Corporate Social Responsibility

A comparative case study of three companies

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Acknowledgements

“It is good to have an end to journey, but it is the journey that matters in the end”
- Ernest Hemingway

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Abstract

The quest for a more humane and sustainable way of doing business has resulted in a concept called Corporate Social Responsibility. CSR is the simple idea that corporations have responsibilities that stretches beyond mere profit maximization. CSR is a concept that has been gaining significant momentum in research as well as in organizational practice. Despite the simple thought it is hard to find a universal definition of CSR since it is considered as a social construction that can be understood differently depending on context and intention. Therefore the involvement of companies in CSR varies depending on, among other reasons, their business strategy, cultural heritage and operational environment. With this complexity in mind it is important to gain a clearer understanding of why and how companies engage in CSR activities in order to close in on a better present understanding of how the corporate world decode the concepts many faces.

The main purpose of this thesis is to study why the chosen case companies engage in CSR, with a secondary purpose of investigating how the case companies engage in CSR and what their present focus is.

In order to address our research purpose the theoretical framework includes relevant literature on why and how companies voluntarily can choose to devote resources and managerial attention to CSR. More specifically the pyramid-model of CSR, stakeholder theory, legitimacy theory and various motivators to CSR as a business case. We have conducted a qualitative comparative case study in which we have investigated and compared the case companies’ motives to engage in CSR, how they have chosen to execute their engagement in CSR, and what their present focus is in terms of CSR activities. For the empirical data collection we have conducted semi-structured interviews with the case companies CSR managers as well as with CSR consultants from leading consultancy firms and non-profit organizations. Moreover, we have collected company documentation and external organizational reports. Through triangulation of data sources we have analyzed the case companies’ motives to engage in CSR and how they engage in CSR through comparing our empirical data with our theoretical framework.

Our empirical findings suggest that the case companies have similar motives and approaches to CSR engagement. Whereas their main motivation for CSR engagement derives from a concern of legitimacy to their investor community, hence the case companies foremost emphasize an economic responsibility as a motivator and driver for their CSR agenda. In addition we have observed that all case companies use CSR reporting as the base-line for their CSR implementation, which our theoretical framework indicates is a systematic approach to mitigate risk and cost, as well as strengthen their reputation. We have also found the case companies have gone through a learning process of CSR that have resulted in a wider stakeholder perception and a better understanding of the complexity surrounding present focal points in business ethics. Furthermore, we have observed that the case companies’ present concern in terms of their responsibility is focused on achieving a tighter implementation between a competitive business strategy and CSR activities as well as developing a better understanding of the increased complexity of social issues and human rights questions surrounding their widespread operations.
Abbreviations

CSR    Corporate Social Responsibility (*Corporate citizenship; Corporate Responsibility; Sustainability*)
CFP    Corporate financial performance
CSV    Creating shared value
MNC    Multi-national Company
GRI    Global Reporting Initiative
DJSI   Dow Jones Sustainability Index
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CHAPTER 1 - INTRODUCTION

In this chapter we introduce the underlying drivers behind the development of CSR, a brief definition of the concept and how it has been interpreted and applied in Sweden. We also introduce the industrial machinery industry in Sweden. The initial discussion leads to the research purpose and questions. Lastly, we discuss our delimitations and outline the disposition of following chapters.

1.1 Introduction to CSR

"The price of greatness is responsibility”
- Sir Winston Churchill, British Prime Minister, 1874 – 1965

As we write this thesis legitimacy of business is arguably more under the spotlight than ever. The misconduct of business behavior with paramount events such as the financial crisis, the collapse of Enron and the British Petroleum oil spill has all in some way fueled the development of a global wide public awareness that corporations have responsibilities stretching beyond their shareholders (Palazzo & Scherer, 2006, p.71; Borglund et al., 2009, p.49). The misuse of corporate power has gone so far that business from time to time is being blamed as one of the major causes to social, environmental and economic problems argues Porter & Kramer (2011, p.4). Companies in their merciless chase of profit maximization are from the extreme perspective perceived to be prospering on the expense of society. The roots to this negative development are still under debate; however media has certainly been behind the exposing headlines (see i.e. Gibbs, 2002; Klein, 1999). Some even go as far as talking about corporate greed and dishonesty, while others propose the business community’s narrow minded approach to value creation which seems to have emerged over a past few decades (Visser, 2011). Increased globalization, spread of information and competition has all brought along many good things found in our society today, but has also led to what some see as a backside of the coin. Arguments and thoughts exists that many corporations have been focusing on short-term financial rewards as a response to fierce competition and uncertainty thereby favoring unhealthy habits such as resource guzzling practices and outsourcing to low-wage countries (Porter & Kramer, 2011, p.4). In response to this negative development an intense and nearly parallel debate has been taking place involving scholars, politicians, businesspeople and the broader community. A debate which for the past 60 years have been driven by the definitive need to a more humane, ethical and sustainable way of doing business for both present and coming generations (Marrewijk, 2003, p.95).

