Master of Science (M.Sc.) in Management

# A Part of the Air We Breathe?

## Managers' Perspectives on CSR Initiatives

## Using the Example of the Icelandic Equal Pay Certification


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# Abstract

In this study we have explored managers' perceptions of the importance of Corporate Social Responsibility (CSR), and the extent to which CSR can be evaluated and promoted through third-party certifications. To understand how such certifications affect companies and their corporate governance, we have explored the Icelandic Equal Pay Certification (EPC), an example of a CSR initiative. Using ten qualitative semi-structured interviews, we gathered information on how Icelandic, top-line managers experienced the opportunities and challenges the EPC presents, and how it has affected the corporate governance of their companies. The empirical results were analyzed using thematic categorization and categorical content analysis. The results indicate that managers perceive the importance of CSR to be significant and continuously growing. Furthermore, the EPC presents the managers with various opportunities and challenges, while having a positive impact on the corporate governance of companies. The participant's testament of their experiences with the EPC may serve as indicators on how third-party certifications can promote CSR and social progress. The findings further suggest that mandatory initiatives can encourage the advancement of social responsibility, especially for issues where short-term gains for companies may not be evident. The topic of the EPC: gender equality, is an example of such an issue, where stricter policy to expedite improvements is arguably needed. We conclude with a discussion on the ever-growing importance of CSR in both corporate and general discourse, and how all members of society, companies included, must do their part to advance positive societal changes for current and future generations.



# Keywords

Corporate Social Responsibility - CSR Initiatives - Equal Pay Certification - Corporate Governance - Managers' Perspectives - Gender Equality - Jafnlaunavottun

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# Table of Contents

# List of Tables

# 1. Introduction

## 1.1 Background

In today's globalized world of technology, social media, and rapid spread of information, consumers are increasingly basing their decisions on which companies to engage with on different factors than before, while also expecting a greater level of social engagement from companies. A global study of nearly 30.000 consumers, performed by Accenture Strategy in 2018, showed that 62 % of customers expect companies to engage in current issues, such as fair employment practices, sustainability and transparency (Barton, Ishikawa, Quiring & Theofilou, 2018). Similarly, the consultancy firm Edelman reported in their *2019 Trust Barometer*, based on 16.000 consumer reports, that 64 % of buyers are "belief-driven", and that for 67 % of buyers, trusting the company is a crucial factor in whether they will buy a product or service (Tropiano, 2019). Furthermore, over half of the respondents said that they believe firms should engage in at least one social issue that does not directly impact profit, but the same number also believed that too often, brands use societal issues as a marketing ploy for profit (Tropiano, 2019). Both surveys (Barton et al, 2018; Tropiano, 2019) show that consumers are looking to engage with brands and companies whose values align with their own, and that in order for consumers to trust them, it is important that companies commit to their claims. According to KPMG's *Survey of Corporate Responsibility Reporting*, companies are responding to these demands from consumers by increasingly reporting their corporate responsibility and seeking third party assurance (Blasco & King, 2017).

The issues consumers are expecting companies to take a stand on are diverse, and include a call for increased transparency, sustainability, equality, and ethical operations (Elkington, 2013). Collectively, this expanded business responsibility is known as *corporate social responsibility (CSR)*. Traditionally, a business's sole purpose and responsibility has been to provide a profit for its shareholders (Friedman, 2007). However, both consumers and authorities have successively increased demands for a different approach, which requires businesses to expand their responsibilities beyond monetary gain and to focus increasingly on other stakeholders (Agudelo, Jóhannsdóttir & Davíðsdóttir, 2019). This results in an increased emphasis on corporate social responsibility.

But how can consumers and authorities know that companies are doing what they are claiming to do? Furthermore, how can companies communicate their values and efforts to stakeholders? Third-party certifications are a possible answer to these questions. There are a large number of tools and efforts whose aim is to promote CSR, including International Organization for Standardization (ISO) standards, international and national laws, and various certifications and labels. In this paper, we want to explore how managers view such tools and incentives, and how they affect corporate governance. We believe that recent developments in societal discourse on globalization, social responsibility, and responsible business practices indicates a need for a greater understanding of what drives organizations to practice CSR and how managers view these developments. We want to examine possible incentives for businesses to practice CSR and responsible corporate governance. To do this, we have chosen to take a closer look at one corporate governance tool: the Equal Pay Certification (EPC), which is issued by the Government of Iceland.

#### 1.1.1 Gender Equality and the Pay Gap in Iceland

One of the demands of today's consumers is for corporations to do their part to ensure gender equality. According to World Economic Forum's (WEF) *Global Gender Gap Report 2020* (WEF, 2019) it is estimated that it will take about 99 years to fully reach global gender equality and even longer, or about 257 years, to eliminate economic injustice in the world. Since this study addresses a corporate governance tool designed to combat a manifestation of gender inequality, *the gender pay gap*, we will now provide context regarding gender equality in Iceland. In terms of this issue, Iceland is considered to be one of the most equal countries in the world, and it ranks first in the aforementioned *Global Gender Gap Report 2020* (WEF, 2019) for the 11th year in a row. Furthermore, Iceland scores 100/100 on the *Women, Business and the Law 2020* report published by the World Bank (WB), which indicates that women and men are on equal legal standing (WB, 2020). This report benchmarks countries on eight legal difference indicators, one of which is laws and regulations affecting women's pay. One of the components of that indicator is "whether the law mandates equal remuneration for work of equal value" (WB, 2020), and the Equal Pay Certification is especially mentioned in that context.

Despite these compelling numbers, a gender pay gap that disfavors women persists in Iceland (Government of Iceland [Stjórnarráð Íslands], n.d.). An example of comprehensive research that demonstrates this is the *Analysis on Gender Pay Gap 2008 - 2016*, which was conducted by Statistics Iceland [Hagstofa Íslands] (2018). The report shows that the *unadjusted pay gap* went down from 20,5% in 2008 to 16,1% in 2016 (see Table 1). The *adjusted gender pay gap* (where explanatory variables that are considered to affect pay such as employment, education, responsibility, age, experience, and working hours have been accounted for) went down from 6,6% in 2008 to 4,5% in 2016 (see Table 2) (Statistics Iceland, 2018). Although the adjusted gender pay gap has been explained by certain variables, it should be noted that it does not mean that it is rightful. The gap seems to widen with employees' age and gives rise to questions regarding the connection between gender and professions when it comes to wages (Government of Iceland, 2020).

**Table 1**

*Unadjusted Gender Pay Gap 2008-2016*

| % | Alls<br>*Total* | Almennur vinnumarkaður<br>*Private sector* | Opinberir starfsmenn<br>*Public sector* |
|---|---|---|---|
| 2008 | 20,5 | 22,4 | 21,2 |
| 2009 | 18,0 | 20,1 | 18,0 |
| 2010 | 17,5 | 17,8 | 16,5 |
| 2011 | 17,5 | 17,6 | 16,5 |
| 2012 | 17,2 | 16,8 | 16,5 |
| 2013 | 18,5 | 17,2 | 15,5 |
| 2014 | 16,4 | 16,3 | 13,9 |
| 2015 | 17,0 | 16,7 | 14,6 |
| 2016 | 16,1 | 16,4 | 15,9 |

*Note.* Table reprinted from Statistics Iceland (2018).

**Table 2**

*Adjusted Gender Pay Gap (OLS) 2008-2016*

| % | Allir *Total* | Almennur vinnumarkaður *Private sector* | Opinberir starfsmenn *Public sector* |
|---|---|---|---|
| 2008 | 6,6 | 8,1 | 5,2 |
| 2009 | 5,9 | 7,2 | 4,7 |
| 2010 | 5,8 | 7,4 | 4,2 |
| 2011 | 5,6 | 6,6 | 4,5 |
| 2012 | 5,1 | 6,1 | 4,0 |
| 2013 | 5,1 | 6,4 | 3,8 |
| 2014 | 4,5 | 5,7 | 3,1 |
| 2015 | 4,4 | 5,4 | 3,1 |
| 2016 | 4,5 | 5,4 | 3,3 |

*Note.* Table reprinted from Statistics Iceland (2018).

Furthermore, gender related division of labor is still very evident in Iceland, although women's employment participation rate is among the highest in Europe (Government of Iceland, 2020). Women in Iceland are more likely than men to have a part time job, to take care of relatives, and women are still a minority on the boards of organizations (Government of Iceland, 2020) despite there being a law that requires the ratio of each gender on the board of every company that has more than 50 employees to be no less than 40% (Act respecting Amendment to Act on Public Limited Companies and Act on Private Limited Companies (Ownership, Sex Ratios and Acting Chairmen of Boards of Directors), no. 13 (2010)).

The Equal Pay Certification is an initiative to promote equality and eliminate this gendered pay gap. To our knowledge, Iceland is the first country to legislate a certification to that effect, prompting our interest to research this initiative. Globally, the measures that we believe come closest to the EPC include a German law which states that companies with more than 500 employees need to publish reports on their measures to promote equal pay (WB, 2020). Additionally, a voluntary initiative called the *Equal Salary Certification* has been in place in Switzerland since 2010, which targets employers across the globe with 50 or more employees (Equal Salary Foundation, 2020). Similarly to the EPC, the certification enables companies to verify that they pay fair wages. The Federal Office for Gender Equality (n.d.) in Switzerland also offers a standard analytical tool, *Logib*, for companies to easily check their pay policy.

### 1.1.2 The Icelandic Equal Pay Certification (EPC)

*About the Equal Pay Certification*

*Jafnlaunavottun*, which translates to the Equal Pay Certification, came into effect in Iceland in the beginning of 2018, after a bill of law was passed by the Icelandic Parliament in June the previous year (Directorate of Equality [Jafnréttisstofa], 2020a; Regulation no. 1030 of 13 November 2017 on the certification of equal pay systems of companies and institutions according to the ÍST 85 Standard). The certification is a part of the *Gender Equality Act* (No. 10/2008), and its purpose is to enforce legislation that prohibits discriminatory practices based on gender, requiring that men and women receive the same terms of employment and equal wages for jobs with equal value (Directorate of Equality, 2020a). The certification was first developed as a voluntary mechanism, but the passing of the bill entailed that companies and institutions with 25 or more employees on an annual basis are required to obtain the Equal Pay Certification (see Table 3). The EPC is based on and requires that employers meet the requirements of a management standard called the Equal Wage Management System (Icelandic Standards 85:2012). The standard was published by Icelandic Standards [Íslenskir Staðlar] (n.d.), which is Iceland's national standard body and a member of European and international standards organizations such as ISO. The standard, and thus the EPC, is designed to make sure that decisions that regard employees' wages and positions are based only on relevant consideration (such as experience and education), ensuring professional working methods in order to prevent discrimination (Directorate of Equality, 2020a).

*The Implementation Process*

The law is implemented in four stages, starting with bigger companies and state institutions which are considered better prepared in terms of resources (see Table 3) (Government of Iceland, 2020). The time frame for all companies to acquire the EPC was originally before the end of 2021, however, it soon became apparent that there were not enough certification agencies to meet the demand, and the implementation process took longer than expected for companies. Therefore, the time frame for all four stages was extended by one year, and it now ends in 2022 instead of 2021 (Government of Iceland, 2020). It should be noted that previously, in 2013, *VR*, which is the Store and Office Workers' Union in Iceland, issued its own equal pay certification, called *Jafnlaunavottun VR* or *Equal Pay Certification of VR* (VR, n.d.). Their certification met the requirements of the Equal Wage Standard, issued the year before, and collaborated with the certification agency BSI Iceland until the certification was legislated in 2018 (VR, n.d.).

**Table 3**

*Time Limit for Implementation of the EPC According to Number of Employees on a Yearly Basis*

| *Number of employees on a yearly basis* | *Time limit* |
|---|---|
| 250 or more | 31. December 2019 |
| 150 - 249 | 31. December 2020 |
| 90 - 149 | 31. December 2021 |
| 25 - 89 | 31. December 2022 |

*Note.* Table adapted from Directorate of Equality Iceland (n.d.) and translated from Icelandic to English.

The criteria for companies to acquire the Equal Wage Management System and therefore the EPC is, to put it simply, to form a salary policy, equality program and to have gone through at least one salary analysis with gender in focus (Icelandic Standards 85:2012). Furthermore, a company needs to form an equal pay policy, decide on equal pay criteria and both define and categorize different jobs (Icelandic Standards 85:2012).

*Certification Agencies and Inspections*

There are currently four official certification agencies that can carry out the assessment of employers and inform the Directorate of Equality that an employer can rightfully receive the certification. They are *BSI Group Netherlands B.V.*, *iCert ehf.*, *Versa Vottun ehf.* and *Vottun ehf.* (Directorate of Equality, 2017). The agencies are independent and, therefore, the price of their service is determined by them, and it depends on factors such as the size of a company and the scope of the project ahead. To give an idea of costs a company might face when obtaining the EPC, we requested a proposal from one of the agencies. For a company with around 600 employees the cost for the first year, including audits and verification of the EPC and an annual fee, is around 700.000 ISK (approximately 4400 EUR) and for the following years the average price, including assessment visits and annual fee, is around 400.000 ISK (about 2500 EUR). It should be noted that companies might choose to hire additional consultancy to help them make the appropriate changes required to attain the EPC (price depends on size of company and size and nature of the project) and/or attend a one day workshop regarding implementation of the standard held by the University of Iceland (current price: 59.300 ISK which equals to about 400 EUR) (Endurmenntun HÍ, 2020). Once the Directorate of Equality has received the confirmation from the certification agency, they grant the employer the right to use a specific EPC symbol (Government of Iceland, n.d.). The certification has to be renewed every three years to ensure that this is a future commitment.

The Confederation of Icelandic Employers is currently in charge of inspection, which involves checking whether employers acquire the certification in time and renew it every three years (Government of Iceland, n.d.). If a company does not oblige to the laws, the Directorate of Equality can demand corrective action within a certain time frame. If a company still does not take the corrective measures within the set time frame, the Directorate can charge a periodic penalty fee per day, which can be up to 50.000 ISK (equals to about 300 EUR) depending on the number of employees within the company and the scope of their operations (*Reglugerð um beitingu dagsekta sem Jafnréttisstofa ákveður* nr. 933/2019). According to the Icelandic Directorate of Equality (2020) website, at the time this is written (May, 2020), 182 Icelandic employers have received the certification, and collectively those companies employ around 76.000 employees. To put these numbers in context, the population of Iceland is around 360.000 and the Government of Iceland (n.d.) estimates that the law applies to around 1.180 employers and 147.000 employees (80% of active employees in Iceland). This means that about 15% of all employers that should acquire the certification between 2019-2022 have already done so.

*Survey on Company Representative's Perspectives on the EPC*

The Icelandic Prime Minister's Office commissioned a survey in 2019, surveying the 76 companies that had acquired the certification at the end of April that year. 76,5% of those contacted participated in the survey, which results were generally very positive (Government of Iceland, 2019). The results showed that 81% of respondents were rather or very satisfied with the effects of implementing the EPC in their company, and only 2% were rather unsatisfied. 64% of respondents felt the EPC had a positive impact on work satisfaction, 75% said the implementation provided an improved overview and efficiency of the company's operations, and 60% of the responding companies corrected the salary of employees whose wages were measured as being too low (Government of Iceland, 2019). According to the survey, what respondents found most burdensome was producing new procedures, executing the job categorization, the certification process, and the lack of time. Of twelve possible alternatives, cost was in the eighth place over most burdensome aspects of the implementation. 68% of participants reported that the cost of the implementation was below 2 million ISK (equals to about 13.200 EUR), and it did not exceed 4 million ISK (about 26.400 EUR). Finally, most participants reported having over-estimated the cost of the implementation, but under-estimated the time required, with one third of participants not managing to complete the process within 18 months.

This survey provided some interesting information on how the implementation of the EPC had been received by companies. In this study, we aim to build on that information, and to offer a qualitative perspective. Furthermore, we want to address CSR initiatives in general, by focusing on how top line managers view these matters, in order to gain a richer understanding of managers' views on the importance of CSR initiatives and the way in which the EPC has affected corporate governance.

## 1.2 Purpose and Research Questions

The purpose of this study is to explore how today's managers view corporate social responsibility and the extent to which it can be evaluated and promoted through third-party certifications. We want to understand how such certifications affect businesses and their corporate governance. To do this, we have chosen to focus on the Icelandic Equal Pay Certification as an example of a CSR initiative. We wish to gain an understanding of how managers of companies that have gained this certification view it in terms of opportunities and challenges. Specifically, we are interested in how the certification affects their corporate governance. It is our hope that this study will provide knowledge on how managers view the EPC, and thus enable both managers and the Icelandic Government to better understand the positive and negative aspects of the certification. The results could prove valuable to Icelandic companies that have yet to acquire the EPC, as well as to actors around the globe who are interested in CSR initiatives and gender equality. Furthermore, we hope to draw attention to the ways in which CSR can be promoted and advanced. In order to fulfill the research purpose and objectives, we will address the following research questions:

1. How do managers view the importance of practicing corporate social responsibility?
2. How do managers experience the Icelandic Equal Pay Certification?
    a. How has it affected the corporate governance of their companies?
    b. What are the opportunities and challenges associated with the certification?

## 1.3 Thesis Outline

Having provided an introduction to the thesis project and situated the research problem in the Icelandic context, we will now turn to the knowledge frame used for the study. There, we present the relevant literature about corporate social responsibility, gender equality and CSR initiatives. In the third chapter, we discuss our methods, present the research philosophy and explain the semi-structured interview. We furthermore discuss the quality of our research, our ethical considerations and our position as researchers before we present our sample and explain how we gathered and analyzed our data. In chapter four, we outline and analyze our empirical findings from the interviews and connect them to the knowledge frame. In the fifth and final chapter we will summarize our findings and discuss the limitations of our research, in addition to providing suggestions for future research.

# 2. Knowledge Frame

## 2.1 History and Definition of CSR

### 2.1.1 Brief History of CSR

As the CSR activities of companies are closely related to current societal discourse and issues, we will provide a brief overview of the history and development of the concept. Although some sort of social responsibility can be traced all the way back to Roman times, it was in the 1930's when managers began assuming the responsibility of creating a balance between maximizing their profits and meeting the demands of their employees, clients, and community (Agudelo et al., 2019). The first academic research on corporate social responsibility originates from the 1950's and 1960's, when discussion from the previous decades was elaborated on through speculations on possible definitions for the specific responsibilities business managers had (Agudelo et al., 2019; Carroll & Shabana, 2010; Moura-Leite & Padgett, 2011). During this time, as a result of a pressure from activists and society in large, the focus of CSR was closely connected to the social movements of the time, such as the women's and civil right movements, the environmental movement, and consumer's rights (Agudelo et al., 2019; Carroll & Shabana, 2010). The 1980's saw a decrease in state regulation in the private sector in the USA and UK, which resulted in businesses needing to answer to other interest groups that still held corporations responsible for CSR, such as employees, consumers, and shareholders. Rather than focusing on legal obligations, the discussion mainly revolved around business ethics and how CSR could be operationalized (Agudelo et al., 2019).

Interest in CSR continued to grow throughout the 1990's and institutionalization of the concept grew stronger. The result of increased globalization and an international approach to sustainable development resulted in an international appeal for CSR, with the concept becoming close to universally sanctioned and promoted by most constituents in society (Agudelo et al., 2019; Moura-Leite & Padgett, 2011). This development continued through the 2000's, with CSR continuing to gain recognition and implementation. Large institutions, such as the United Nations (UN) and the European Union (EU), began issuing campaigns, strategies and frameworks (Agudelo et al., 2019; Moura-Leite & Padgett, 2011), such as the United Nations Global Compact (n.d.-a). This translated into a more unified vision and understanding of CSR to be promoted in businesses, and increased institutional pressure for CSR (Agudelo et al., 2019; Moura-Leite & Padgett, 2011). International standards, such as the ISO 26000:2010 (International Organization for Standardization, 2010; Guidance on social responsibility, 2010), have also contributed to the global recognition of CSR.

