increase the validity of the insight in the companies. There are not a lot of previous research published combining CSR and TCE theories, leaving a gap which we aim to fill. Hence, we utilized Eisenhardt's theory-building methods to fulfill the purpose of the thesis. As mentioned in the method, it should be noted that the level of validity and reliability of the study is limited. This is mostly with respect to personal biases such as the neglecting of disconfirming evidences, as well as the companies' own biases towards themselves.

6.3. Suggestion for further research

The research model chosen for the study has flaws, which can be complemented by further research using a different design. The study would need a quantitative approach to provide statistical power to the relations given in the data. Other markets or industries could also be investigated to see if the same conditions are applicable, with the purpose of increasing the external validity. Additionally, the data hints a slight positive correlation between higher levels of

CSR and vertical integration, which needs further study. On the other hand, a non-integrated market governance structure could possibly be connected to a higher level of CSR. As CSR is increasingly gaining popularity and foothold in the current market, there are incentives to study the evolution and future state of the subject.

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Anonymous (B). [Mail contact] Project 1, 2017-04-07

Anonymous (C). [Telephone interview] Anonymous CSR consultant firm (3), 2017-04-28

Anonymous (D). [Personal interview] Anonymous audit firm (4), 2017-05-10.

Anonymous (E). [Telephone interview] Anonymous financial institution (5), 2017-05-10

Blomhäll, Tibor. [Telephone interview] Elbilen i Sverige & Tesla Club Sweden, 2017-04-24

Källbäcker, Michael. [Telephone interview], DHL Express Sweden, 2017-04-24

Lundström, Susanne. [Telephone interview] Postnord, 2017-04-28

Pråme, Mats. [Personal interview] Ntex, 2017-05-10

Söderholm, Erik. [Telephone interview] Recharge.se, 2017-04-26

CHAPTER 8. ATTACHMENTS

8.1. Interview Questions in English

Interview questions for management consult, CSR consult and business analyst

1. Tell me more about your profession and role at company X. Could you please give a brief summary of the operations at the company?
2. How would you define CSR? What aspects are there to take into consideration?
3. What type of projects related to CSR does your company have?
4. Regarding demand and supply in CSR, how have the trends changed?
5. Are there any opportunity costs when working with CSR? How much resources are needed?
6. Is there a difference in resources spent on CSR comparing small and large companies?
7. What differences can you see in different industries? How come?
8. What kind of pressure do society have when it comes to CSR?
9. How do you define and measure CSR?
10. Are companies valued differently depending on whether there are any unethical activities internally or whether they are outsourced?
11. What are your thoughts regarding greenwashing, i.e. when companies present themselves more environmentally friendly than they are? Do you believe CSR is about the image?
12. Do you have any other criticism to CSR, or do you see an other issues with it?
13. In what ways do companies handle their CSR work? How is it portrayed? Is it mostly work within the company or activities disconnected from the business?
14. What is the best way of improving the CSR profile in a company? How much is required?
 - How does it take form in the logistics and transport industry?
15. What institutions are CSR dependent on?
16. What laws and regulations are connected to CSR? How do you think the evolution of these will take form?
17. In an international perspective of CSR, where does Sweden fit?
 - How does it take form in the logistics and transport industry?
18. Does CSR profiling enhance the accessibility for a company to financial assistance from various institutes?
19. Does CSR profiling enhance the will for institutes to invest in a company?
20. If you get a business opportunity that is not in line with your CSR goals, how do you handle that? For example a customer that is acting unethical.
21. What advantages are there to hire a CSR consultant as opposed to handle it within the company?
22. Do you believe CSR is connected to innovation?

23. Do you think CSR is connected to mergers and acquisitions?
 - Is it connected to control of the value chain?
24. What do you believe are the reasons behind Company 1's decision of vertically integrating environmentally friendly transport solutions in the form of Project 1?
25. What effects do you think this will have in the market? What are the reactions from competitors?
26. Looking at the infrastructure, what adjustments do you think will be necessary for the investment Company 1 has made?