The debating and extensive academic research has resulted in a concept called Corporate Social Responsibility (CSR) which at its simplest idea suggests that corporations have obligations to society that goes beyond mere profit-making (Godfrey & Hatch, 2007, p.87) and hence business and society are ‘interwoven rather than distinct entities’ (Wood, 1991, p. 695). CSR is a wide landscape. Through a myriad of theories, approaches and models CSR attempt to understand the complex relationship between corporations and societies by addressing topics such as economic responsibility, employee relations, product issues, community relations and environmental issues. (Garriga & Mele, 2004, p.51; Melo & Garrido-Morgado, 2011, p.11)

The recent popularity of the term in the business arena is difficult to miss; In 2011 CSR practices was extensively mentioned in 96% of the Fortune’s Top 50 companies while
75% of the top 100 companies in Sweden displayed similar behavior in 2009 (Wenhao & Kaufman, 2011, p.12; Borglund et al., 2009, p.97). De Geer (2008, p.13) supports this by stating; “CSR is here to stay. The question today is not if corporations should engage in social responsibility, but rather how they should do it”. One might say that it is an interesting development when compared to the fact that CSR was regarded as a joke and oxymoron to business just some 30 years ago (Lyndenberg, 2005). A brief delineation of this interesting journey will be given in our theoretical chapter.

So why do companies devote attention and resources to pursue this idea of corporate responsibility? Except the already mentioned community pressure on good business behavior there is a widespread acknowledgement, both among academics and business practitioners, that when the questions of ‘when’ and ‘how’ are solved, CSR can be used to improve the social conditions while bearing fruit to corporate success (McWilliams & Siegel, 2010; Porter & Kramer, 2002; Carroll & Shabana, 2010). From a managerial perspective this win-win thought serves as a powerful tool where CSR can be perceived ‘organic’ as companies both respond to societal expectations and define and perform CSR activities in terms of their own organizational and social motives (Rangan et al., 2012, p.2). On organizational motives, which will be further explored in our theoretical framework, the literature suggests that CSR can be linked to financial performance and can ultimately lead to competitive advantage and overall prosperoussness of a firm (see i.e. Margolis & Walsh, 2001; Orlitzky et al., 2003; Porter & Kramer, 2006. Moreover Brammer & Pavelin (2006, p.450) concluded that social performance has a positive relationship to the reputation and brand value of the company. On the social motives the literature suggests that since corporations are created and governed by individuals, CSR reflects the human side of business that strives to expresses a commitment to contribute to the society of which they essentially are a part. Additionally, corporate leaders today are more than ever aware of the need to gain a good reputation and legitimacy in order to have the society’s permission to operate (Rangan et al, 2012, p.3). As popular as the concept seems to be today it is also known for its notorious complexity and shifting nature (Frankental (2001, p.20; Sneider et al, 2003, p.175). Dahlsrud (2006, p.2) concludes that CSR is a socially constructed concept best understood in its specific context, therefore a universal definition is likely unachievable. Moreover, the concept is difficult to adopt universally since its meaning and practice can be influenced by both national contexts as well as organizational cultures and processes (Freeman & Hasnaoui, 2011, p.419; Gjölberg, 2009, p.11). The question of complexity, business definition and adoption of CSR will be a thread throughout this thesis, we therefore, on forehand, without taking any definitional stance choose to present for the reader the latest definition given by the European Commission that CSR is; “the responsibility of enterprises for their impacts on society” (European Commission, 2011, p.6).

As a bridge to the next part we emphasize that in its present form, CSR is a global development which is disseminated by international and regional institutions as well as through the widespread operations of MNC’s. The reception and interpretation of CSR further differs between national contexts depending on social and political conditions as well as company factors such as culture and business models (Gjölberg, 2009, p.11). We therefore argue it is vital to understand those specific attributes of a country that affects the business landscape to fully understand the specific form of CSR applied within a company.
1.2 Development of CSR in the Swedish business landscape

The responsibility of business is certainly not a recent thought, Eberstadt (1977, p.77) state that even in the ancient Greek societies, ‘businesses was expected to be of social service to the community, since community spirit was what sparked the Greek life’. The specific term ‘CSR’ can however be traced back to Anglo-Saxon roots with the publication of “Social Responsibilities of the Businessman” by the American author Howard Bowen in 1953 (Carroll, 1999, p.270). Gerde & Wokutch (1998, cited in Antal & Sobczak, 2007, p.9) further strengthen the Anglo-Saxon heritage of CSR by stating that the overwhelming literature on CSR is of Anglo-American origin and focus. However, this does not imply that researchers and practitioners of corporate responsibility in other countries, such as Sweden have been idle.