The concept of CSR has grown considerably in importance and significance over the last decades (Carroll & Shabana, 2010). Research suggests that there is a link between current social expectations and corporate behavior, and that CSR will continue to evolve with increased stakeholder engagement, ethical sensitivity of consumers, employees as a driving force, and greater CSR activity throughout the global supply chain (Agudelo et al., 2019). The merging institutional infrastructure of CSR is considered to have brought about new rules of corporate behaviour which entail that that companies are to go beyond maximizing shareholder value to encompass better CSR in regards to social, environmental, and corporate governance issues (Moura-Leite & Padgett, 2011). Today, CSR is seen as a strategic necessity for businesses and their purpose is perceived, not solely to produce profit, but rather to generate shared value (Agudelo et al., 2019).

### 2.1.2 Definitions and Models of CSR

It is apparent that the concept of CSR has been around for a long time and that it is constantly evolving in tandem with contemporary academic and societal discourse. Today, CSR has become an important part of companies' existence, and consumer interest in and demands for these efforts are becoming mainstream. There is no single, universal definition of CSR (Font, Walmsley, Cogotti, McCombes & Häusler, 2012; Dahlsrud, 2008; Pedersen, 2010). Indeed, Dahlsrud (2008) analyzed 37 different definitions of CSR in order to understand how CSR was defined among various dimensions. The results showed that the different definitions were largely in congruence, addressing the following five dimensions: stakeholder, social, economic, voluntariness, and economic dimensions. Dahlsrud's (2008) conclusion is that the main problem is that CSR definitions describe a phenomenon, rather than actions or guidelines, and that the challenge is to understand how CSR is socially constructed in different contexts (Dahlsrud, 2008).

In line with Dahlsrud's (2008) conclusion, there is not only diversity in how CSR is defined, but also how it is implemented. Numerous models and policies are available to CSR practitioners, which approach the ideology in various ways. One of them is the stakeholder theory, which is often discussed when the shareholders' view of a company is compared to that of the stakeholders. R. Edwards Freeman, one of theory's main developers wrote about it in his book about strategic management in 1984, and since then it has evolved into the current theory. The theory revolves around the idea that the corporations both affect and are affected by different stakeholders, such as customers, employees, suppliers and governments, to whom they should create value for, in addition to the shareholders (Freeman, 2010).

An example of a widely used CSR model is Elkington's *triple bottom line* (TBL). It was first presented in 1994, and the following year the 3P formulation was presented: *people, planet and profits*. This model is based on the idea that companies'- and equity's value should not solely be determined by financial factors since social and environmental factors should also be taken into consideration. At the time of the model's origin, Elkington predicted that we were entering a global cultural revolution with a focus on sustainability, where businesses, rather than governments and nongovernmental organizations would be on the forefront. He identified *seven sustainability revolutions* in terms of markets, values, transparency, life-cycle technology, partnerships, time, and lastly corporate governance (Elkington, 2013). His predictions have proved very accurate for how the business environment has evolved and the triple bottom line is widely used today (Pedersen, 2010), amongst others being the basis of the *B corps* certification, which we will discuss in Chapter 2.6.1.

Another influential model of CSR is Carroll's (1991) pyramid of CSR, where he includes four types of social responsibilities that make up CSR: economic, legal, ethical, and philanthropic. Carroll (1991) presents these dimensions of CSR in a pyramid that begins with the economic dimension, with philanthropic at the top. He stresses that all dimensions are equally important and a part of a whole, albeit in constant tension with each other. That tension can be seen as organizational realities, with the most fundamental ones being between the economic dimension and the other three (Carroll, 1991).

When discussing the different definitions of the concept of CSR, Carroll and Shabana (2010) recommend a four-part definition, which is based on Carroll's (1991) pyramid of CSR: "The social responsibility of businesses encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time" (Carroll 1979:500; 1991:28 in Carroll & Shabana, 2010:89). Carroll and

Shabana (2010) propose this definition above others because of its successful usage in academic papers for over 25 years. Accounting for this, we have chosen to acknowledge this definition in the current research paper.

## 2.2 CSR - Criticism and Controversy

Although the thought behind CSR is generally positively regarded, there is both criticism and controversy associated with the concept and actual CSR practices (Ilieş, 2012). Already in the 1970s the renowned economist Friedman, in his article *The Social Responsibility of Business is to Increase its Profits,* questioned the appropriateness of using a company's resources for CSR activities of social interest (Agudelo et al., 2019).

### 2.2.1 One Model of CSR Does Not Work in All Industries or Countries

A point of criticism for many is the diverse and varied definitions of CSR, which can make it difficult to compare and evaluate CSR initiatives (Font et al., 2012; Dahlsrud, 2008; Grosser, 2009; Pedersen, 2010). Furthermore, another point of criticism is that CSR may not work in all cases, and that there is no one model of CSR that works in all businesses, all countries or all economies (Ilieş, 2012). Each country or region has a unique social structure, institutions, and dominant issues which are shaped by the cultural tradition and history of each region (Moura-Leite & Padgett, 2011). Specifically, many point out how CSR initiatives that work for companies and communities in Europe and North America are not directly transferable to other parts of the world that might have less developed economies and governments (Ilieş, 2012; Blowfield, 2004). Moreover, the ethics and the codes of conduct that are accepted and promoted in one part of the world may not be accepted or appropriate in another (Ilieş, 2012). Blowfield (2004) is especially critical of this aspect of CSR, claiming that particular values rooted in a western setting are treated as being universal, reproducing "the social, ethical, economic and political norms embedded in the hegemonic form of globalization." (Blowfield, 2004:65). To sum up this view: "CSR initiatives work for some firms, in some places, in tackling some issues, some of the time" (Newell, 2005: 556, in Ilieş, 2012:89)

### 2.2.2 Justification of CSR: Just a PR Stunt?

The justification and motivation of companies for their CSR activities are contested. The voluntary and philanthropic justification has come under criticism, with the company's public image and possible whitewashing as a more believable motivation (Ilieş, 2012; Pedersen & Neergaard, 2009). *Christian Aid*, an international organization fighting poverty, is amongst these critics, doubting whether CSR has the promised effects and accusing companies of hiding certain problems. Amongst their points of criticism is that rather than being solely motivated by wanting to do good, companies use CSR to attract investors, defend their public image, and maintain good public relations. Furthermore, they claim CSR to be a public relations response to what oftentimes is exploitation and abuse, leaving the victims without adequate means of redress (Blowfield, 2004; Ilieş, 2012). In a similar line, Blowfield (2004) is critical to CSR matters being the responsibilities of HR- or Public Affairs teams within companies, claiming that for CSR efforts to have any real impact it needs to be recognized at the board level and to be the responsibility of operational divisions.

### 2.2.3 The Legitimacy of Companies' CSR Claims and Possible Verification Mechanisms

*The Effects of Insufficient Inspection, Reporting and Verification*

Companies' CSR activities have been criticized for being hard to inspect and for a lack of tools to measure their impact (Blowfield, 2004; Laufer, 2003; Porter & Kramer, 2006). Since conscious consumers are often willing to pay more for products and services with certain labels, there is a need to make sure the companies are committing to their promises to avoid false advertising (Hacker, 2016). When companies' social and environmental disclosures are unsubstantiated and not verified, they can be attempts to alter or manage public- perceptions, pressure and opinions (Laufer, 2003). Etilé and Teyssier (2016) furthermore suggest that CSR development will be difficult if companies can make claims about their CSR without any relevant certification, and that it contributes to the spreading of misleading information. Rigorous, independent and reliable rating and disclosure mechanisms are an important part in discouraging such corporate deception (Etilé & Teyssier, 2016; Laufer, 2003).

Some critics point out that CSR initiatives can be a part of a company's whitewashing (or greenwashing, when the aim is specifically to appear more environmentally friendly), by shifting the focus away from the negative aspects of their operation, attracting attention to the positive aspects of their performance, and managing their CSR reputation and public image in a way that deceives or manipulates stakeholders (Milne & Patten, 2002; Laufer, 2003). Such corporate strategies are perceived to be perverse, and to have the potential to make an organization appear ethical and at the forefront in CSR matters, without that actually being the case (Laufer, 2003). Ironically, some critics claim that the organizations that actively make CSR claims with greenwashing to better their reputation can be among the worst offenders (Laufer, 2003; Bruno, 1997). When stakeholders become aware of greenwashing it can have negative effects on their trust in corporations, making them reluctant to reward their performance (Delmas & Burbano, 2011). A way to prevent greenwashing is that CSR should be integrated into brand strategies through certification from third parties. "From a policy perspective, if the objective is to promote CSR, then these results call for more consumer protection against unsubstantiated claims by firms and a public supervision of CSR labels." (Etilé & Teyssier, 2016:401).

*Implementations of CSR Verification and Reporting*

There has been a growing divide between those who believe that CSR should be completely voluntary for firms to engage in and those that want CSR measures to be backed by a mandatory framework (Blowfield, 2004; Laufer, 2003). Those who lobby against compulsory responsibilities of companies sometimes promote CSR as an alternative to conventional regulation, which some believe dilutes the notion of corporate liability (Blowfield, 2004). According to Laufer (2003) the traditional approach is that companies must verify their accountability reports with specialized social accounting auditors since corporate posturing and deception is found in the absence of external verification. However, some criticize such initiatives for being insufficient, since the social auditors can be influenced by management (Laufer, 2003).

This is where the idea of integrating a third-party into the verification discussion comes into play. A group of scholars discuss the so-called *disclosure - performance gap*, which is the gap between CSR policies and actual practice. Suggested measures against this are audits and verifications of companies' CSR reports, with the importance of rigorous reporting methods and assessment, performed by an external, third-party, being underscored (Auriol & Schilizzi, 2003; Etilé & Teyssier, 2016; Font et al., 2012; Laufer, 2003; Manasakis, Mitrokostas & Petrakis, 2013). Furthermore, Etilé & Teyssier (2016) suggest that compared to companies' own unsubstantiated claims, only third party certifications produce significant changes in consumer behavior and have a larger impact in terms of social responsibility and market efficiency. Similarly, Manasakis et al. (2013) argue that competitive advantage is achieved to a larger extent when companies' CSR activities conform to certified standards. Font et al. (2012) also suggest that without external audits, "companies are free to engage in greenwashing and greenhushing, and, on the basis of this study's data, readily do so." (Font et al., 2012:1552).

These concerns about the legitimacy of CSR reports have been echoed by numerous researchers (Adams & Zutshi, 2004; Blowfield, 2004; Hacker, 2016; Porter and Kramer, 2006). Third-party auditing has also been questioned, with critics doubting their actual efficacy and power. Blowfield (2004) claims that auditing and consultancy firms that deal with CSR can be seen as consultants in the development of corporate policy, at the same time as they act as a police force of voluntary regulation in a system that prefers such voluntary regulation over national statutory ones. Hacker (2016) calls for stricter legislation to ensure that companies commit to their promises, claiming that available third-party organizations that issue labels such as *B corps* lack the authority to revoke it, thus making them ineffective. Porter and Kramer (2006) are also critical of the number of different CSR ratings and rankings, claiming that there are too few reliable ratings and too many unregulated ratings where companies can choose what aspects they present. They suggest that publicizing and measuring social performance can be a powerful way to influence corporate behavior. However, for that to hold true the ratings need to consistently and accurately reflect social impact, something they (2006) doubt is the present case: "While rigorous and reliable ratings might constructively influence corporate behavior, the existing cacophony of self-appointed scorekeepers does little more than add to the confusion." (Porter & Kramer, 2006:81)

Based on the large amount of doubts and criticism surrounding how CSR can be implemented, measured, and verified, we believe that the current study, which focuses on a statutory certification, can provide interesting contributions to the debate.

## 2.3 Gender Equality as a CSR Topic

As we have discussed, corporate social responsibility can encompass a variety of societal issues, and current social expectations influence corporate behavior. As this paper focuses on the example of the Equal Pay Certification, we will present some discussion on CSR specifically related to the issue of gender equality.

CSR has become an important aspect of the gender equality agenda, and it has potential for advancing gender equality both in the workplace and outside of it (Grosser, 2009; Larrieta-Rubín de Celis, Velasco-Balmaseda, Fernández de Bobadilla, Alonso-Almeida & Intxaurburu-Clemente, 2015). International and European Laws establish the right to live free from gender discrimination, and the EU's CSR agenda identifies gender equality and diversity in the workplace as a CSR issue (Grosser, 2009). Gender equality is an integral part of the EU's sustainability strategy, and it has been an established priority for a long time (Grosser, 2009). Among others, the policy of gender mainstreaming; to include gender perspectives in all activities of programs and projects (UN Women, 2020), has contributed to considerable progress in the advancement of gender equality. There is however still a long road ahead before actual equality will be achieved, as apparent by statistics from the EU that show that the gender pay gap within the union stands at 16% in men's favor (EU, 2020).

Researchers suggests that enhanced participation of companies in equality efforts is an important step towards achieving gender and sustainability objectives, because gender mainstreaming policies on an EU level are powerless when it comes to the private sectors, and so are many other policies and goals set forth by international organizations (Grosser, 2009; McCarthy, 2017). There is a call for a more systematic approach to the gender equality efforts of CSR, further research in the field, as well as for the EU to review and amend the mechanisms to encourage CSR that are in use, in order to ensure impact (Grosser, 2009; McCarthy, 2017). This view underscores the relevance of CSR efforts that focus on gender equality, but stresses that such efforts are more effective when they are in the form of comprehensive efforts and policies, rather than individual empowerment programs.

Such comprehensive CSR initiatives are a part of a new field of study which is referred to as *Gendered Social Responsibility (GSR)* (Larrieta-Rubín de Celis et al., 2015). GSR entails that a company or organization incorporates gender equality objectives into all their CSR initiatives, guaranteeing equal opportunities for women and men through CSR initiatives and practices both within and outside of the company (Larrieta-Rubín de Celis et al., 2015). GSR should thus cover both internal dimensions such as HR management, corporate governance, and occupational health and safety, as well as external dimensions such as business partners and consumers, local communities, and environmental issues (Larrieta-Rubín de Celis et al., 2015). We suggest that the EPC can be seen as a GSR initiative when it comes to internal dimensions of companies, even if it does not address the external dimension. We believe that the EPC is of academic interest, as it is an initiative in line with calls for comprehensive policies and statutory initiatives, and because it is backed by local government, aiming towards eliminating the gender pay gap in Icelandic society.

## 2.4 CSR Certifications: Disclosure and Legitimacy of CSR

As our research includes a specific CSR initiative, the Equal Pay Certification, we deem it appropriate to provide an overview of how CSR activities can be disclosed, as well as some common international CSR standard and initiatives, in order to situate the EPC and to give the reader an idea of how CSR can be implemented in practice.

### 2.4.1 Corporate Social Responsibility Initiatives Globally

There are a number of ways in which corporate social responsibility can be disclosed. Companies can make independent claims or pursue some kind of certification to substantiate their claims, as discussed in Chapter 2.2.3. According to the Cambridge Business English Dictionary, a certification is defined as “the process of giving official or legal approval to a person, company, product, etc. that has reached a particular standard” (Cambridge University Press, n.d.). Certifications are commonly issued by three kinds of institutions: private institutions that make profit from issuing them, public certifiers that aim to maximize welfare, and Non-Governmental Organizations (NGOs) that focus on consumer’s surplus (Manasakis et al., 2013). In the following paragraphs, we will introduce some well known CSR initiatives, and point out some of their elements that relate to gender equality and treatment of employees, in order to situate our subject.

*Common International CSR Standards*

The first social certification standard, *SA8000*, was published in 1997 by Social Accountability International (2020), as an initiative by multiple stakeholders. The standard measures social performance of companies that are dedicated to fair treatment of workers, and includes nine elements, among which are: Freedom of Association and Right to Collective Bargaining; Discrimination; Disciplinary Practices; and Management System. It has been revised throughout the years, the newest version is the SA8000:2014, and is still a leading social certification standard.

Another pioneering initiative in the context of standards and certifications is *GRI* which stands for the Global Reporting Initiative. GRI is an independent international organization, established in 1997, which issues the GRI Sustainability Reporting Standards. The GRI Standards report on social, environmental and economic impacts and are being used in over 100 countries. "Reporting with the GRI Standards supports companies, public and private, large and small, protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations, enhancing reputations and building trust." (GRI, n.d.-a). Their mission is; "To empower decisions that create social, environmental and economic benefits for everyone." (GRI, n.d.-a). They offer standards on, for example, management, labor, diversity, and equality (GRI, n.d.-b). According to KPMG's Survey of Corporate Responsibility Reporting, which was conducted in 2017, 93% of the largest corporations in the world report on their corporate responsibility, with GRI being the most popular CR reporting system (Blasco & King, 2017).

*ESG* is short for environmental, social and governance criteria. It is commonly used in the investment world and has been on the rise in the last decades (Richardson, 2009). It covers environmental issues, social responsibility (such as gender equality and treatment of employees) and corporate governance (such as reporting and disclosure) (Galbreath, 2013). It relates to an older concept or financing movement of Socially Responsible Investment (SRI). Socially responsible investors claim that they take social and/or environmental matters into account when doing business and are now increasingly utilizing the ESG criteria when looking into potential investments, checking whether they match their values and ethical considerations (Richardson, 2009).

The focus on ESG has increased in recent decades with the launch of UN's *Global Compact* in partnership with UNEP Finance Initiative's *Principles for Responsible Investment* (PRI) in 2006, and the establishment of GRI (Galbreath, 2013). For example, Nasdaq, one of the biggest stock exchanges in the world, promotes ESG practices in their markets (Nasdaq, 2020), and published the *ESG Reporting Guide 2.0* (Nasdaq, 2019) as a support resource for companies in 2019. The guide is supposed to assist companies with reporting ESG information effectively to investors and other stakeholders. Nasdaq is furthermore honored in the Dow Jones Sustainability Index (DJSI) North America (Nasdaq, 2020), but DJSI was the first global sustainability benchmark tracking the stock performance of leading companies based on their ESG practices (S&P Global Inc, 2020). Nasdaq Iceland, in collaboration with the Iceland Chamber of Commerce and SA - Business Iceland (n.d.), have published *the Icelandic Guidelines on Corporate Governance* regularly since 2004 to encourage good corporate governance and to support managers in meeting their obligations.

*UN's Global Compact and Sustainable Development Goals Initiatives*

The United Nations Global Compact is the largest multinational corporate sustainability initiative, and its mission is to create a global movement of sustainable companies and stakeholders that commit to sustainability and take shared responsibility for contributing to creating a better world (United Nations Global Compact, n.d.-a). The initiative is twofold. Firstly, it aims to support companies in aligning their strategies with the *Ten Principles of the UN Global Compact* on human rights, labor, environment and anti-corruption. One of the principles on labor, principle six, is "the elimination of discrimination in respect of employment and occupation" where one of the possible discrimination instances mentioned is within remuneration (United Nations Global Compact, n.d.-b). Secondly, the initiative aims to advise companies on how to take strategic actions to advance societal goals such as the United Nations Sustainable Development Goals (SDGs), and promote responsible business and investment (United Nations Global Compact, n.d.-b).

The United Nations *2030 Agenda for Sustainable Development* published in 2015 is a "shared blueprint for peace and prosperity for people and the planet, now and into the future" (United Nations, n.d.). At the core of the agenda are the 17 SDGs urging all nations to take action in areas of importance for humanity and the planet in the next decade. Among the goals are for example no. 5 Gender Equality, no. 13 Climate Action and no. 16 Peace, Justice and Strong Institutions.

*Benefit Corporations Initiative*

In some parts of the United States a new corporate form, called *benefit corporations,* has been legislated (Hacker, 2016). The idea behind this was developed by actors that reject shareholder primacy and question the purpose of large corporations, and it was influenced by consumers and investors that are becoming increasingly socially conscious (Hacker, 2016). B Lab (2020b), a nonprofit third-party organization that issues the *B Corp Certification*, claims that the current economic system has failed to solve society's greatest challenges and therefore encourages redefining the role of business in society as a source for good.

