



TAMPERE UNIVERSITY OF TECHNOLOGY

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**ROLE OF CORPORATE RESPONSIBILITY IN BUSINESS
STRATEGY OF FINNISH CORPORATIONS**

Master of Science Thesis

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ABSTRACT

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In today's world, stakeholders increasingly expect corporations to adopt responsible business practices. Therefore, companies must invest in corporate responsibility (CR) in order to meet stakeholder expectations. Responsible business practices also bring in business benefits to companies. The perspective of attaining business benefits from CR is known as strategic CR. Hence, there is a need to analyze how to incorporate CR into business strategy of companies to reap these benefits.

This study explores the role of corporate responsibility in business strategy and organizational dynamics of Finnish corporations. Specifically, this research aims to find out if CR is considered strategic by Finnish corporations. It discusses business benefits of strategic CR and how Finnish corporations incorporate CR into their business strategy at an operational level. Several CR personnel in the senior management of leading Finnish corporations, independent consultants associated with CR and a Finnish government representative participate in this study through interviews. A theoretical framework is developed from existing literature and applied to empirical data obtained from thematic interviews.

Leading Finnish corporations consider CR as strategic for their business operations. They perceive several business benefits of strategic CR. Finnish corporations tend to incorporate CR into business strategy by establishing a management structure that reflects strategic CR. Moreover, companies integrate CR and various dimensions of business strategy to establish CR-strategy links. The interviewees also point out gaps between operational CR and academic viewpoints of CR.

PREFACE

This study illustrates the role of corporate responsibility in business strategy of Finnish corporations. Selecting and examining the theories incorporated along with the creation of a conceptual framework involving the concepts were the main challenges in this research. The development of the framework has been done by reading many articles, interviews and extracting key points from them.

In addition to the numerous hours spent in performing the research, the development of the theoretical background and overall structure to this study has required in-depth conversations with my supervisor. Hence, all my sincere gratitude goes to Professor Tuomo Peltonen for his guidance in the development of appropriate and through theoretical and research background. Furthermore, I would like to thank all the interviewees who participated in this study. They played an important role in providing empirical data for this work. I would like to also thank all my friends and family members for their insightful suggestions and help throughout the research process.

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LIST OF ABBREVIATIONS

B2B	Business-to-Business
B2C	Business-to-Consumer
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
MFI	Micro Finance Institutions
NGO	Non-Governmental Organization
PRI	Principles of Responsible Investment
RBV	Resource Based View
SRI	Socially Responsible Investing
TBL	Triple Bottom Line
UN	United Nations

1. INTRODUCTION

1.1. Emergence of Strategic Corporate Responsibility

Over the past years, corporations have come under intense scrutiny by governments, NGOs, and other stakeholders over their business practices. There is enormous external expectation that corporations adopt responsible business practices. These include, for example, environmental responsibility, social responsibility and ethical business practices. Thus, corporate social responsibility (CSR) is the incorporation of 'responsibility' into business operations of a company. In his famous statement, Friedman (1970) said "The one and only social responsibility of business is to increase profits". This statement raises the classic debate about CSR. The critics of CSR call it a marketing gimmick and propound that it distracts a company from its core functions i.e., to provide goods/services to customers and increase shareholder value.

However, many researchers, commentators and even businesses acknowledge that CSR's importance has grown from the times of Friedman. According to Porter (2003), CSR is becoming an ever more important field for companies. He feels today's firms must invest in CSR as part of their business strategy to become more competitive. This notion is a starting point and a motivation for this research. One of the reasons that limit an organization's focus on CSR is that it entails certain costs. However, many studies have noted CSR brings business benefits to companies and have suggested that the perspective of attaining business benefits from CSR is known as strategic CSR (Lantos, 2001; Porter and Kramer, 2006). The links between CSR and business strategy need not be a zero-sum game.

Several questions emerge from the idea that strategic CSR provides business benefits to an organization.

- What are these business benefits?
- How to bring about a strategic focus to CSR?
- CSR has, traditionally, been considered as altruistic. How does it then fit into a strategic business context?

Hence, there is a need to delve deeper into these questions and try to bring together the altruistic and business characteristics of CSR. In other words, the concept of strategic CSR and how it brings about business benefits for companies needs to be de-mystified.

A study in this direction would help corporations to integrate CSR into their business strategy and reap its business benefits.

1.2. Research Objectives

From the previous discussions, it is quite clear that there are several unanswered questions about strategic CSR at an operational level. This research focuses on Finnish corporations to answer some of these questions. Therefore, the overall objective of this study is “*to explore the role of corporate responsibility in business strategy and organizational dynamics in Finnish corporations.*”

Specifically, this study aims to answer the following research questions:

- Is CSR strategic for Finnish corporations?
- If so, what are the business benefits of strategic CSR in the Finnish context?
- How do Finnish corporations incorporate CSR into their business strategy at an operational level?
- How do aspects of strategic CSR, mentioned in literature, appear in the reality of Finnish corporations?

Through answers to these questions, it becomes possible to understand the role of CSR in business strategy of Finnish corporations at an operational level. This research involves in-depth interviews with CSR personnel in the senior management of leading Finnish corporations, consultants and a Finnish government representative. This study is quite unique because it presents an ‘insider’ (CSR personnel) perspective to strategic CSR at an operational level. In addition, interviews of ‘outsiders’ (consultants and government representative) provide a holistic understanding to the issue. The ‘insider’ perspective helps understand strategic CSR at an operational level as these CSR personnel deal with these issues on a daily basis.

1.3. Research Structure

This study discusses many concepts at different levels. In order to facilitate easy understanding and logical flow of information, this research is presented in the form of six chapters. The contents and objectives of each of these chapters are as follows:

1. Chapter 1 introduces the relevance of strategic CSR in today’s context. The research objectives are presented and specific research questions are formulated. Furthermore, this chapter also points out the uniqueness of this study.
2. Chapter 2 consists of a comprehensive review of existing literature within the scope of this study. It introduces various theoretical perspectives into CSR,

strategic CSR and CSR in Finland. A conceptual framework that forms the basis for empirical data analysis is presented.

3. Chapter 3 focuses on the research methods used for this thesis. This study employs qualitative research. A theoretical framework is developed with help from existing literature. This framework is then applied to empirical data obtained through interviews with various persons associated with CSR.
4. Chapter 4 describes the theoretical framework in operation. It presents discussions on the research questions using data obtained through the interviews. Various perspectives are presented and discussed in relation to existing literature on the subject.
5. Chapter 5 presents an integrated framework based on the theoretical framework introduced in chapter 2. It modifies the theoretical framework in light of empirical data through interviews with CSR personnel from Finnish corporations, consultants and a government representative.
6. Chapter 6 concludes this study. It presents general and specific conclusions. Some implications of this research for corporations are pointed out. Finally, limitations of this study and scope for further research are discussed.

As mentioned above, the next chapter presents a detailed review of relevant literature on CSR and how it relates to business strategy.

2. CORPORATE RESPONSIBILITY – A REVIEW OF STRATEGIC AND FINNISH PERSPECTIVES

2.1. Corporate Responsibility: Terms and Definitions

2.1.1. CR – One Concept, Many Terminologies

There are several terminologies associated with what is commonly known as ‘Corporate Social Responsibility’ (CSR). This section will clarify the term(s) used in this thesis. Nielsen and Thomsen (2007) state that there is a lack of common terminology associated with the CSR concept. This view is supported by Stephens (2004) and he enlists the following terminologies to denote CSR.

- Corporate Social Responsibility
- Corporate Citizenship
- Community Outreach
- Social Investments

In an attempt to determine the popularity of various CSR terminologies, Pattberg (2009) commissioned a survey. The objective of this exercise was to find a suitable term that represents responsible business practice. Figure 1 illustrates the results of Pattberg’s poll.

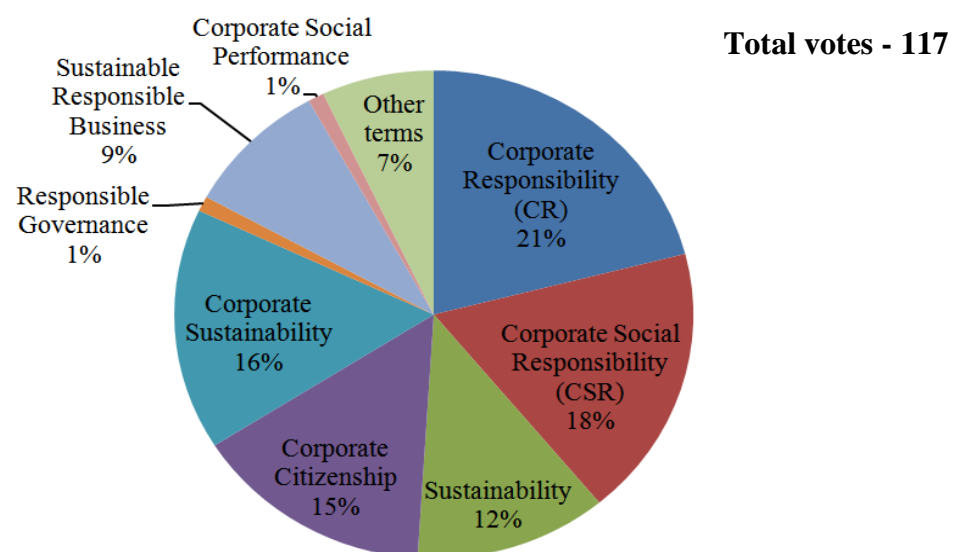


Figure 1. Popularity of various terms (Pattberg, 2009).

It is quite clear from Figure 1 that CSR is just one of the myriad of terminologies that represent this concept as a whole. Some of the most popular terminologies, as shown in Figure 1, include 'Corporate Responsibility', 'Corporate Social Responsibility', 'Sustainability' and 'Corporate Citizenship' amongst others. Furthermore, most literature that deals with this issue use one of the above terminology. However, this thesis will use both 'Corporate Responsibility (CR)' and 'Corporate Social Responsibility (CSR)' interchangeably. In some upcoming chapters of this thesis, the term 'sustainability' is also used. This is due to the fact that some interviewees that took part in this thesis prefer to use this term. The next section will attempt to map some approaches to define CR before CR is actually defined.

2.1.2. Methodological Approaches to Define CR

The previous section established a common terminology for CR that will be used in this thesis. Another important task is to arrive at a definition for the CR concept. However, in order to define CR and the various themes contained in it, different approaches leading to these definitions need to be discussed. Hence, this section summarizes the methodological approaches to define CR as mentioned in existing literature.

Dahlsrud (2008) discusses the current methodological approaches to define the concept of corporate responsibility. According to him, these approaches can be divided into three methodologies: review of existing literature, deriving a definition through interviews and using theoretical reasoning to arrive at a definition. These methodologies are discussed below:

Review of existing literature

Carroll (1999) performed an extensive literature study that captures the meaning of CR from the 1950s until the birth of the new millennium. Several other researchers, e.g. Carter and Jennings (2004), Moir (2001), and Joyner and Payne (2002), present a review of existing definitions for CR. However, while these definitions help understand the evolution of the CR concept, they are not a strong basis for the current construct of CR. (Dahlsrud, 2008)

Use of interviews

A review of existing literature is one way to come up with a definition of a subjective concept such as CR. O'Dwyer (2002) handled this at a more practical level by interviewing several managers. Johnston and Beatson (2005) and Azer (2001) also conducted interviews in order to articulate CR. Both these works suggest that interviewees adhere to well-known definitions of the concept. However, when asked to elaborate, the interviewees' perception differed from their stated definitions. Dahlsrud (2008) attributes these inconsistencies to the context specific and limited scope of

interviews. Nevertheless, interviews help to bring out a context specific, practical view of the issue as the interviewees are involved in these matters on a day-to-day basis. Therefore, in addition to a working definition of CR that will be derived at the end of this section; personnel from the senior management of leading Finnish companies were also asked to define CR from their point of view for this thesis. Their viewpoints will be discussed more elaborately in chapter 4.

Adoption of theoretical reasoning

A third approach to define CR is to arrive at a definition through theoretical reasoning. In his study, Dahlsrud (2008) notices that, for example, Matten and Crane (2005) define Corporate Citizenship by relating the use of ‘Citizenship’ in political science. In addition to literature review, Van Marrewijk (2003) also uses philosophical analysis. RARE (2005) uses the philosophy of ‘responsibility’ to define CR.

The above methodologies are by no means the only approaches available to define CR. Rather; these are some common approaches found in existing literature. The next section introduces some definitions for CR that bring out its different perspectives.

2.1.3. Definitions of CR

The previous section described some commonly used methodologies to arrive at a definition for CR. In this section, some definitions of CR will be presented. However, according to Dahlsrud (2008), there is uncertainty both in the academic and corporate world as to how CR should be defined. Hence, the question arises: Is there no definition for CR? Jackson and Hawker (2001) seem to think so! They say that they could not find a definition for CR after their search for one. On the other hand, Dahlsrud (2008) feels that this is not true and the real issue is that, there are several definitions for CR. One of the reasons for the multitude of definitions is the fact that each definition is directed towards a specific interest and thus, does not cover CR as a whole (Van Marrewijk, 2003). Therefore, this section will explore various definitions of CR and arrive at a working definition in congruence with the objectives and scope of this thesis.

Carroll (1999) performed an extensive literature study of various definitions of concepts that evolved into modern CR since the 1950s. The earliest references to what resembles CR go back to 1930s. Carroll (1999) cites Clark (1939) and Kreps (1940). However, he justifies that it was the 1950s that was a ‘modern era’ with respect to CR definitions. Some notable CR definitions throughout the previous decades have been summarized in Table 1.

Table 1. Historical definitions of CR (Carroll, 1999).

<i>Source</i>	<i>Definitions of CR</i>
Bowen (1953)	The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.
Davis (1960)	Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest.
McGuire (1963)	The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations.
Walton (1967)	The concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.
Johnson (1971)	Social responsibility in business is the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles.
Carroll (1979)	The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.
Epstein (1987)	CSR relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders.

Table 1 provides a historical perspective to CR definitions. However, CR has evolved greatly since Carroll's study in 1999. There are several definitions of CR these days that have been proposed by international organizations, researchers, consultants and non-governmental organizations. Interestingly, each of these definitions highlights various aspects of CR and provides different perspectives.

According to Kilcullen and Kooistra (1999), "CSR is the degree of moral obligation that maybe ascribed to corporations beyond simple obedience to the laws of the state." This definition handles CR as a moral issue and talks about how much companies can do over and above legal requirements. However, in addition to exceeding legal requirements, McWilliams and Siegel (2001), include a social aspect in their definition. They state that CR represents "Actions that appear to further some social good, beyond the interests of the firm and that which is required by law."

Building on to the social and legal aspects, IndianNGOs.com (2003) defines CR as "a business process wherein the institution and the individuals within are sensitive and careful about the direct and indirect effects of their work on internal and external communities, nature and the outside world." In this definition, in addition to social and environmental aspects, internal and external communities are also discussed.

Freeman (1984) refers to the above mentioned 'internal and external communities' as stakeholders. According to him, "stakeholder is any group or individual who can affect or is affected by achievement of an organization's objectives". Therefore, stakeholders include employees of an organization, trade unions, governments, NGOs, competitors, suppliers and customers amongst others (Werther and Chandler 2010, p. 3).

Moving on to a higher level to also include an economic aspect to corporate responsibility, International Business Leaders Forum or IBLF (2003) defines CR as "open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success." Therefore, financial sustainability also forms part of CR. This could be due to the fact that business success contributes to increase in shareholder value which in turn benefits the company and its employees.

This approach is consistent with the definition by the Commission of the European Communities (2001), according to which, CR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

Just two years later in 2002, the same organization i.e. Commission of the European Communities widened their earlier definition from the year 2000. In 2002, the commission stated, "corporate social responsibility is about companies having responsibilities and taking actions beyond their legal obligations and economic/business aims. These wider responsibilities cover a range of areas but are frequently summed up as social and environmental – where social means society broadly defined, rather than simply social policy issues. This can be summed up as the triple bottom line approach: i.e. economic, social and environmental." The Triple Bottom Line (TBL) approach will be elaborated upon later on in this chapter.

Given the umpteen definitions and perspectives, it is now quite clear why Dahlsrud (2008) feels that there is uncertainty both in the academic and corporate world as to how CR should be defined. However, to keep things simple yet meaningful and to have as broad a perspective as possible, Baker's (2010) definition is adopted in this thesis.

Baker (2010) states "CSR is about how companies manage business processes to produce an overall positive impact on society." Here society refers to not just social issues but also to the environment, various stakeholders and the company itself. This definition is simple yet broad enough to encompass all the issues mentioned in the previous definitions. By including the company itself, the environment along with other stakeholders, this definition fulfils the TBL approach.

This subchapter, first, established a common terminology for CR. Then, some approaches to define CR were outlined. Finally, a definition for CR along the lines of

the TBL approach was arrived at. The following sub-chapter further explores the different aspects of CR, as brought out by the definitions in this section.

2.2. Multiple Elements of Corporate Responsibility

2.2.1. Dimensions of CR

The previous sub-chapter discussed some definitions of corporate responsibility. However, a closer look into these definitions reveals certain themes or dimensions covered by CR. For example, an analysis of the different definitions from Carroll's (1999) study reveals different themes that form part of the definitions. It can be inferred that these themes include, but are not limited to: social and environmental issues, business ethics, business and government/public policy and stakeholder issues.

More recently, Dahlsrud (2008) analyzed 37 definitions of CR and the frequency of occurrence of key themes associated with CR in the internet search engine, Google. As findings of his study, Dahlsrud (2008) enlists some key areas commonly associated with CR. They are:

- Economic
- Environmental
- Social
- Stakeholder
- Voluntary

Based on the various definitions of CR, some key dimensions of CR have been inferred. However, as mentioned earlier, the concept of CR continues to evolve and is becoming more multi-dimensional. In order to explore CR comprehensively, an elaboration of these dimensions become necessary. Therefore, the next section will describe these dimensions in greater detail.

2.2.2. Triple Bottom Line of CR

The previous section illustrated some important components of CR. Three of those components, namely Economic, Environmental and Social, are known as the Triple Bottom Line (TBL). The concept of TBL was mentioned earlier on in this chapter when definitions of CR were discussed. The TBL approach to CR will be elaborated upon in this section.

The TBL approach to CR stems from the concept of sustainable development of society. According to the World Commission on Environment and Development of the United Nations or the Brundtland Commission, sustainability is achieved when needs of the present generation is fulfilled without compromising the ability of future generations to

meet their own needs. The United Nations points out that sustainability comprises economic, environmental and social aspects and, these are interdependent and mutually reinforcing pillars (UN World Summit Outcome Document 2005).

Thus, the TBL concept includes Economic, Environmental and Social aspects of CR. The phrase, Triple Bottom Line, is attributed to John Elkington. He, first, used the term in his 1998 book ‘Cannibals with Forks: the Triple Bottom Line of 21st Century Business’. (Elkington 1998) The interconnectedness of these 3 aspects is illustrated in Figure 2.

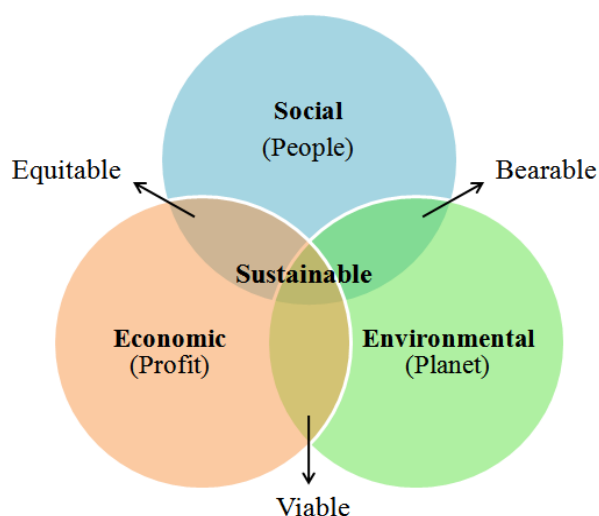


Figure 2. Three spheres of corporate responsibility.