Interview questions for journalists

1. Tell me more about your profession and role at company X. Could you please give a brief summary of the operations at the company?
2. How has the trends changed depending on demand and supply within sustainable transportations? In what way can this be noticed?
3. Why do you think Company 1 chose to vertically integrate their production chain through Project 1? What profits can be seen by this choice? What direction do you think they are aiming for with this decision?
4. How complex is the new construction compared to previous transportation solutions? How does the capacity measure with the existing ones?
5. Is outsourcing the production common in the transportation industry?
6. For new sustainable transportations to be efficient, what is required in the infrastructure?
7. What effects on the market do you think Company 1's decision will have? How will competitors react?
8. What quality risks could Project 1 result in? How do you view the safety of the new transport solution?
9. What possible threats can this expansion result in?
10. How do you think society views new environmentally friendly transport solutions?
11. Are there any alternatives to the technology Company 1 is using?
12. What is your view of the CSR involvement companies need to consider today?

Interview questions for the companies

1. Tell me more about your profession and role at company X. Could you please give a brief summary of the operations at the company?
2. How would you define CSR? What aspects are there to take into consideration?
3. What is your company's CSR-profile? How do you make sure the company complies with these strategies?
4. Regarding demand and supply in CSR, how have the trends changed?

5. How has the trends changed depending on demand and supply within sustainable transportations? In what way can this be noticed? How do you meet this demand? Are there any ethical aspects except the environmental?
6. How is this portrayed in the company?
7. What affects your CSR-strategies? What different aspects are there to keep in mind?
8. Are there any issues with CSR generally speaking?
9. What relevant restrictions and laws exist in regards to the company's CSR strategies? How do you think they will develop over time? Can lobbying be something that affects this?
10. Are there any opportunity costs when working with CSR? How much resources are needed?
11. Is there a difference in how much resources are spent comparing small and large companies?
12. What are your thoughts about Company 1's decision to vertically integrate sustainable transport solutions? How do you think the market will react to this? What would you think about doing a similar investment in your company? What possibilities and limitations are connected to this kind of expansion?
13. What pressure have you experienced from competitors and the market, vastly speaking?
14. What pressure is there are there internally in regards to CSR?
15. What are your thoughts regarding the phenomenon greenwashing, i.e. when a company present themselves as more environmentally friendly or sustainable than they actually are?
16. How do your contracts work, do you purchase vehicles separately or in larger quantities?
17. Do you use a lot of subcontractors or do you mostly have an integrated value chain? For what reasons?
18. Do you use your own cars? What are the reasons behind this decision?
 - If yes, how long is the average life of a car in your fleet?
19. If you get a business opportunity that is not in line with your CSR goals, how do you handle that? For example a customer that is acting unethical.
20. In your opinion, do CSR and vertical integration have a connection?

8.2. Interview Questions in Swedish

Interview questions for management consultant, CSR consultant and business analyst

1. Kan du djupare förklara din roll på företag X?
2. Hur skulle du definiera CSR? Vilka olika aspekter finns inom CSR?
3. Vilka uppdrag kan ni få som är kopplade till CSR?
4. Hur har trenden sett ut när det gäller utbud och efterfrågan gällande CSR?

5. Finns det någon alternativkostnad av CSR-arbete? Hur mycket resurser krävs och var skulle man kunna lägga dem istället?
6. Finns det någon skillnad mellan stora företag och mindre företag, hur mycket resurser de lägger ner på CSR?
7. Vilka skillnader finns att se mellan branscher? Varför?
8. Hur ser påtryckningarna ut från samhället när det gäller CSR?
9. Hur definierar och mäter man CSR?
10. Värderar man bolag olika beroende om beroende om oetiska aktiviteter sker internt inom ett bolag jämfört med om man har outsourcat det?
11. Vad tänker du gällande greenwashing, dvs att företag framställer sig själva som miljömedvetna utan att egentligen ta det ansvaret? Är CSR främst ett imagearbete?
12. Ser du någon annan kritik eller problem med CSR?
13. Varför tror du vill bolag förbättra sitt CSR-arbete?
14. Hur sköter bolag sitt CSR-ansvar? Hur tar sig arbetet form? Förbättra verksamheten eller aktiviteter frånkopplade från verksamheten?
15. Vad är det bästa sättet att förbättra sin CSR-profil inom ett bolag? Hur mycket krävs?
 - Hur ser det ut i logistik- och transportbranschen?
16. Vilka institutioner är CSR beroende av?
17. Vilka lagar finns det som är kopplade till CSR? Hur ser utvecklingen ut för dessa?
18. Var ligger Sverige i utvecklingen gällande CSR i ett internationellt perspektiv?
 - Hur ser det ut i logistik- och transportbranschen?
19. Påverkar CSR-profilering ett företags tillgänglighet till finansiella hjälpmedel från diverse institut?
20. Påverkar CSR-profilering hur attraktivt det är att investera i ett företag?
21. Om ni får en affärsmöjlighet som inte går enligt era CSR-mål, hur hanterar ni det? T.ex. förfrågan av en kund som handlar oetiskt.
22. Vad finns det för fördelar att anlita en CSR-konsult gentemot att göra arbetet själv inom bolaget?
23. Är CSR kopplat till innovation?
24. Är CSR kopplat till beslut om uppköp eller sammanslagningar?
 - Är det kopplat till kontroll över värdekedjan?
25. Vad tror du var orsaken bakom beslutet av Company 1 att integrera miljösmarta transportlösningar i form av Project 1?
26. Vilka effekter tror du att detta kommer få på marknaden? Hur har konkurrenter reagerat?
27. Hur ser infrastrukturen ut för en satsning som Company 1 har gjort? Vilka anpassningar krävs?