> Jay Coen Gilbert, the co-founder of B Lab, has advocated for a "triple bottom-line approach" to corporate management: "profit, people and planet," which encourages corporate directors to weigh human and environmental costs together with profit building in their decision making. (Hacker, 2016:1756).

The certification that the label stands for is designed with the intention to verify performance by a third-party, in order to uphold both legal accountability and public transparency (B Lab, 2020a). The operations of these benefit corporations should not exclusively benefit their shareholders by generating financial profits, but rather, they should also create some form of a public benefit. B Lab (2020c) claims to offer the only certification available that measures the absolute social and environmental performance of a company.

*Criticism on CSR Standards and Certifications*

Certifications and reports in regard to CSR and corporate governance have, however, received some criticism. One critique is that certifications and labels solely reward and bring attention to the companies that do things right, and to the factors of their operations that they perform successfully. However, certifications and labels do not bring any specific attention to nor punish companies that do *not* do things well (Ferrando, 2017). Therefore, it can be assumed that doing business or operating a company in a manner that does for example not support corporate social sustainability and results in negative consequences for some stakeholders is rather normalized (Ferrando, 2017).

The quality of social reports have also been questioned, as well as their adequacy as a means of assessing the extent to which companies act in a responsible manner (Adams & Zutshi, 2004; Carroll & Shabana, 2010). Another criticism is that the certifications themselves and the process of acquiring them can be costly and therefore something that not all companies can afford, no matter how ideal their governance and operation is. If it evolves in the direction that having various certifications proving a companies' performance becomes a norm, it could have negative effects on small companies with low financial capacity, in contrast with bigger companies with more capacity. This could even push some small companies off the market while benefiting bigger companies and result in them ruling the market (Ferrando, 2017).

## 2.5 Companies' Approaches to CSR and Possible Benefits

### 2.5.1 Why Companies Engage in CSR

We have now discussed the history of CSR, different definitions and criticism of the concept, demonstrated how CSR can be viewed in terms of gender equality and corporate governance, and presented some examples of CSR initiatives and certifications. We will next examine the reasons for companies to engage in CSR at all, how CSR is implemented and what benefits it can provide companies with. This is in order to provide a background on how CSR fits within the organizational reality, before moving on to managers' own perspectives.

There are various reasons for why CSR might be of interest to a company. Harvard Business Review Editors (2020) present the results of a survey on responsibility, where six out of ten Chief Officers reported that having a positive impact on society is a top desired outcome when they invest in new technologies. When the participants were asked to name two reasons for focusing on this outcome, 42% mentioned the generation of revenue, 39% priority of customers and investors, 22% employee pressure, 18% enhancement of corporate reputation, 17% complying with government regulations, 13% public sentiment/media attention, 10% priority of the CEO and 10% that it was already part of the business strategy/culture (Harvard Business Review Editors, 2020). From this we can see that there are numerous reasons for companies' CSR efforts, but that the most prominent of them are generation of revenue, retaining and attracting customers and investors, and pressure from employees.

Grant (2016) discusses three reasons for a firm to engage in CSR: that it's in the firm's interest to sustain the ecosystem, that CSR enhances a firm's reputation and that businesses need support from the constituencies they depend on in order to have a license to operate (Grant, 2016).

He further argues that when selecting which CSR initiatives to pursue, a firm should consider which intersections between the interest of the firm and the interest of society create the most value for both, *shared value* (Grant, 2016). This reflects a version of CSR called *strategic corporate social responsibility*: "Corporate social responsibility (policy, program or process) is *strategic* when it yields substantial business-related benefits to the firm, in particular by supporting core business activities in accomplishing its mission." (Burke & Logsdon, 1996:496). Creating value for the company is a main reason for managers to engage in CSR activities, and this is a view many scholars support (Carroll & Shabana, 2010; Burke and Logsdon, 1996). Carroll and Shabana (2010) suggest that companies which engage in CSR activities will benefit from rewards from the market, especially if the case for CSR is observed from a broad view which takes in both direct and indirect links to firm performance.

An opposing view is that the enhancement of a firm's reputation, the mitigation of risks, and improved business results should be a spillover of CSR programs, rather than the reason for their existence (Rangan, Chase & Karim, 2015). Rangan et al. (2015) argue that businesses should refocus their CSR activities on "the broad goal, simply, of contributing to the well-being of the communities and society they affect and on which they depend." Indeed, the "business case" for CSR (See for example Carroll & Shabana, 2010), where the link between CSR and corporate financial success are highlighted, has its critics. It is suggested that when CSR initiatives are solely chosen for their potential profit, it may result in a bias where costly social needs are not engaged with, when these issues might very well be the most urgent ones (Moura-Leite & Padgett, 2011). Rangan et al (2015) suggest that their research has shown that most companies adopt a multifaceted version of CSR that does not solely focus on creating shared value, but on goals ranging from environmental sustainability, to philanthropy, to creating shared value. This is in accordance with the previously discussed study but does not highlight the primary focus on value creation.

### 2.5.2 Implementation of CSR

Despite there being varying views on why CSR is important to companies, there seems to be a consensus about how CSR should be implemented. Carroll and Shabana (2010) underscore that there are no generic CSR initiatives and the effects thereof are not homogeneous. For CSR initiatives to be effective, companies need to develop an appropriate CSR strategy which simultaneously improves stakeholder relations and social welfare, and is aligned with the stakeholders' values, the company's purpose, and the needs of society (Carroll & Shabana, 2010; Porter & Kramer, 2006, Rangan et al., 2015).

Another important factor highlighted by researchers is that for companies to maximize their positive impact on the environment and society, they must develop coherent CSR programs and incorporate the requirements for successful CSR programs into their corporate DNA (Elkington, 2013; Neri, Pinnington, Lahrech & Al, 2019; Rangan et al., 2015). This development should be an integral part of every CEO's job and not solely be a side project run by other members of the company (Hacker, 2016; Rangan et al., 2015). Companies should not engage in just any CSR to gain consumers good-will or as a PR stunt (Porter & Kramer, 2006; Rangan et al., 2015). Rather, companies should use their special resources and expertise to really make an impact in a defined set of CSR initiatives (Porter & Kramer, 2006):

> No business can solve all of society's problems or bear the cost of doing so. Instead, each company must select issues that intersect with its particular business. (...) The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value- that is, a meaningful benefit for society that is also valuable to the business. (Porter & Kramer, 2006:84)

Research conducted by Font et al. (2012), examining hotel chains' CSR initiatives, indicates that they still view the main responsibilities of the firm to be to maximize profit for shareholders, which is in line with Friedman's (2007) view. Font et al. (2012) explain that the hotel chains largely avoided anything that did not benefit the business immediately, and that philanthropic gestures were publicized, leading to a strengthening of the companies' image and reputation. These findings indicate a tendency to approach CSR in a more traditional sense, rather than focusing on shared value creation and choosing initiatives that have a positive impact, which researchers present as a preferable approach (Caroll & Shabana, 2010; Elkington, 2013; Grant, 2016; Porter & Kramer, 2006; Rangan et al., 2015).

### 2.5.3 Possible Benefits for Companies When Engaging in CSR Initiatives

We have now seen that the reasons for a company to pursue CSR initiatives are diverse, but what about the benefits? According to various sources, these can be numerous. One such benefit could be the strengthening of the firm's reputation and legitimacy, being perceived as a member of the community (Carroll & Shabana, 2010). Producing environmental- and social reports can improve companies' decision making processes and internal control systems, which can eventually save costs (International Integrated Reporting Committee, 2011). Another possible benefit is that

> a firm may be able to build strong relationships with its stakeholders and garner their support in the form of lower levels of employee turnover, access to a higher talent pool, and customer loyalty. Accordingly, the firm will be able to differentiate itself from its competitors. (Carroll & Shabana, 2010:102)

An additional point, made by Font et al. (2012) is that because of consumers' increased interest and emphasis on CSR performance, the companies that first respond to these new consumers demands may establish a core competency other companies would struggle to imitate, gaining a first mover advantage. Similarly, being a good corporate citizen can attract talented employees and help with employee retention, as well as interesting investors (International Integrated Reporting Committee, 2011).

Chan, Watson and Woodliff (2014:60) provide a brief summary of these possible benefits based on Adams and Zutshi (2004):

> In summary, demonstrating it acts in a socially and environmentally responsible manner can provide a company with four major benefits: improved corporate image and relations with stakeholders; better recruitment and retention of employees; improved internal decision-making and cost-savings; and improved financial returns. (Chan et al., 2014:60)

In spite of these opportunities for benefit, Carroll and Shabana (2010) emphasize that CSR activities are not always profitable, and that the various factors that affect the fit between possible CSR efforts, society's objectives and the firm's objectives must be kept in mind.

## 2.6 Corporate Governance and CSR

A part of our research questions addresses how the EPC has affected the companies' corporate governance. The concept of corporate governance can be seen to be related to CSR (Chan et al., 2014), and is defined thus by Turnbull (1997):

> Corporate governance describes all the influences affecting the institutional processes, including those for appointing the controllers and/or regulators, involved in organizing the production and sale of goods and services. Described in this way, corporate governance includes all types of firms whether or not they are incorporated under civil law. (Turnbull, 1997:181)

In more general terms, this means that corporate governance is

> (The) system of rules, practices, and processes by which a firm is directed and controlled. (...) Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurements and corporate disclosure." (Chen, 2020)

We are especially interested in how CSR affects companies, their operations and managers, and thus the concept of corporate management is a part of our research objectives.

The nature of the relationship between these two modern streams, CSR and corporate governance, however, has been the topic of relatively little research (Michelon & Parbonetti, 2012). Chan, Watson and Woodliff (2014) suggest a positive relation between good corporate governance and CSR. They further indicate that companies that have good corporate governance should be more socially and environmentally responsible than companies whose corporate governance is poor. Moreover, research suggests that there is a relationship between corporate governance and CSR disclosure (Chan et al., 2014; Michelon & Parbonetti, 2012), and that focusing on the quality of corporate governance can be an alternative to mandatory disclosures, as a way of increasing CSR activities and disclosure thereof (Chan et al., 2014).

Corporate governance is receiving new challenges such as redefining a business' purpose and finding the right balance between shareholders and all stakeholders. The pressure of being transparent is increasing and consequently businesses' commitments and activities are under scrutiny from stakeholders that demand information. It has become clear that corporate sustainability is not solely about products and services but also about the design of corporations, their value chains and market (Elkington, 2013). Similarly, Elkington (2013) suggests that the debate around TBL is moving on from public relations to corporate governance or, in a metaphor, from the factory fence to the boardroom. This is in line with previous discussion (Chapter 2.5.2) on how successful CSR activities and initiatives need to be a part of an organization's DNA, and an integrated part of all operations. This includes corporate governance, but also that top-line managers need to be on board and include CSR matters in their role. In the following chapter, we take a closer look at managers' perspectives on CSR.

## 2.7 Managers' Perspectives on CSR

We have now discussed how companies and organizations approach CSR, as well as how CSR and corporate governance converge. In this chapter we will turn more specifically to how managers view CSR efforts. The aforementioned growth in the importance of corporate social responsibility in today's society is something that managers of businesses have had to adapt to and implement in their companies. Since CSR activities are not performed without individuals, people look to managers of companies to act responsibly on behalf of their companies, and managers have indeed been instrumental in the formulation of CSR policies and other initiatives (Holcomb & Smith, 2017). Previous studies on managerial views on CSR suggest that they are influenced by external factors such as society, government, and business pressures, but more significantly from internal factors such as the managers' cultural context, organizational culture, beliefs and values (Neri et al., 2019; Pedersen & Neergaard, 2009).

As previously discussed, the debate on CSR is extensive, includes many different definitions of the concept, and interpretations of it are diverse and often quite vague. Because of this, many researchers argue for the importance of understanding how managers view issues of CSR (Neri et al., 2019; Pedersen, 2010; Holcomb & Smith, 2017). An understanding of managers' perceptions and thoughts on CSR can, for example, provide predictors of their CSR actions (Holcomb & Smith, 2017), as there is a relationship between managers' values and perceptions, and organizational behavior (Pedersen & Neergaard, 2009). Knowledge on managers' perspectives can also be beneficial in order to understand how companies respond to demands from society and what managers believe are the firm's societal responsibilities (Pedersen, 2010). However, there is a need for more research on managers' perceptions on CSR, especially in non-English speaking countries (Neri et al., 2019), as most studies on the topic have been conducted in the U.S. or English-speaking contexts (Skouloudis & Evangelinos, 2014).

### 2.7.1 Why Managers Prioritize CSR

The reasons for managers administering CSR activities can be everything from concern about the corporate image to more ethical reasons. Generally, it is suggested that companies that have aligned managerial perceptions when it comes to CSR perform better than those who do not. However, Pedersen and Neergaard (2009) claim that managers within the same company can indeed have different perspectives on CSR and that it does not have to affect their company or its CSR efforts negatively. This is due to the various factors that influence managers' views, such as their structural environment, interpersonal relationships, and personal characteristics (Pedersen & Neergaard, 2009). Some of the main reasons for managers to prioritize CSR efforts include feeling that it is the right thing to do, that it's important for the corporate image, potential for competitive advantage, attracting good employees, positive employee performance and satisfaction, and attachment to a company (Harvard Business Review Editors, 2020; Lee, Park & Lee, 2013; Pedersen & Neergaard, 2009). Furthermore, it is suggested that as the power that a CEO obtains increases, so do their CSR efforts. However, that increase supposedly only occurs up to a certain point, after which the emphasis on CSR actually begins to decrease. This is explained by using agency theory, which implies that managers might practice CSR for personal gains such as growing a strong reputation and gaining higher positions (Jiraporn and Chintrakarn, 2013).

When addressing how managers perceive their responsibilities towards society, research suggest that most managers agree that a socially responsible manager must occasionally prioritize the interest of society over the interest of the company or its shareholders (Holcomb & Smith, 2017), and that the main responsibilities of a manager include ensuring a good working environment, developing high-quality products, and minimizing negative environmental impact (Pedersen, 2010). However, as mentioned earlier in the discussion about criticism on CSR, it does generally not result in short term profit. Thus, some managers are not keen on putting CSR at the top of the priority list (Neri et al., 2019) when there are other factors that are more effective for generating short term profits and keeping the business going. It is not an easy task for managers to try to balance the increased CSR demands with pressure for short term profit from investors (Porter & Kramer, 2006).

### 2.7.2 How Managers' Views Impact the Firm and its CSR Efforts

With a manager position comes responsibility and decision-making power. Some of the decisions a manager has to make, consciously or subconsciously, are in relation to CSR: should it be given priority, what and how much should be done in terms of CSR, and to what extent should financial and human resources be allocated to it. Researchers have found a positive relationship between managerial perceptions and CSR behavior, but a large diversity in individual managers' views has also been observed (Pedersen & Neergaard, 2009). Support from top management is often considered essential for successful implementation of new management tools, and this especially holds true for CSR. Active support from management is critical in order to fully integrate CSR into the company, and during such changes, managers are important agents of change (Harris and Crane, 2002; Holcomb & Smith, 2017; Pedersen & Neergaard, 2009).

Indeed, one of the most important factors for successfully implementing CSR initiatives is the manager's perspective on CSR, especially their awareness of and commitment to the matter (Pedersen & Neergaard, 2009). Furthermore, since CSR is based on values and ethics (Zwetsloot & van Marrewijk, 2004), managers need to personally value social responsibility before they can successfully incorporate it in strategic management and their business operations (Neri et al., 2019), and some research indicates that managers are generally aware of social and environmental issues (Pedersen & Neergaard, 2009). Managers' empathetic attitude towards a certain social issue can consequently affect their decision-making in regard to appropriate CSR activities (Holcomb & Smith, 2017).

## 2.8 Knowledge Gap

After having reviewed the above literature, we can discern certain knowledge gaps. Firstly, there is a need for more research on managers' perspectives, especially in non-English speaking countries (Neri et al., 2019). Moreover, much research on managers' perspectives on CSR is of quantitative nature (Government of Iceland, 2019; Harvard Business Review Editors, 2020; Neri et al., 2019), and so we aim to contribute with the more detailed and rich material of qualitative interview research. Secondly, more focus needs to be given to the relationship between gender equality and CSR, and how CSR can serve to promote equality (Grosser, 2009; Pedersen, 2010). Thirdly, the intersection between corporate governance and CSR has not been afforded much attention, although a relationship has been suggested (Chan et al. 2014).

Finally, researchers have called for improved mechanisms for measuring and disclosing CSR efforts (Blowfield, 2004; Etilé & Teyssier, 2016; Laufer, 2003; Hacker, 2016; Porter & Kramer, 2006). The EPC can be seen as an example of such a mechanism, to monitor and actively work against the gender pay gap. This is a relatively new initiative, and to our knowledge first of its kind. It could thus be of interest to scholars, managers and stakeholders worldwide. A few theses that have been published in Icelandic universities concern the Equal Pay Certification in some way. However, most of them are in Icelandic and therefore not accessible to foreigners. A couple of theses have been written in English but their focus and sample are mostly employees and HR managers. Therefore, we believe we are the first ones to write about how top-line managers, such as directors, Chief Executive Officers (CEOs) and Chief Operating Officers (COOs), in Iceland experience the EPC and importance of CSR in general. Based on this outlined gap in knowledge, we believe the current study to be relevant, and hope that it will provide valuable addition to the existing research.

# 3. Methods

In this chapter we will present our research design, discuss how we attempted to ensure the quality of our research, and describe our sample and data analysis.

## 3.1 Research Design

### 3.1.1 Research Philosophy

In this paper, we have adopted an interpretivist approach to epistemology, which Saunders, Lewis and Thornhill (2007) discuss as being appropriate for business and management research, as business situations are both complex and unique, being a function of both individuals and circumstances. Thus, we deem the interpretivist focus on humans in their roles as social actors (Saunders, Lewis & Thornhill, 2007) appropriate for this research about managers' experiences. We aim to understand the participants' experiences and perspectives rather than to explain their behavior (Bell, Bryman & Harley, 2019). Another reason for choosing the interpretivist approach is that our subject, being within business and corporate social responsibility, relates to social reality, which has a meaning for human beings and is attributed to their acts (Bell, Bryman & Harley, 2019).

Furthermore, we have been guided by the ontological approach of social constructionism, which involves seeing reality as being socially constructed in a continuous process, created and recreated in the encounters between individuals and their surroundings (Morgan & Smircich, 1980). Thus, we do not strive to produce any absolute truths, but rather to document how our participants experience the subject at this given time and in this particular social setting. As our focus is on the managers' subjective experience rather than objective facts or processes, we believe this ontological stance to be appropriate. This approach further entails an inductive approach to the data collection, where we strive to explore and analyze the data without letting preconceived hypotheses or models govern the process (Saunders et al., 2007). Creswell (2014) relates the choice of research methods to the philosophical assumptions researchers bring to a study, as well as the subject itself:

> Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. (...) Those who engage in this form of inquiry support a way of looking at research that honors an inductive style, a focus on individual meaning, and the importance of rendering the complexity of a situation. (Creswell, 2014:4)

Based on this definition, as well as our research philosophy and subject matter, we have chosen a qualitative approach to this study, more specifically, using semi-structured interviews.

### 3.1.2 The Semi-Structured Interview

According to Kvale and Brinkmann (2014), qualitative interviews are a fitting method for researching different aspects of human experience where the goal is to gain an understanding of themes and subjects from the interviewee's perspective. Thus, we consider this to be a fitting method that will enable us to gain an understanding of managers' views of the chosen subject. We chose a semi-structured approach to the interviews, because we wanted to keep our approach inductive, and to minimize restrictions caused by preconceived ideas, but to still have some themes and questions to guide us through the interview to ensure that we cover similar topics in all of them (Saunders et al., 2007).