The above figure shows how social, environmental and economic responsibility together constitutes sustainability for organizations. An independent think-tank and strategy consultancy, SustainAbility called People, Planet and Profit as the TBL. In this case, the 3Ps, People, Planet and Profit are equivalent to social, environmental and economic aspects of CR respectively. The 3 components of TBL have been elaborated upon below:

Social – “People”

The social aspect or human capital refers to fair and beneficial business practices towards labour, community and region in which a corporation conducts its business. According to Dillard et al. (2006), a company that commits to TBL conceives a reciprocal social structure in which the well-beings of corporate, labour and other stakeholder interests are mutually dependent. A triple bottom line firm seeks to benefit many stakeholders, not exploit or endanger any group of them. The ‘upstreaming’ of a portion of profit from the marketing of finished goods back to the original producer of raw materials, e.g. a farmer in fair trade agricultural practice, is a common feature.

(Dillard et al., 2006) In concrete terms, a TBL company would not use child labour and would monitor all contracted companies for child labour exploitation, would pay fair wages to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labour force. (Dillard et al., 2006) The company also typically seeks to ‘give back’ by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective. The Global Reporting Initiative (GRI) has developed guidelines to enable corporations to report on the social impact of a business. (Dillard et al., 2006)

Environmental – “Planet”

This refers to sustainable environmental practices. A TBL company seeks to benefit the natural order as much as possible or at the least do no harm and curtail environmental impact. In the view of Dillard et al. (2006), a TBL organization reduces its ecological footprint by, for example, carefully managing its consumption of energy and non-renewables, reducing manufacturing waste and rendering waste, less toxic before disposing of it in a safe and legal manner. ‘Cradle to grave’ is foremost in the thoughts of a TBL manufacturing businesses which typically conduct life cycle assessment of products to determine what the true environmental cost is from the growth and harvesting of raw materials, manufacturing, distribution and finally, to the eventual disposal of its products by the end user. (Dillard et al., 2006) In TBL thinking, a company which produces and markets a product which will create a waste problem should not be given a free ride by society.

Environmental sustainability is the more profitable course for a business in the long run. Arguments that it costs more to be environmentally sound are often specious when the course of the business is analyzed over a period of time. Generally, sustainability reporting metrics are better quantified and standardized for environmental issues than for social ones. (Dillard et al., 2006)

Economic – “Profit”

Profit is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. According to Dillard et al. (2006), in the original concept, within a sustainability framework, the ‘profit’ aspect needs to be seen as the real economic benefit enjoyed by the society. It is the real economic impact an organization has on its economic environment. (Dillard et al., 2006) This is often confused to be limited to the internal profit made by a company or organization. Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit plus social and environmental impacts unless the ‘profits’ of other entities are included as a social benefits. (Dillard et al., 2006)

This section highlighted some important components of CR. The following section introduces a framework that discusses a hierarchical relationship between these different dimensions of CR.

2.2.3. The CR Hierarchy

The previous sections introduced some important dimensions of CR and how they are interlinked. Carroll (1991) analyzes these dimensions with another perspective by introducing a hierarchical relationship between them. He classifies the various components of CR into 4 groups: economic, ethical, legal and voluntary/philanthropic (Carroll 1991). He depicts these 4 groups in the form of a pyramid thus establishing a hierarchical relationship. An adapted version of his CR pyramid is shown in Figure 3.

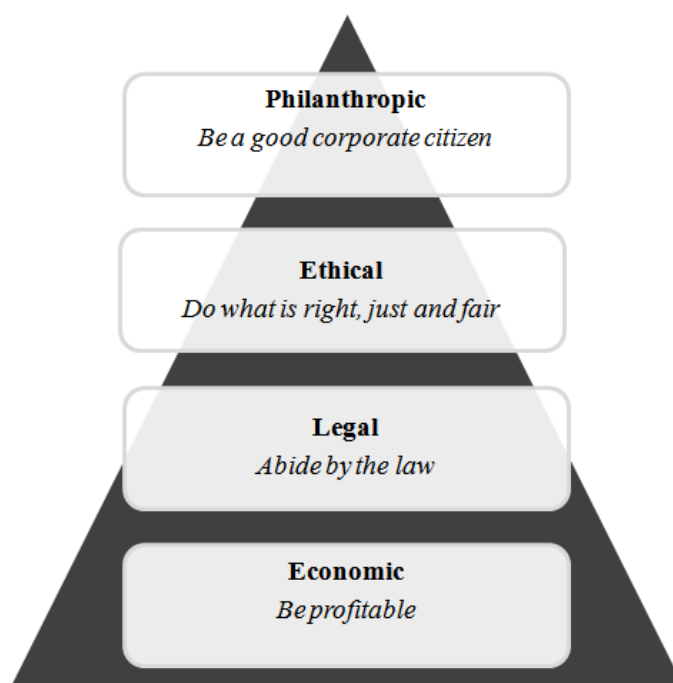


Figure 3. Hierarchy of CR dimensions (Carroll, 1991).

In the above illustration, economic responsibility forms the base of the pyramid. This is justified because, according to Carroll (1991), businesses are primarily economic entities created to provide goods and services to members of the society. The profit motive and creating economic value for shareholders are incentives for entrepreneurship. Over a period of time, the profit motive turned into maximizing profit for shareholders of the company. He goes on to say that all other business responsibilities are based on the economic responsibility of a firm. Thus, the other responsibilities are relevant only when economic responsibility is achieved. (Carroll 1991)

Legal responsibilities form the next level of the pyramid. In addition to pursuit of profits, companies are also bound by legal regulations formulated by federal, regional and local governments. Carroll (1991) points out that as part of the social contract that exists between organizations and the society, companies are expected to function within the legal framework. (Carroll 1991) These legal responsibilities could, for example, include adherence to legal regulations that relate to environment and personnel welfare. This illustrates a connection between the TBL and Carroll's pyramid of CR.

The next level in the hierarchy is occupied by ethical responsibilities. Carroll (1991) points out that while it is sufficient for companies to fulfil their economic and legal responsibilities in order to be able to operate, society expects or prohibits certain activities even though not codified by law. Ethical responsibility is in dynamic interplay with legal responsibility as business ethics movements have identified ethical responsibility as a component of CR. Furthermore, the framework of legal responsibility is ever expanding thus broadening that category. On the other hand, higher expectations are being placed on businesses to operate over and above what is required by law. (Carroll 1991) Conducting business in a transparent and fair manner would be an example for ethical responsibility. This, once again, can be related to the social responsibility component of TBL.

Finally, at the top of the pyramid is philanthropic responsibility, also known as voluntary behaviour of companies. According to Carroll (1991), philanthropic responsibility constitutes actions that fulfil society's expectation that businesses act as good corporate citizens. However, he points out that even if these actions are not undertaken by an organization, it is not considered unethical. This brings out the difference between ethical and philanthropic responsibilities. Carroll (1991) suggests that while philanthropic responsibility is highly desired and appreciated, it is actually less important than the other 3 responsibilities that form the pyramid. (Carroll 1991) One example of philanthropy would be providing educational scholarships for students.

In order to summarize Carroll's (1991) hierarchical relationship between the different components of CR, companies should strive for profit, obey legal requirements, act ethically and be a good corporate citizen. Thus, total CR involves simultaneous fulfilment of economic, legal, ethical and philanthropic responsibilities. (Carroll 1991)

This sub-chapter, first, introduced important dimensions of CR. Then, these dimensions were grouped in the form of the TBL framework. Finally, a hierarchical relationship was established using Carroll's CR pyramid. The next sub-chapter discusses some theories related to CR to help better understand value of CR for companies.

2.3. Altruistic CR Motives

2.3.1. Theoretical Perspectives on Altruistic CR Motives

So far, the term corporate responsibility has been defined and its various dimensions have been explored elaborately. The next logical question would be: why firms should pursue CR and what value it brings to companies? As answers to these questions, Porter and Kramer (2006) point out that there are four prevailing justifications for CR: moral appeal, sustainability, license to operate and reputation. In order to understand these justifications deeper, moral appeal and sustainability may be considered as altruistic motives. Altruism refers to unselfish regard for or devotion to the welfare of others (Merriam-Webster dictionary, 2010). On the other hand, license to operate and reputation may be considered as commercial benefits. Therefore, moral appeal and sustainability are described in this sub-chapter as altruistic motives for CR. However, license to operate and reputation are discussed along with several other business benefits of CR in the next sub-chapter.

This section delves into some theoretical aspects that bring out the motives of companies to pursue CR. Three CR theories that attempt to answer the following questions from an altruistic perspective are introduced:

- How should CR be pursued? – ‘how’ question
- Why is CR relevant for companies? – ‘why’ question

According to Moir (2001), the ‘how’ question is answered by stakeholder theory of the firm and 2 theories, namely, social contract and legitimacy theories explain the ‘why’ question. These 3 theories are explained as follows:

Stakeholder theory of the firm – How should firms pursue CR?

Moir (2001) suggests that the stakeholder theory can be used to point out which groups a company should be accountable to. As defined earlier, according to Freeman (1984), “stakeholder is any group or individual who can affect or is affected by achievement of an organization’s objectives”. Moir (2001) classifies stakeholders as primary and secondary stakeholders. In the view of Clarkson (1995), a primary stakeholder group is one without whose continuous participation; a company is unable to survive on a continuous basis. Some examples of primary stakeholders are investors, employees, customers and suppliers (Clarkson 1995). On the other hand, according to Clarkson (1995), secondary stakeholders are defined as those that are influenced or affected and those who influence or affect companies; however, they are not essential for the survival of the organization. NGOs and communities are few examples of secondary stakeholders. (Clarkson 1995)

Which of the above groups should corporations pay attention to? Mitchell et al. (1997) identify stakeholders based on attributes such as the power they can exert, their legitimacy and urgency. Therefore, as Moir (2001) opines, one might assume that companies pay more attention to legitimate stakeholder groups with more power and urgency. However, the prominence of these 3 attributes could vary for a particular stakeholder group depending on specific instances. One such situation is explained as an example. An oil company may not consider an environmental NGO as urgent during normal times. However, during an oil spill, response to the same environmental NGO gains more urgency. Therefore, the response of companies to various stakeholder groups tends to be situation specific and how closely the situation is related to a particular stakeholder group.

Hence, the stakeholder theory suggests that firms can pursue CR by identifying their stakeholders and formulate CR policies and practices accordingly. The next two theories address why companies should pursue CR.

Social contracts theory – Why firms should pursue CR? Perspective 1

The stakeholder theory explained how firms should pursue CR. However, one might ask why companies should pursue CR in the first place. In an effort to understand the theoretical background behind the answer to this question, the social contracts theory is discussed. Gray et al. (1996) define society as a series of social contracts involving members of the society and the society itself. Hence, Moir (2001) says that companies should pursue CR to fulfil the social contract to members of the society. In other words, keeping commercial interests aside, this is how society implicitly expects businesses to function. (Moir 2001)

An integrated social contracts theory was developed by Donaldson and Dunfee (1999). In their study, they identify to levels of social contracts: macro-social contracts and micro-social contracts. In the CR context, a macro-social contract, for example, could be an organizations commitment to be environmentally conscious. In this case, the micro-social contract would be specific measures taken by the firm to reduce its environmental impact. However, Moir (2001) suggests that while fulfilment of society's expectation can be a starting point for CR, it does not explain the complete involvement.

Therefore, the social contracts theory gives one answer as to why companies should pursue CR. The theory suggests that pursuing CR could be a fulfilment of a social contract between an organization and other members of the society it operates in. The next theory offers another perspective to the 'why' question.

Legitimacy theory – Why firms should pursue CR? Perspective 2

CR is one way for a company to fulfil its social contract with society. This is the key message of the social contracts theory which attempts to answer the ‘why’ question. Another perspective is offered by the legitimacy theory to answer the same question.

According to Suchman (1995), legitimacy can be understood as a general perception that the activities of an entity are desirable and appropriate within a social system of norms, values and beliefs. In this case, entity refers to a company. Therefore, it can be inferred that the firm is perceived as legitimate, if its activities conforms to societal norms and expectations. Suchman (1995) points out that legitimacy management depends heavily on corporate communication. Lindblom (1994) says that it is not always easy to an organization to earn legitimacy from society. She notes that, usually, organizations tend to employ one or more of the following strategies when they encounter a threat to their legitimacy.

- Educate stakeholders about intentions of the organization
- Change the firm’s perspective of the threat (without any actual change)
- Distract attention of stakeholders from the threat
- Attempt to change external expectations about the firm

Thus Lindblom (1994) cites legitimacy as an important reason as to why companies pursue CR. However, Moir (2001) states that it is society that grants legitimacy for organizations and if this is misused in a manner society considers irresponsible, firms will lose the legitimacy in the long run. This reinforces the idea of a social contract between companies and the society. (Moir 2001)

This section formed a starting point in the quest to find out what are the motives of companies to pursue CR. Some theories that explained CR motives were introduced. However, in the next section, more motives for CR will be discussed from a different perspective.

2.3.2. CR Ambition Levels

The previous section served as a theoretical starting point to bring out altruistic motives for CR in companies. As a continuation, this section will introduce more altruistic motives for CR from a slightly different viewpoint. Marrewijk (2003) argues that each organization pursues CR with different ambition levels. Some companies choose to be less ambitious with their CR objectives while others may be more ambitious. These ambition levels vary depending on the CR motives for organization. Therefore, an analysis into the various ambition levels will uncover firms’ CR motives. This approach is slightly different compared to the previous section, where CR motives were explained using theories.

According to Marrewijk (2003), the ambition levels of CR and hence, CR motives are: compliance, profit-driven, care for humanity and the planet, synergy and holistic understanding. These motives are explained below:

Compliance

In Marrewijk's (2003) view, companies that pursue compliance-driven CR consider being responsible as correct behaviour. They perceive CR as a duty and obligation. Therefore, firms engage in providing welfare to the society within the ambit of legal requirements. Some companies might consider charity and philanthropy. (Marrewijk 2003) Hence, this form of CR can be seen as fulfilment of legal responsibility and some philanthropic responsibility within Carroll's (1991) pyramid of CR. Thus, the motives here for CR are clearly a sense of duty and correct behaviour.

Profit-driven

At this level, Marrewijk (2003) believes the motive for CR is profit-driven. In other words, CR is promoted, if the company is financially profitable. However, once profitable, the firm tries to integrate social, ethical and environmental aspects of CR into its business operations. (Marrewijk 2003) This form of CR corresponds more or less with the hierarchical relationship established by Carroll (1991), in which economic responsibility formed the base of his pyramid.

Care for humanity and the planet

This form of CR may sound a bit idealistic. However, Marrewijk (2003) believes that the motives for some companies could very well be care for humanity and our planet. A firm with this motive tries to balance economic, social and environmental responsibility beyond legal requirements and profit considerations. (Marrewijk 2003) This may be a pure form of CR and altruistic in nature. An interesting point, however, is that this form of CR contradicts the hierarchical framework by Carroll (1991). Nevertheless, genuine care for humanity and the planet seem to be the motives for CR here.

Synergy

Marrewijk (2003) mentions that companies that realize sustainability is important in itself and recognize it as the direction of progress pursue this form of CR. CR at this level tries to create win-win situations between the company and its stakeholders. The organization adopts well-balanced solutions that create value for economic, environmental and social dimensions of CR. (Marrewijk 2003) Furthermore; this also explains the interconnectedness of these three dimensions of CR. The motives for CR, in this case, are synergy with stakeholders and create sustainable solutions for all.

Holistic understanding

Marrewijk (2003) considers this as the highest level of CR. In this scenario, a firm fully-integrates and embeds CR in every aspect of the organization. The idea here is that each entity has a universal responsibility towards all other entities. (Marrewijk 2003) This approach tends to be more philosophical than the other levels. However, the motives for CR in this case are a holistic understanding and integration of sustainability amongst various entities.

The previous section explained social contract and legitimacy to be two altruistic motives for CR as theoretical starting points. This section introduced five other altruistic motives from another angle. The two groups of altruistic motives for CR have been summarized in the following section. This summarized framework will form part of a larger integrated framework that will be introduced in the upcoming chapters.

2.3.3. Summary of Altruistic CR Motives

As mentioned earlier, Porter and Kramer (2006) mention four justifications for CR. Two of these justifications i.e. moral appeal and sustainability were described elaborately from different perspectives in the previous two sections. These altruistic motives are important as they form a starting point for an integrated framework for CR in companies. Thus, the following figure illustrates a summarized illustration of altruistic CR motives that were discussed earlier.

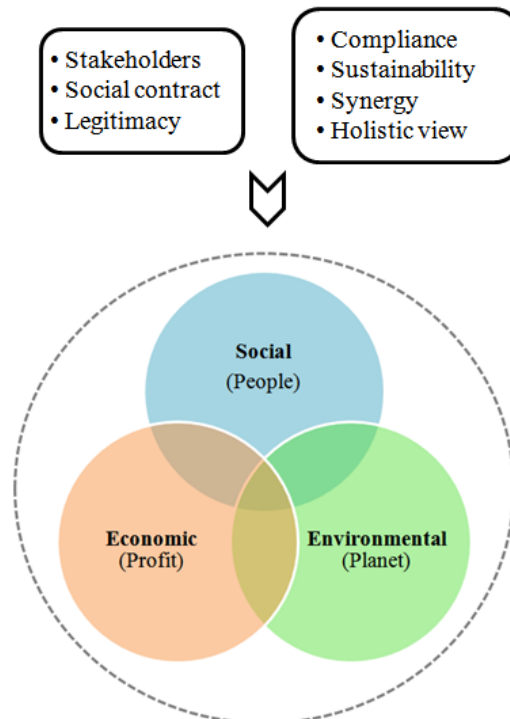


Figure 4. Summary of altruistic CR motives.

Figure 4 shows a summary of altruistic CR motives for companies. These motives revolve around broader issues such as moral and ethical obligations, social contract and sustainability. The next sub-chapter focuses on strategic implications of CR. First, the concept of strategic CR is introduced. This is then followed by discussions pointing out business benefits of strategic CR.

2.4. Strategic Implications of CR

2.4.1. Strategic CR – An Introduction

Porter and Kramer (2006) point out that implementing CR requires significant use of a company's resources. Furthermore, Bhattacharyya (2010) adds that these resources have opportunity costs and hence, proposes that CR activities, in addition to social good and being altruistic, should also result in significant business gains. Many researchers have suggested that the perspective of attaining business benefits from CR is known as strategic CR (Lantos, 2001; Porter and Kramer, 2006; Crawford and Scaletta, 2005; Salzmann et al., 2005). Hence, this section will introduce and explore the concept of strategic CR in a detailed manner before discussing business benefits of CR.

According to Werther and Chandler (2010), strategic CR is “The incorporation of a holistic CR perspective within a firm's strategic planning and core operations so that the firm is managed in the interests of a broad set of stakeholders to achieve maximum economic and social value over the medium to long term.” In simpler terms, strategic CR includes the following:

- CR perspective to firm's core operations
- Fulfilment of stakeholder expectations
- CR planning for the medium to long term

The following illustration represents where strategic CR fits within firm operations, stakeholder expectations and, social and environmental issues.

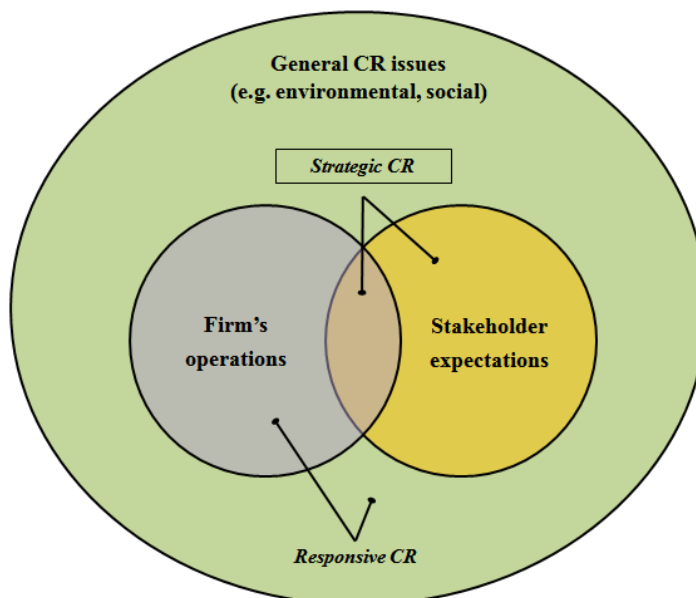


Figure 5. Positioning of strategic CR (Werther and Chandler, 2010).