Interview questions for journalists

1. Kan du djupare förklara din roll på företag X?
2. Hur ser utbud och efterfrågan ut av miljövänliga transportmedel? Hur ser trenden ut?

3. Varför tror du att Company 1 valde att integrera sin produktionskedja via Project 1? Vad finns det för vinster med detta? Vilken riktning vill de ta med detta beslut?
4. Hur är den nya konstruktionens komplexitet jämfört med tidigare transportmedel? Hur ser kapaciteten ut på den nya lösningen jämfört med de existerande?
5. Är det vanligt att man inom transportbranschen outsourcar produktion?
6. Vad krävs specifikt i infrastruktur för nya miljövänliga transportmedel?
7. Vilka effekter tror du att Company 1s beslut får på marknaden? Hur reagerar konkurrenter?
8. Vilka kvalitetsrisker tror du att Project 1 kan medföra? Hur ser säkerheten för användandet av den nya lösningen?
9. Vad finns det för hot mot den här expansionen
10. Hur ser samhället på nya miljösmarta transportmedel?
11. Finns det några andra alternativ till tekniken Company 1 använder?
12. Hur ser du på CSR-arbetet som bolag måste ta hänsyn till?

Interview questions for the companies

1. Berätta gärna mer om din roll på Bolag X. Förklara gärna kortfattat om er verksamhet.
2. Hur skulle du definiera CSR? Vilka olika aspekter finns inom CSR?
3. Vad har ni för CSR-profil? Hur ser ni att detta följs?
4. Hur har trenden sett ut när det gäller utbud och efterfrågan gällande CSR?
5. Hur har trenden sett ut när det gäller utbud och efterfrågan gällande hållbara transportlösningar? På vilket sätt och hur visar sig detta? Vad gör ni för att möta dessa krav? Finns det andra etiska aspekter förutom miljön?
6. Vad för roll tar detta arbetet i ert företag?
7. Vad påverkar era CSR-strategier? Vilka olika aspekter finns det att hålla i åtanke?
8. Finns det någon problematik med CSR i allmänhet?
9. Vad finns det för relevanta lagar och restriktioner idag kring företagets CSR-strategier, och hur tror du att de kommer att utvecklas i framtiden? Kan lobbying påverka detta?
10. Finns det någon alternativkostnad av CSR-arbete? Hur mycket resurser krävs?
11. Finns det någon skillnad mellan stora företag och mindre företag, hur mycket resurser de lägger ner på CSR?
12. Hur tänker ni angående Company 1s beslut att vertikalt integrera miljösmarta transportlösningar? Hur påverkar det marknaden och hur påverkar det er? Hur ser ni på en möjlighet att göra ett liknande beslut? Vad är möjligheterna och begränsningarna med en sådan expansion?
13. Hur ser påtryckningarna ut från andra konkurrenter och marknaden i stort?
14. Hur ser påtryckningar ut från internt inom det egna bolaget kopplat till CSR?
15. Hur tänker ni angående fenomenet greenwashing, dvs att företag framställer sig som miljövänligare än vad de egentligen är?
16. Hur ser era kontrakt ut, köper in fordon styckvis eller köper ni in i större mängder?

17. Använder ni er mycket av underleverantörer eller har ni mestadels en integrerad värdekedja? Av vilka anledningar?
18. Använder ni er utav egna bilar? Vad för bakomliggande orsaker finns till detta beslut?
- Om ja, hur lång är den genomsnittliga livstiden för en bil i en flotta?
19. Om ni får en affärsmöjlighet som inte går enligt era CSR-mål, hur hanterar ni det? T.ex. förfrågan av en kund som handlar oetiskt.
20. Kan man koppla CSR och vertikal integrering?