Furthermore, Saunders et al. (2007) explain that semi-structured interviews are an appropriate method for a qualitative study where the purpose is to understand the reasons for participants' attitudes and opinions, as is the case for the present research. Semi-structured interviews are based on an interview guide on topics to be covered, which is used to guide the researchers through the interview, while still allowing for the interview process to be flexible (Bell, Bryman & Harley, 2019). That is, the questions do not necessarily have to be asked in the same order and be phrased in the exact same way as in the guide, and the interviewer may think of and ask new questions based on the discussion that is taking place in each interview. The aim is, however, to cover all of the questions and to use similar wording in all interviews (Bell, Bryman & Harley, 2019).

Once we had established that we would be conducting semi-structured interviews, we began forming the interview guide, composed of fifteen questions in total (see the full guide in the appendix). Some of these questions are background questions about the interviewee's position within the company, but most of the questions are open ended and invite both follow up questions and discussion. We focused on open-ended questions to encourage our interviewees to reveal their own attitudes and to reply as they wish (Saunders et al., 2007). Furthermore, since we interviewed the participants in their professional roles as managers and asked neither about personal or sensitive matters, we approached the interviews in a manner where the main focus was placed on the verbal discussion that occurred. That is, while conducting the interviews and later on while analyzing them, we focused on what the managers said and did not look specifically for body language or other non-verbal cues. Since the interviews were conducted through video-conferencing, we could see and hear the participants and therefore noticed factors such as laughter, smile and other facial expressions, but it did not affect our analysis particularly.

We estimated that the interviews would take about thirty minutes each, which proved to be accurate. Most of the interviews took around that time, with some taking only twenty minutes and others stretching to over an hour, depending on the amount of conversation the participants engaged in. We recorded the interviews and later transcribed the contents before deleting the recordings. The transcriptions then became the basis for our analysis.

## 3.2 Quality of the Current Research

When discussing the quality of qualitative research, Tracy (2010) presents the following eight criteria: *worthy topic*, *rich rigor*, *sincerity*, *credibility*, *resonance*, *significant contribution*, *ethics*, and *meaningful coherence*. We have strived to meet these criteria to the best of our abilities and within the available time frame. We will discuss the following criteria and how we worked towards them in greater details: credibility, ethics and sincerity.

### 3.2.1 Credibility

Tracy (2010) discusses *multivocality* as a measure to increase the credibility of a research project. According to her, that entails including multiple voices in the analysis, providing space for a variety of opinions and attending to different viewpoints by portraying the utterances of various participants. We have strived to do this in the analysis, making sure to include views from all participants. Additionally, Tracy describes multivocality as taking into account the cultural differences between the researchers and the participants and how these can affect the process and the results. We discuss this at length at the end of this chapter.

*Generalizability* is a criterion necessary for the quality and credibility of a research. In quantitative research, it is of utmost importance, but in qualitative research it takes a different form. Saunders et al. (2007) suggest that the purpose of qualitative research is not to produce a theory generalizable to all populations, but rather to provide an explanation for and knowledge about a particular setting. Still, Tracy (2010) mentions generalizability, or rather, *transferability*, as a measure to achieve *resonance* with one's research, explaining that "despite the inapplicability of statistical generalization, knowledge generated through qualitative methods can still transfer and be useful in other settings, populations, or circumstances" (Tracy, 2010:845).

Tracy (2010) suggests that transferability in qualitative research is achieved when readers feel a sense of overlap between the research findings and their own situation, transferring the research to their own lives and actions. In this way, we hope that the results of our research project may provide other managers, employees and policymakers with material to fuel reflection and curiosity about their own situations. In addition to this practical aspect of transferability, we have also kept in mind the more theoretical side of transferability, as discussed by Saunders et al. (2010:328): "Where you are able to relate your research project to existing theory you will be in a position to demonstrate that your findings will have a broader theoretical significance than the case or cases that form the basis of your work." Thus, our discussion of the findings from a theoretical perspective will also provide a basis for a certain transferability.

In qualitative research, Saunders et al. (2007) explain, *reliability* concerns whether another researcher would reveal information similar to that of the current study.

> One response to the issue of reliability is that the findings derived from using non-standardised research methods are not necessarily intended to be repeatable since they reflect reality at the time they were collected, in a situation which may be subject to change (Marshall and Rossman, 1999). The assumption behind this type of research is that the circumstances to be explored are complex and dynamic. The value of using non-standardised interviews is derived from the flexibility that you may use to explore the complexity of the topic. (Saunders et al., 2007:319)

We are thus aware that our findings might not be replicated at another time, with different research participants. We will, however, do our utmost to minimize (to the extent that it is possible) and to reflect upon our own involvement in and influence over the material.

When it comes to *validity* in qualitative research, Kvale and Brinkmann (2014) underscore that it does not merely refer to the validity of the end product, but that validity is a result of a continuous quality control throughout the entire research process. That includes to choose an appropriate research method, to execute it adequately and to follow other guidelines for quality in research. An important part of this process, Kvale and Brinkmann (2014) explain, is to remain critical of all aspects of one's research. We have strived to do this, and believe that the fact that we are two people working together is of importance here. We have questioned each other and tried to discuss matters from various angles. Additionally, our supervisor as well as our fellow students have provided us with valuable criticism, questions and insights which have fueled our own critical reflections.

Something we want to discuss in terms of credibility is the fact that the interviews all took place through online video communication services (Skype, Teams and Zoom), since the Covid-19 pandemic prevented face-to-face meetings. There are both pros and cons associated with electronic interviews. The pros include that it is easy for the interviewee to participate in the interview when and where it fits them best, and in our case most interviewees called us from their homes. On the other hand, some researchers argue that electronic interviewing limits the interactivity and spontaneous communication between interviewers and participants that occurs in face-to-face meetings. Others argue that it does not have to be so, and that trust and rapport can be established electronically (Saunders et al., 2007). We did not perceive the digital nature of the interviews to be a significant obstacle, especially since we had video conferences with our participants and were thus able to see facial expression, which made the communication easier and more natural. As mentioned earlier, we questioned our managers in their professional roles, and did not touch on personally sensitive matters. Consequently, we deem that the need to build extensive trust and to read subtle social cues was not of great importance, and hence we infer that conducting the interviews electronically did not negatively impact the data and its reliability.

### 3.2.2 Ethical Considerations

Through the course of this research project, we have strived to follow ethical guidelines as put forward by Vetenskapsrådet (2017) and The American Psychological Association (2017). This included confirming with participants that their participation is voluntary and informing them of their right to discontinue their participation at any time. Furthermore, we assured our participants of anonymity both for themselves and their company, and while coding we made sure that it would not be possible to link the transcript with individual interviewees. In this way, we hoped that the managers would feel more comfortable with expressing their true and honest opinions on the research matter, enabling them to be critical without being afraid of talking on behalf of their company or affecting their position somehow. Furthermore, this distinguishes our study from others that have researched perspectives on similar certifications, where information about the interviewees was not confidential. Therefore, we have taken great care to uphold our participants' anonymity, especially in light of the small size of the Icelandic society, where "everyone knows everybody", as well as the limited list of companies that have the certification. An example of such cautionary methods is that we have rounded up some numbers (such as regarding the size of the companies), used vague phrasings in the analysis at times and left out industry-specific comments to ensure that the identity of the participants and their companies would not be apparent.

We did not consider the contents of the interview to pose any threat to the participants' wellbeing, but stressed that they did not need to answer individual questions or to complete the interview. We furthermore did our best to make the interviews a pleasant and positive experience for our interviewees, for example by letting them decide what digital platform to use, to choose the time of the interview, and to strive to adapt a casual tone in the discussion to avoid a sense of interrogation. Informed consent for participation was followed by participant's consent to record and transcribe the interviews. After transcription, the original audio files were deleted.

### 3.2.3 Sincerity: Our Position as Researchers

One of the quality criteria discussed by Tracy (2010) is *sincerity*, which she argues can be achieved through honesty, self-reflexivity, vulnerability, data auditing and transparency. This includes discussing and being aware of how the researcher impacts the research and its results. Additionally, we have adapted a social constructivist approach to this research project, and thus deem it relevant to briefly discuss our personal position as researchers. This is in accordance with how Kvale and Brinkmann (2014) describe *reflexive objectivity*, the importance of the researcher reflecting on their own ideas and prejudices. We thus acknowledge that we, the researchers, will influence the results of the research by direct or indirect means, as our worldview and focus will determine what knowledge is given space and what is not. We are two Icelandic women in our late twenties. Marta has an academic background in tourism- and business studies, and Jenný in psychology and gender studies. The reasons for our initial interest in the research topic can be traced to our mutual interest in equality matters and social justice, as well as Jenný's academic background in the subject. Tracy (2010) discusses *worthy topics* as a criteria of quality research, describing them for example as relevant, interesting, timely and significant. We consider the topic of the current research to make claims on fulfilling such criteria.

Neither of us has any personal experience of working for companies that have the EPC, but we have both been on the Icelandic labor market. When considering how our identities might influence the results of the research, we considered that some managers might take into account that we are young women ourselves and thus have a personal stake in fair wages for women on the labor market. None of the interviewees however addressed this, and none of them ever asked for our personal opinion or referenced our gender or position on the labor market. It is, however, no guarantee of the managers not adjusting their testament to what they think young women might like to hear, but this is not something we noticed.

Another possible influencing aspect is our age, which was indeed referenced to by some participants. The managers sometimes referred to the demands of young employees and consumers as these of "our generation", versus "their generation", which indicates that they saw us as belonging to a different social group than themselves in terms of age and worldview. This could possibly have motivated the participants to discuss matters they thought we were interested in and might agree with, but it is impossible to determine in what way and to what extent. A way in which we sometimes noticed that we were perceived as belonging to the same social group as the participants was when referring to Iceland and Icelandic politics, culture, laws etc. Some discussions and comments would most probably have been different for a researcher with another nationality, as it was apparent that the participants assumed that we were familiar with certain themes and concepts.

## 3.3 Sample and Data Analysis

### 3.3.1 Sampling

Since we intended to research managers' perspectives on the certification, we decided to use the official list of companies that have received the certification (Directorate of Equality, 2020b) as our population. As mentioned earlier, at the time of the sampling, there were 171

Icelandic companies on the list. When deciding what organizations and companies to contact, we decided to focus on companies in the private sector. The reason for this is that we wanted to choose companies that needed to fund the implementation of the standard themselves, with the cost possibly affecting the profit of the company. As the public sector generally does not make a profit that directly benefits the organization or its managers, we saw their efforts in attaining the EPC as less of a financial and strategic "sacrifice", or burden. In addition, according to Statistics Iceland (2018) the gender pay gap is wider in the private sector than in the public sector (see Table 1 and 2). Therefore it can be assumed that private companies have even more work ahead to eliminate their pay gaps. In this thesis, our focus is on the managers in their professional role, how they have experienced the EPC, and its managerial implications. We thus deemed that the gender of the participants should not be a recruitment requirement for the interviews and so we did not take into account the managers' gender when contacting them.

A similar thesis by Böðvarsdóttir (2019) used data from interviews with human resource managers from eight companies, most of whom had over 250 employees. Böðvarsdóttir (2019) suggested that future research would benefit from comparing smaller and bigger companies. This was something we found interesting, and so we decided to contact both small and bigger companies. Using the categorization from the Directorate of Equality, presented in Table 3, we define small companies as the ones that fall within the first two categories, containing 25 - 89 employees and 90 - 149 employees within a company respectively. The category of companies containing 150 - 240 employees is defined as middle sized companies, and we did, therefore not contact any companies within that category. The last category, with 250 or more employees within a company, we define as big companies. To summarize, we define small companies as companies with 25 - 149 employees and big companies as companies with 250 or more employees. Therefore, we decided to contact ten big companies and ten small companies and hope for a balanced number of interviews from each category.

When contacting the individual companies, we used the list of companies that have attained the certification and chose the twenty names at random, using a convenience sample (Saunders et al., 2007). Once we had a list of companies to contact, we proceeded to email a manager within each company. We decided to aim for the managers in the highest positions available, such as directors, Chief Executive Officers (CEOs), Chief Operating Officers (COOs) and Human Resource (HR) Managers. Two CEOs that we contacted initially preferred to forward our request to their human resource managers, saying that the HR managers knew more about the certification. Two of the participants are HR managers that we contacted directly, because of the nature of their companies. Initially, we received ten positive replies, but later one manager had to cancel. Six of these participants were from what we define as big companies and three from what we define as small companies. When the Covid-19 pandemic began to affect Europe, we decided to contact managers from two more companies in case any of our interviewees would be cancelled. Of these, one manager from a big company agreed to participate, and thus the final number of interviewees is ten: seven from big companies and three from smaller ones.

The fact that we did not receive more replies from managers of smaller companies resulted in us leaving the analytical idea of comparing small and large companies behind us. This remains an interesting topic for future research. Incidentally, the gender ratio of the participating managers turned out to be fifty-fifty women and men. That would have enabled a comparison of how male and female managers experienced the EPC, but our experience of the interviews and preliminary analysis did not show that the managers referred to themselves in terms of gender or discussed their personal gender as a factor in their opinions and views at all. We thus decided against pursuing that analytical direction, but that is also something future research might address.

### 3.3.2 Participants

As shown in Table 4, four participants are CEOs within their companies, one is a COO and one a Chief Financial Officer (CFO). The four remaining participants are Human Resource Managers. Incidentally, half of the participants are male and half female. In order to ensure anonymity, the participants were given pseudonyms that corresponded with their gender identity. Below, we have presented the participants with their code names, position within the company and the approximate size of their company.

**Table 4**

*Presentation of Research Participants*

| *Name* | *Manager position* | *Size of company* |
|---|---|---|
| Agnes | Human Resources Manager | Big: 400-500 employees |
| Arnar | COO | Small: 80-100 employees |
| Daníel | CEO | Big: 700-800 employees |
| Emma | Human Resources Specialist | Big: 800-900 employees |
| Jón | CEO | Big: 400-500 employees |
| Katrín | Human Resources Manager | Big: 800-900 employees |
| María | Human Resources Manager | Small: 80-100 employees |
| Óskar | CEO | Big: 600-700 employees |
| Sara | CFO and Office Manager | Small: 80-100 employees |
| Stefán | CEO | Big: 400-500 employees |

### 3.3.3 Data

The data which the research is based on was collected through semi-structured interviews with ten managers of companies that have received the certification. We have adapted an inductive approach to our data collection, although based on previous research to some extent. After conducting the interviews, each of them was transcribed and then analyzed. We have strived to analyze the data with an open mind and been prepared to adapt ourselves to what the data would show. The interviews were conducted in Icelandic, and thus the original data is as well. We have however translated the quotes demonstrated in Chapter 4 to English.

### 3.3.4 Data Analysis

To analyze our data we have conducted a *thematic categorization* of the material (Rennstam & Wästerfors, 2015). To guide us in the analytical process, we adapted the three steps of analyzing qualitative research as put forth by Rennstam and Wästerfors (2015): *sort*, *reduce* and *argument*. The authors use these terms to explain the process of data analysis. *Sorting* the material is done to combat "the chaos problem", that after the data has been collected, there is a need to sort through it and attain some order in the chaos of information. To do so, one needs to "associate with" the material. To read it multiple times, familiarize yourself with the material, to try different types of analysis and to make an effort to not get stuck in the first ideas. When doing this and throughout the analytical process, we have taken turns to read the different interview transcripts, reviewing each other's themes, codes, and comments, in order to reduce the risk of getting stuck in a certain analytical direction (Rennstam & Wästerfors, 2015).

*Reducing*, Rennstam and Wästerfors (2015) explain, is a measure against the "representation problem", that all of the collected information cannot be represented in the study. Some things must be left out while others are discussed. The main, general points of the material must be condensed and presented. Rennstam and Wästerfors (2015) discuss two ways in which this can be done; categorical and illustrative reduction. We have engaged in both, in order to ensure that the material was of a manageable size as well as illustrating the main points adequately. During the categorical reduction, we critically examined the material and the categories we had identified in order to determine which categories are most relevant from a theoretical and analytical perspective. This necessitated the leaving out of some other, less relevant, categories. Once we had defined the categories, we focused on the illustrative reduction, circling out parts of the material that are especially illuminating and demonstrate important aspects of the category.

Finally, *argumenting* is presented by Rennstam & Wästerfors (2015) as a process to balance out the "authority problem", to come to grips with asserting yourself as a researcher and understanding what your material can really "say" and contribute with. They describe the argumentation as a form of theorizing, an empirically based argumentation, where the researcher puts their findings in perspective with previous knowledge within the field and positions their unique findings in relation to others (Rennstam & Wästerfors, 2015).

We used these steps to come to grips with our material and to guide the analytical process of the thematic categorization. This included reading the interviews repeatedly, color coding apparent themes and grouping similar themes together (Rennstam & Wästerfors, 2015). Furthermore, while analyzing the data, we have followed Lieblich's (1998) description of *categorical content analysis*, where categories of the research topics are defined and utterances from the material are extracted and grouped into categories. We have thus focused on the categories that appear from the interviewee's accounts, rather than analyzing each interview as a whole.

During the analysis, four main categories emerged, each including a few subcategories. An overview of these categories can be seen in Table 5. Once these categories had been laid out with the relevant material, such as information and quotes from each interview, we had a good overview of the empirical findings we were dealing with. This categorization of the content helped us when writing the empirical findings and analysis chapter, although the data is not outlined in the exact same way since it was developed even further. The empirical findings and analysis is therefore divided into two main chapters: *4.1 Corporate Social Responsibility in general* and *4.2 The Equal Pay Certification*, with appropriate sub-chapters.

**Table 5**

*Content Categories Which Emerged During Data Analysis*

| *Category* | *Subcategories* |
|---|---|
| The process of acquiring the EPC | - Necessary changes within the company<br>- Demanding and rewarding aspects<br>- Reason for acquiring the EPC<br>- Cost of acquiring the EPC for a company<br>- Resistance to the process within a company |
| Manager's perspective on the EPC | - Opinion of the EPC<br>- Opportunities<br>- Challenges<br>- Whether the EPC should be voluntary or legislated |
| Effects of the EPC on the company | - Organizational culture<br>- Bureaucracy<br>- Corporate governance<br>- Other effects |
| Corporate Social Responsibility | - View on CSR and its importance<br>- CSR activities within the company<br>- Other certifications that the company obtains<br>- Who do they disclose their CSR effort to/Who is interested |

# 4. Empirical Findings and Analysis

The aim of this chapter is to outline our main findings and the empirical data of the research, which was gathered through the ten interviews we conducted. We will begin with the results of a discussion with the participants on CSR in general, before moving on to findings on the EPC.

## 4.1 Corporate Social Responsibility in General

The managers were asked whether, and if so, what kind of CSR efforts were being made in their companies, apart from the EPC. We will begin by presenting their statements on that matter, before addressing why CSR is being prioritized in the companies, and how such initiatives are disclosed.

### 4.1.1 The Managers' Companies' CSR Efforts

All the managers said that something was being done in terms of CSR within their companies. Seven of ten managers mentioned that their company issued some kind of CSR or non-financial report. In some cases, it is included within the companies' annual reports and in others it is a separate report. In addition, in one of the managers' companies, a special CSR committee has been formed. In general, it sounded like the companies had been increasing their CSR efforts in recent years or over the past decade, and many of them had plans to increase them to a greater extent going forward. This is in line with the development of CSR and its rising importance presented in the literature (Agudelo et al., 2019; Carroll & Shabana, 2010; Elkington, 2013; Moura-Leite & Padgett, 2011).