Figure 5 shows how Porter and Kramer (2006) use the interactions between a firm's operations, social and environmental issues, and stakeholder expectations to point out how strategic CR fits into this context. They introduce another term 'responsive CR', which happens when a company proactively involves itself in a social/environmental issue that is not related to its operations or when it structures its value chain to prevent adverse social/environmental impact. (Werther and Chandler, 2010)

Strategic CR however, as mentioned above, involves incorporation of a holistic CR perspective in the strategy process. Another perspective, illustrated by Figure 6, by Porter and Kramer (2003) shows the operational region of strategic CR vis-à-vis pure economic benefits or pure environmental/social responsibility.

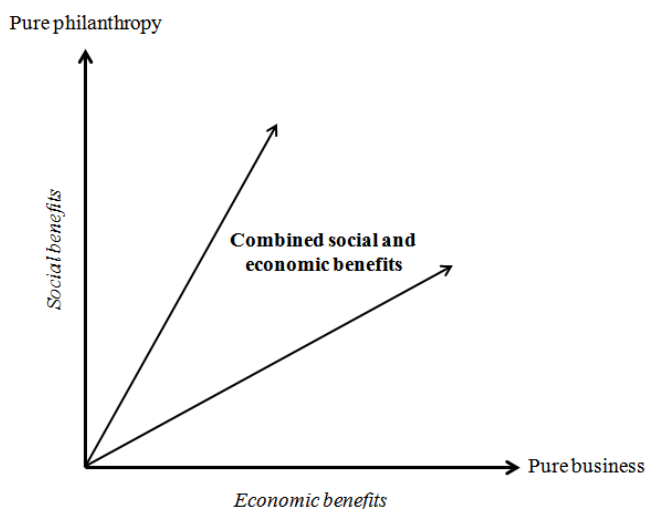


Figure 6. Operational region of strategic CR (Porter and Kramer, 2003).

The previous figure shows the alignment of social/environmental responsibility and economic benefits. A company may shift the operational region of strategic CR depending on its CR and business objectives. As Bhattacharyya (2010) mentions, it is often a challenge for CR managers to arrive at the right alignment to formulate strategic CR objectives. Several researchers have offered their perspectives on links between CR and strategy. Some of these works are presented in Table 2.

Table 2. Selected theoretical perspectives on strategic CR (McWilliams et al., 2006).

<i>Source</i>	<i>Strategic CR perspectives</i>
Hart (1995)	For certain companies, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage.
Baron (2001)	The use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy.
McWilliams and Siegel (2001)	Presents a supply/demand perspective on CSR, which implies that the firm's ideal level of CSR can be determined by cost-benefit analysis.
McWilliams et al. (2002)	CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage.
Waldman et al. (2004)	Certain aspects of CEO leadership can affect the propensity of firms to engage in CSR. Companies run by intellectually stimulating CEOs do more strategic CSR than comparable firms.

This section introduced strategic CR as incorporation of a CR perspective into a business strategy. Therefore, a question arises: how CR can be made strategic? In other words, the challenge is to incorporate CR into business strategy. This question is addressed in the next section.

2.4.2. Incorporation of CR into Business Strategy

The previous section introduced the concept of strategic CR. It noted that for CR to be strategic, it has to be incorporated into business strategy. Therefore, this section will deal with establishing a link between CR and corporate strategy. However, first, a background on what constitutes business strategy is discussed followed by a discussion on CR-strategy links.

Galbreath (2009) quotes the works of several researchers (Ansoff, 1965; Learned et al., 1969; Andrews, 1971; Porter, 1980, 1985; Wernerfelt, 1984; Barney, 1991), in order to provide a comprehensive definition of business strategy. According to Galbreath (2009), business strategy deals with understanding and addressing issues that impact a company's ability to achieve its mission, so that products/services can be produced to meet the needs of the markets it serves through effective configuration of resources, in

order to build and sustain competitive advantage. Thus, business strategy can be understood as the following:

- Long-term focus of the company (mission)
- Internal and external factors that have an impact on the firm's ability to achieve its mission (strategic issues)
- Markets in which a company operates in (markets)
- Products/services that are needed by customers in the chosen markets (customer needs)
- Resources, such as assets, skills, competencies, relationships, finance and facilities, that are needed to compete (resources)
- Performing better than competitors (competitive advantage)

Figure 7 illustrates some of the important dimensions of strategy, according to Galbreath (2009).

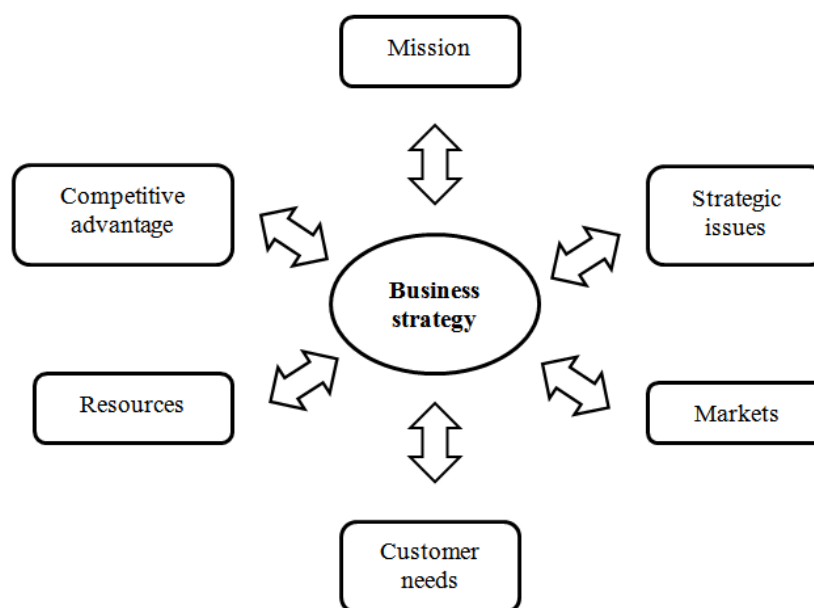


Figure 7. Dimensions of business strategy (Galbreath, 2009).

Some important dimensions of strategy have now been pointed out. The next step would be to explore deeper into how CR fits into each of these dimensions. Such an approach would help understand CR-strategy links further. (Galbreath, 2009) Therefore, the connections between CR and each of the 6 dimensions of business strategy are presented below, one by one:

Company mission

Bennett (1996) defines company mission as a declaration of the primary purpose of an organization: why it exists, how it sees itself, what it wishes its do and its long term

aspirations. Thus, the mission appears to be a statement of intent (Galbreath, 2009). The company mission essentially tells shareholders, investors, other stakeholders and the society in general about the company's intent (Pearce and David, 1987).

Galbreath (2009) argues that CR should be linked to a company's mission after considering expectations from various stakeholder groups. He cites Burke and Logston (1996), who state that such an approach is crucial while integrating CR in business strategy. For some companies, CR is part of their existence. For example, the mission statement of a leading energy company reads: "to meet the energy needs of society, in ways that are economically, socially and environmentally viable, now and in the future". In this case CR is linked to the very existence in addition to a business potential that the company sees in its business area.

The above example illustrates how firms can formulate their reason for existence, i.e. mission statement, with a CR dimension. Galbreath (2009) adds that finding the right balance between the mission and level of CR is not always easy.

Strategic issues

Internal or external issues that significantly affect a firm's ability to meet its objectives are called strategic issues (Ansoff, 1980) According to Andrews (1971) and Porter (1980), research and analysis using various techniques is useful to identify such issues. Media coverage and expert testimony are, for example, useful to identify strategic issues for a company (Galbreath, 2009). For example, from a CR perspective, a low level of employee motivation could be an internal strategic issue for a R&D company. Similarly, water scarcity in a region could be an external strategic issue for a paper manufacturer that operates in that region.

In the above mentioned examples, low employee motivation and water intensive operations in a water scarce area are CR related issues. However, they also play a big role to help the above firms achieve their objectives i.e. R&D and paper manufacturing respectively. Thus, some strategic issues could be related to elements of CR.

Markets

According to Kotler and Armstrong (2005), market is the set of all actual and potential buyers of a product or service. More specifically, Cahill (1997) says firms should address specific target markets in order to strategically address markets. Therefore, a target market constitutes a group of buyers who consider the firm's offering(s) appropriate and to whom the firm will direct significant marketing resources. (Cahill, 1997)

Galbreath (2009) suggests there the target market may place CR related expectations of the role of businesses in society. For example, he mentions, in the food and beverages industry, consumers increasingly expect nutrition information on the packaging of products. Another example mentioned by Galbreath (2009) is that, in the apparel industry, more and more consumers are interested in how and where clothes are manufactured.

The above examples convey CR related expectations of the target markets towards companies operating in certain industries. Therefore, an understanding of current and emerging CR related expectations of target markets would help better align business strategy towards the target markets. (Galbreath, 2009)

Customer needs

In the view of Khurana et al. (2005), a key strategic function of business is to create value for its customers. Galbreath (2009) suggests two ways to create customer value: customer orientation and innovation. According to Narver and Slater (1990), customer orientation is the set of actions undertaken to understand latent customer needs to create superior value for them. Firms can embrace customer needs associated with CR as opportunities for innovation; e.g. introduce entirely new market offerings, develop new processes or create new market segments. (Galbreath, 2009)

Therefore, a firm can turn a CR related customer need into an innovation thereby creating both economic benefits for itself and produce a consumer utility (Mackey et al., 2007). The emergence of micro-finance institutions (MFI) in developing countries is an example where companies respond to customer need; in this case, ensuring financial sustainability for the poor. Here, these companies have adopted a new business model, 'bottom of the pyramid' advocated by Prahalad (2004), by integrating CR and meeting customer needs.

Resources

Internal resources are described as activities (Porter, 1985), assets (Dierickx and Cool, 1989), core competencies (Prahalad and Hamel, 1990), capabilities (Day, 1994) and dynamic capabilities (Teece et al., 1997) of a firm (Galbreath, 2009). Furthermore, according to Wernerfelt (1984) and Barney (1991), resources are the factors needed to create, operate and sustain a company. Resources can be tangible or intangible factors (Galbreath, 2009)

Hence, resources should be leveraged to capture or internalize some of the benefits for engaging in CR activities that may be of interest to the company (Galbreath, 2009). In order to explain this further, consider the following example. For instance, the core-competence, a resource according to Prahalad and Hamel (1990), of a company could

be developing easy to use mobile solutions. By developing specific CR related mobile applications, for example a mobile application to assist children's education in developing countries, the company uses its resource to pursue its CR objectives. The above example illustrates how CR may be incorporated to the resource dimension of strategy.

Competitive advantage

According to Porter (1991) and Barney (1991), competitive advantage relates to a firm's ability to earn and sustain superior performance than its competitors. There are two dominant approaches to sustain competitive advantage. First, Porter (1980) suggests low costs and differentiation from competitors as two generic strategies for firms to attain competitive advantage. One example of CR integrated into the differentiation strategy would be, a food company producing and promoting only healthy and organic food in light of rising obesity levels in certain markets.

The second approach to sustaining competitive advantage is the resource-based view of the firm (RBV). In the RBV approach, the main focus is on creating and/or acquiring, and leveraging resources that are valuable, rare, inimitable, non-substitutable and that pass through time-dependent stages (Dierickx and Cool, 1989; Barney, 1991; Amit and Schoemaker, 1993). In the CR context, according to Galbreath (2009), one way to create such resources, and thus competitive advantage, is by demonstrating responsible management practices with a company's stakeholders.

For example, if a firm engages with honesty, trust and transparency and establishes a long term-relationship with the local community, it clearly can enjoy sustained competitive advantage as a result. These factors are social complex and difficult for competitors to replicate. Hence, creation and sustenance of CR related resources can result in sustained competitive advantage for an organization. In this way, strategy's competitive advantage dimension can be linked with CR.

The above discussions describe one way to incorporate CR into business strategy of a company. Figure 8 is a pictorial representation of integration of CR into business strategy of an organization.

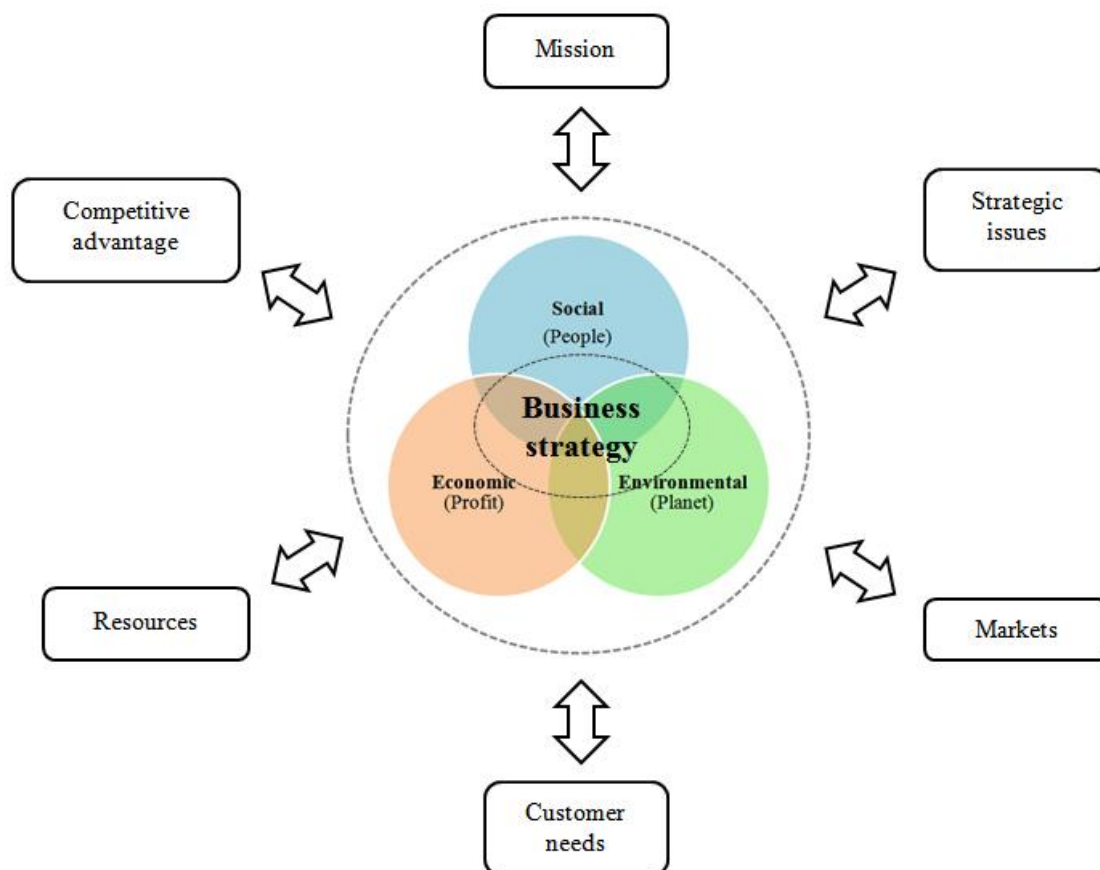


Figure 8. Integrating CR into business strategy.

The illustration represented in Figure 8 points out how CR can be integrated into business strategy to form a strategic CR perspective. The framework shows that this is done by establishing links between CR and six important dimensions of strategy as noted by Galbreath (2009). Earlier on it was mentioned that strategic CR results in significant business benefits. Thus, the next section describes commercial business benefits of strategic CR.

2.4.3. Business Benefits of Strategic CR

In the previous sub-chapter, the motives for CR were presented as mostly ethical and altruistic. However, in addition to these, Porter and Kramer (2006) also mention license to operate and reputation as two other justifications of CR. These are dealt as part of commercial business benefits of CR that are described in this section. Burke and Logsdon (1996) argue that CR can improve business-related prospects of a company and hence, strategic CR offers business benefits. This section will explore links between CR and business gains of an organization. In other words, the commercial business benefits of strategic CR will be introduced.

The European competitiveness report (2008) describes the links between CR and competitiveness, thus bringing out the business case for CR. The report examines links

between CR and 6 different indicators of firm-level competitiveness. These indicators are cost structure, performance of personnel, customer perspective, innovation, risk and reputation management, and financial performance. Each of these factors along with Porter and Kramer's (2006) view that CR is a license to operate is discussed below:

License to operate

The license to operate stems from the fact that companies need explicit or tacit permissions from governments, communities and various other stakeholders to run the business (Porter and Kramer, 2006). Pursuing CR leads to the so-called license to operate. This may not be a tangible business benefit. However, the benefits are intangible. In other words, a company earns the goodwill of its stakeholders and can pursue its business and CR in an environment without conflicts with governments or other stakeholders. The license to operate is a pre-condition to ensure other business benefits mentioned below.

Cost structure

According to Economist Intelligence Unit (2008), the benefits of CR are clearly greater than the costs involved. However, it added that CR might not change profits too much. Welford (2003) points out that not all CR strategies result in cost savings. Likewise, the European competitiveness report (2008) mentions that, the impact of CR on cost structure depends on the nature of CR measures taken. Welford (2003), in his study, reaches the conclusion that CR-business benefits relationship should be placed on "the area of differentiation where social and environmental aspects of sustainable development will have most impact".

This proposition holds some truth, as Miles and Covin (2000) point out that CR's environmental dimension does reduce costs in the long term. They cite, for example, investments made towards continuous improvements and energy efficiency can save costs. Chapple et al. (2005) note significant costs associated with waste reduction practices in UK's manufacturing sector. Thus, it is quite difficult to conclusively state CR reduces costs for companies. However, the European competitiveness report (2008), states that CR's environmental dimension has potential to reduce costs owing to rising energy costs and stronger carbon emission pricing mechanisms. Porter and Kramer (2006) propose that CR can be a source for innovation, opportunity and competitive advantage and that it is much more than a cost, constraint or charity. Therefore, it becomes important to look at CR's business value not only from a point of cost savings but also as source of novel business value.

Performance of personnel

The evidence relating CR and potential cost savings have not been conclusive. However, CR seems to have a positive effect with performance of personnel. Cochran (2007) notes that if a company maintains good relations with its employees; it can improve employee retention and employee motivation. The European report on competitiveness (2008) also suggests good employee relations make employers attractive for job-seekers. For example, Montgomery and Ramus (2003) show that MBA graduates from American and European business schools pay attention to CR profile of future employers.

In addition to employee retention and employee motivation, employee diversity is another indicator of CR with respect to company personnel. The European report on competitiveness (2008) notes that in a survey of 900 European enterprises, almost half of them were actively engaging in promoting workplace diversity. Their idea was that diversity would help address shortage of labour and help retain high quality staff (European Commission, 2005). The benefits seem to have greater potential in knowledge intensive industries such as the IT sector. (European report on competitiveness, 2008)

From the above discussions, it is quite evident that there exists a positive correlation between CR at the workplace and personnel indicators such as employee retention, employee motivation and workplace diversity.

Customer perspective

From employees to the customers; this section focuses on how CR influences customer perspective of a company. Meijer and Schuyt (2005) studies purposing behaviour of Dutch consumers and stated that while CR performance did not motivate consumers to purchase a product; consumers expected a basic level of CR so that they would not reject a product. On the other hand, Tuppen (2004) finds evidence of increase in consumer demand when a European retailer partnered with an NGO and displayed the NGO's logo in its products.

The European competitiveness report (2008) points out that many large enterprises impose social and environmental requirements on their suppliers. Thus, the report suggests that, suppliers through their own CR initiatives can help their buyers fulfil their CR objectives. This, in turn, might lead to a healthy relationship between the supplier and the buyer. However, the report warns that 'green-washing' i.e., making unjustified claims about environmental benefits of a product to increase customer demand, could create scepticism amongst consumers and harm the brand image of the company. (European report on competitiveness, 2008)

Thus, improved customer perspective as a business benefit for CR oriented companies seems to be strengthening. This results from growing demand from consumers, larger enterprises towards suppliers and government authorities. This aspect might, especially, be relevant to companies that pursue a low-cost business strategy.