Stefán, the CEO of a big company, emphasized that his company's CSR efforts are comprehensive and evident in for example their respect for employees, environmental- and equality policies:

> Our CSR branches out in all directions. In our human resources - we have respect for people, in the Equal Pay Certification, in the environmental issues, in our environmental policy, which is very clear. It branches out in us acting according to law and regulations, us paying taxes and fees. We choose our suppliers according to how they behave towards society, the environment etc. So yes it addresses a lot. - Stefán, CEO

This furthermore reflects the literature supporting that CSR should be integrated in companies roots or DNA and different departments, instead of being a side project (Elkington, 2013; Rangan et al., 2015). This is further illustrated by Óskar, the CEO of a big company, when discussing how his company encourages equality and diversity:

> I don't really know how to answer this… It's of course a part of our code of ethics, our HR policy, this is so ingrained, really, in everything. And just our values as a company (...). In fact, this permeates everything, and it's a bit like oxygen, you don't notice it until it disappears, you would notice that. It has become a part of the air we breathe, to have these issues at the top of your mind. - Óskar, CEO

This view is also in line with research that stresses the importance of comprehensive CSR programs that are incorporated into all aspects of the company's running (Elkington, 2013; Neri et al., 2019; Rangan et al., 2015), and is echoed by the majority of our interviewees.

Many managers mentioned that their companies did a lot to reduce their environmental footprint, by for example, recycling, attempting to offset their carbon footprint, reducing use of fossil fuels, and reducing waste and disposing of it responsibly. Managers from two companies shared that they made specific efforts in terms of social support and inclusion, for example by taking specific measures regarding foreigners living in Iceland and people with occupational disabilities. Additionally, one of those managers discussed the importance of diversity in terms of gender and age within the human resources and that they monitor the ratio of genders in management positions. The fact that only one manager explicitly mentions diversity and gender equality in terms of CSR is in line with the literature on managers' perspective and priorities when it comes to CSR (Pedersen, 2010). She furthermore described how her company always keeps in mind their effects on the environment and on people in all decision making. It seems that the values and efforts of this company are very much in line with the TBL agenda and 3P formulation (people, planet, profit), where emphasis is placed on environmental and social values in addition to the economical ones (Elkington, 2013).

Daníel, CEO of a big company, admitted that his company did not have clear enough goals and strategy in terms of CSR. He thinks that they need to manage it better and that there could be some underutilized opportunities there. He mentioned that since CSR in general is not really an obligation it is not in the same order of priorities as it would perhaps otherwise be. This is in accordance with previous research that underscores the need of official measurements and regulations of CSR, both to encourage responsible business practices, and also to make sure that they are being executed to a certain standard (Auriol & Schilizzi, 2003; Blowfield, 2004; Etilé & Teyssier, 2016; Font et al., 2012; Hacker, 2016; Laufer, 2003; Porter & Kramer, 2006). Daníel further expressed that he would like for the company to have clearer goals and parameters to measure their CSR efforts, but that it unfortunately took a long time for those aspects to be prioritized: “I would like to incorporate this, that just like you settle the accounts monthly and go over the numbers, and that monthly we’d also go over how we’re doing in other parameters.”

The most common certifications that the managers mentioned that their companies obtained were environmental certifications. Most managers also mentioned their equality policies or action plans, since those are required by the equality laws. Other commonly mentioned standards and certifications regarded quality assurance, and also standards specific to each companies’ nature of operation. Emma, an HR specialist of a big company, mentioned that she, along with her HR team, follows human resource standards according to ESG and GRI criteria. Jón, CEO of a big company, also works according to ESG criteria and measures their effects on the environment in collaboration with a third party. Óskar’s company works according to the UN's Sustainable Development Goals and the Global Compacts’ Ten Principles.

One manager mentioned that due to recent organizational changes they had not been able to prioritize CSR issues and do as much as they would have wanted to. They are however working on their environmental impact and plan to make an integrated plan for addressing these matters. One company is actively working with consumers and partners, offering them an option to reduce or make up for the environmental effects of their consumption. Furthermore, the manager from this company mentioned that they are not interested in doing business with companies that have a dubious background in terms of CSR, and he thinks that will become a more common principle in business in the future. One of the managers' companies has followed the *Corporate Governance Guidelines* published by the Icelandic Chamber of Commerce in collaboration with SA - Business Iceland and Nasdaq Iceland for more than a decade. He describes how his company aims to be exemplary: “We want to be exemplary in terms of corporate governance and a part of that is naturally to focus on diversity and equality, and that people are not discriminated against because of their gender, age or other variables.”

### 4.1.2 Views on CSR and its Importance

We asked the participating managers whether CSR was something their company put effort into and found important, and if so, why that was the case. Table 6, placed at the end of this chapter, summarizes their answers, which were varied. Perhaps the most straightforward one was given by Sara, the CFO and office manager of a small company: "This is just a part of being in this society and being on the business market in Iceland. And what are we going to do, are we not going to do this? I just, it's just… It's important." This simple answer is an indicator of how mainstream CSR initiatives have become in most companies, as Sara was a bit baffled by us questioning why they participated in CSR. This is further illustrated by Óskar, when asked whether, and if so, why, his company emphasizes CSR:

> Yes, haha, because we are a part of society! You can't avoid caring for society in modern business. Where does it begin, I don't know, it's like a circle, where does a circle begin, it just exists (...). This is a demand from consumers and customers, there is a spiral where you just, you just check yourself out, aren't eligible in modern competitive environment unless you have these things in order. Besides, I have no interest in working in a company that is depleting the planet's resources or that is offending and harming people, that is not in accordance with my values or the company's. - Óskar, CEO

Here we see that Óskar shares at least some of the same values with his company which supports literature on CSR being based on values and on the relationship between managers' values and perspectives and organizational behavior (Pedersen & Neergaard, 2009; Zwetsloot & van Marrewijk, 2004). Furthermore, he feels that companies who do not engage in CSR will not keep up with competitors and that it has become an integral part of the business environment. This is echoed by Arnar, COO of a small company, who strongly believes that CSR is of great importance:

> Because societal duty will become a larger theme in the future than it has been up until now, and thankfully so! Because that is the only way to get us all to the place where we deserve to be and to reduce the inequality that has been in the world through the ages. So yes, (we definitely work a lot with CSR). Also just out of respect for what will be in the future. Because, if my generation keeps treating the planet like a pigsty, it's your generation that has to pay the price. And the generations to come. - Arnar, COO

María, HR manager of a small company, mentioned investors as one of the reasons her company engages in CSR: “Because these days, investors aren’t only looking at the numbers when they invest in companies, but they also look at what the company is doing when it comes to society. That’s why we have these social responsibility reports.” Jón said that the board is in agreement that these matters are important, naming environmental issues as an example. He also mentioned that the company's CSR policies are a part of making the company an attractive workplace, which is in line with the literature’s reasons for why managers prioritize CSR, that is attracting good employees and corporate image (Lee, Park & Lee, 2013).

> We are a company that wants to create an attractive workplace, amongst other things by ensuring equal opportunities, regardless of gender or other aspects, and this (the EPC) is just a part of that. And I think there’s been an awakening in HR policies and investing in human resources here during the past years. This is one of our most important guiding lights, and we focus extremely on this, because we’re in a sector where this is important - Jón, CEO

He explains that board members agree that it’s important and the right thing to do to pass on the environment in the same condition that they received it, or better:

> And then you can look at the more practical matters, just like the people that are entering the job market, people of your generation, this matters to them in a very different way and to a greater extent than it does to people of my generation. We interview people and they ask, like, a potential employee asks, ‘Okay, so what are you doing about environmental issues?’. So it’s become a part of people’s choice of companies to work for, and companies that are not paying attention to this are just a less attractive option (...). This is just important, we’re destroying the planet here! This is just something we need to take care of. We’re not a polluting business, but it’s still important! - Jón, CEO

Jón’s view here echoes research results that highlight how companies that do not assume social responsibility will lose competitive advantage and be negatively affected (Carroll & Shabana, 2010; Font et al., 2012). Furthermore, it supports Elkington’s (2013) claim that the CSR discussion has indeed reached the boardrooms, no longer being a special interest matter.

Agnes, HR manager of a large company, also discussed the importance of CSR efforts when it comes to employee recruitment and retention, but she focused on the human resources aspect of CSR and employees as stakeholders, rather than the environmental aspect discussed by Jón. It should be noted that Agnes is an HR manager, which could be the reason for why she emphasizes HR in terms of CSR. Furthermore, Agnes stressed the importance of policy and strategy to be long-term, viewing CSR efforts as investments:

> Obviously, we need to invest in our human resources and cherish them in order to-, in a way, it's the key to successfully running a company, and we have always looked at it like that. So we support our staff and show social responsibility and equality, but in return we get good, hard-working people (...). Of course, we could, like I say, if companies are going to try to avoid paying fair wages, or yeah, see some gains in that, it will always come back to bite you in the ass. Or if you don't treat your people with respect and fairness, nobody will come to work for you and everyone will quit. That's just logical. To us at least. - Agnes, HR manager

Thus, Agnes illustrates how CSR efforts that concern employees are in the firm's best interest in the long run. This is in line with Carroll and Shabana (2010) and Porter and Kramers' (2006) argument that CSR should be incorporated in companies' strategies and be a win-win for companies and stakeholders. Like Jón, Daníel explains that the firm's CSR efforts can in part be traced to the board members feelings of justice and fairness. Daníel further talked about avoiding to fall into the trap of whitewashing:

> Just to be able to tick the box and say 'Yes, I support this organization' and put some money towards these issues and that makes me socially responsible. Rather to take a look internally at the running of the company and say 'Where can we truly make a difference as a company?'. And look at these three factors, the economic factors and then the society and the environment. - Daníel, CEO

This is in accordance with Porter and Kramer (2006) and Grant (2016) that recommend that companies choose to contribute to areas of CSR where there is a good fit between society's needs and a company's operation. Daníel says that their main drivers for CSR efforts are their employees and their customers. Their company is heavily based on human resources, and so they focus on nurturing that and attracting employees. He emphasized their focus on supporting the non-Icelandic employees within the company as well as people who are entering the job market for the first time. The company provides employees with opportunities to evolve in their jobs and they pride themselves on acknowledging the expertise and education of non-Icelandic employees, giving people opportunities to utilize these in spite of not being native Icelandic speakers. We believe that this is a prime example of Porter and Kramer' (2006) point, as Daníel's company has recognized their specialties and how they can maximize their positive impact. Furthermore, Daníel says that he has noticed changes in the business environment in general:

> In a way, it's first now that companies are seriously saying that they're ready to choose more socially responsible choices above others. Because, until recently, maybe four to five years ago, people talked about this a lot, but they didn't really mean it, it was always the financial cost that was most important. As long as the cost was comparable, then you were up to choosing the more socially responsible option. But I feel that this has changed a lot and I think that's obviously driven a lot by public opinion and consumers and such. - Daníel, CEO

Daníel says that now, he feels that those that don't attend to CSR issues will lose competitive advantage and end at the bottom. This is in line with Carroll and Shabana (2010) discussion on the business case for CSR and the possibility of it enhancing companies' competitive advantage. Arnar also discusses the importance of treating employees with respect and fairness, and he highlights the generational differences as well:

> My children keep me well in check, (...) and they interfere in my behavior and hold me accountable in a way that I would never have done with my parents. But that just shows a certain change in thinking and certain demands that your generation places on my generation, on being respectful towards the things that we are essentially borrowing, which are firstly, nature, and then of course also employees towards companies. Because we are borrowing our employees and need to treat them respectfully and in a way that makes them comfortable in their position, and that everyone is happy with the way we treat this resource that we have borrowed. - Arnar, COO

Below Table 6 summarizes what dimensions were mentioned and by whom.

**Table 6**

*Reasons for Emphasizing/Prioritizing CSR, as Mentioned by Managers*

| *Reason* | *Participants* | *Total number of participants* |
|---|---|---|
| Environment | Stefán, Emma, Katrín, Arnar, Óskar, Jón, Daníel, Agnes | 8 |
| Social responsibility becoming increasingly important | Emma, Arnar, Óskar, Sara, Jón, Daníel | 6 |
| Important to- / based on the values of board members and managers | Arnar, Óskar, Jón, Agnes, Daníel | 5 |
| Business partners | Stefán, Emma, Óskar | 3 |
| Attracting employees | Jón, Agnes, Daníel | 3 |
| Human resources | Stefán, Agnes, Daníel | 3 |
| Company image | Arnar, Agnes | 2 |
| Investors | María, Jón | 2 |
| Competitive advantage | Óskar, Daníel | 2 |
| Demand from consumers | Óskar | 1 |
| Own values | Óskar | 1 |

As suggested by previous research (Harvard Business Review Editors, 2020; Lee, Park & Lee, 2013; Pedersen & Neergaard, 2009) the reasons for managers to engage in or prioritize CSR initiatives are many and varied, and this becomes apparent from our data. Our ten interviewees mentioned a total eleven main reasons for CSR to be considered important and something to prioritize in terms of time, effort, and money. Interestingly, none of them mentioned the generation of revenue as a factor, something 42% of respondents to a recent survey mentioned as a reason for positive impact on society being a desired outcome of new investments (Harvard Business Review Editors, 2020). Apart from that, the reasons mentioned by our participants are largely in congruence with results from previous research, that show the main reasons for managers to prioritize CSR are a feeling that it is the right thing to do, importance for the corporate image, potential competitive advantage, attracting good employees, and positive employee performance (Harvard Business Review Editors, 2020; Lee, Park & Lee, 2013; Pedersen & Neergaard, 2009).

Interestingly, in spite of the focus of our discussion being on the EPC, a CSR initiative that focuses on social aspects, eight out of the ten participants place a large emphasis on the environmental dimension of CSR (and it should be noted that the two managers who did not mention the environment specifically both work with HR matters, and thus their professional focus might be elsewhere). This is an indicator of how important the environmental dimension has become in both corporate and general discourse. Five of the managers also mentioned the values of board members, owners, or other managers as a reason for why these issues are prioritized. This is in line with research that suggests that support from managers and their own values are important factors for CSR to be successfully incorporated into business operations (Neri et al., 2019). Only one manager specifically mentioned his own personal values, which could be explained by our questions focusing on the managers work role, or that the other managers include themselves when talking about the board and management in general.

### 4.1.3 Disclosure - Who do the Companies Want to Demonstrate Their CSR Efforts to?

When asked which stakeholders the managers wanted to display their CSR efforts to, and which stakeholders were interested in knowing about them, the answers varied. The stakeholders mentioned are displayed in the below Table 7:

**Table 7**

*Audience to Disclose CSR Efforts to, as Mentioned by Managers*

| *Audience* | *Participants* | *Total number of participants* |
|---|---|---|
| Employees | María, Katrín, Emma, Óskar, Jón, Agnes, Daníel | 7 |
| Owners and board members | Stefán, Katrín, Óskar, Sara, Agnes | 5 |
| Customers | Katrín, Arnar, Óskar, Daníel | 4 |
| Investors / Shareholders | María, Jón, Emma | 3 |
| The public / Media | Stefán, Arnar | 2 |
| All stakeholders | Emma, Óskar | 2 |
| Auditors | Emma | 1 |
| Business partners | Arnar | 1 |

The stakeholder group that was most often mentioned, or by seven managers, is employees. How the managers conveyed information to their employees was varied, including holding meetings to brief employees on current and coming CSR efforts, to send emails with results of various surveys or audits, and to converse with employees about the topic. It should be noted in this context that presenting the results of EPC audits is a part of the Equal Wage Management System.

As touched upon before, Jón explained that CSR plays a big part in employee branding, especially in being an appealing workplace and attracting good employees. Other managers mentioned that the job applicants often acknowledged that the workplace having the EPC signals quality and trustworthiness. Jón and María specifically mentioned investors as an important audience for their CSR disclosures:

> Increasingly, investors and investor funds have started to direct their funds to companies that show respect for the environment and show it in practice. This is everything from green stocks and to… I have a meeting scheduled tomorrow with an investor that recently became a shareholder, and we will go through our environmental report. This is important for investors today. - Jón, CEO

Two managers specifically mentioned the public and other companies, and one manager mentioned that the media is interested in hearing about companies' CSR efforts. Stefán claimed that his company wanted to reach out to everyone, not only their owners and board members, but also to the public and that therefore their CSR report is accessible to everyone:

> Because we want others to learn from us just as we learn from others. Although we have put a lot of work into some things, we simply celebrate it if our competitors or others learn from it, because then it benefits everyone. That is how we look at it. We are not shy to publish this information. - Stefán, CEO

A couple of managers mentioned that their CSR report is accessible to everyone interested on their website. In the context of exposing their equality policy and EPC on their website, Agnes mentioned that it was a part of maintaining their positive image and trust. Arnar described the development he has noticed when it comes to who is interested in knowing about their CSR efforts: "At first this was just some that were kind of obsessed with all these ideas. But nowadays it is simply everyone!"

## 4.2 The Equal Pay Certification

We have presented the empirical findings that address CSR in general. We now turn to the Equal Pay Certification in particular and different aspects of the managers' experiences in relation to it. We will start with discussing the reasons for why the managers' companies pursued the certification and furthermore how the implementation process went. Next, we will describe the main challenges and opportunities that the managers have experienced in relation to the EPC. We end this chapter with displaying the managers' perspectives on the EPC, especially when it comes to its value and legislation.

The participants' companies have had the certification for different amounts of time, ranging from before the establishment of the current form of the certification, to the beginning of this year. Four of the companies whose managers we interviewed acquired the certification when it was still voluntary, while six of them went through the process after it was legislated. All but three of the participants have been a part of the certification process from the beginning. Some had to take on extensive work to make changes within the companies in order to receive the certification, while for others the process was easier.

### 4.2.1 Reasons for Pursuing the EPC

When asked about the reason for their company's initial pursuit of the EPC, the managers presented different reasons. The four managers whose companies had begun the process before the EPC's legislation are Daníel, Agnes, Emma and Arnar. They did not mention the legal obligation as a reason for beginning the certification process, rather naming reasons such as the company wanting to be a respected workplace and there being a will within the company for putting equality matters to the forefront and thus there being a will to take on the work of complying with a standard. Arnar explained that the reason his company began the process is both because he as a COO finds equality matters to be extremely important, and also that at the time, employee surveys showed that some employees were concerned that wages weren't equal:

> The reason is simply that I put a large emphasis on all employees in my company being valued in the same way, regardless of any other qualifications than only what they stand for, what tasks they perform and what responsibilities they have. And also, I just saw this as a benefit for those managers who are making decisions on salary and such, that this is in fact just a tool in order to make decisions that affect everyone equally. (...) And one other thing about the reason for beginning the process, there were concerns that employees were being discriminated against in their wages, based on gender. And so I just wanted to determine that it wasn't so and also just to be able to erase these ideas some employees had that possibly, one side was at a disadvantage. This view became apparent in the employee survey and that's why we started the process. - Arnar, COO

Agnes said that the company saw the process as a positive opportunity, and that they didn't have anything to hide:

> Because of course we have an equality policy and we want to show in practice what we stand for, and these matters that are important to us as a company is equality, and not just gender equality, but human rights in general. So this system also helps us not to discriminate against people, on the basis of nationality for example. So it's not just about the gender pay gap, or at least not to us. - Agnes, HR manager.

In contrast, Katrín, the HR manager of a big company,  said that her company did not aspire to attain the EPC, they only began the process once it was their legal duty to do so.

> This is just a legal duty that we have to fulfill. So we wouldn't have, or we would have been up to doing an equal pay assessment, but we would never have pursued the EPC voluntarily if it hadn't been a statutory task. But an assessment is a whole other matter, which we would have done anyway, and have done before and used to make adjustments in salaries. But the EPC is just statutory. - Katrín, HR manager

The remaining five managers gave the reasons for them beginning the process as a mixture of it being a legal duty, wanting to contribute to equality work and it having a positive impact for the company. Stefán, for example, explained that the pursuit of the certification stemmed from the company's CSR policies:

> Really, it's based on our policy on social responsibility. And there, the gender pay gap is obviously a large factor. That we don't want it to be that way in our company. Well, it's of course not enough to just say it, it's not enough for me saying 'Yeah, so there's no gender pay gap here'. Of course we need an independent party to assess the situation, and that's why we wanted to do this. (...) This isn't some marketing scheme, like something we're just going to broadcast and say 'We have the Equal Pay Certification, we have the stamp!'. There is actual work behind this. - Stefán, CEO

Stefán's emphasis on that it's not enough for him to simply claim that there is no gender pay gap within his company supports the literature on the limits of unsubstantiated claims and need for third party verification (Etilé & Teyssier, 2016; Laufer, 2003). Jón shared a similar opinion, that it is both an obligation and a pleasure to put emphasis on ensuring equality within the company. One of the reasons why they welcomed the EPC is that the company has a large focus on being an attractive workplace.