Innovation

A number of company representatives cite innovation as an important business benefit for CR, says the European competitiveness report (2008). Many studies, for example Grayson and Hodges (2004) and Little (2006) argue that, CR could be a driver for innovation through the social, environmental and sustainability routes. Engagements with external non-profit stakeholders augment corporate innovation (Holmes and Moir, 2007). They state that innovation could either be a direct result of such partnerships or could be an unexpected auxiliary benefit resulting from such partnerships. These increasing partnerships have led to the birth of novel concepts such as open innovation, stakeholder-driven innovation and customer-driven innovation.

Addressing social and environmental challenges also brings about innovation (European competitiveness report, 2008). The development of low-carbon technologies to address climate change and business concepts such as ‘bottom of the pyramid’ advocated by Prahalad (2004) are examples of innovations stemming from these challenges. Furthermore, in continuation with the employee performance indicator, CR initiatives directed towards creating better workplaces are conducive to innovation. Likewise, Campayne (2008) suggests that workplace diversity leads to effective problem solving since diversity bring in a wide range of perspectives.

Hence, it can be inferred that CR in the form of stakeholder engagement, addressing social and environmental challenges and workplace related issues bring about enhanced potential for innovation.

Risk and reputation management

Husted (2005) states, that CR is an essential element of risk management. Elucidating further, Orlitzky and Benjamin (2001) propound that CR is useful to reduce risks such as government regulation, labour unrest or environmental damage. The increasing power of communication technologies put activities of a company to greater scrutiny. A proactive CR approach help mitigate risks incurred by lack of attention to CR. (European competitiveness report, 2008)

When it comes to imposing environmental and social responsibility requirement on suppliers, big enterprises initially pursued this to avoid loss of reputation owing to non-compliance by suppliers. However, companies increasingly realize that this helps large enterprises forge deeper and more sustainable relationships with their suppliers.

(European competitiveness report, 2008) Higher level of transparency, Pohle and Hittner (2008) argue, can help companies pre-empt potential problems with external stakeholders. In this regard, comprehensive sustainability reporting would be one way of being transparent. Among other advantages, this leads to greater employee pride and stronger relationships with external stakeholders thus leading to enhanced reputation of the firm.

Therefore, CR seems to be an essential part of risk and reputation management for companies. This business benefit of CR is particularly useful given the fact that these days, companies are increasingly subjected to close scrutiny by the media and other external stakeholders.

Financial performance

As the European competitiveness report (2008) notes, researchers find the link between CR and financial performance to be positive but small; however, the link is not found to be negative (Orlitzky et al., 2003 and Margolis et al., 2007). Furthermore, Bird et al. (2007) found a link between market value and environmental performance. Moreover, they also noted that markets tend to reward companies that met minimum requirements concerning employee diversity and good employee relations.

Good CR performance provides greater access to investor funds, if analysts and investors consider this aspect for their investments. SRI or Socially Responsible Investment funds include economic, social and environmental criteria. (European competitiveness report, 2008) Horton and Kember (2008) mention that asset managers increasingly accept that environmental, social and governance factors are looked into as part of evaluation of investment returns and risks. In recognition of the importance of CR, many board members and executives acknowledge that financial indicators alone do not represent the strengths and weaknesses of a company (Deloitte 2007).

As a result, it can be said that there exists a positive, but small correlation between CR and financial performance. This may prove to be a greater business benefit as investors and analysts pay more attention to CR related issues.

The following figure summarizes the commercial business benefits of strategic CR discussed rather elaborately in this section.

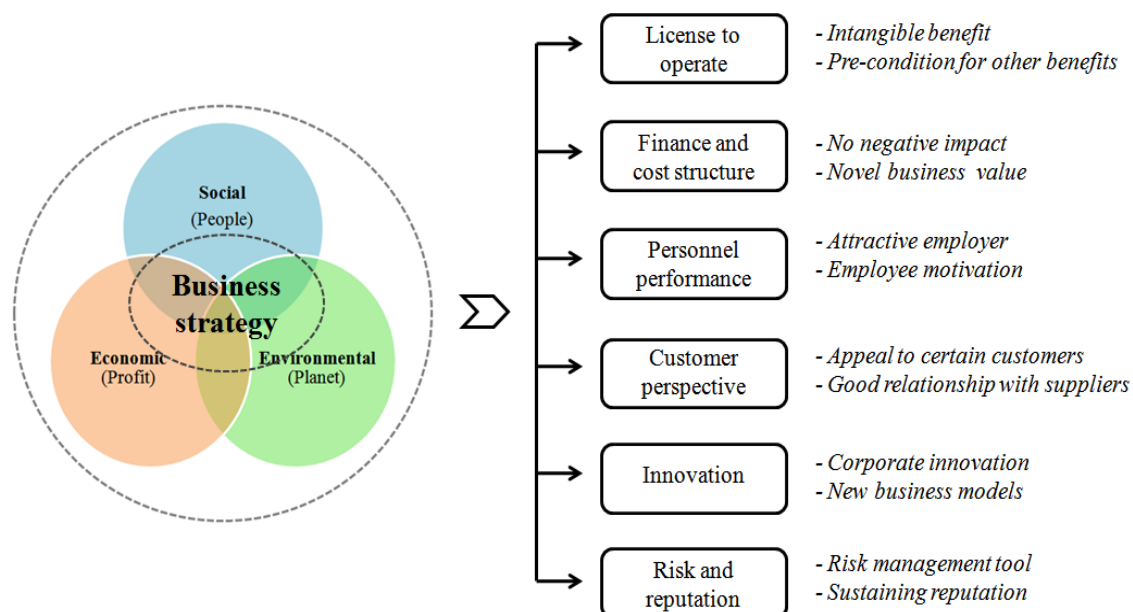


Figure 9. Business benefits of strategic CR.

Thus, in addition to ethical and moral perspectives, strategic CR seems to provide key business benefits for companies. While some of these benefits can be measured, others bring in advantages such as improved reputation and employee satisfaction, which in turn may lead to tangible benefits. Figure 9 is a representation of these business benefits offered by adopting a proactive strategic CR approach. This thesis focuses on strategic CR in Finnish corporations. Therefore, in order to understand the Finnish perspective to CR, the next sub-chapter discusses some aspects related to CR in Finland.

2.5. Finnish Perspectives to CR

The previous sub-chapters discussed various aspects of CR and strategic CR elaborately. However, it becomes essential to shed light on the Finnish context to CR as this thesis focuses on CR-strategy links in Finnish corporations. Therefore, this sub-chapter will discuss some CR aspects in the Finnish context. First, some historical perspective is provided into how CR evolved in Finland. Then, factors driving CR in Finland are introduced. Finally, this sub-chapter concludes with an insight into some management areas of CR in Finland.

2.5.1. Evolution of CR in Finland – Historical Background

Since the 18th century, Northern Europe witnessed social responsibility involved in the process of industrialization (Juholin, 2004). Factory owners arranged for workers' accommodation, health care, schooling and, even religious services. Though self-interest was the initial motivation, there was a genuine concern to improve living standards of people. (Juholin, 2004) In the turn of the 20th century, labour unions were

founded and have played an important role in Nordic countries. They form the basis for the so-called agreement society. (Juholin, 2004)

Juholin (2004) divides evolution of Finnish companies into three phases. The first phase, according to her was from the beginning of industrialization in Finland until the 1960s. During the 1960s, the foundations for a welfare state began to be laid and company welfare activities were gradually organized at the level of state and municipalities. However, companies still had some responsibility to provide health services and some other benefits for their employees as part of their human resource policies. (Juholin, 2004)

The second phase, according to Juholin (2004), lasted between 1960s and 1990s. Two significant phenomena took place during this period: growth of environmental movement and a deep economic recession in Finland during 1990s. Juholin (2004) mentions that growth of the environmental movement led companies to pay more attention to their environmental policies and systems. Furthermore, Juholin (2004) points out that recovery from the recession resulted in new management and leadership approaches. CR's environmental dimension gained foothold in Finland during the 1990s (Juholin, 2004).

In the view of Juholin (2004), the third stage began with globalization in the new millennium. Finnish multinational companies became more responsive to expectations of their stakeholders. Companies began to take environment and stakeholders into consideration in order to earn their right to operate. (Juholin, 2004)

From the above discussion, it can be inferred that Finland has had a long tradition of social responsibility. However, Juholin (2004) mentions that it was in 2001 that a clear initiative was taken. She quotes the Confederation of Finnish Industry and Employers that states, "taking care of the values concerning the welfare of the environment and people is a prerequisite for the success of a company as well as for long-term profitability". (Juholin, 2004)

This section discussed how CR evolved in Finland since the days of industrialization. But, the question is: what has driving these changes in Finland, especially in the new millennium? Hence, the driving forces behind CR in Finland are elaborated upon in the next section.

2.5.2. Driving Forces of CR in Finnish Corporations

Panapanaan et al. (2003) points out some driving forces of CR, especially amongst Finnish companies. They state four factors as important drivers of CR in Finland. According to Panapanaan et al. (2003), they are: globalization, stakeholders, focus on

sustainable development and other factors like customer demands and business relations. These driving forces are illustrated in Figure 10.

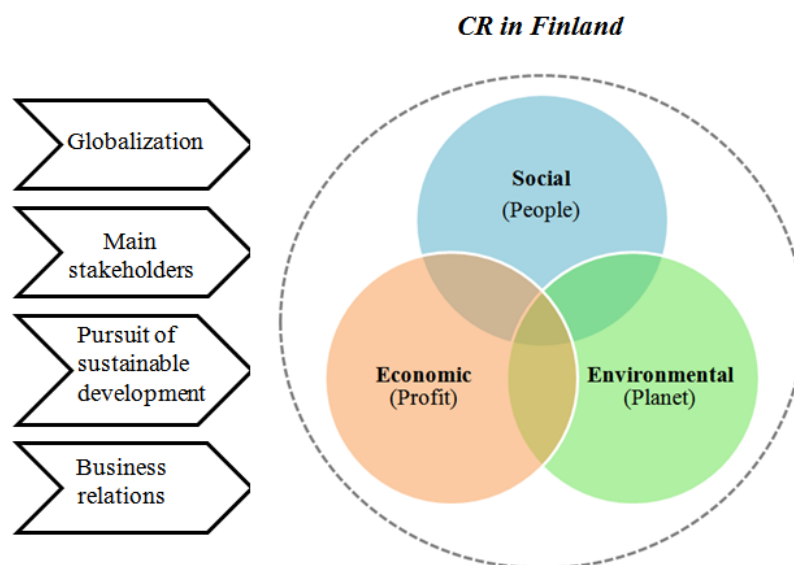


Figure 10. Driving forces of CR in Finland (Panapanaan et al., 2003).

Each one of these driving factors, illustrated in Figure 10, is discussed below:

Globalization

Several Finnish companies have their own operations or their subsidiaries abroad. These Finnish multinational companies consider signals from global markets as important. This is in order for them to maintain their position in the different markets they operate in. (Panapanaan et al., 2003) Increasingly, Finnish multinational companies, especially ones that operate in developing countries, are questioned about their CR credentials. There is greater media spotlight on practices of these companies than ever before. (Panapanaan et al., 2003) As globalization provides opportunities for companies around the globe, it becomes an important factor to drive companies formulate effective CR policies and management strategies (Panapanaan et al., 2003).

Stakeholders

Panapanaan et al. (2003) identify regulatory bodies, industrial federations and employees, especially prospective employees, as important stakeholders that enhance CR in Finland. In Finland, companies are required to comply with requirements set by regulatory authorities. Some sectors, e.g. food and pharmaceuticals, are highly regulated. Hence, any malpractices by companies would cause damage to the company in addition to extensive losses. (Panapanaan et al., 2003)

As mentioned earlier, by Juholin (2004), the Confederation of Finnish Industry and Employers has drafted a CR agenda and promotes it among its member companies. Panapanaan et al. (2003) note, that such guidelines have had a positive impact on Finnish companies. Similarly, as Takala and Hawk (2001) point out, Finnish companies also actively cooperate with Finnish labour associations and other civic organizations. Thus, industrial federations and civic bodies have been important stakeholders in pushing the CR agenda in Finland.

Pursuit of sustainable development

Many companies regard the long-term pursuit for sustainable development as a key driver for CR in Finland (Panapanaan et al., 2003). Initially, companies increasingly focussed on environmental issues as part of this pursuit. However, Panapanaan et al. (2003) point out that social issues have entered the sustainability agenda. Hence, the pursuit for sustainable development drives Finnish companies to focus on environmental and social issues related to CR.

Business relations and customer demands

Occasionally, when industrial accidents, strikes or boycotts take place, Finnish companies tend to pay more attention to CR related issues, especially those that concern their employees. Also, Panapanaan et al. (2003) note, that the extent of customer driven CR is unclear. Thus, business relations and customer demands seem to be rather weak drivers compared to the other drivers mentioned above.

Some important drivers for CR in Finland were described in this section. The upcoming section sheds light on some management areas of CR for Finnish companies.

2.5.3. CR Management Areas in Finland

The previous section discussed some driving forces of CR in Finland. As a continuation, the management areas of CR in Finland will be introduced in this section. According to Panapanaan et al. (2003), there are four areas of management for CR in Finland. They are: employees, community, suppliers and customers. Each of these areas is elaborated upon below:

Employees

Finnish companies have paid a lot of attention to the organization and management of employees' welfare. There is commitment by Finnish corporations to continual improvement to offer better working condition for employees. There are no strong arguments to suggest that Finnish companies would not be doing well with regards to CR management directed towards their employees. (Panapanaan et al., 2003)

Some issues such as child labour and forced labour, though irrelevant in Finland, gain prominence for Finnish companies operating in developing countries. These issues appear irrelevant in the Finnish context since, it is unlikely to be an acceptable case in Finnish companies. However, according to Panapanaan et al. (2003), dealing with these issues internationally or in their supply chain might be more challenging. Finnish companies claim that they try to follow Finnish standards and also follow local laws as much as possible. (Panapanaan et al., 2003)

Community

There are several areas through which companies can participate in the community. Some examples of such activities include skills and technology transfer, donations, sponsorships and civic action. Panapanaan et al. (2003), mention that donations, grants and sponsorships are common with Finnish companies. However, companies tend not to specify the exact purpose and amounts of their donations. Decisions regarding social grants, for example, are typically based on what companies believe to be important and relevant to their business. (Panapanaan et al., 2003)

Generally, the relationships of Finnish companies with surrounding communities are termed as good and healthy. Oftentimes, the feedback from communities is usually positive and well-accepted. One reason could be that many employees belong to the surrounding communities. Furthermore, Panapanaan et al. (2003) state that companies communicate through open-house days and suggestion boxes with surrounding communities. However, they mention that pollution issues were a common complaint in the past. Community activities of Finnish companies in other countries tend to be localized and hence, cannot be generalized. (Panapanaan et al., 2003)

Suppliers

Relationships between Finnish companies and their suppliers tend to follow traditional requirements such as price, delivery and sometimes certifications (e.g. ISO 19000 and ISO 14000). When it comes to CR issues, both parties i.e. companies and their suppliers hardly know the answers. Panapanaan et al. (2003) identify three problems while gathering CR issues from suppliers.

First, obtaining such information becomes difficult owing to unavailability of such information on part of many suppliers. Furthermore, it is taken for granted that everyone knows how to behave. Thus, asking CR related information from suppliers seems awkward for both Finnish companies and their suppliers. The second problem is that suppliers usually have sub-suppliers, who in turn may have other sub-contractors. Therefore, it becomes difficult to gather CR information through the whole supply network. The third problem is that most big suppliers, especially with Finland and other developed countries are open about sharing their CR related information. However, the

problem is with the smaller suppliers, especially in developing countries who tend to think that they are small and hence, cannot do much. Nevertheless, Finnish companies are making progress in this area and believe that CR in the supply chain will become a big issue in the near future. (Panapanaan et al., 2003)

Customers

Customer satisfaction is an important value shared by Finnish companies. In Panapanaan et al.'s (2003) views, Finnish companies strive to ensure that their products are of high quality, safe and environmental friendly and have minimal negative impact on the environment and society. Nowadays, customers increasingly ask for CR related information at the product level. This includes information such as country of manufacture, production methods and process related issues. (Panapanaan et al., 2003)

Finnish companies are beginning to understand product level CR information may be demanded with greater vigour in the near future. Some issues related to CR associated with company-customer relationships are in defining exactly what CR means to customers and how customers perceive it. Finnish companies are trying to understand what CR issues customers would be asking from companies. (Panapanaan et al., 2003)

The issues discussed above seem to be some important management areas of CR in Finland. Most of the above discussions are based on Panapanaan et al. (2003) who have analyzed this topic in the Finnish context. Thus, this sub-chapter presented a background understanding of the CR situation in Finland. First, some historical perspectives into CR in Finland were discussed. Then, important driving forces for CR in Finland were highlighted upon. Finally, this section focused on crucial management areas of CR in Finland.

The next sub-chapter brings together the Finnish context (discussed in this section), CR motives (discussed in section 2.3.3.), strategic CR's business benefits (discussed in this section) and incorporation of CR into business strategy (discussed in section 2.4.2.) to illustrate an integrated framework for role of CR in business strategy of companies.

2.6. Role of CR in Business Strategy - A Framework

From the discussions in the previous sub-chapters, it can be inferred that CR can have a role in business strategy of companies. If provided this role, strategic CR offers significant business benefits. On the one hand, there are altruistic motives such as moral appeal and sustainability to pursue CR. Then, there are various drivers of CR in the Finnish context. As pointed out earlier, strategic CR offers several tangible and intangible benefits. It is difficult for companies to pursue only altruistic CR because companies have a financial responsibility towards their shareholders and employees. Therefore, while an altruistic perspective is crucial, companies would also have to take

into account business benefits of CR. Hence, there is a need to bring together, the altruistic and commercial perspectives of CR.

The altruistic motives for CR were presented in section 2.3.3. CR drivers in Finland were presented in section 2.5.2. It was also pointed out in section 2.4.1 that since CR utilizes resources of companies, it should be pursued so that it results in business benefits and this perspective is called strategic CR. Furthermore, commercial benefits of strategic CR and how CR can be incorporated into business strategy were discussed in sections 2.4.3 and 2.4.2 respectively. Thus, this section will introduce an integrated framework that tries to bring together, the altruistic and commercial perspectives of CR. This framework is illustrated in Figure 11.

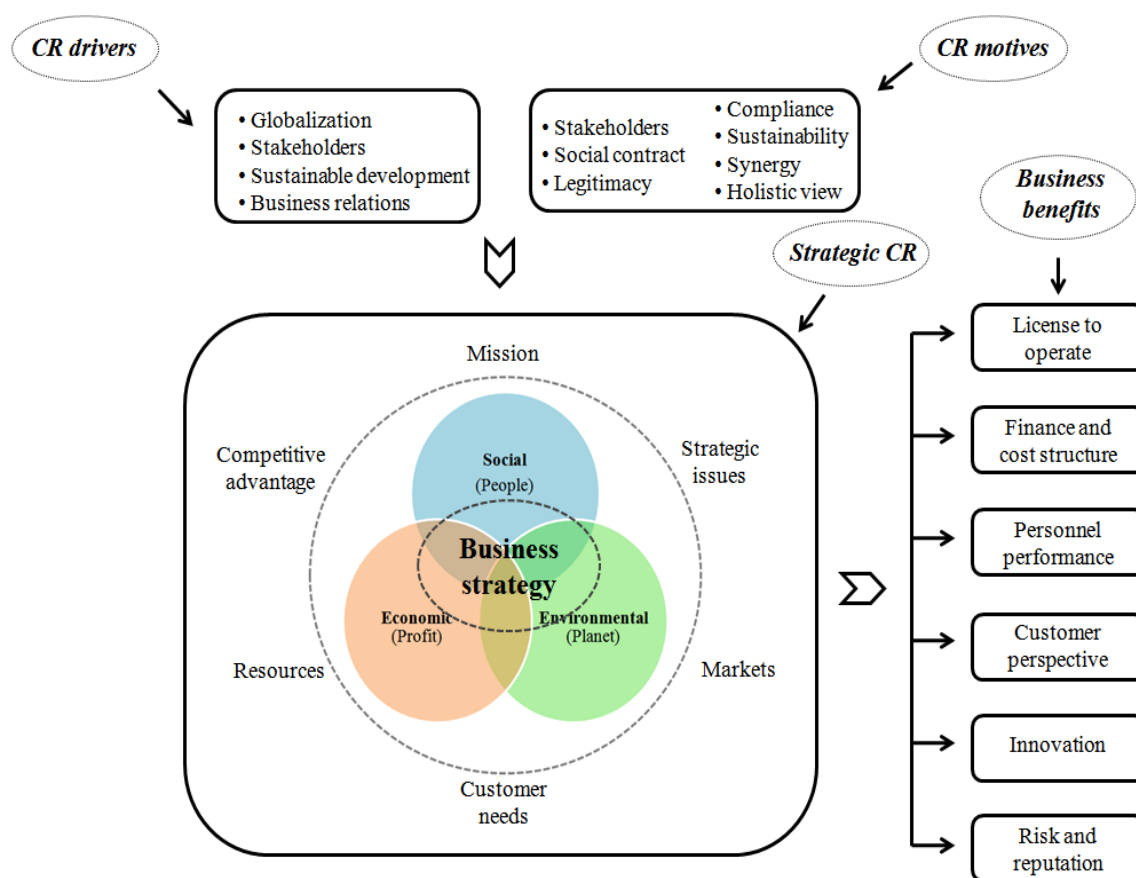


Figure 11. Integrated strategic CR framework.

Figure 11 shows an integrated framework that combines altruistic motives of CR along with commercial business benefits of CR. It illustrates that when companies incorporate CR into their business strategy, it leads to significant business benefits. It illustrates the CR drivers and CR motives that lead to strategic CR. Through the review of existing literature, one of the ways to integrate CR into business strategy is by establishing links between CR and different dimensions of strategy. These dimensions include mission, strategic issues, markets, customer needs, resources and competitive advantage. When CR is incorporated into business strategy, it leads to significant business benefits. These

benefits are license to operate, improved personnel performance, customer perspective, innovation and, risk and reputation management.

So far, a comprehensive review of existing literature relating to various aspects of CR, strategic CR and CR in Finland has been presented. Furthermore, an integrated framework that combines CR motives and commercial benefits of CR was also presented. These discussions form a theoretical background for this thesis and will be used as a basis for discussions in the empirical data analysis sections. Chapter 5 will explore this framework in an operational manner with a perspective from Finnish corporations. However, before delving into empirical data analysis, the next chapter will discuss the research design and methodology used for data gathering and analysis in this thesis.

3. RESEARCH METHODOLOGY

3.1. Management Research Approaches

Bryman and Bell (2007) point out that, management researchers tend to adopt one of the following two popular research approaches: quantitative or qualitative. This section explores the nature of quantitative and qualitative research, and the differences between them. According to Easterby-Smith et al. (2002), the differences between quantitative and qualitative approaches arise from collection of data, data analysis and the writing-up process. The differences between qualitative and quantitative research are illustrated in Table 3.

Table 3. Quantitative and qualitative research (Bryman and Bell, 2007)

<i>Quantitative Research</i>	<i>Qualitative research</i>
Deductive – Testing of theory	Inductive – Generation of theory
Positivist, Objectivist	Interpretivist, Constructionist
Focus on numbers	Focus on words
Point of view of researcher	Point of view of participants
Hard, reliable data	Rich, deep data
Structured	Unstructured
Generalization	Contextual understanding

Quantitative research may be thought of as a research approach that focuses on quantification in the collection and analysis of data (Bryman and Bell, 2007). In other words, the collection and analysis of data is structured and results are usually represented in the form of figures and numbers. Bryman and Bell (2007) mention, that this research strategy entails a deductive approach i.e. testing of theory. Furthermore, they argue that quantitative research incorporates positivism, an epistemological position that proposes application of methods of natural sciences to social reality (Bryman and Bell, 2007). Moreover, quantitative research, according to Bryman and Bell (2007) assumes social reality as an external, objective reality or as objectivist.

Qualitative research, on the other hand, emphasizes on words rather than quantification of data and results (Bryman and Bell, 2007). This means that, qualitative studies tend to describe research findings rather than ‘display’ them. Usually, theories are generated from qualitative research. Therefore, Bryman and Bell (2007) envisage qualitative research as inductive in nature. Moreover, the epistemological orientation in this case is interpretivist and not positivist. Interpretivism, according to Bryman and Bell (2007), rejects the application of scientific models to the study of social world and focuses on capturing the subjective meaning of social action. Furthermore, qualitative research opines that social reality continues to change and evolve or as being constructionist (Bryman and Bell, 2007).

Based on the above distinctions, this study has shades of both qualitative and quantitative research. However, it is more qualitative in nature. Thus, the focus is on explaining results and application of a theoretical framework for CR in the Finnish context in order to generate new perspectives into Finnish strategic CR. There are several data gathering methods for qualitative research. These methods are discussed in the following section.

3.2. Data Gathering Methods in Qualitative Research

Gummesson (1993) points out in his script, some methods for generating qualitative data with respect to research in managerial science. He describes five different methods for this purpose. There are existing material, questionnaire surveys, qualitative interviews, observation, and action science. Action science, in addition to a research method in itself is also a method for gathering data. The advantages, limitations and applications of each of these methods are discussed below.

Existing material

There is a lot of existing material that a researcher can use in the research process. Existing material includes everything obtained through sources other than human beings. It could be, for example, books, journals, media reports, statistics, photos and films. According to Gummesson (1993), it is important to note that these materials were created for a purpose other than the concerned research. It is useful in circumstances where data generation is difficult through other means, study of past events, study involves unconventional topics or participation of the researcher is not feasible. The main limitation of existing material is the fact that the information was not created for the research purpose and hence may not fit the context (Gummesson, 1993). Also, some information in existing material could be irrelevant and non-applicable. Usually, it is best when existing material is used with some other research method. (Gummesson, 1993)

Questionnaire surveys

This method is a more scientific method than other less formal methods of data generation. As the name suggests, it involves handing out questionnaires with list of questions for a select group of people to answer. They could also be used as a formal format for an interview. The obvious advantage of a questionnaire survey is that it is more scientific and the questions mainly focus on the research objectives. The responses can be translated into numbers. Gummesson (1993) feels, while they are useful for clearly defined objectives, they are not so beneficial where the situation is quite complex. The responses from the survey have to be evaluated with care and it can happen that the responses are not the true responses of the respondent. This method can be used to evaluate preferences, satisfaction levels or experiences of persons in a given context. (Gummesson, 1993)

Qualitative interviews

This method seems to be the most common method of data generation. Interviews can be based on a fixed set of questions from a questionnaire or could be more informal similar to a conversation. In addition to verbal statements, the focus is also on body language. The benefits of an interview, according to Gummesson (1983), are that in-depth opinions can be sought from the interviewee especially in the case of a non-formal interview. The answers are more subjective in nature and therefore, a clearer picture can be obtained. On the other hand, the respondent may choose not to express true opinions and could be diplomatic. It also depends on the ability of the interviewer to extract the information needed. This method could be used in situations where opinions and reasons behind certain actions need to be found out rather than a simple yes or no. (Gummesson, 1993)

Observation

Observation as the term suggests refers to observing a situation with the five senses. It could be direct observation or observation through a participant. Gummesson (1983) opines the fact that the researcher participates in the situation and receives information through the five senses is a major benefit. On the downside, it is important to have an open-minded approach without pre-conceived notion before the observation starts. A pre-conceived prejudice, for instance, could reduce the quality of information that can be received. This method can be used to study behaviour of individuals, organizational culture or evaluation of a person's performance. (Gummesson, 1993)

Action science

Also known as Action research, this method is perhaps the most demanding of the research methods. Gummesson (1983) feels that it involves the total involvement of the

researcher in the given setting. In other words, the researcher becomes an active participant in the process and become 'change agents'. Some of the advantages of action research are that it contributes to the client and science, interactive, the knowledge gathered tends to be more holistic and there is increased co-operation and therefore, trust between the client personnel and the researcher. (Gummesson, 1983) On the downside, it could be obtrusive and an important question is how much intervention can be there by the researcher. This research methodology can be used in consulting projects, long term reorientation or reengineering of processes in organizations. (Gummesson, 1993)

3.3. Qualitative Research with Deductive Approach

The previous sections discussed various research and data gathering methods. Out of these, this study combines qualitative research with application of a theoretical framework to analyze empirical data gathered through thematic interviews. The research methodology is predominantly qualitative. However, the application of theory, i.e. deductive approach, commonly used in quantitative studies is employed in this study. While the data gathering methods and presentation of results reflect the qualitative nature of this study, the application of a theoretical framework to empirical data in order to generate a Finnish perspective into strategic CR signifies a deductive approach. On the whole, the research methodology is primarily qualitative with a deductive approach, rather than with an inductive approach commonly associated with qualitative studies.

Chapter 2 explored various theoretical aspects that are relevant to this study's research scope and objectives. An integrated theoretical framework for strategic CR was also presented. Furthermore, the framework is applied to analyze corporate responsibility in Finland. Therefore, empirical data in the form of interviews assist the generation and application of this conceptual framework in a real-life setting.

The features of qualitative research have been explained already. However, in order to better understand the research process, it is important to discuss the nature of interviews used for empirical data gathering for this study. Thematic interviews containing open-ended questions were conducted to create an empirical background for this study. The exact interview questions are listed in appendix 1 of this report. Themes that formed part of the interviews are:

- CR In Finland
- CR and strategy
- Future of CR in Finland

Questions included under the first theme focussed on the interviewee's general perceptions on CR in Finland. The interviews began with this theme to warm up the interviewees to the topic and provide them with an opportunity to present their own views on CR in Finland. The second theme, CR and strategy, forms the crux of the interview. The questions that formed part of this theme aimed to create a platform to operationalize the theoretical framework that was discussed earlier. Important research questions such as how Finnish corporations incorporate CR into their strategies and business benefits of strategic CR could be analyzed from answers to questions from this theme. The final theme focuses on the future of CR in Finland. It asks questions related to future focus areas of CR and if CR will become more strategic in the future. Thematic interviews used for this thesis helped bring out answers to research questions in an uncomplicated manner.

Another feature about the questions is that they are open-ended. Since, the interviewees are CR personnel in the senior management of Finnish corporations, senior consultants and a policy advisor to the Finnish government; it was felt that simple yes or no questions would not fit into the context. Furthermore, in light of the research questions, open-ended interview questions would best bring out a higher level strategic discussion on the role of CR in business strategy of Finnish corporations. As mentioned earlier, one of the features of qualitative research is the fact that perspectives continue to change and evolve during the research process. This is true for this study and some interview questions were modified during the course of series of interviews when the research objectives became clearer. The next section will outline the research process for the study.

3.4. Research Process

As mentioned in the previous section, thematic interviews using open-ended questions provided the empirical data for analysis and generation of theoretical framework. This study was performed over several months and there are four stages to the research process. These stages are illustrated in the following figure.

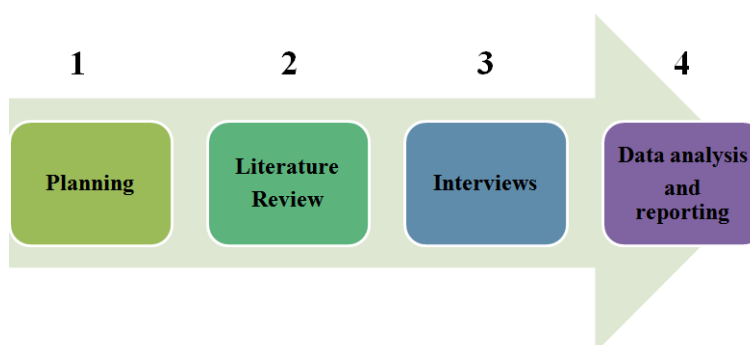


Figure 12. Four stages of research process.

Figure 12 illustrates the four stages that formed part of the research process. The first stage involved the planning of the study. The broad area of study was identified; in this case, it is corporate responsibility. After discussions with the supervisor and brief analysis of literature in this area, it was decided that the focus would be on the role of corporate responsibility on business strategy of Finnish corporations. During the second stage, relevant literature related to strategic management, CR and strategic CR were studied. This set the tone to define research objectives and prepare for interviews. Once, the interview questions were formulated, potential interviewees were contacted and an interview schedule was agreed upon. It was decided that interviewees would be CR personnel in the senior management of Finnish corporations. The choice of interviewees arises from the fact that since this study focus on the strategic aspects of CR, it would add value if senior management CR personnel would be interviewed. Furthermore, this study focuses on strategic CR at an operational level. Therefore, CR personnel in the senior management of Finnish corporations would be the apt insiders to discuss this issue both at a strategic and operational level. Furthermore, CR consultants and a Finnish government representative were also contacted for interviews in order to provide an outsider perspective and make the study more comprehensive. The list of interviewees is provided in appendix 2.

Then, during the third stage, interviews were performed. Each interview typically lasted 45-60 minutes and was recorded with permission from the interviewees. All interviews were conducted in the offices of the interviewees barring one, which took place at a more informal location. The recordings from the interviews were then transcribed and an analysis was performed into this data to design the research report. The final stage, involved the making of the report. A conceptual framework was developed from existing literature on CR and the interviews; this framework was then applied to the empirical data from the interviews. An overview of research methods and the research process used in this study were discussed. The upcoming section discusses the reliability and validity of this study.

3.5. Validity and Reliability of this Study

This study focuses on links between CR and business strategy in the Finnish context. Representatives from several leading Finnish corporations, consultants and a government representative were interviewed. However, there are boundaries of reliability and validity for any study. This section discusses the validity and reliability of this study.

Hammersley (1990) defines validity as ‘the extent to which an account accurately represents the social phenomena it refers to’. According to Silverman (2005), validity of an explanation is doubted at times, because the researcher does not discuss alternate points of view. He mentions that, qualitative researchers should critically examine all

their data and not just depend on few well-chosen examples. This study establishes its validity by the following means.

First, the domain of research is defined. In other words, this study focuses on CR in leading Finnish corporations. Second, in addition to CR personnel from Finnish corporations, viewpoints from independent consultants and a Finnish government representative are also taken into account. This provides a multi-dimensional approach to the study. Finally, as it will be evident in the upcoming chapter, many contrasting viewpoints are presented when an issue is discussed. Therefore, it is safe to assume that this research is valid in the context of leading Finnish corporations. Also, this study can be used to gain insight into strategic CR in other similar corporations that operate in comparable settings.

Reliability, according to Hammersley (1992), refers to ‘the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions’. Kirk and Miller (1986) mention, that, it is incumbent on the scientific investigator to document the research procedure. In accordance with this recommendation, all (except 1) interviews were recorded for this study. The recordings were later transcribed. However, as Silverman (2005) points out, the reliability of the interpretation of transcripts may be weakened by a failure to transcribe apparently trivial, but crucial, pauses and overlaps. Hence, a sincere effort was made to transcribe the recordings in total. However, while a researcher can vouch for validity of the study, it is up to the reader to infer if the study is reliable or not.

Some pointers regarding validity and reliability of this study were discussed. The theoretical framework presented at the end of the previous chapter will be applied in the Finnish context using the interviews as empirical data. Thus, the upcoming chapter presents the empirical data gathered during the interviews and data analysis.

4. STRATEGIC CR IN FINNISH CORPORATIONS

4.1. Current Status of CR in Finland

As mentioned in the previous chapter, this research is largely based on interviews of personnel in the senior management of Finnish corporations or the so-called ‘insiders’. Also, some interviews were conducted with consultants working in this area and a government representative so as to gather broader perspectives on CR in Finnish corporations. Earlier on, in chapter 2, some driving areas and management areas of CR in Finland were discussed based on work done by some Finnish researchers: e.g. Juholin (2004) and Panapanaan et al. (2003). However, as a starting point for interviews conducted as part of this research, an attempt was made to explore what different senior personnel who work in the CR area at a practical level thought about CR in Finland.

Therefore, the interviews typically began with a question regarding what CR areas Finnish corporations tend to focus on. This question was consciously kept open-ended as the objective was also to know how the interviewees interpreted this question at first thought. Excerpts from some of the interviews would help start the discussion. The interview numbers have been randomly assigned to each interviewee.

In Finland, many companies tend to focus on what is specific for their business. Many companies try to think what is specific for them rather than doing everything in society. This is at least our company's starting point.

Interview 12

The above point of view conveys that CR is specific to each company in Finland. However, some interviewees, especially consultants, mention specific CR areas generally applicable in Finland.

In Finland, we have come to the point that CR initiatives should have some connection to the business. The big issues in Finland are supply chain, waste management, energy efficiency, CO2 footprint and employee satisfaction.

Interview 2

Here, interviewee 2 refers to the various areas of management for CR in Finland. Interestingly, there are at least two different interpretations that can be inferred from answers given by the interviewees. Hence, two perspectives emerge when interviewees

were asked about areas for CR in Finland. The first one relates to factors that play a role to formulate specific CR agendas for different companies. The second perspective, on the other hand, is about management areas of CR within Finland. Further analysis into these two viewpoints will help understand the current status of CR in Finland.

4.1.1. CR Driving Factors in Finnish Corporations

Panapanaan et al. (2003) mention globalization, stakeholders, pursuit of sustainable development, business relations and customer demands as driving forces of CR in Finland. One of the interviewees summed up two main driving forces of CR in Finnish companies in recent times.

It depends on the type of business and role of international business in the company. Finnish companies operating more internationally have to think about global issues and global trends. So we don't always have the same things on the top.

Interview 11

Therefore, at a practical level, role of international business (globalization) and type of business (stakeholders) seem to be the most important driving forces. However, a question arises: what role do these factors play in Finnish corporations' organizational dynamics insofar CR is concerned. This is explained below elaborately.

Role of international business

Except one organization, all the other companies included in this thesis operate internationally. Most interviewees agreed that within Finland, companies tend to focus on environmental issues.

I think they (Finnish companies) are more on the environmental side. Especially, industrial companies have an impact on nature and are conscious about that.

Interview 8

However, when companies operate internationally, especially in developing countries, the situation is different.

I would say that for our company, when it comes to emerging markets (e.g. Africa, India, Latin America and China), there is more of a balance of social initiatives versus environmental issues in many countries.

Interview 10

Therefore, Finnish corporations seem to understand that there are different challenges in different countries of operation. While within Finland, a company faces certain CR challenges. However, when the same company moves abroad especially to developing countries, there are different challenges. The CR challenges in developing countries are more towards the social dimension of CR.

In Finland, we are kind of over those social issues (of course, some remain), that is why Finnish companies mainly have been concentrating now more on social issues as they spread to especially, less developed countries.

Interview 9

The above interviewees sum up the notion that focus areas of CR depend on the country of operation. While the environmental dimension may be more prominent in Finland and other developed countries, it is the social dimension which is prominent in developing countries. In addition to the geographic region, the industry in which a company operates in is also another important driving force.

Type of business

The type of business refers to the industry in which a company operates in. The CR focus areas of a company also depend on, for example, the industry type and whether the company operates as B2B or B2C.

In Finland, there are three groups of companies (focus areas in CR):

- *Forest and metal – environmental issues, forest management issues*
- *Retail – supply chain issues*
- *Telecommunications – global approach to CR*

Companies in B2B are different from companies in B2C.

Interview 6

The above viewpoint conveys the message quite accurately. Of course, new challenges emerge as each of these companies goes international. One of the reasons why the nature of industry is an important factor is because the stakeholders differ according to industry type. While there are some common stakeholders such as government and investors, other stakeholders such as NGOs and customers vary depending on the type of business. An example to illustrate this difference is as follows. An environmental NGO may not be demanding to an insurance company while the same NGO could be very demanding to a pulp and paper manufacturer or an energy company.

Panapanaan et al. (2003) mentioned pursuit of sustainable development and business relations as other driving forces. While, these issues are relevant too for Finnish companies, globalization and stakeholders (according to the type of business) seem to be the prominent driving forces of CR agenda in Finnish corporations at an operational level. The next section describes some management areas of CR within Finland.

4.1.2. Operational CR Management Areas in Finland

The previous section described some driving forces of CR in Finnish corporations at an operational level. The next question then is: what are some of the actual management areas of CR for Finnish companies.

It all starts with environment, environmental reporting and gradually extending to social areas. Most companies have environmental safety as an important area and then the community outreach.

Interview 7

Hence, the management areas of CR in Finland can be broadly divided into the environmental and social fronts.