> Yes, it's partially mandatory and partially just a part of our journey towards making the company an attractive workplace, and an attractive workplace for all, regardless of gender. This has been an aspirational goal of ours for years, one of our goals is that we want to become the most sought after workplace in the branch and just in general. That's simply because we don't have anything to offer except for what's in people's minds (...), when it comes down to it it's all about imagination and knowledge. So this is one of these things we put a huge emphasis on, it's just a part of our workplace morale that there's no discrimination here, not for any reason. - Jón, CEO

This is in line with literature on the main reasons why managers practice CSR, that is attracting good employees and even acquiring a competitive advantage  (Lee, Park & Lee, 2013), which in this case would be offering the most competent employees' imagination and knowledge. Sara explains that the matters the EPC touches on had often been discussed within the company, but never been prioritized. After the EPC was legislated, she thinks it was easier to prioritize this work and to get support and help doing it.

> When these laws were passed there was also more formality, then you weren't as-, well it was easier to get help and instructions. What we had been looking at previously, then you were a little blind, trying to read the standard by yourself. That's just really hard, it's just very good to be able to get advice and instructions from those that have looked at it at length. Because you can't be an expert in everything, that's just the way it is. - Sara, CFO

So, to Sara, the passing of the law meant that the company finally took the steps it had been considering taking for some time, and that the process was easier and involved more assistance for the companies. Something that stands in contrast to Katrín and her experience of the process being half-baked and guidelines to be lacking. Óskar also says that the law gave them the push to begin the process, but that they had their eyes on these issues long before. It thus seems that for the six managers that started the process after the legislation of the EPC, the law put a pressure on the company to begin or to evolve their work on wage equality, and to do so within a certain timeframe.

### 4.2.2 The Implementation Process

The participants agreed that the most difficult part of the implementation process was in the beginning, but that once the standard was incorporated into the company's procedures, the benefits became apparent and working according to the standard became easier.

*The Work Involved With the Process*

Stefán and Agnes describe the process as being long and involving a lot of preparation work. Both their companies had begun the process before the EPC was legislated, and they had to reorganize a lot:

> Well, like the EPC is structured, it's all built on job categorization, and just an example of the preparations, it was making an employment contract with everyone, finishing all job descriptions, categorizing the jobs etc, so it was a lot of preparations just in that regard. Tidying up our files, drawing them up and finalizing them. And then of course just gaining an understanding of the EPC. So we got a consultant for a part of this work, as well as our HR manager leading the work. - Stefán, CEO

Agnes said that the process took a few months, alongside other work duties:

> I was the HR manager at the time, and had with me the assistant HR manager and a payroll officer, and we spent a lot of time on this, obviously, because when you're going through this for the first time, there is a huge amount of work to do in order to receive the certification. Not just arrangements in the payroll system and categorizing the jobs and all that, but also to put a price on the jobs, really, based on skills and education requirements and all that which is required for certain jobs, responsibilities and such. - Agnes, HR manager

This description of the work required to meet the EPC standard is echoed by all participants. The biggest workload seems to be associated with performing the job categorization that the standard is built on, as that is the basis for all argumentation for salaries. This is in line with results from the survey on the implementation of the EPC conducted by the Icelandic Government last year, which showed that companies reported the job categorization and policymaking to be the most burdensome aspect of the EPC (Government of Iceland, 2019). It is this extensive re-organization of the salary protocols that some participants, like Óskar, find burdensome.

> Yes, they are of course, these are burdensome laws. You don't just shake it out of your sleeve, not at all. There are requirements for a certain documentation, which is of course just positive and very good, but then you need to position these categories within job families, and this is a lot more than just an equal pay standard, because then you also have performance evaluation being a part of it, market position... (…). To say that it's just an equal pay certification and that it's just a walk in the park, it's just a long way from the truth. – Óskar, CEO

But he also discusses that once the work is finished, it is very beneficial.

> A lot of this is very good and in fact the majority of it is very good and needed, regardless of the equal pay factor, it's just good working practices that you somehow postpone, never get around to make proper job descriptions, there is never time for it, even though it's extremely important. - Óskar, CEO

Many participants express a similar sentiment. Despite the large amount of work, Stefán explains that it resulted in more clarity. Untangling all the information resulted in the facts standing out and it being easy to see where there were discrepancies in salaries, and to correct them almost instantly. Stefán's company had to adjust several employees' salaries, raising them in accordance with age, education and experience. Emma also describes her company having to correct salary differences through raises. In total, within seven of the companies which managers we interviewed, one to several employees' salaries had to be corrected when implementing the EPC into their payroll. These numbers are in line with the results from the survey conducted by the Icelandic Prime Minister's Office in 2019, where 60% of respondents had to correct wages (Government of Iceland, 2019).

*Cost and Expenses*

When we asked about the cost of the implementation, most managers said that there was some cost, but they experienced how much or how burdensome it was quite differently. Sara and Arnar don't make much of the cost, and neither do María, Agnes, and Stefán feeling it was money well spent:

> The certification itself costs something of course, I don't remember the exact number, but it costs something. And the audits, they cost. The indirect costs are of course just wages for the HR manager and the time they put into the project. (...) Yeah, well of course there is a certain cost associated with the preparations and implementation. But the benefits are considerable, so you get it all back. - Stefán, CEO

In contrast, Óskar and Katrín, found the process to be very costly, elaborated on here by Katrín: "Yes it was of course, in addition to the direct costs for advisors and inspectors, which amounted to some hundred ISK, or millions, that there were of course extremely many working hours that the HR staff spent on this." Similarly, Jón acknowledges that all certifications entail a considerable cost, and he furthermore brought in an interesting point since he thinks it's worth discussing the certifications that companies are obligated to acquire.

> There is a considerable cost associated with certifications. Okay, is it too much or too little, I won't be the judge of that. These certifications help us with certain things and they are of some value to us, but it can be remarked upon that some of the obligatory regulations that we have to comply with might be getting a bit extreme and too expensive. - Jón, CEO

This thought is in line with Porter and Kramer's (2006) criticism on the vast number of different CSR ratings. We perceived Jón to be a bit ambivalent towards the cost, and so was Emma, who especially expressed her concerns for how smaller companies might deal with the cost.

*Resistance to the Process*

We asked the participants about how the implementation process was received by their employees. For the majority of the participants, there was no resistance to the implementation of the EP Standard. Those few that discussed some resistance said it was only apparent in the beginning of the process and mostly stemmed from people's skepticism of the legitimacy of the EPC or lack of understanding of what it would entail.

> Yes, in the beginning, of course many people-, or not of course, but many people thought this was kind of… a waste of time. They thought it was like, just more red tape, more paperwork. Eh… You can totally find ways around this and cheat the system. That was the subject of a lot of discussion. That it would just increase the pressure on us. And that it was just a kind of gimmick… You know, good for the company to get this certification to be able to say that everything's fine here. - Stefán, CEO

As aforementioned in the knowledge frame, the legitimacy of CSR initiatives has also been questioned by researchers (Blowfield, 2004; Hacker, 2016; Porter and Kramer, 2006). Stefán further explained that he thought this was a normal reaction to changes, and in such situations, it's important that the manager explains and motivates the staff to be on board:

> In my experience, it's very important that you don't just say 'Right, so we're going to do this and you'll just have to do that'. As soon as you explain why you're doing things, what they will accomplish and the person understands the purpose and the benefits they'll get, then you've come pretty far towards getting people on board with you. - Stefán, CEO

Similarly, Agnes said that there was no resistance as such, but that a handful of individuals were skeptical and thought the project was just for show. She explained that people just needed to understand the certification and the process better, and that the company needed to explain it in more detail to its staff. When they had done that, morale was better. María, said that there was no resistance in her company, and she attributed that to the fact that the CEO and the management board fully supported the process:

> It's the same with everything that's implemented in all companies, there has to be support from management and managers, and there was full support from our CEO when this (the EPC) was implemented, and then things always go well, when managers are in agreement that such projects are taken on - María, HR manager

In the same way, Daníel describes that the CEO at the time and the board were very supportive and, in consequence, so was the rest of the staff. This is in line with Rangan et al. (2015), who write about the importance of CSR being integrated in the jobs of CEO's and not just a side project handled by one or few employees. This also echoes Elkington's (2013) claims that the TBL agenda within CSR has reached the boardroom, referring to CEO's and other top line managers and board members. The remaining managers didn't report any resistance or discontent with the process, rather describing positive reactions from fellow employees.

### 4.2.3 Challenging and Demanding Aspects of Acquiring the EPC

As we have touched upon in the previous chapter, the challenges most of the managers discussed were those regarding the workload relating to implementing the working procedures that the certification demands. Another type of challenges often mentioned related to communicating the purpose of the EPC and its setup to employees and fellow managers. In this chapter, we will give examples of these demanding aspects of the EPC, as explained by the managers.

*Practical Challenges*

When discussing the practical challenges, three managers specifically mentioned the bureaucracy and paperwork that the EPC entails. Emma explained how the majority of the work needs to be conducted in the beginning of the process, but then there is a constant need for maintenance and improvements. The hardest part was the creation of procedures and executing the job categorization. This is something six of the managers discussed at length, but all participants mentioned this challenge. Moreover, Stefán, Daníel and Emma all described the challenge of integrating the changes fully and long-term into their working methods, especially since a company's operations are ever-changing. They also said that when there is a lot to do, it can be hard to prioritize something that is not a part of the core operations. However, most managers agreed that although there was a lot of work to do in the beginning of the implementation process, it was all worth it, and that it became easier with time.

Elaborating on this, Óskar discussed the challenge of not letting this process become too complicated. Since he is running a big company, this project can become huge and even overwhelming. That is why many have chosen to seek support from consultancy agencies.

> The challenge is however to not let this become too complicated, it is very easy, because solely implementing… starting the work that lies within job analysis and, just to create job descriptions or role descriptions or something like that, this is just a huge project. To create performance-scales that make some sense, that is another gigantic project… so, it is easy to let this overtake everything and lose sight of what you are actually doing. - Óskar, CEO

Regarding the implementation process, Katrín found that there weren't clear enough instructions for how the work should be executed:

> But there were no guidelines, it was a bit just like 'Okay, use this document and just jump into the deep end of the pool and see what happens'. And it was a bit like that, and everyone was kind of just wandering around in the dark and we were just learning together in a way, us and the consultant. - Katrín, HR manager

Three of the managers, Óskar, Emma and Katrín, mentioned that they suspected that acquiring the EPC must be a challenge for smaller companies. Since small companies might not have a specific human resource department, and therefore not the resources, time or know how to go through the certification process, further suggesting that this could be a difficult project for a solo payroll manager. As touched upon earlier, Ferrando (2017) has in fact criticized certifications by arguing that they pose difficult challenges to smaller companies with low financial capacity, and that they can put smaller companies at disadvantage in the competition with bigger companies that have more resources.

*Engaging Employees and Explaining the EPC*

Despite the process taking a long time, Stefán said that the most demanding part of the process was to engage employees and explain the purpose of the EPC.

> Because there are many tasks that are delegated within the company, so to follow up on those and to promote this in a way that people, middle-managers comprehend it. That this is something that matters. That it isn't just something we're doing to get some stamp, but that it's changing our work processes. That was maybe the most demanding part, to get people to understand what it's all about. - Stefán, CEO

Katrín had some difficulties with getting the managers in the company to understand the job categorization that the EPC is based on. They had the tendency to try to evaluate their own subordinates at the highest level, as Katrín explains: “If we would have simply allowed all the managers to decide, then everyone would be on CEO level in the company. So that was perhaps the biggest challenge, ‘in house’ that is.”

Another challenge with the job descriptions is explained by María, who discussed the challenge of focusing solely on the job and not the individual, and how the new job descriptions could result in insecurities with existing staff:

> I’ve just been creating a job description with one individual within the company, and you know, I would never advertise that position without requesting a bachelor’s degree. And he has that, but through his experience, do you know what I mean? He has everything the position requires, because he has the experience. So you also have to look out for, like people get a bit ‘Wait, so are you saying that I’m not qualified for the position because I don’t have a bachelor’s?’. ‘No, because you have it, through your experience!’ Do you know what I mean? That even though you’re doing the job description and evaluating the position, you also have to convince the employee that they have everything required for the position, that we’re not going to advertise their position again just because we’ve created a job description that includes certain requirements. - María, HR manager

We can see that María has had to assure her staff that their positions within the company are safe, and that the new categorizations will not have negative consequences for existing employees. Arnar describes a similar challenge, but in the opposite direction. Some employees had suspected that there were some discrepancies when it came to wages, which proved to not be the case. When that became apparent, the staff members were disappointed, as they had been putting their hopes up for a raise which they did not receive.

It is thus apparent that the EPC poses various challenges to the managers. We can see that both when it comes to the more practical aspects of implementing the standard, through the organizational work, but also in communicating with the staff and ensuring that they are on board with the changes, and that they feel secure in their position within the company. Both these aspects, however, mostly relate to the implementation of the EPC or the early days of working according to the standard. Some people mentioned that the process is ongoing, and that regular audits require work. In spite of that, we perceived that what the managers felt was difficult and demanding mostly had to do with the process of implementation, not working with the certification. We will however discuss the managers' personal views on the legitimacy of the EPC further in Chapter 4.2.5.

### 4.2.4 Opportunities With Acquiring the EPC and Rewarding Aspects

As we have discussed, the managers agreed that although there was a lot of work and challenges involved, the benefits were also numerous.

*The EPC as a Salary Control Tool*

One of the positives that was mentioned most often was that the EPC is a tool capable of securing a more fair pay structure and especially reducing the gender pay gap within companies and in society. Many of the managers mentioned that the EPC provides an opportunity to increase professionalism in corporate governance and in the business sector in general. Furthermore, some mentioned that the EPC increases transparency, ensuring that decisions are not made on personal grounds, because of cliqueness, or managers getting codependent with the employees. Moreover, three HR managers, María, Katrín and Agnes, discussed that the EPC ensures that employees with the same qualifications and competencies are not paid different wages simply because of personal characteristics such as daring to ask for, push for or persuading a raise. Agnes explains the benefits of the EPC for both employees and managers:

> Because, you know, when it comes to salaries and decision about salaries, it isn't only that there's a difference in how demanding employees are, or how much self-confidence they have to ask for raises: in these cases it (the EPC) is a really important tool to have some restraint, like 'No, I'm sorry, we can't raise you because you're-' you know, if we didn't have this tool it would be so easy to, it would be a risk that we'd just say 'Oh well, he is so amazing, I'm just going to give him a raise, he's so awesome', and then maybe there's an employee beside him that is just as competent at their job and in the exact same position, but they're just reserved and not as confident to knock on your door.
>
> But then there's also the managers, because that's a little funny-, or funny, but that it's often forgotten when discussing these things, that some managers are better at looking out for their people, if you could say so. Like, 'Hey, I think that this person is just way too low. Could you look at this, can we do something, are they in the right pay category?'.

> While other managers are just not considering these matters. They're just like, 'Yeah yeah, this just runs smoothly, and it's just fine the way it is', you know, they're not thinking about this. - Agnes, HR manager

When discussing the rewarding aspects of the EPC, all managers agreed that the EPC provides an excellent tool for all payroll processes and tasks. Moreover, they agreed that it is positive how everything is based on documents, and they also described a beneficial mindset focused on constant improvement, which they claim follows adopting the EPC. Many describe the payroll procedures now being clearer and more professional. This view is thus summed up by Stefán:

> Well, what has been most rewarding, looking back, is precisely that, to see how beneficial this has truly been. That it's useful, and to see that those that maybe had the least amount of faith in it, are now proponents of the Equal Pay Certification. And you see how it helps them in their jobs. (...) So for those that have subordinates, this is such a good management tool, precisely to make correct decisions when making salary changes. And it provides-, this is a much fairer system than the previous one. Because now everyone sits at the same table. Because we know that there are always some people who are very prolific at pursuing-, even though we have salary interviews yearly, that there are always a certain group that's more prolific than others at pursuing raises, and then there's always the risk of them ending up outside the framework, which now doesn't happen within the EPC. Because you have job categorizations, it's defined clearly based on work experience, education, skills etc. And the middle managers, they have this framework to work with, so now all of a sudden they have this management tool that they didn't have before. - Stefán, CEO

He then further explains the increased professionalism of the salary procedures, and that salary decisions aren't based on a subjective evaluation, which eliminates personal connections or friendship from affecting them. Correspondingly, María mentioned that the EPC enables HR managers to have a better overview now that other managers within the company have a script to follow in regards to hiring and decision-making on salary matters. Daníel also mentioned that this gives managers more confidence in their decision-making and conversations with employees, positively affecting mutual trust between them. He explains how the EPC procedures help employees understand the relationship between responsibilities and pay:

> When you have two individuals and one has a higher salary, the question is, wait how can that be? And then you can just take the conversation, 'Yes, okay, you want this salary. Then this is what comes with it, you need to accept this responsibility, like this person does and you don't do now. Do you want that?' No, okay, then the person didn't want that. So this is an enormously beneficial tool to create trust and understanding of the fact that salary and responsibility go hand in hand. - Daníel, CEO

It is however highlighted by the participants that, despite the framework the EPC puts on salaries, there is still room for rewarding employees for excellent performance and other such factors:

> The system needs to offer a certain flexibility. Because sometimes, there is a reason that someone is higher than someone else, even though they have the same job in the same category, in every way. But then this certain person might have a longer work experience from outside the company, or simply that this person is more valuable to the company in some way, maybe that's just their character. They have like, some leadership potential, or are just really good at having the initiative, the first to offer help when needed and such, like, there can be subjective factors that affect some difference in pay. But this is never some huge gap. (...) But the system doesn't demand that there just isn't *any* difference between *anyone* doing the same job, with the same experience and education and such. Like, there's always this human factor, which you can't program. - Agnes, HR manager

*The Company Image and Employer Branding*

Arnar sees the EPC as a confirmation that the workplace is a good one and therefore makes it easier to attract competent employees. It is therefore a positive factor in employer branding. He, furthermore, claims that all kinds of standards and certifications are becoming common with new generations of employees that are more aware of corporate social responsibility and factor it into their decision-making. This is in accordance with research on the evolution of CSR, which shows that CSR is becoming a larger part of both consumers', employees' and investors' decision-making (Agudelo et al., 2019; Carroll & Shabana, 2010; Moura-Leite & Padgett, 2011). Consequently, Arnar sees an opportunity in the EPC to prove to these generations that a company is responsible and to attract them as customers:

> Companies that are not up to scratch, they lose business. Therefore this is also, fortunately, evolving so that companies that do not care for or manipulate the environment or employees' rights, they are not necessarily preferable as business partners. So that is also one factor that will be, in my mind, a bigger influencing factor in a company's image, than it has been so far. - Arnar, COO

Arnar adds, and Katrín expresses a similar sentiment, that it was gratifying to see the results of the salary analysis, that the gender pay gap within the company was indeed not large, giving the management confidence of knowing that they take good care of their employees. Arnar also explains how the EPC resulted in the employees feeling that the company works in their best interest:

> It's of course what we want, we want to give the people the feeling that we're working with their best interest at heart, not just in the interest of the company, that it's a cooperation that works both ways. And that's really the way we see it. And I felt that we got, it was a pleasant surprise how little difference there was. And I even think that in the first evaluation process the pay gap was measured smaller than in all the other companies in Iceland up until that time. So that was very fun. - Arnar, COO

Agnes and Jón are of a similar mind, discussing the value of knowing that there isn't a gender pay gap within the company and feeling secure in that knowledge:

> Yes, it is of great value to know that and to be able to say that: that here, there is no gender pay gap. Here, we pay men and women the same wages in all main aspects. There is a certain value to being able to just stand up and say that. And to have the documents to back up that claim. - Jón, CEO

*The Organizational Culture*

Along the lines of how the EPC affected both managers and employees, we asked whether the participants felt the EPC had affected the organizational culture within their companies. The majority felt that the concept of organizational culture was too complex for effects of a single factor to be noticeable, but that in some ways it contributed to a positive atmosphere. This is illustrated by Óskar:

> It's good to get an official confirmation that these matters are in order, because consequently, you have an inclusive workplace, it's on the table that things are in order. So yes, in a sense it improves the organizational culture, but that's nothing tangible.
> - Óskar, CEO

Arnar discussed how the worries expressed by some staff members abated after the EPC and the results from employee surveys showed that as well:

> And so people sense that we're making an effort to keep things equal, and not just making an effort, we are going to make sure that it's equal. And of course it's just, like for me and some of the management board members, we obviously have kids that are both boys and girls, and we don't want them to face any discrimination. So it's really easy to follow up on this. And when you discuss it with people in this way, then usually you can erase these doubts. And also because the certification confirms from an independent party that you're working according to some approach. Which is extremely important. - Arnar, COO

We see this as an example of practical implications of the EPC for managers, that it can prevent or abate unsubstantiated worries, claims or rumors about unfair wages ,or other matters that affect the employees. Similarly, Katrín explains that the certification provides current staff with security, in addition to making wage decisions for new recruits easier.