Environmental

On the environmental front, some of the areas according to an interviewee are:

Climate change, carbon footprint, CO2 emissions reduction, energy efficiency, waste reduction, material effectiveness and water issues.

Interview 1

The above interviewee brought up an interesting discussion about water issues. In Finland, clean water is in abundance and it is not always the first concern for Finnish companies operating within the country. This is not to say clean water is wasted in Finland; rather, it just means that there are other environmental related issues that are more important within Finland. However, the same companies when they commence operations abroad, especially in water scarce regions, they are forced to make water utilization a priority and develop ways to minimize wastage of water. This example brings to light the dynamic nature of CR issues and how the same issue gathers or loses prominence depending on once again, the location. Hence, it is not only social issues that tend to change with location as pointed out earlier, but also certain environment related issues.

Social

The social front of CR management areas for Finnish companies largely consists of two further areas: sustainable supply chain management and employee welfare.

Traceability and legal supply chain have been very important. Supply chain in goods, especially, if products are sourced from Asia.

Interview 2

Traceability of goods can be of particular interest to consumers as they will be able to know the country of origin and conditions in which the product was manufactured. This helps the consumer to make responsible choices. A legal supply chain i.e., where labour, human rights and working conditions conform to local rules and regulations is also important for companies. According to interviewee 2, these issues affect the image of companies especially in the paper and consumer goods industry.

The second CR management area on the social front is employee welfare. In Finland, legislation regarding working conditions is already at a high level. Nevertheless, there are some measures that companies undertake beyond what is required by the law.

In some companies, there are issues such as work safety and training of employees such as reducing the number of sick days etc.

Interview 2

In Finland, like in most other developed countries, the average age of the population is higher compared to some developing countries. This means that there are more people leaving the workforce after retirement than those that begin working. Hence, according to some interviewees, Finnish companies try to be an attractive employer for the best talent joining the workforce.

Other CR management areas in Finland on the social front that Finnish companies report include stakeholder dialogue, donations and sponsorships. This is mentioned by Panapanaan et al. (2003). At this stage, it may be interesting to point out that many of the CR management areas in Finland are 'green' issues. However, Panapanaan et al. (2003) have not mentioned specific green issues in their areas of management for CR in 2003t. Therefore, it can be inferred that the so-called green issues have gained importance in recent times since 2003. Once again, this symbolizes the changing nature of CR even within Finland. The next section summarizes the overall CR situation in Finland.

4.1.3. Overview of CR in Finland

The discussions in the previous sections brought out several CR issues in the social and environmental dimensions. They were discussed on various levels and with different perspectives. This makes it somewhat challenging to gain an overall picture of the CR situation in Finland. Therefore, the following illustration summarizes what has been so far discussed at various levels.

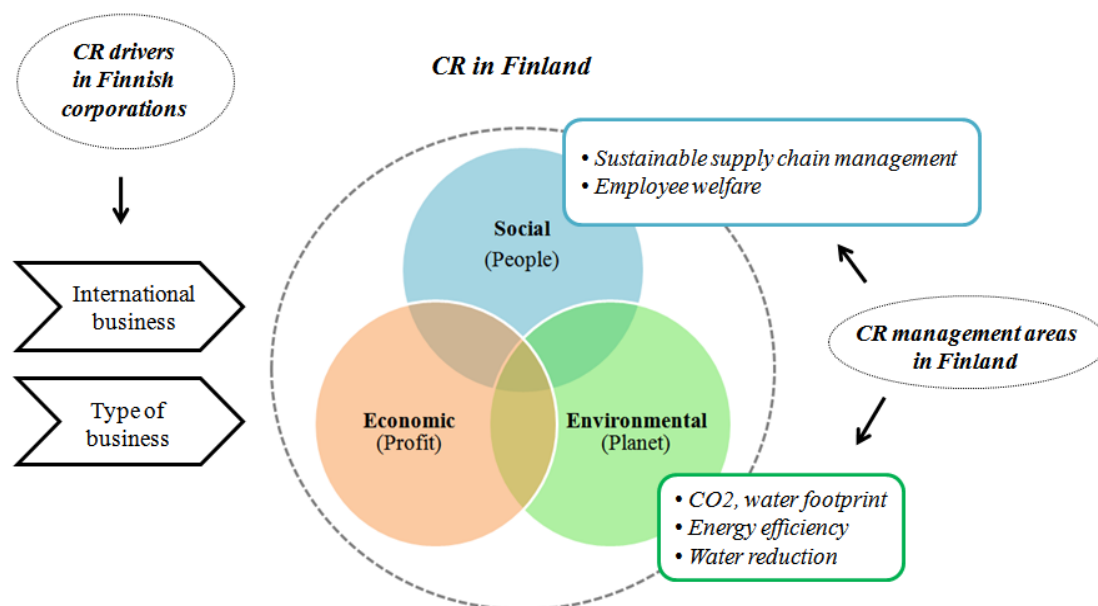


Figure 13. Overview of CR in Finland

Figure 13 provides a summary of the overall situation of CR in Finland at present. This was presented with two perspectives on the subject: driving forces and management areas of CR in Finnish companies. The role of international business and type of business seem to be prominent driving forces of CR in Finnish companies. Issues that are relevant in developed countries are different from those that are relevant in the context of developing countries. Furthermore, the industry in which a company operates in and the nature of business (B2B or B2C) also play a crucial role for Finnish companies to formulate their CR agenda.

Environment related issues have gained significance as a CR management area in Finland over the years. Moreover, there are also some management areas in the social dimension of CR in Finland. These relate to sustainable supply chain management and employee welfare issues. Having said so, the following notion nicely sums up this sub-chapter.

There cannot be one agenda. That doesn't fit. You have to look company by company, country by country. Even inside Finland, our sustainability challenges are different. It depends on the industry, company, location and challenges.

Interview 5

Thus, this sub-chapter described the present situation of CR in Finland through first hand information from CR personnel in the senior management of Finnish companies and consultants.

Several definitions for CR by many international organizations and researchers were presented earlier on in this report. The next sub-chapter attempts to find out the relevance of these definitions at a practical level for Finnish companies. Therefore, it will discuss how Finnish companies perceive and define CR.

4.2. How Finnish Corporations Perceive and Define CR

Chapter 2 introduced different terminologies to describe 'Corporate Responsibility'. Many definitions were also discussed. One of the objectives of this research is to find out how Finnish corporations perceive and define CR. All Finnish companies interviewed for this work had a person at the vice-president or director level for issues related to CR. CR related functions at these companies were either called 'Corporate Responsibility' or 'Sustainability'. This is one of the reasons why this research uses the term CR rather than CSR, although the latter is the most commonly used term in literature related to this area.

Some interviewees were asked why their organization preferred to use CR or sustainability instead of CSR. Since, this question was part of informal conversation with the interviewees; the exact excerpts of their replies cannot be reproduced. However, the gist of what many of them replied is that, their organization perceived the term CSR to focus more on social responsibility within the ambit of corporate responsibility related issues. However, this appears to be the perception of individual organizations because most literature related to CR does not make a distinction between CR and CSR. Hence, in order to accommodate the environmental and economic dimensions in addition to the social dimension, Finnish corporations generally prefer the terms CR or sustainability over CSR. Therefore, it can be inferred that most companies understand CR to include economic, social and environmental dimensions. In other words, they tend to adopt the Triple Bottom Line (TBL) approach.

I would say it is very much based on the GRI [Global Reporting Initiative], we also have the environmental, social and economic responsibility.

Interview 8

It is about taking environmental and social factors into account in normal business practices. It is also integration of the various aspects. We want to look at these issues as holistically as possible.

Interview 6

At a basic level, almost all the companies interviewed perceive CR with the triple bottom line approach. However, some organizations carry forward the TBL approach to a different level in practical terms.

In addition to taking environmental, ethical and social aspects into account, it is also about how we develop solutions as part of our products that enable people to enhance their lives. Sustainability is not a separate activity in our company.

Interview 10

In this case, the above company perceives CR at two levels. At the first level, it is to take into account environmental, ethical and social aspects into decision making and product development. The second and a more practical level is that how the company creates solutions to enable people to enhance their lives. Another example of a practical approach to CR is mentioned below.

We have CR promises and this also defines the contents of our CR. We have given 3 promises each to our clients, to our personnel, to the environment and to the society. These convey what we are going to do and what we are committed to do. So, this is very easy to communicate.

Interview 12

The approach here is to convey specific promises to key stakeholders. Another interesting perspective at a very practical level is as under.

Well, we haven't defined CR for our company. That is like honesty. You don't define it, you just do it and it has to be in-built in all your activities. We support the idea of a sustainable business in all our business areas.

Interview 11

The above view perhaps represents the Finnish culture best. Finns value honesty and get to doing things right away. Hence, from the above statements, it is quite clear that most Finnish companies perceive CR as integrating environmental, social and economic dimensions of CR in their business operations. However, within these discussions, three aspects were highlighted.

- Hierarchy within the 3 dimensions of CR
- CR not only includes voluntary actions but also legal obligations
- Gaps between academic and operational viewpoints on CR

These three aspects as part of how Finnish organizations understand CR are discussed.

Hierarchy amongst the 3 CR dimensions

Carroll (1991) introduced a CR pyramid in which he placed economic responsibility at the base of the pyramid. Other responsibilities were placed over economic responsibility. Carroll's (1991) framework was extensively discussed in the previous chapters of this research. Hence, the question is if there is a hierarchical structure to the 3 dimensions of CR at an operational level in Finnish companies.

You must have a basis for a sound economic situation, then you can start building up but of course they [3 dimensions of CR] are all interacting. I think all these three aspects go hand-in-hand.

Interview 9

An example quoted by the above interviewee is that if a company does not take care of the environment or its employees, the money would not come in either because the people working in the organization are unhappy. Certain other interviewees had a slightly different perspective.

In our case, the economic reach is very simple. We have to be profitable; else, salaries cannot be paid. Then we have the environmental pillar. Then we have as an umbrella, the social responsibility. Depending on the industry, there are different possibilities of building sustainability within a company.

Interview 5

Thus, for most companies economic responsibility is important for practical reasons such as adding shareholder value and day-to-day operations of the company. This, however, does not mean that the economic dimension is more important than the other dimensions. Nevertheless, for most companies, economic responsibility forms the base of their CR for reasons mentioned above. Hence, in the Finnish context, Carroll's (1991) pyramid is not fully applicable although a certain level of hierarchy does seem to exist for Finnish corporations.

CR includes both voluntary and legal aspects

There is a notion, both in literature and amongst some CR personnel, that CR is what companies pursue over and above legal requirements. However, one interviewee felt

that CR includes not only the voluntary component but also what is required by law. Furthermore, the voluntary component of CR may be referred to as ‘voluntary CR’.

CR is the responsibility which enterprises have to the society as a whole. Part of this is legal and part of it is voluntary. Some people say CR is only voluntary. Why is it only voluntary? Why not the legal part? If a company does not follow the law, it is not being responsible.

Interview 4

According to interviewee 4, the legal and voluntary components vary for the three dimensions of CR. This variation is illustrated in Figure 14.

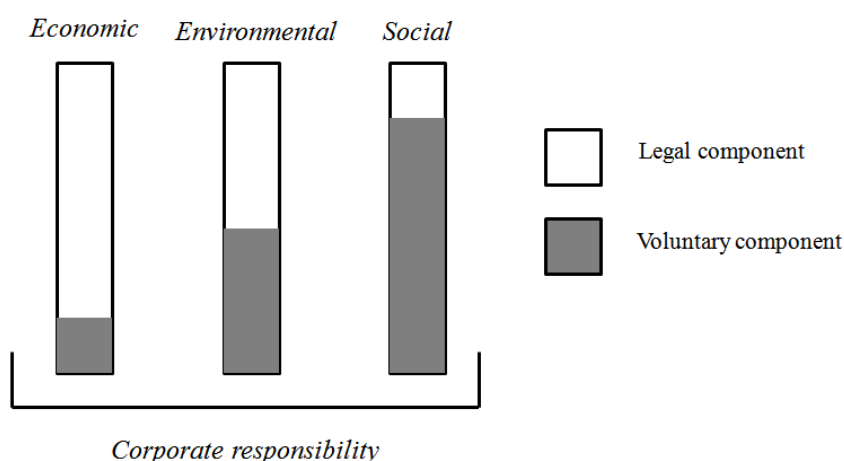


Figure 14. Legal and voluntary components of CR.

The above illustration indicates that the economic dimension has a larger legal component, while the social dimension has a larger voluntary component. In case of the environmental dimension, the legal and voluntary components are more or less the same. This, of course, is in the Finnish context and is subject to variation for other locations depending on local regulations.

A larger legal component attached to economic responsibility could be one reason why most companies place it at the base of any hierarchical relationship between the three dimensions of CR.

Gaps between academic and operational viewpoints of CR

CR has been a topic of research for many years now. As the concept has gained importance over the years, there has also been a rise in interest on part of researchers on the subject. However, one of the reasons for this research is to present CR in an uncomplicated manner with focus on its practical implications for Finnish companies.

The reason being, some of the authors and researchers who have discussed this topic are found to be academic. Some interviewees raised this notion too.

The academic people have a problem learning CR. This is a puzzle that started from small pieces and at the end they had to be put together.

Interview 2

I think there is a huge gap between researchers, academia and others from that world who don't really understand what this means at a practical level.

Interview 5

There is some truth in the above statements. Unlike other areas of business such as marketing, operations, finance or strategy, CR is very specific to each company depending on a multitude of operating factors such as location, type of business etc as discussed earlier. Hence, there appears to be some differences between how the academic world and the corporate world perceive CR. An important difference is that, researchers tend to formulate frameworks based on a generalized notion of CR. However, companies adapt their CR agenda to practical realities they face in the course of running the business. Hence, the CR agenda of many companies is not fixed; rather, they evolve to address new operational realities and challenges. This research also introduced a framework in the previous chapters!

Given the multiple perceptions and interpretations of CR, it becomes necessary to combine these viewpoints in order to gain a thorough understanding as to how Finnish companies view CR. Chapter 2 mentioned several business benefits resulting from incorporating CR into business strategy of companies. The next sub-chapter examines whether Finnish companies consider CR as strategic and if so, what are the implications.

4.3. CR-Strategy Links in Finnish Corporations

4.3.1. Is CR Strategic for Finnish Firms?

So far, a general overview of CR in Finland and how Finnish enterprises perceive CR was discussed. The principal objective of this thesis is to explore the role of CR in business strategy of Finnish companies. In other words, the objectives are to find out if CR is considered strategic by Finnish companies; if so, how CR fits into their business strategy and what the business benefits of CR are for Finnish companies. So, do Finnish corporations consider CR as strategic? The reason for such a question is because, unlike in many other countries, most large Finnish companies have a person in the senior management to deal with CR issues. This question was posed to the interviewees.

I would say that most Finnish companies do and we definitely do think that it has to be embedded into the business strategy and into the business activities.

Interview 10

Yes, it is always in the highest strategy papers. It comes through the finances, quality and well-being of the employees. It comes into play in all that we do.

Interview 9

Clearly, representatives of many Finnish companies consider CR to be strategic. However, some interviewees, especially consultants, felt that only the top 10-15 Finnish companies considered CR as strategic.

There are the fore-runners. The biggest and the front runners do it like that. They have a senior level person in-charge. But it is only about 10-15 companies doing it. It does not work if you take the 100 biggest Finnish companies.

Interview 1

One interviewee felt that more could be done by Finnish companies in terms of looking at CR from a strategic perspective.

I am not quite sure. I find CR organized at a higher level in, for example, UK and Germany than what I find in Finland.

Interview 2

Based on the above discussions, two inferences can be made. First, representatives of Finnish companies feel that their organization looks at CR as strategic. However, the so-called outsiders while conceding that CR is considered strategic by at least the forerunners point out that there is room for improvement especially in the light of other countries. The consensus amongst all was that, CR should be incorporated into business strategy. According to them, by doing so, Finnish companies reap various business benefits.

CR is part of the strategy if the company realizes that it can bring some profits to the company. Otherwise as a value as such, it does not enter the strategy. It is definitely part of the strategy in our company.

Interview 5

Thus, all interviewees agree that CR should be incorporated into business strategy and this would bring business benefits for the company. This notion corroborates with the

various business benefits of strategic CR mentioned earlier on in chapter 2. These benefits are discussed in the upcoming section.

4.3.2. Strategic CR – Business Benefits for Finnish Corporations

In the previous section, there was unanimous agreement that strategic CR brings business-related benefits to companies. The European competitiveness report (2008) pointed out commercial benefits of CR in areas such as cost structure, performance of personnel, customer perspective, innovation, risk and reputation management, and financial performance, as discussed in chapter 2. Furthermore, Porter and Kramer (2006) mention that CR can be a license to operate for companies. Therefore, this section deals with business benefits of strategic CR for Finnish companies.

It is a combination of meeting legal and stakeholder expectations, competitive advantage and risk management for companies.

Interview 4

Some business benefits of strategic CR which emerged from the interviews are discussed below:

License to operate

Some companies feel that pursuing CR as part of their strategy gives them the license to operate. One reason could be, for example, the nature of industry a company operates in entails the company to operate in a responsible manner.

The business that we are in is full of responsibility and involves people's emotions. Therefore, we have to be responsible. It is controlled, not very free and we have a major role in people's lives.

Interview 12

For us, our environmental impact is probably the most important because of our field. We would not be able to operate if we are not responsible.

Interview 8

In some industries, particularly pulp and paper, metal industry and even insurance business, CR gains prominence as license to operate before other business benefits can be reaped. Sometimes, being the market leader demands responsible behaviour.

We have a physical presence in over 150 countries and we are one of the most recognized brands in the world. We have a large supply chain that extends its branches to almost every region of the world. So, to us our leadership position entails responsibility. It is not an option.

Interview 10

License to operate may not in itself, be a tangible business benefit. However, companies earn goodwill of stakeholders and can pursue their business in an atmosphere without conflicts with governments or other stakeholders. In some cases, the license to operate becomes a pre-condition to ensure other business benefits.

Competitive advantage

Competitive advantage relates to a firm's ability to earn and sustain superior performance than its competitors. This can be achieved either with lower price or higher quality. CR is often viewed as a source of competitive advantage by Finnish companies. In a highly competitive business environment, there are sometimes no possibilities to offer the lowest price or offer products that are significantly better than competitors. In such situations, a good CR record may offer competitive advantage to a company.

If we do our work well, we get some kind of a competitive advantage. If price is right, sustainability is an added value. We also have a competitive edge from the climate perspective.

Interview 5

Some companies believe that they can differentiate themselves from competitors by being sustainable.

We want to be chosen by the quality and environmental conscious customers, so we think those 2 issues go hand-in-hand. We want to be seen like that so that our customers will choose us in the future.

Interview 9

In this case, sustainability differentiates a company from its competitors. Hence, in addition to price and/or quality, sustainability can also lead to competitive advantage.

Risk and reputation management

A majority of Finnish companies that were interviewed view CR as a risk management tool. Some of them because of the industry in which they operate in while others due to their large international presence.

The sustainability world, for many companies, is seen as risks. It might be risk for their production, products, operations, HR policy etc. If companies do not comply with general perceptions, stakeholders may avoid the company and its products.

Interview 1

Hence, companies are forced to be sensitive to issues like climate change in order to avoid backlash from key stakeholders.

We see CR as a tool for risk management also. To be able to identify risks in our business, in our business environment and so on; and to take care of the issues early enough so that they don't materialize into actual risks.

Interview 11

CR as a risk management tool is particularly useful given the fact that these days, companies are increasingly subjected to close scrutiny by the media and other external stakeholders. Not complying with stakeholder expectations costs not only reputation but also a lot of money. Furthermore, some Finnish companies point out that portraying CR as a risk management tool attracts investors too.

Appeal to investors

Socially Responsible Investing (SRI) is fast gaining popularity with investors as a long-term investment strategy. SRI demands that investors take into account the social good of their investments in addition to financial gains. Finnish companies realize that if they are sustainable, it will be easier to attract investors and financiers.

Sustainability indices enable tracking the financial performance of leading sustainability-driven companies worldwide. This in turn makes the company an attractive investment for investors.

Interview 3

Clearly, from the investors' point of view, PRI (Principle of Responsible Investments) is gaining importance and investors put a lot of effort into identifying responsible companies.

Cost structure

There is a general perception that pursuing CR tends to increase costs for a company. However, some interviewees think otherwise.

Instead of shareholder value, we should talk about stakeholder value. So very seldom, the costs are very high, very seldom we have to do something that makes our profits lower.

Interview 2

In this case, while it cannot be conclusively inferred that CR reduces costs, it can be safely said that it does not increase costs significantly so as to affect profitability of a company.

Hence, license to operate, risk and reputation management, competitive advantage, appeal to investors and cost structure are seen as key business benefits of strategic CR for Finnish companies. In addition to the above benefits, some companies also mention being an attractive employer and employee welfare as benefits of CR. They believe that when employees are happy, it results in better business prospects directly or indirectly. These benefits are illustrated in Figure 15.

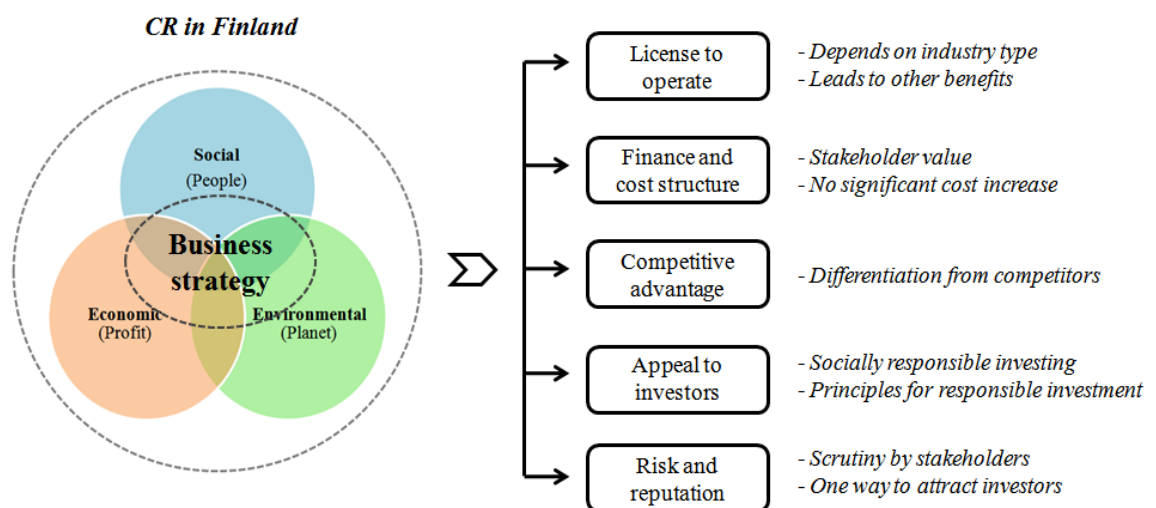


Figure 15. Business benefits of strategic CR for Finnish corporations.

The above illustration summarizes the business benefits of strategic CR in the Finnish context. Most interviewees point out that these benefits are a result of their CR agenda rather than reason for the same. However, some companies choose to pursue CR with an altruistic motive.

The value is called responsibility. It is to show communities, investors and other stakeholders and people in-house that we are a responsible player. Responsibility is one of our corporate values.

Interview 7

We want to be responsible in general and not only think about money. So it is kind of the Nordic countries tradition that people are responsible.

Interview 8

Thus, there is a need to bring together and balance altruistic CR motives and business benefits of CR. One interviewee, however, mentioned that these are practical issues and it is not about saving the world or reversing climate change! Most companies pointed out that CR is well integrated within their strategy and results in substantial business benefits for their organizations. The next section will explore how CR is integrated into business strategy of Finnish corporations.

4.3.3. Integration of CR into Strategy of Finnish Corporations

From the previous discussions, it is quite clear that Finnish companies see business benefits in incorporating CR within their business strategy. This section will explore how CR is integrated into the business strategy at Finnish corporations.

We believe that the way to integrate sustainability has to really start from the grass root level. It has to be fully embedded into our business strategy and business activities.

Interview 10

The question is how to integrate CR into business strategy at an operational level. Chapter 2 presented a theoretical framework to establish CR-strategy links. As defined earlier, business strategy deals with understanding and addressing issues that impact a company's ability to achieve its mission, so that products/services can be produced to meet the needs of the markets it serves through effective configuration of resources, in order to build and sustain competitive advantage (Galbreath, 2009). The framework described earlier established links between CR and various dimensions of strategy mentioned in the above definition. These dimensions are mission, internal and external strategic issues, markets, customer needs, resources and competitive advantage. One way to assess how Finnish companies have established CR-strategy links is to operationalize this framework in the Finnish context. It was inferred from the interviews that CR-strategy links can be created in the following areas:

- Mission
- Strategic issues
- Geographic markets
- Customer needs
- CR as a resource for competitive advantage
- Management structure that reflects strategic CR

Each of the previously discussed areas is elaborated below:

CR and mission

Company mission is a declaration by an organization to its stakeholders about its purpose and intent. Some Finnish companies mention sustainability and responsible behaviour in their mission statements.

The only statement we have is that we want to be the company of choice for the quality and environmentally conscious customer. So, that is our vision and it is right there. While buying new equipment, we have sometimes chosen environmental performance over financial implications.

Interview 9

In this case, the company tries to incorporate sustainability in all its actions because the company has decided to link CR to its mission – the very reason for its existence.

CR and strategic issues

There are several issues, internal and external, that significantly affect a company's ability to meet its objectives. These are known as strategic issues. (Ansoff, 1980) In the Finnish context, some interviewees felt that CR can be linked to business intelligence in order to identify current or emerging strategic issues that are relevant to a company.

I think CR should be part of business environment analysis in the strategy process. It takes the function of business intelligence. Gathering weak signals, analyzing them and see if they are getting stronger.

Interview 1

Hence, CR related strategic issues may be identified by linking CR and the business intelligence component of strategy.

CR and geographic markets

Target markets constitute a group of buyers who consider the firm's offering(s) appropriate and to whom the firm will direct significant marketing resources. (Cahill 1997) Target market may be dealt at two levels: geographic segments and customer segments.

In the geographic analysis, companies should take into account what is going on there, what signals do we get from those markets, what is the socio-political situation in the specific locations for the company.

Interview 1

As operations of many Finnish companies become more and more international, companies come under greater scrutiny in their choice of geographic presence. A popular notion is that companies should not operate in locations with poor human rights record, authoritarian regimes and other serious socio-political problems.

Should we operate in areas where there are serious socio-political issues? But when we do operate, we keep the link open to the outside world.

Interview 9

The above justification may sound acceptable to some. However, there are always critics who do not agree with such justifications. Clearly, the choice of geographic markets is a key CR related strategic issue for companies. The customer related CR-market links are discussed alongside customer needs.

CR and customer needs

Companies can meet customer needs and create value for the customer through customer orientation and innovation (Galbreath, 2009). From the interviews, it appears that there needs to be a stronger customer movement in Finland to progress CR related customer demands.

I would say customers have to be more impactful. Customer organizations have to focus their work to progress customer demands.

Interview 4

However, customers of some Finnish enterprises that operate in the B2B business are more demanding.

Some of our customers are very influential in their industry and are demanding. That is why it is important to have clear responsibility at the right level.

Interview 6

Therefore, there appears to be different CR related customer demands depending on whether the business type is B2B or B2C. While it is relatively easier to create products to fulfil CR related customer demands in the B2B world, it is a bit more challenging for B2C companies since the demands are not as specific as it is in the case of B2B

customers. Nevertheless, B2C Finnish companies should try and proactively pre-empt such needs and value for their customers using CR.

We try to see where the tendency of our customers are going, what they value and what I would like to have is an open feedback from different stakeholders to tell what we should do.

Interview 9

There are some Finnish B2C companies that are already doing this. However, this is an area where there is scope for improvement.

Using CR as a resource for competitive advantage

In the resource based view approach to strategy, the focus is to create and leverage resources that are valuable, rare, inimitable and non-substitutable (Dierickx and Cool, 1989; Barney, 1991; Amit and Schoemaker, 1993). In the CR context, according to Galbreath (2009), one way for companies to create such resources, and thus competitive advantage, is by being a responsible corporate citizen.

The way we did it was that it is the base of the whole strategy. So, it is like we look through this CR prism. Our choices are based on responsibility and CR has to be everywhere. We cannot just have a separate CR function.

Interview 12

How each company embeds CR to its strategy is very specific to the operations and strategy of the different companies. Therefore, CR is a valuable resource that cannot be imitated by competitors. After all, the purpose of business strategy is to create sustained competitive advantage for companies.

Management structure for strategic CR

So far, the discussion has focused on incorporating CR into various elements of strategy such as mission, strategic issues, markets, customer needs and resource for competitive advantage. As noticed above, there are many Finnish companies that adopt such an approach to integrate CR within business strategy. However, this approach seems to be quite vague. Hence, in addition to the approach that was discussed so far, a majority of Finnish companies adopt a more practical approach to integrate CR and their business strategy at an operational level.

It does not have to be a separate function. We don't have a function. There is someone responsible for the implementation, the training and to see what is happening in the world, what other companies are doing. It is important to have someone coordinate these things in the organization.

Interview 8

Therefore, unlike personnel in the senior management for other strategic areas, the CR personnel merely coordinate and are responsible for its implementation in the organization.

Someone in the board of directors should be responsible for CR and someone from the top management should have the overall responsibility for CR in the corporation.

Interview 2

Most Finnish corporations have management structure and practices that reflect CR-strategy links in the organization.

Our management takes CSR issues in the way of management. Our CEO, for example, when he makes his public statements and his letters to personnel, he takes up these issues. So, it is actually very much in-built in the management agenda.

Interview 11

Therefore, Finnish companies look at CR within business strategy as more of coordination, commitment from top management and management structure that reflects integration of CR within business strategy. Another example is creating a CR forum as mentioned below.

We have a CR council that meets 2-3 times a year, more often if needed. It is chaired by the president and CEO of the company. It consists of group executive deans and it shows that we have a forum to focus only on CR matters and it gives the right context and importance to these matters.

Interview 6

Here, only CR issues are discussed by the senior management of the company and this exemplifies the strategic nature of CR for some Finnish companies. Literature and other academic research concerning strategic CR seem to have overlooked how CR can be integrated within strategy with a management structure that reflects these links. This was also not discussed in sections of this thesis that focused on existing literature on

CR-strategy links. Hence, as it was mentioned by some interviewees earlier, there exists a gap between the academic and corporate worlds in understanding CR, especially at an operational level. However, an important objective of this thesis is to understand CR-strategy links at an operational level in Finnish companies.

It is quite challenging to illustrate CR-strategy links as it seems to be embedded within every functional area of companies. However, the following figure attempts to put together different approaches taken by Finnish companies to incorporate CR into their business strategy.

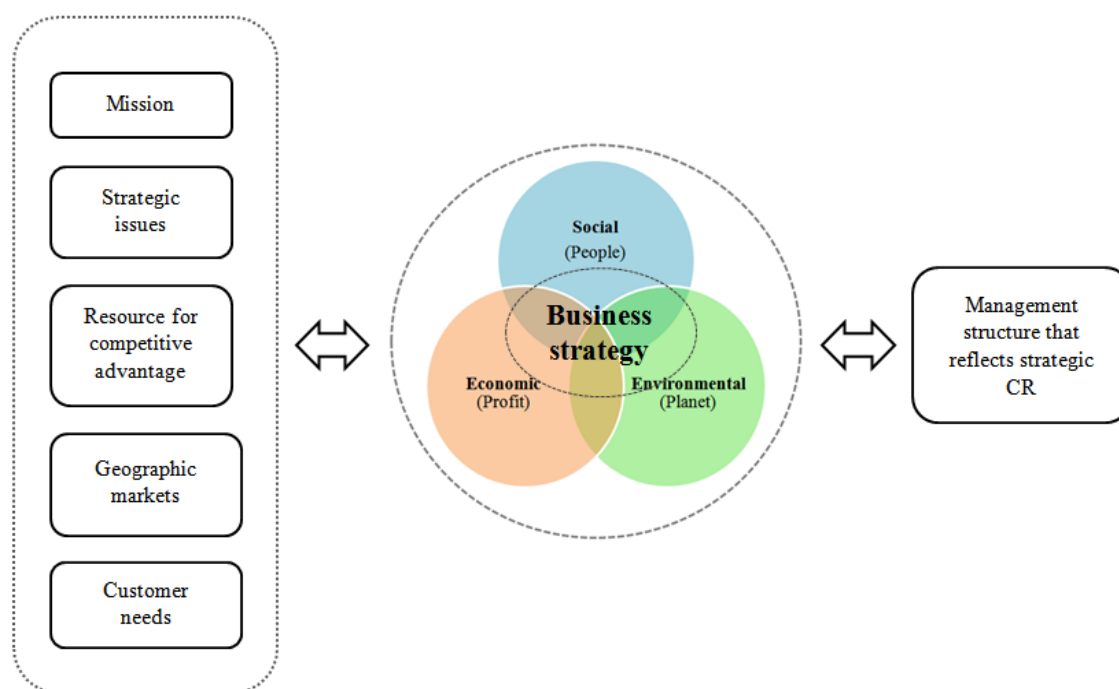


Figure 16. Incorporating CR into strategy in Finnish corporations.

The illustration represented in Figure 16 points out how CR can be incorporated into business strategy to form a strategic CR perspective. The framework shows the different approaches adopted by Finnish companies. This is done by establishing links between CR and dimensions of strategy, along with a management structure that reflects CR-strategy links in the organization.

Through the course of discussion in this research, it was noticed that CR continues to evolve; new areas are gaining increasing relevance for companies. While it is important for companies to focus on present issues related to CR, it is prudent for companies to prepare themselves to address new CR related areas. Therefore, the next sub-chapter will explore some future trends related to CR in the Finnish context, according to the interviewees.

4.4. CR in Finland – A Look into the Future

4.4.1. CR's Increasing Role in the Future

The current status of CR in Finland was discussed in the beginning of this chapter. Most large Finnish corporations seem to consider CR as strategic. The previous section described how Finnish companies incorporate CR into their business strategy. As CR continues to evolve, interviewees were asked if they considered CR to become more strategic in the near future.

Yes, I am certain with that. These issues will become more important. If you don't do it correctly, it will ruin your reputation. You lose financiers, employees and in the worst case, you lose the right to operate.

Interview 8

Competing for scarce resources, the ones that have solutions will prosper; not only climate change but also water and other issues. Yes, it is definitely going to be more and more important of how companies do business.

Interview 6

Therefore, increased stakeholder scrutiny and competition for scarce resources are seen as important reasons why a majority of Finnish corporations believe that strategic CR will gain more importance in the near future. Some interviewees feel that there is scope for improvement for organizations that are not yet pioneers in strategic CR.

Yes, there are some forerunners and then there are organizations that could do better.

Interview 4

Most interviewees agree that the top 10-15 Finnish companies are focusing on strategic CR. However, the question is about other smaller companies.

Finnish multinational companies have already realized that. For companies operating only in Finland, it might become strategic if they see a business opportunity. However, small enterprises may find it difficult because they don't have the knowledge, the resources etc.

Interview 5

Although, there seems to be a lot of optimism and hope, some fear what would happen if there is a financial downturn in the economy.

Realistically, a lot depends on the economics. When everything is going well, there are no problems. But, when the financial conditions are not favourable, then it is a real test.

Interview 12

However, the question is: shouldn't companies be more responsible and pursue more CR initiatives, especially the social dimension, if the economy is not doing so well? This could be something to ponder upon for Finnish companies during a financial downturn, for instance.

A vast majority of interviewees agreed that strategic CR will gain importance in the near future for the reasons mentioned above. So, what would be some emerging areas of strategic CR in the near future? The next section will provide some clues.

4.4.2. Emerging Strategic CR Areas for Finnish Corporations

Environment related issues were not mentioned by Panapanaan et al. (2003) in their list of CR management areas in Finland. However, at present in 2010, there is unanimous agreement that green issues are very important in the international and Finnish contexts. This is a good example to show how green issues evolved from being almost a non-issue in 2003 to 'the' most important CR issue in 2010, a span of just 7 years. This section attempts to forecast what CR issues could be relevant for Finnish corporations in the near future.

Water footprint, traceability at product level, integrated reporting – different stakeholders are interested in different issues.

Interview 2

There should be a holistic view. There are little things that are all tied up. The issue of fresh water is becoming more and more important.

Interview 9

Finland is quite lucky as a country, given the abundant availability of clean water. However, many of parts of the world are not so lucky. Therefore, water footprint is something Finnish companies would have focus on when they set up operations in foreign countries, especially where there is scarcity of water. Some companies are already doing it while others are yet to follow.

Sustainable supply chain management is definitely one. It is said it is very difficult to manage that. However, companies have to do something about it.

Interview 1

It is true that it is difficult to monitor and ensure that all suppliers of a company behave responsibly. The question is: how far can a company impose its CR policies on its suppliers? Furthermore, it is difficult to have the same CR expectations from all suppliers. Therefore, would a company have similar CR expectations from, for example, a taxi service company and a manufacturing sub-contractor? These are interesting, yet challenging questions for Finnish companies.

When it comes to supply chain, it is not only labour conditions but also how well we are in our industry to track the origin of materials used in our products to the supply chain.

Interview 10

Customers are increasingly demanding traceability of products that they purchase. They would like to be sure that the products they purchase are manufactured in legal working environments. Therefore, traceability, as mentioned before, is also expected to become more important. Some companies, especially those in the forest and energy business, see bio-fuels as the next big thing.

For our company, renewable diesel, bio to liquid, coal to liquid and gas to liquid are important focus areas in the near future.

Interview 7

Some other areas of interest that were mentioned during the interviews are social issues, preserving biodiversity and sustainable agriculture. Therefore, to summarize what has been mentioned above, some important strategic CR areas for Finnish companies in the future are:

- Water footprint and social issues
- Sustainable supply chain management
- Traceability of origin of products
- Renewable fuels
- Biodiversity and sustainable agriculture

Thus, this section pointed out some important CR focus areas for Finnish companies in the future. Some interviewees mentioned integrated CR reporting as an upcoming trend.

The next section briefly discusses different viewpoints on integrated reporting by Finnish companies.

4.4.3. Integrated CR Reporting

Finnish companies report their CR performance periodically. Some companies choose to produce a separate sustainability report while some others have just one report, an integrated annual and CR report. One interviewee pointed out that integrated reporting would be an important trend in the future.

Last 3-4 years, the report has been integrated. It will continue for a while. People reading the finance report also want to know that the company is behaving responsibly.

Interview 7

Fully integrated reports, according to some, reflect how well CR is integrated within business strategy of companies.

When the report is truly integrated, you can't make out the difference between annual report and CR report. So, it should be in those cases where CR is really well-embedded into the companies.

Interview 1

The above viewpoint may hold good for only certain types of companies. It would be easy to produce an integrated report for companies whose main business is sustainability. However, some other types of companies choose to keep the annual report separate from the sustainability report.

A GRI report has to have a certain language and a certain format, and we have to be very careful in what we say. It is difficult to use an integrated report as a marketing brochure for the company. Our auditors require proof for everything we say.

Interview 5

As long as organizations fully integrate CR into their business strategy, it is ok to have two separate reports. After all, not all stakeholders are interested in the annual report of companies and neither are all stakeholders interested only in the sustainability reports of companies. Therefore, it is best for Finnish companies to decide how they choose to report in line with their organizations' strategy.

The previous chapters discussed in-depth, issues such as CR in Finland and strategic CR in Finnish corporations. Many views and counterviews were presented focusing on CR in Finnish corporations based on interviews with CR personnel in the senior management of Finnish companies, consultants and a government representative. Towards the end of each interview, a hypothetical question was posed to the interviewees. The next section discusses this hypothetical question and the answers given by the interviewees.

4.4.4. Can CR be Outsourced?

The transformation of CR from a purely altruistic function to a strategic business area was pointed out several times in this thesis. Taking this notion one step further, at the end of each interview, interviewees were asked if they thought CR could be outsourced. Before their replies are discussed, the rationale behind such a notion should be examined.