> And like I say, it just gives employees a certain security in knowing that there is fairness and equality in the pay system. (...). But we can't forget that we still have the capacity to reward people that are doing a good job. We always have a certain wiggle room and space, and we always have arguments for that, but salary decisions aren't taken anymore just like, the finger in the air like 'Aaah!'. So that's maybe changed, not the organizational culture per say, but I think people have greater belief and conviction in that there are some boundaries there that are healthy. - Katrín, HR manager.

Agnes explains that after the implementation of the EPC, the results from their workplace survey show increased company loyalty, and she experiences the attitude from the staff towards the company and its managers to be more positive. Sara also mentioned that the organizational culture has improved, specifically because her male-dominated workplace has hired more women, which Sara feels is a positive development. Finally, María said that another positive point is that the staff gain a better overview of their position and their importance and contribution within the company. From these descriptions, it seems that the EPC can benefit the organizational culture by providing a sense of security for the employees, as well as by increasing loyalty, trust, and positive regard towards the company. This supports Porter's and Kramer's (2006) argument that reliable ratings positively influence corporate behavior, and literature on positive employee performance being a reason for managers to implement CSR initiatives (Lee, Park & Lee, 2013).

*Corporate Governance*

As we have discussed, the participants all agreed that introducing the standard resulted in positive changes and improvements in payroll and salary procedures, making these more professional and fair. Corporate governance in matters of payroll and wages have become more disciplined, professional and clearer. This benefits both the employees and the managers, who now have a tool to support them in salary interviews. These positive claims on how EPC has affected the managers' companies corporate governance supports the literature on the positive relationship between corporate governance and CSR (Chan et al., 2014). Sara explained how the system of the EPC benefits the company, as procedures are more fixed and don't depend on a single staff member:

> If we raise someone's salary or there are any changes in working hours or areas, then that's documented. So if I quit my job, the person taking over from me will know, they won't have to constantly call their predecessor or try to figure things out by asking others. This is a completely different environment! But it requires discipline, you need to document everything immediately and there are some things you need to learn. - Sara, CFO

Most of the managers discussed the need to define or redefine job descriptions, job categories, responsibilities and other factors as one of the biggest effects the certification had on their managing practices. Consequently, it seems like the certification most greatly affects the daily work of HR managers or managers that are responsible for recruitment, salary and personnel in general. Many interviewees mentioned that the initial work of organizing the job description was time consuming and involved a lot of paperwork, but that once it is in place, it is a valuable management tool. It is something the managers use when recruiting new employees, raising salaries, and delegating responsibilities.

### 4.2.5 The Managers' Personal Opinions on the EPC

When the managers were asked about their personal opinion on the EPC, different opinions and arguments surfaced. In general, everyone seemed to agree that the certification and the thought behind it is valid and good, but some were skeptical about how the legislation process and inspection had been executed and whether it should have been legislated at all. As aforementioned, this debate on whether CSR initiatives should be voluntary or mandatory is apparent and growing in the literature (Blowfield, 2004; Laufer, 2003). Every participant had something positive to say about the EPC but some were ambivalent and mentioned some negative aspects as well.

*The EPC and its Value*

Many of the managers believe that the EPC is a useful corporate governance tool that really helps to make processes, decision making, and actions related to human resource more professional and less personal, as discussed in the previous chapter. The fact that every decision and action has to be documented and have a valid argumentation behind it, supported by data, provides the managers with a professional frame to work within. Arnar and María share the opinion that the EPC is a positive corporate governance tool and that it is beneficial for both genders, as well as ensuring that employees are not being discriminated against based on any other factor:

> Therefore, I am very aware that this goes both ways, and that this is not solely about women and men. Of course, at some point in time, that is maybe where the most injustice was, that is where the conversation begins. However, this is of course about everyone being equal, and you do not attain long term equality by creating inequalities in other areas. This is a process that needs to pass inspection in all directions. - Arnar, COO.

The managers were asked if they believed that the EPC is capable of facilitating positive change in corporate governance and, in a more broad context, within society. Again, the opinions varied.

As made apparent by his answer, Stefán is one of the managers that was very positive towards both the EPC and its effects on corporate governance and society:

> My personal opinion - I am entirely convinced. That this is a tool that encourages more professionalism and reduces the gender pay gap, because this simply becomes apparent at audits. From a third party that examines our pay system. And, it clearly reduces this gender pay gap that no one wants to encourage. - Stefán, CEO.

Another positive answer comes from Daníel, on whether the EPC is capable of facilitating positive changes in corporate governance and society in general:

> I am completely convinced of that. I think it is an excellent tool, and really just necessary restraint and support. These audits and all that, you need to visit these matters regularly. If that isn't the case, then these matters have a tendency to slide to the side and end up somewhere at the back. - Daníel, CEO

Stefán and Daníel therefore seem to support the use of third-party certifications as effective proof of CSR, in line with Etilé and Teyssir (2016) who claim it is the best way to ensure impact in terms of social responsibility, and other scholars that encourage the use of such certifications (Auriol & Schilizzi, 2003; Font et al., 2012; Laufer, 2003; Manasakis et al., 2013). Emma said that her company had a positive experience of having the EPC, especially expressing being happy with the constant improvement mindset:

> This is also just a learning curve, you know, we started the process very early, and there have been developments, the certification agencies are better at pointing things out. And it's become a bit, like there are often business meetings where some companies are presenting their efforts, there is now more maturity in the process, naturally. - Emma, HR specialist

On the other hand, Óskar is doubtful that the EPC will make a change in society. The reason being that, in his opinion, so far there have been no real consequences for companies that have not taken the appropriate measures to acquire the certification, but should, from a legal perspective, already have it. This echoes Hacker's (2016) argument that some CSR initiatives lack accountability and authority to revoke associated certifications. Óskar wonders what the purpose of the EPC is if there are no real consequences associated with it, and he is unsure about whether the EPC will make an impact:

> I am not very optimistic about that, and the reason is that there needs to be consequences. This has to make a difference and it is like... When you put the demand on businesses to acquire this, and then the public sector simply sits back: local governments, state agencies, that just never really started this project and have not done this. And then it always comes to this: Who am I doing this for? For what reason? This is very good, very needed, and it is really just a part of the corporate social responsibility of businesses to pay equal wages, and yes, we were already doing that. (...) Then these burdensome regulations are set, yes we go through them, acquire the certification, do all this work. Then you go to public offers, where there is not even a demand that businesses that are selling services to the government have it (the EPC). There are no consequences! (...) And besides the cost that is associated with this, you know, why did we do this? Why are we putting in the cost when our competitors do not, and therefore save themselves the cost, the time, the focus, by not doing this, and it has no consequences for them? And you know… but this is so Iceland in a nutshell. - Óskar, CEO

With that last comment, we believe Óskar is referring to the tendency of the Icelandic society to quickly implement changes; rules and laws might be hastily installed without completely thinking through the execution beforehand. "Making it up as we go along" is sometimes the way of working, and we understand Óskar's comment on being critical of this approach. Even if Óskar is critical, he is ambivalent about the EPC, since he believes it does improve his companies' human resources, and Icelandic business in some way, but he emphasizes that he thinks the EPC has not been thought through and that it is expensive.

Another manager that feels ambivalent about the EPC and its effects on corporate governance and society is Katrín. She says that it is a positive corporate governance tool for managers, and that it was good to get a certification that confirmed that they are doing things the right way. However, she adds that she does not believe the EPC to have resulted in significant changes in her company. Katrín feels that the process of legislating the certification was too abrupt and that companies were rushed into acquiring the certification before proper guidelines had been developed. Therefore, she thinks that it would have been sensible to develop better guidelines and simplify the process before the EPC was legislated.

This could have saved her company a lot of time, effort and therefore cost, and even disputes that occurred between her company and the certification agency. Taking this into account, Katrín is more supportive of equal pay analysis. She describes the difference between that and the EPC, and explains that it revolves around making a random test on a company's pay system, during a certain time period. She claims that by conducting this kind of analysis a company will see what improvements are needed and can take corrective actions. She suggests that this kind of analysis, carried out by companies themselves, could even be legislated instead of the EPC where a third-party is involved.

*Opinions on the Legislation of the EPC*

As mentioned earlier in this thesis, the EPC started off as a voluntary certification but was then legislated in 2018. As discussed before, four of the companies whose managers we interviewed acquired the certification when it was still voluntary, while six of them went through the process after it was legislated. When asked about their personal opinion on whether the EPC should be voluntary or statutory for companies, seven out of ten managers agreed that it should be statutory. Two managers shared the opinion that the certification should be voluntary for companies, and one manager was not sure since she could come up with arguments for both.

Arnar explains it simply by saying: "I think this should be statutory. And it should not be optional to discriminate against people. That is just, I just feel this is a very simple answer." Stefán also agrees that it should be mandatory and that once this will be fully integrated in corporate governance, no one will question it: it will be a norm. He furthermore thinks that the legislation of the EPC was positive, as otherwise some companies would not see the benefits in going through the process of obtaining it, seeing it as unnecessary paperwork. This view is echoed by Emma, who claims that sometimes obligation is needed so that people take action regarding matters such as equality. Daníel shares a similar opinion and says that by legislating it, we speed up the relative progress and help companies to put this matter as a priority. Sara agrees and feels like the equality laws are no less important than other laws that concern employees:

> After having gone through this process I feel like this should just be almost like other laws that have to do with security and employees' conditions in workplaces. I feel like this should just fall under that, these kinds of laws. This is simply the same as having to report... and having certified machines and tools that employees use, people should just receive the same pay for the same jobs and the same opportunities. I think this should just as well be in laws like laws regarding conditions (...). And I think this does not just happen, unless it being mandatory. - Sara, CFO and Office Manager

On the other hand, as previously discussed, Katrín's opinion is that the EPC should not be legislated, but that an equal pay analysis conducted by companies themselves could however be made mandatory. She thinks that companies should be trusted to choose which standards they decide to work according to and which certifications to pursue. Óskar also believes that the EPC should be voluntary for companies, at least based on the current state of affairs:

> If you legislate, then you have to enforce the laws. I want to have as few laws as possible but I want those laws that we have, that everyone sits at the same table and that there is some follow-up. (...) I do not think it should be legislated, not unless the laws are enforced in some way. Therefore I think, the answer is basically no, I think this should fall under corporate social responsibility. Laws concerning this should not be needed. - Óskar, CEO

Although having different opinions on the legislations of the EPC, both Stefán and Óskar mentioned that they were not fond of having too many strict laws. However, they said that if laws are implemented, they should be enforced in order to really make a difference in society and business. Jón also said that in general, he is not very keen on do's and don'ts, but that in this case he thinks legislation is optimal, and that it will become a part of the routine. He also mentioned that when thinking back to when the laws regarding ratios of genders in boards, he thinks it has been beneficial and, that the EPC is a good addition.

Agnes was the one that was not sure, and she felt that she could argue for both sides. Firstly, she thinks it to be kind of ridiculous that the EPC is still needed in today's society, thereby implying that we should have gotten further in the battle for equality. Therefore, she thinks that legislation is positive, because it forces actors to take action if there is a pay gap in their company. In this context, she also mentioned that there are companies that try to find ways to pay low wages and take advantage of their circumstances. However, she thinks that this sort of legislation might put smaller companies in a difficult situation, and she worries that some players might try to find a loophole and a way to deceive in some way to obtain the certification. If that happens, she worries that the certification could lose its legitimacy and trust. This is in line with Hacker's (2016) concerns that if there are no consequences, companies can take advantage of consumers that care about CSR.

The fact that the majority of participants favors the legislation of the EPC supports the literature theme of recommending the regulation of CSR initiatives to prevent unsubstantiated claims such as greenwashing and encourage real progress (Auriol & Schilizzi, 2003; Font et al., 2012; Laufer, 2003; Manasakis et al., 2013). However, Agnes's point goes in paradox with the argument, since she worries that regulating the EPC and forcing companies to obtain it might result in some companies "making it work" only for the system and, therefore, not putting in actual effort.

# 5. Discussion and Conclusion

## 5.1 Summary of Findings and Addressing of Research Questions

The purpose of this study has been to explore how today's managers view corporate social responsibility, and how third-party certifications can be used to evaluate and encourage CSR efforts. Specifically, we wanted to understand how such certifications affect the businesses and their corporate governance. To do this, we conducted ten semi-structured interviews with Icelandic managers, and inquired about their experiences of the Icelandic Equal Pay Certification. The research questions we have attempted to address are:

1. How do managers view the importance of practicing corporate social responsibility?
2. How do managers experience the Icelandic Equal Pay Certification?
    a. How has it affected the corporate governance of their companies?
    b. What are the opportunities and challenges associated with the certification?

Below, we summarize the main findings of our research and how we have attempted to address the research questions; discuss the limitations of the study; make suggestions for future research; and present our concluding remarks.

### 5.1.1 How do Managers View the Importance of Practicing CSR?

*The Prevalence and Subjective Importance of CSR Initiatives*

Since consumers have become much more aware of CSR issues, companies that do not engage in CSR initiatives and provide evidence for their impact are in danger of losing competitive advantage. This is something that is apparent both in our results, as well as in previous research on the subject (Carroll & Shabana, 2010; Font et al., 2012; Zutshi & Adams, 2004). Daníel, an experienced CEO of a big company, discussed how the importance and use of CSR was something people superficially talked about some decades ago but has recently become something that is of utmost importance to companies.

The findings further indicate that CSR initiatives have become an ingrained part of many businesses. Some respondents were baffled when we asked about why they value CSR issues, because they saw it as an apparent thing. The managers discussed the importance of CSR to varying degrees, some mainly mentioned environmental initiatives, but others clearly described how CSR matters are a part of the entire operation of the company. That is a positive development, because existing literature suggests that incorporating CSR efforts into all facets of a company increases the creation of shared value and the long term impact of CSR initiatives (Caroll & Shabana, 2010; Elkington, 2013; Grant, 2016; Porter & Kramer, 2006; Rangan et al., 2015).

Four managers specifically discussed noticing an apparent generational shift in the importance people place on the CSR efforts of companies, both from consumers and employees. Three managers mentioned attracting and retaining employees as an important reason for practicing CSR. These managers said that younger people who are entering the job market value CSR in a way that previous generations have not done, and that potential employees factor companies' values and CSR efforts into their decisions about where to seek work. These findings are in line with previously published literature on the history and development of CSR, as well as literature that demonstrates the increased importance consumers place on these matters (Agudelo et al., 2019; Carroll & Shabana, 2010; Barton et al., 2018; Hacker, 2016; Moura-Leite & Padgett, 2011; Tropiano, 2019). In relation to that, six managers discussed the increased importance of social responsibility as a reason to practice CSR. CSR initiatives are always rooted in the social context they exist in (Agudelo et al., 2019; Dahlsrud, 2008; Moura-Leite & Padgett, 2011), and from our empirical findings we can see indicators on how the participating managers are responding to current expectations.

*Certifications as Tools for CSR Reporting and Disclosure*

The managers discussed the EPC specifically, and other such certifications generally, as an important tool for disclosing CSR information to stakeholders outside the company, as well as to their employees. Some managers, like Arnar, discussed the importance of getting a third-party certification to confirm that the company has fair and equal procedures around wages, and that a claim from the management isn't enough to prove this. All managers agreed that a positive aspect of the EPC was obtaining confirmation of the company having these matters in order. Overall, the managers seemed to feel that certifications of this nature are a possible tool to encourage and "measure" CSR initiatives. These indicators are in tune with literature on legitimacy and disclosure mechanisms, that emphasize the importance of independent, rigorous and reliable measures to monitor and measure companies' CSR efforts (Hacker, 2016; Porter & Kramer, 2006).

### 5.1.2 How do Managers Experience the Icelandic Equal Pay Certification?

*How Has the EPC Affected the Corporate Governance of their Companies?*

The results clearly show that, although the managers' opinions on the legislation of the EPC vary, they are all in agreement that the EPC has resulted in positive changes in the corporate governance of the companies. Firstly, the EPC provides a valuable tool for payroll and salary management. All managers describe the procedures around recruitment and decision making on wages and raises to be more professional and according to clear and set policies. This is something that benefits the managers responsible for these matters, and supports them in making fair and transparent decisions, while still allowing for some personal differences in wages. Moreover, the salary procedures also benefit the employees, as they can be secure in knowing their salaries are according to a predetermined system.

Secondly, many participants described the effects of attaining the EPC as contributing to a positive company image and employer branding. Because of the way public opinion values CSR initiatives, being able to present proof that one's company follows the EPC can attract new recruits and improve employee retention and satisfaction. It can also influence customers' and business partner's choices on who to do business with, and attract customers whose values align with that of the company. Some managers additionally mentioned that certifications such as the EPC can be attractive to investors. Attracting investors, customers, good employees and positive employee performance are all benefits of CSR that are echoed in the literature (Carroll & Shabana, 2010; International Integrated Reporting Committee, 2011; Lee, Park & Lee, 2013). Furthermore this is in line with recent increase in socially responsible investors' use of the ESG criteria in search for a fit between their and companies' values (Richardson, 2009).

Lastly, attaining the EPC has in some ways influenced the organizational environment within the participants' companies, especially by giving employees a peace of mind about their salaries being fair and according to an unbiased system. In addition to that, two managers reported that results from employee surveys showed increased trust and loyalty to the company, and some participants reported noticing more positive regard for the company and its board. This is in line with literature on the relationship between CSR and employee satisfaction (Lee, Park & Lee, 2013). The above findings are in support of research showing a positive relationship between corporate governance and CSR (Chan et al., 2014) and the recommendation that regulators of CSR should focus on the quality of corporate governance.

*What Are the Opportunities and Challenges Associated With the Certification?*

All of the managers saw some positive aspects in the EPC, especially the opportunities it provides as a practical tool for payroll management were specifically mentioned. This made us consider the value of certifications such as these being more than simply a symbol to confirm the fulfillment of some requirement. What has made the managers appreciate the EPC is that it provides their companies with a valuable tool, as it is built on a standard that requires the companies to incorporate its procedures into their own operations. It is thus not merely a constraint, but it also provides opportunities. This relates to the literature which recommends that CSR should be integrated into all aspects of companies (Elkington, 2013; Neri et al., 2019; Rangan et al., 2015). As discussed in the previous section, the EPC also provides the companies with opportunities in terms of positive employer branding, that is attracting good employees as well as employee retention, performance and satisfaction. These aspects are a part of the organizational culture, which the EPC can potentially have positive impacts on, although this will presumably become more apparent with time as the EPC becomes established.