According to Lankford and Parsa (1999), outsourcing is procurement of products or services from sources that are external to an organization. Some may wonder why organizations would outsource some of their functions to an external organization. McCarthy (1996) mentions some benefits of outsourcing for companies. They are listed below:

- By outsourcing, companies can refocus their resources on their core business.
- Corporations can procure technology or services from a vendor that would be too expensive for them to replicate internally.
- Reduced costs, over the longer term.

Although firms have their own reasons for outsourcing, the above are some common reasons why many companies choose to outsource. Some characteristics of CR are:

- CR activities are not core-activities for most companies
- Many companies do not have specialist knowledge about CSR related activities.

Therefore, an argument could be made that since CR is not a core-competence for business organizations, it qualifies to be outsourced. Furthermore, many companies have limited knowledge and resources for CR. Hence, why not outsource CR to an organization whose core-competence is CR-related? These organizations could be, for example, NGOs. There are several benefits and limitations of such an agreement.

An important benefit would be closer collaboration with NGOs that are key stakeholders for certain companies. Corporations could, for instance, share general project management skills with NGOs through skills-transfer. NGOs may also be

financed by companies that choose to seek their CR-related services. However, there are some limitations too.

First, companies could be seen as shifting their responsibility towards society to a third-party. Thus, other stakeholders such as customers and governments may interpret this as irresponsible corporate behaviour and this could lead to a backlash from customers. Second, as NGOs begin to collaborate with more corporations, their credibility and independence could become a question mark. Finally, the question is whether organizations that have an environmental impact through their operations, e.g. in the forest industry, outsource CR. This is because reducing environmental impact is a key area of concern for such businesses and constitutes an important part of their operations.

CR, unlike other business functions, also contains an ethical and moral component to it. Hence, the larger question is whether ethical functions of one company can be handled by a third-party external organization. With these notions, interviewees were asked their opinion on the idea of outsourcing CR.

Not totally because CR is heart of strategy. But, you can outsource several parts of the debates on CR. It is a strategic issue and it is not very meaningful to outsource a strategic issue.

Interview 7

In think some elements can be outsourced. A lot of companies are using consultancy services to streamline and improve their processes but I don't think the core of CR can be totally outsourced.

Interview 10

Therefore, some interviewees felt that some parts, especially non-core parts of CR, can be outsourced. Examples of this could be consultancy services as mentioned above, CR related communication and information gathering systems such as help desks. Some felt that no aspect of CR should be outsourced.

I don't think so. I don't like to even outsource reporting.

Interview 2

No way! If a company outsources CR, it is like putting the company's brain on the shelf.

Interview 4

Clearly, opinions are sharply divided on this issue. Nevertheless, this hypothetical question provoked some thinking and some interviewees thought this issue is worth pondering upon. Despite these differences, most interviewees were in favour of closer collaboration with NGOs and other key stakeholders.

There is a lot of discussion on public-private partnerships. We have this discussion with all NGOs we are in cooperation with. I am really interested in learning from the NGOs.

Interview 12

Why not? I haven't thought about it. But we should have more cooperation with various stakeholders and have projects where we can do something together.

Interview 8

Thus, opinion is clearly divided on whether CR can be outsourced. Perhaps, one reason for the sharp opinions regarding outsourcing CR is the fact that CR is also associated with morality and ethics. Nonetheless, there seems to be consensus amongst Finnish corporations that there should be closer dialogue, common projects and collaboration with key stakeholders.

The next chapter brings together benefits of strategic CR (discussed in section 4.3.2.) and incorporation of CR into business strategy (discussed in this 4.3.3) to illustrate an integrated framework that summarizes the role of CR in business strategy of Finnish corporations.

5. REPRESENTATION OF STRATEGIC CR IN FINNISH CORPORATIONS

There is a need to bring together, altruistic and commercial perspectives of CR in the Finnish context. Thus, this section will introduce an integrated framework that tries to bring together, the altruistic and commercial perspectives of CR along with how Finnish companies integrate CR into their business strategy. This is shown in Figure 17.

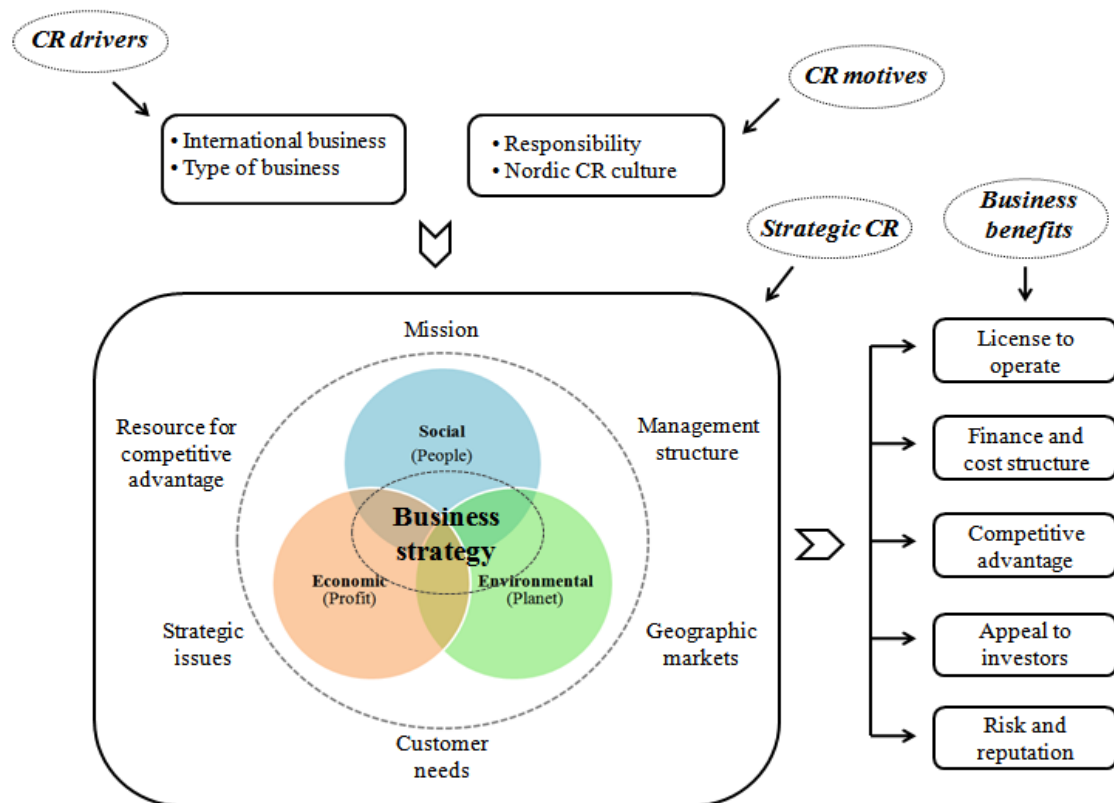


Figure 17. Integrated strategic CR framework for Finnish corporations.

Figure 17 shows an integrated framework that combines CR drivers, altruistic motives of CR along with commercial business benefits of strategic CR in the Finnish context. It illustrates how Finnish companies incorporate CR into their business strategy to achieve significant business benefits. This framework shows that Finnish companies balance altruistic CR with strategic CR to result in business benefits for their organization.

CR drivers for Finnish corporations are extent of international business and the firm's type of business. CR issues vary across different geographic regions of the world. The

issues in developing countries, for instance, are different from what exist in the developed world. Furthermore, the type of industry and business (B2B or B2C) also act as drivers for CR in Finnish corporations. Issues in the forest industry, for example, differ from what banking companies experience.

From an altruistic perspective, Finnish corporations value responsibility and hence, consider this as an important CR motive. This notion is in line with the Nordic culture in general and Finnish culture, in particular. It may be interesting to point out that literature that discusses CR motives do not seem to have related national culture to CR motives of an organization belonging to that culture.

Finnish enterprises have incorporated CR into their business strategy by forming CR-strategy links in the following areas: mission, strategic issues, geographic markets, customer needs, CR as a resource for competitive advantage and management structure that reflects strategic CR at an operational level. Management structure that reflects strategic CR has not been discussed in existing literature. This could be because management structure is specific to each organization and is operational in nature. Therefore, there is a need to focus on CR-strategy links at an operational level in further research. This study is one in that direction. From the discussions based on interviews with CR personnel in the senior management of Finnish companies, consultants and a government representative, it can be inferred that CR has a role in business strategy of Finnish companies. Moreover, strategic CR offers significant business benefits for Finnish corporations. These benefits are license to operate, competitive advantage, appeal to investors and, risk and reputation management.

Hence, as an outcome of this study, it can be inferred that Finnish corporations consider CR as strategic. However, companies tend to have the strategic perspective if they can see business benefits of strategic CR. Furthermore, many Finnish corporations have integrated CR into their strategy by exhibiting a management structure that reflects strategic CR at an operational level. There seems to be a gap between literature on the subject and the reality in Finnish corporations. These gaps have been pointed out through the previous chapters.

Thus, this study has attempted to answer the research objectives and research questions that were raised in the beginning. The role of CR in business strategy of Finnish corporations was discussed elaborately through this research.

6. CONCLUSIONS

6.1. Research Summary and General Conclusions

Corporate responsibility (CR) deals with incorporating responsible business practices into an organization's business operations. This includes areas such as environmental, social and economic responsibility. As CR also brings in significant business benefits, there is a need to explore strategic implications of CR in a firm. Therefore, the overall objective of this research was to explore the role of CR in business strategy and organizational dynamics of Finnish corporations. Specifically, this research aimed to find out if CR is considered strategic by Finnish companies and the business benefits it brings in. Furthermore, an important objective of this thesis was also to know how Finnish corporations incorporate CR into their business strategy at an operational level. Finally, this study also pointed out how theoretical aspects of strategic CR, mentioned in literature, appear in the reality of Finnish corporations. For this purpose, a number of CR personnel in the senior management of Finnish corporations were interviewed in order to gain an 'insider' perspective. Additionally, independent consultants and a Finnish government representative were also interviewed as 'outsiders', for this study, in order to bring out a more balanced and multi-dimensional understanding into these issues. The general and specific conclusions of this research are shown in Figure 18.

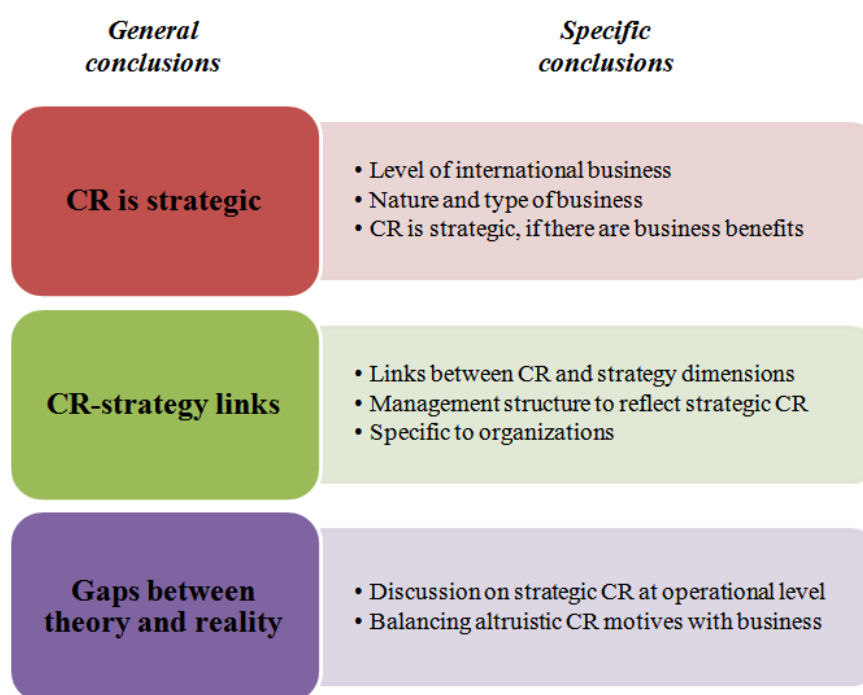


Figure 18. General and specific conclusions of the study.

Figure 18 illustrates the general and specific conclusions of this thesis. Generally, Nordic companies and especially, Finnish corporations are perceived as responsible. This notion stems from the Nordic culture and government legislation with respect to corporate responsibility specifically, in the economic and environmental areas. On the whole, Finnish corporations, that took part in this study, consider CR as strategic for their business operations. This, according to them, largely depends on the level of international business for their firms, the industry in which they operate in, and the nature of their businesses (B2C or B2B). However, some ‘outsiders’ feel that there is room for improvement and other large companies, in addition to the leading 10-15 firms, should perceive CR as strategic. Therefore, the strategic nature of CR discussed in existing literature is confirmed by the interviews.

One reason why Finnish corporations consider CR to be strategic is because they are able to derive business benefits by incorporating CR into the firm’s business strategy. The business benefits of CR, mentioned by the interviewees, are: license to operate, competitive advantage, appeal to investors, and a tool for risk and reputation management. These business benefits are, once again, in accordance with present literature on CR. All the companies that were part of this study have CR personnel in the senior management of their business operations. The role of these CR personnel is largely to coordinate CR operations across other business areas of the organization. Finnish corporations tend to incorporate CR into business strategy by establishing a management structure that reflects strategic CR. Moreover, companies integrate CR and various dimensions of business strategy to establish links between CR and business strategy.

There seems to be a gap between CR at an operational level and theoretical propositions by academia. This gap was also corroborated by many interviewees. Existing literature of CR do not seem to discuss CR-strategy links at an operational level. For example, the creation of a management structure to reflect strategic CR is seldom discussed. However, such a management structure is employed at an operation level in Finnish corporations. Furthermore, present literature imposes an altruistic expectation regarding CR from corporations. However, in practice, companies tend to balance altruistic CR with its business benefits. CR continues to evolve and the present CR issues are different from what existed few years ago. Therefore, there is a need to bring together altruistic CR motives and business benefits of strategic CR. A key objective of this research was to bring together altruistic CR motives and business benefits of strategic CR at an operational level. This was one of the reasons to interview senior CR personnel from leading Finnish companies to gain a practical understanding into strategic CR.

6.2. Implications for Corporations

This study presents an overview of the current status of strategic CR in major Finnish corporations. It includes a compilation of views of CR personnel in the senior management of leading Finnish firms, consultants and a government representative. For companies, this study is a useful document to understand various strategic CR issues in the Finnish context. This research also provides some theories, viewpoints and frameworks for senior personnel involved in the strategy process of Finnish firms. Some implications for corporations are listed below:

- International business, industry type and nature of business determine CR
- CR does not adversely impact profits, but not pursuing CR has negative effects
- CR will become more strategic and CR-strategy links are specific to each firm

First, the role of international business is increasing for most Finnish companies that were part of this study. Clearly, there are different CR challenges in different parts of the world. For instance, in developing countries like India, China and Brazil, the social dimension of CR gains more prominence. Therefore, it is best for companies to identify CR issues that are specific to their areas of operation. One interviewee mentioned that even within Finland, CR issues can be different. Also, companies should also take into account the industry in which they operate in and the nature of their business. Evidently, CR issues for a forest company is different compared to CR issues for an airline company, for example. Moreover, there are differing stakeholder expectations in the case of B2B and B2C businesses. Therefore, by combining geographical presence, industry type and nature of business, Finnish companies can formulate specific CR strategies that fit within the context of their business operations and stakeholder expectations.

The second implication of this study for corporations is the link between CR and cost of business. The exact correlation between CR and costs is not very clear from the existing literature. One reason for this ambiguity is that CR is specific to each organization and therefore, it is difficult to establish a general CR-costs linkage. However, it is quite clear from the literature and interviews that CR does not adversely impact profits of a company. Therefore, organizations are urged to look at business benefits of strategic CR holistically. This means that in addition to tangible business benefits, CR also brings intangible business benefits, e.g. reputation and employee motivation, that indirectly lead to other tangible business benefits. Another perspective is that while the links between CR and costs are unclear, it is evident that there are significant negative effects of not pursuing CR.

Finally, this thesis portrays one framework to incorporate CR into business strategy of companies. It is suggested that companies use this framework or formulate their own

operational methods to incorporate CR into business strategy. Most Finnish companies interviewed for this study tend to have a management structure that reflects CR. Furthermore, most interviewees believe that CR will become more strategic for companies in the near future. Therefore, it is recommended that other large Finnish companies, that are yet to focus on strategic CR, actively consider incorporating CR into their business strategy. It goes without saying that this is also applicable to non-Finnish companies.

6.3. Potential for Further Research

This study made a sincere attempt to understand strategic CR in Finnish corporations at an operational level. Therefore, interviews with senior CR personnel, consultants and a government representative were conducted. However, further research could include interviews and other forms of empirical data from non-CR personnel in corporations and governmental organizations. This might offer a different perspective to how persons not associated with CR perceive strategic CR. Furthermore, although this study concentrated on Finnish corporations, some interviews with other relevant non-Finnish persons would have added an external viewpoint. Nonetheless, this study was quite unique in the sense that strategic CR was analyzed largely from an ‘insider’ perspective at an operational level by a non-Finnish author.

The interplay between the three principal dimensions of CR (economic, environmental and social) could also be an interesting area for further research. Most literature on the subject focus on social and environmental responsibility built on top of economic responsibility. While, this viewpoint appears reasonable, there is scope to further elucidate on what role each of these dimensions play during formulation of an overall CR agenda especially since CR utilizes resources of companies.

Corporations are expected to meet varying demands from different stakeholders. These expectations can sometimes contradict each other. For instance, shareholders expect increased profits while some NGOs expect corporations to focus more on social and environmental issues, sometimes at the expense of increased profit. Therefore, another potential area for further study is to focus on managing these apparently conflicting expectations. Thus, further research should try to bring together altruistic expectations and business benefits of CR at an operational level.

At a more general level, this study attempted to link strategic management and CR in Finnish corporations. This shows the interconnectedness between various organizational functions. Hence, it is safe to assume that conventional business areas are not independent anymore but operate within a web of other concepts.

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APPENDIX 1: INTERVIEW QUESTIONS

CR in Finland

1. Are there some common CR areas Finnish corporations tend to focus on?
- 2.1. What is your organization's perspective of CR?
- 2.2. What value does your organization see in it?

CR and Strategy

3. Do Finnish corporations and your organization, in particular, see CR as an important strategic function (in the likes of Finance, Strategy etc)?
4. How does CR fit into your organization's corporate strategy?
5. What are some of the CR initiatives in your sector and your organization's initiatives?

Future of CR in Finland

6. Do Finnish corporations and your organization, in particular, feel that CR will play an increasing role in corporate strategy in the future?
7. How do you see CR evolving in Finland in the future? (Emerging focus areas, integrated reporting etc)
8. What are your views on Outsourcing CR?

APPENDIX 2: INTERVIEW DETAILS

The interviewees are listed in alphabetical order (Firstname Lastname).

<i>Date</i>	<i>Interviewee</i>	<i>Organization</i>	<i>Position</i>
Aug 16, 2010	Anu Pyökkänen	Tapiola Group	Director of External Relations and CSR of the Tapiola Group
Oct 8, 2010	Eija Pitkänen	Stora Enso Oyj	SVP Sustainability
Aug 17, 2010	Jouku Kuisma	CR Navigator	Independent consultant
Sep 27, 2010	Jukka Seppälä	Metso Oyj	VP Stakeholder Relations
Aug 27, 2010	Kati Ihamäki	Finnair Oyj	VP Sustainable Development
Aug 18, 2010	Kirsi Sormunen	Nokia Oyj	VP Sustainability
Sep 3, 2010	Liisa Jalanko	Outokumpu Oyj	VP Corporate Responsibility
Oct 6, 2010	Maija-Leena Uimonen	Finnish Government	CSR Advisor, Ministry of Economy and Employment
Aug 25, 2010	Marko Janhunen	UPM-Kymmene Oyj	Director, Corporate Responsibility & Public Affairs
Sep 21, 2010	Petra Hietanen-Kunwald	Ernst & Young, Finland	Senior Legal Counsel
Aug 23, 2010	Seppo Loikkanen	Neste Oil Oyj	Director, Environment and Product stewardship
Aug 31, 2010	Sirpa Juutinen	PricewaterhouseCoopers, Finland	Partner - Sustainable Business Services

VP: Vice-President

SVP: Senior Vice-President