In spite of these positive changes and opportunities associated with the EPC, there are also drawbacks. A challenging aspect discussed by numerous participants was the initial implementation of the EPC, gaining understanding of it and coming to grips with the extensive paperwork and the complicated procedures it entails. Other challenging aspects that were mentioned were committing to the standard long term, and explaining it properly to employees; getting them on board with the changes. One manager felt that there was a lack of guidance, instructions, and a lack of assistance from the government, whereas another manager especially mentioned that she appreciated the available support. These findings are in line with the results of the survey that the Government of Iceland (2019) conducted, where producing and implementing new procedures, executing the job categorization, the certification process, and the lack of time turned out to be most challenging according to participants.

In addition, one of the main criticisms on the EPC is that it needs to be better monitored and there need to be consequences for companies that do not comply. We believe that this is a crucial aspect in the future development of the EPC, as a lack of surveillance and consequences could negatively impact the legitimacy of the EPC, as well as limiting its impact. Similar concerns have been raised by scholars (Hacker, 2016; Porter & Kramer, 2006) that are sceptical of CSR initiatives' real impact if the companies commitment to them are not closely monitored, with penalties in case of deviation. Furthermore, this reflects criticism outlining that the magnitude of CSR initiatives does not necessarily accurately reflect social impact (Porter & Kramer, 2006). Legislating the EPC and performing regulatory audits is a step in the right direction, but it seems like there is still a lack of efficient follow ups and full transparency. This might be explained by the fact that the EPC in its current version is quite recent, and that according to the interviewees, the process was not sufficiently thought through beforehand.

Lastly, a concern some participants voiced, which has also been mentioned in previous research (Böðvarsdóttir, 2019), is that obtaining the EPC might be more challenging for small companies that may not have an HR department or be used to working according to official standards. However, none of the participants in the current study had experience of this first hand but it is worth exploring and therefore we discuss it further in our suggestions for future research (Chapter 5.5).

## 5.2 Implications of Findings

As discussed throughout this paper, CSR is becoming increasingly important to both public and governmental actors, and it is predicted to continue to grow in importance (Agudelo et al., 2019; Carroll & Shabana, 2010; Moura-Leite & Padgett, 2011). The participating managers discerned a clear generational change in the demands that both employees and customers place on companies, and it is thus apparent that companies must answer these demands in order to remain in business. A way to do that is to disclose their CSR efforts through certifications like the EPC.

*Mandatory or Voluntary CSR Initiatives*

We perceive that some of the managers have succeeded to incorporate CSR into the DNA of their companies. For example, this is apparent in Óskar's comment on CSR and equality efforts being so inherent in the company's operations and values, that he likens it to the oxygen in the air we breathe: you do not notice it until it's not there. However, other managers struggle to keep CSR as a priority when other things come up, such as organizational changes, which indicates that for these companies, CSR is still on a more shallow level and not ingrained into the core operations.

So, is it really a part of the air we breathe, as Óskar says? Perhaps for some, but not everyone sees it that way.

That is supported by the fact that six out of the ten managers mentioned the legal obligation as at least a part of the reason for why they pursued the EPC to begin with. This is in accordance with previous research that underscores the need of official measurements and regulations of CSR, both to encourage responsible business practices, and also to make sure that they are being executed to a certain standard (Auriol & Schilizzi, 2003; Blowfield, 2004; Etilé & Teyssier, 2016; Font et al., 2012; Hacker, 2016; Laufer, 2003; Porter & Kramer, 2006). Half of the participants explicitly mentioned how the EPC made it easier to prioritize the equality work that the EPC addresses, and Sara described how support and help in this regard became more accessible with the legislation of the EPC. Based on this, we discern that the push that mandatory initiatives such as the EPC provide companies with can be a facilitating factor in making positive changes.

As aforementioned, along with the growing prominence of CSR, there have also been critical voices calling for rigorous inspection- and disclosure mechanisms (Auriol & Schilizzi, 2003, Blowfield, 2004; Etilé & Teyssier, 2016; Hacker, 2016; Font et al., 2012; Laufer, 2003; Manasakis et al., 2013; Porter & Kramer, 2006), and even for CSR efforts to be incorporated into official policy and comprehensive government initiatives (Blowfield, 2004; Hacker, 2016; Grosser, 2009; McCarthy, 2017). When considering this criticism, the EPC seems to be a step in the right direction. It is based on a rigorous management control standard, it is audited by third-party organizations, and it is a part of a comprehensive gender equality effort, overseen by the Government of Iceland. In light of the criticism, we believe that it is valuable to understand how a statutory certification such as the EPC is received by managers, and how it impacts the running of their businesses. This could provide clues on how effective CSR inspection mechanisms can be executed and implemented, which is something that is becoming increasingly important with the multitude of CSR initiatives internationally.

Thus, the results of this study indicate that mandatory, government regulated initiatives can be a way to encourage responsible business practices and CSR initiatives that promote positive societal changes, by giving companies the opportunity to reevaluate their protocols and processes. It is, however, important to note that such statutory initiatives must be well organized and implemented, preferably in cooperation with the organizations that are to apply the initiatives. This became apparent in our participant’s skepticism towards the execution of the legislation of the

EPC, their doubts about whether not complying would have any consequences, and how many of them found the implementation process both cumbersome and burdensome.

*The EPC and its Value*

The EPC is a relatively new initiative, and it has only been mandatory for two years. There are still too few companies which have completed the process for the effects to become apparent in statistics on the gender pay gap. Thus, it is not yet possible to determine whether it is having the intended effect on a societal level: reducing the gender pay gap. However, preliminary research such as the current study, as well as the survey conducted by the Icelandic Government (2019), suggest that the EPC can have a positive impact on individual companies, by improving salary procedures and monitoring salary differences. It will be interesting to continue to observe how the EPC will impact Icelandic businesses and society, and we believe that international actors should pay close attention, as the case of the EPC can be seen as an experiment where such an initiative is implemented in a relatively small economy. The lessons learned from the EPC can very well serve as the basis of similar initiatives in other countries or settings.

On that note, it must be taken into account that, according to international standards, Iceland is amongst the highest ranked countries in the world when it comes to equality (WB, 2020; WEF, 2019). It could thus be argued that the Icelandic society is ready for an initiative like the EPC. As critics have implied, a CSR model that works in one setting may not do so in another (Blowfield, 2004; Ilieş, 2012; Dahlsrud, 2008). All initiatives must take into consideration the social context they exist in and use that as a point of departure. As to the social context, it should also be noted that the managers participating in this study are a part of a discourse where prioritizing CSR and equality issues are considered positive and desirable. The testaments given by the managers must be considered within this context and the prominent discourse on equality and CSR in Iceland.

*Gender Equality as a CSR Issue*

There are a plethora of societal issues that companies can support, and in this paper we have focused on an initiative targeting gender equality. Gender equality is a prominent field where improvements are needed in all societies. As aforementioned, according to WEF's (2019) estimation it will still take about 99 more years to fully reach global gender equality, and when it comes to economic injustice we are looking at 257 years before it will be eliminated. Even in Iceland, one of the most equal countries in the world, it is estimated that unless additional measures are taken, the gender pay gap will not close until the year 2047 (Stefánsdóttir, 2018). It is thus clear that this is an issue that will remain important in the future.

Despite the focus of this study, and thus our interviews with the managers, being on gender equality, the most commonly discussed CSR agendas were environment- or sustainability related. This supports existing literature on what CSR initiatives are prioritized among managers (Pedersen, 2010), and shows how important the environmental dimensions of CSR have become. However, it also indicates that diversity and gender equality are not yet at the top of the CSR agenda. When considering Carroll's (1991) CSR pyramid and its four components, it seems that diversity and CSR initiatives relating to gender remain at the lower parts of the pyramid, predominantly relating to the legal component. In contrast, the environmental dimension of CSR appears to have gained a larger foothold, extending beyond the economic and legal responsibilities, towards the ethical and philanthropic parts of the pyramid.

This can be explained by how environmental initiatives such as saving water have a clearer short-term connection to economic gains, compared to gender equality initiatives. Indeed, as the results of this study and background information about the EPC show (Government of Iceland, 2020), many gender CSR initiatives may require considerable investments. When the main focus of CSR initiatives is to promote financial success, there is a risk for less corporate attention to social needs that are costly (Moura-Leite & Padgett, 2011), such as gender CSR. But of course, such investments are likely to pay off in the long run, as suggested by previous research (Carroll & Shabana, 2010; Chan et al., 2014) as well as our empirical results. Since it is estimated that it will take such a long time to reach global gender equality and economic justice, and managers are under pressure from investors to show short term profit (Porter & Kramer, 2006) (which potentially discourages them from more costly initiatives), it could be argued that regulated mechanisms or legislations might be necessary to speed up the progress.

## 5.3 Practical Recommendations

Given the criticism of the EPC discussed by our participants, we hope the representatives of the EPC take this criticism into consideration, and make appropriate adjustments to the relevant aspects of it. There are currently four different parties involved in issuing the certification and monitoring it in relation to each company: the government which legislates the standard; the Directorate of Equality in Iceland that formally issues the certification; certification agencies that assess and audit the companies; and the Confederation of Icelandic Employers that perform inspections and report to the Directorate. This complexity might overcomplicate the process and impair communication, preventing the certification to reach the highest quality possible.

Some steps that could perhaps enhance the EPC and its implementation include simplifying the official process of the EPC, reducing the number of different parties involved and ensuring adequate channels of communication to reduce the risk of misunderstandings and complication. Such improvements could benefit all stakeholders and advance the EPC towards an initiative that has the potential of being exemplary for other countries as an effective tool to eliminate gender pay gap and further encourage equality. One way to do that would be to change the structure so that the Directorate of Equality would perform the inspections themselves, instead of the Confederation of Icelandic Employers, since they are the ones that have the authority to warn or fine companies that do not comply with the standard. This way they get rid of the middle man and simplify the process and communication towards all stakeholders. Another option to consider is whether the certification agencies should remain in the private sector, or if the Directorate of Equality could provide the necessary audits and assessments of companies themselves.

When it comes to government initiatives or state regulated certifications for CSR efforts, the majority of our participants is in favor of the EPC being mandatory. The literature shows that unregulated and vague certifications and rankings can decrease the legitimacy of CSR efforts and that rigorous and regulated disclosure mechanisms are preferable. We would thus suggest that authorities consider establishing such mechanisms, but that they do so in close cooperation with the business world. In order for such ventures to be successful, the standards must be well executed, properly thought through, and manageable, even for small companies.

Building on this, we suggest that in order for the EPC to have maximal positive impact, the Icelandic Government should keep a discussion going with business representatives, and continually engage in improving and developing the EPC. For example, it seems crucial that the government ensures that the EPC does not become disproportionately burdensome for small companies and provides them with sufficient support in the implementation process. Furthermore, since one manager mentioned lack of support as a challenge, perhaps the available support could be made more visible to reduce the risk of companies struggling with the implementation.

Based on our research on Icelandic managers' perspective on the Equal Pay Certification and CSR initiatives, as well as the related literature on CSR initiatives, we conclude that for successful CSR initiatives, integrating CSR into the running of the business is a crucial aspect. This results in benefits for the companies, as we saw in how the managers were able to use the EP Standard to improve their corporate governance, and it also increases the likelihood of CSR initiatives to have real impact in society. Based on our findings, we recommend that managers make an effort to consider the different aspects of CSR, relating them to their operations and expertise in order to see where there might be opportunities for their business to really make a difference.

We further suggest that managers afford attention to the creation of shared value, by taking advantage of their company's unique situation and finding a place where it intersects with the needs of society. When such an intersection has been found, we recommend that managers consider carefully which specific initiatives are available, and that they choose the ones that provide the greatest value and opportunities for follow up and measure of the impacts. Because of the vast offering of initiatives available globally, a manager has to realize that it is not possible to "do everything for everyone". For this reason, a careful examination of options and a possible fit to the companies' spectrum is important. However, managers must also remember that a shared value creation with a focus on monetary gains might lead to a bias where more costly, but perhaps also very important issues might get excluded. Once CSR initiatives have been chosen, it is also important to disclose them to relevant stakeholders in a satisfactory way, such as pursuing a certification. We believe that is a good option, as unsubstantiated claims seem to not be sufficient for the new generations of consumers, while transparency and regulation of initiatives are on the rise.

## 5.4 Limitations of the Study

At the outset of this study our ambition was to interview a similar amount of managers representing small and big companies, in order to enable the comparison of the two size categories and explore whether there were any differences in how they experienced the EPC. However, we only got replies from three managers from small companies, whereas seven managers of large companies replied. Because of this uneven distribution we deemed that a comparison would not yield significant results. We thus abandoned the idea of comparing different sizes of companies, leaving that analytical track to future research.

A notable limitation of this study is our use of a convenience sample. Because of our initial desire to compare companies based on size, we hand-picked companies from the list of the certified companies that were either small or large, leaving out the medium sized ones. We also chose to leave out companies in the public sector, as we have explained in the methods chapter. Because of these requirements of our sample, we deemed a randomized sample would not be fitting. Even though we tried to be objective in our sampling, a convenience sample can never be as representative as a randomized sample, which would have been preferable.

Another potential limitation is that as we contacted the companies and asked for their voluntary participation, there is a risk of participation bias. Companies that are unhappy with the process, or have been attempting to find "loopholes" in the legislation or otherwise use it in an unethical manner, would be less likely to participate in the study, compared to companies that have had a positive experience with the implementation and whose values align with those at the basis of the EPC. A further methodological limitation of the study is our use of electronic interviews. As we discussed in Chapter 3.2, we did not experience the digital nature of the interviews to have a negative impact on the interviews, flow of conversation, or confidence between participants and interviewers, but the possibility of face-to-face interviews yielding different results cannot be ruled out.

Furthermore, we decided not to consider gender aspects as variables in the present study. It would have been an interesting analytical point to compare how male and female managers experienced the EPC and equality work in the workplace in general. But, because the focus of this study was on the managers' experience in their work role as top-level managers, not on their personal experiences as men or women, we did not include this dimension. By coincidence, we did interview the same number of male and female managers so we could have taken the opportunity to explore whether there was a difference between experiences, based on their gender.

Had the managers themselves mentioned any gender aspect or commented on how their gender influenced their experiences, we would have lifted that in the results. That, however, was not the case, and none of the managers discussed their or our, the interviewers', gender in any way. There is of course a possibility that participants' gender influenced their opinions, and their gender has surely in some way affected their experiences in the workplace, but we deemed that this would be an interesting topic for future research. Finally, we did not consider industry specific factors in our study. The reason being that our research is qualitative, and therefore our sample of ten participants from various industries is too small to make comparisons.

## 5.5 Future Research

As discussed, in this study we decided to focus on managers' perspectives and their subjective experiences on the Equal Pay Certification and CSR in general. A suggestion for future research related to the EPC or similar certifications is to explore the relationship between companies' CSR claims and actual practice, examine the disclosure-performance gap, and perhaps benchmark performances between companies. We believe such research would benefit from both qualitative approaches to understand the relationship in depth, but also quantitative approaches to gain a broader overview. Moreover, it seems like it is a common theme in CSR research to measure CSR performance by analyzing companies' annual reports and other documents, but to our knowledge it has not been done so far in relation to the EPC in Iceland.

Furthermore, since we did not succeed in our effort to compare differences between smaller and bigger companies that have acquired the EPC, as suggested by previous research (Böðvarsdóttir, 2019), that remains a topic for future research on this matter. Some of the managers interviewed in our study expressed a belief that acquiring the EPC posed different challenges to small and big companies, and some mentioned that it might be even more challenging for small companies that do not have the same type of  resources and capacity as bigger ones. This could put the smaller companies at a competitive disadvantage. This is also discussed as a criticism of certifications and standards in our knowledge frame (Ferrando, 2017), and should therefore receive attention in academic research.

An additional suggestion for future research is to pay attention to managers' gender and how it affects their experiences with working on CSR initiatives, such as the EPC. Controlling for gender biases, and inquiring specifically about how managers experience their gender to influence their work and working environment could provide very interesting findings, especially in light of research that shows that having female managers or board members impacts a company's CSR initiatives (Larrieta-Rubín de Celis et al., 2015). Furthermore, future research on CSR and EPC could focus on industry specific aspects by conducting quantitative research with a bigger sample. Generally, we encourage continued research on both specific CSR initiatives and CSR in a broader understanding, as it has evidently become a considerable part of companies' operations and societal discourse.

## 5.6 Concluding Remarks

Based on the results of this study, we conclude that managers view the importance of corporate social responsibility to be significant and ever growing. This is apparent both in the internal and external business environment, as well as on individual and societal levels. Furthermore, we suggest that the EPC has impacted the corporate governance of the participant's companies in a positive way, and that it presents managers with various opportunities and challenges. These findings are a contribution to the academic discourse on managers' perspectives on the importance of CSR initiatives, and managers' experiences with the Icelandic Equal Pay Certification. The participants' experiences of this specific initiative can further provide indicators on how third-party certifications can promote CSR initiatives and social progress. The results suggest that statutory and regulated standards can present a way to encourage and advance social responsibility, especially in matters where short-term monetary gains may not be apparent. We hope that our contribution to the discussion on CSR and gender equality will prove valuable to managers considering CSR initiatives, to the representatives of the EPC, as well as to organizations and individuals internationally.

The literature reviewed in this study, as well as the results of our empirical findings, clearly show that CSR is an ever-larger aspect of companies', consumers', investors' and employees' decisions when it comes to choosing business to engage- and be associated with. Societal discourse on the dire environmental situation, as well as demands for equal and fair treatment of all, means that individuals and companies need to collaborate in order to facilitate positive changes and improved living conditions for current and future generations. Companies do not exist in a vacuum, but as a part of society, and as such they must do their part to maintain and improve it. Certifications of companies' efforts in that regard are a way for consumers and authorities to ensure that standards are being met, and it will be interesting to see what roles such certifications will play in business environments in the future.

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# Appendix

**Interview Guide**

Introduction, background, formalities and informed consent, time for questions from interviewee

1. Can you tell us shortly what position you withhold within the company?
2. What was your role in the implementation of the Equal Pay Certification within your company?
3. When did your company receive the certification?
4. What is the gender ratio in your company?

Questions about the Equal Pay Certification

5. Why did you pursue the certification for your company?
6. Did you need to change anything within the company to get the certification? If so, what?
    a. Did you have to correct any wage differences related to gender?
7. How did you experience the process of acquiring the EPC and was it costly?
8. What has been most challenging about the process? How about most rewarding (positive)?

Questions about the effect of the certification on the company

9. What is your personal opinion, as a manager, on the Equal Pay Certification?
    a. Can it encourage changes in corporate governance and the society in large?
    b. What opportunities come with acquiring the certification?
    c. What challenges come with acquiring the certification?
10. How has receiving the certification affected your operations?
    a. Do you think the organizational culture has changed?
    - If so, how?

b. Have managerial practices, protocols and procedures changed?

   - If so, how?

c. Have daily operations changed in any way?

   - If so, how?

11. Did the implementation of the certification meet any resistance?

    - If so, how and from whom?

12. What is your personal opinion on whether the Equal Pay Certification should be legislated or voluntary for companies?

<u>CSR in general and other certifications</u>

13. Do you work with CSR in any other ways (than the EPC)?
    a. If so, how?
    b. Why is this something you think is important?
    c. How do you present these CSR efforts?
    d. Who do you present them to and/or who is interested in your CSR efforts?

       - If ideas are needed: Customers, employees, board members, shareholders, other stakeholders…?

14. Do you obtain any other similar certifications? In regards to for example corporate governance or environmental certification?
    a. Are you interested in pursuing other such certifications?
15. Are there other rules, policies, initiatives etc within the company with the aim to facilitate equality and diversity?

<u>Summary, conclusion, thanks</u>