Before the industrial revolution hit Sweden the county’s economy was dominated by iron cultivations (translated from Swedish; järnbruk), according to De Geer (2009, p.15) these cultivations were acting as more or less as self-sufficient as economic units; beyond producing steel and treating wood business also took care of the education and healthcare in the small communities. The industrialization brought along a political thinking and eventually gave birth to the concept of the ‘Swedish Model’ which dominated the country between 1930 and 1970. The engine in the Swedish Model was the birth of the cooperative negotiation culture between employees and employers. The growing respect between the parts led to a broad mutual responsibility for the economy and the labor market; in collaboration the parts could work actively towards what was best in the interest of the citizens and the nation. The Swedish model addressed some early corporate responsibility notions such as job security and corporate care for employees as well as stability of social-economic development and equality. Moreover, Lubatikin et al., (2005, p.16) reason that the political agenda set by the Swedish Social Democratic party promoted corporate responsibility through allowing strong private ownership, which ensured stability and overall growth and low unemployment rates in the Swedish society. However, a part of the political thinking of the Swedish Model emphasized that the social responsibility of corporations was to become productive and propel industrialization; corporate responsibility was to be kept ‘within the gates of the factory’. Surplus of capital would be transferred from the companies to the public sector who had the mission to account for education, healthcare and the welfare system (from Swedish; folkhemmet) – in this meaning the Swedish context was hence not ready to embrace CSR (Ibid).

Due to political disagreement The Swedish Model essentially faded out. The 1970s was characterized by the post industrialism changes in Sweden such as business internationalization, privatization of the public sector and development and exposure to the global financial market De Geer (2009, p.39). The latter development was particular visible during the 1990s where approximately 30% of the larger stock listed corporations in Sweden was owned by foreign owners (De Geer, 2009, p.41). In the early 1980s the US financial market was strongly dominated by the shareholder value idea, the shareholder perspective had a new approach to creating financial value for the firm and emphasized a strong return on investment and risk thinking as well as a focus on stock prices. The idea of shareholder value spread to Swedish context through the globalization of the financial markets in the early 1990s, the Swedish managers started to imitate the practices of their US counterparts and investors which resulted in a strong shareholder orientation in the annual reports as well as development of a new way of communicating with potential stakeholders through ‘investor relations’. This new ‘profit priority’
approach met resistance in Sweden from both media and the labor unions who criticized it for being too capitalistic.

In the years following the millennium shift a chain of events occurred that came to give the idea of shareholder value a bad name; the corporate scandals of Enron and Worldcom among some sent shock waves across the global business community, moreover the financial markets became criticized for their risky short-term influence on corporate actions. This decline in perceived legitimacy of business became a point of momentum for CSR and a wider stakeholder orientation for companies. Even if CSR was a latecomer in the Swedish business landscape a corporate understanding for stakeholder management was something that had been present since the 1960s. In 1964 Eric Rhenman published ‘Företagsdemokrati och företagsorganisation’ and in 1968 he together with Bengt Stymne published ‘Företagsledning i en föränderlig värld’ that explicitly outlined some of the very central ingredients in the upcoming stakeholder theory later popularized by Freeman in 1984 (Kakabadse et al, 2005, p.290). Rhenmans publications became widely accepted in practical company planning across Scandinavia. De Geer (2009, p.67) argue that this stakeholder oriented background has arguably facilitated a ‘smooth’ entrance of CSR into the Swedish business community.

De Geer (2009, p.102) argue that there are several different driving forces behind the advancement of CSR in Sweden. The corporate shift in stakeholder perception, the ‘enlightened shareholder value as proposed by Jensen in 2001, did that companies now wanted to live up to the expectations of not only shareholders but also customers, media, NGO’s and rest of the civic society. However De Geer (2009, p.107) argue that the most important driving force of CSR in Sweden was the demands of investors. Investors perceived and articulated to the managers that CSR was a mean of creating long term value through sustainability, risk avoidance and enhanced brand value which could attract potential customers and employees.

The studied case companies in this thesis, Alfa Laval, Atlas Copco and Sandvik all reflect a heritage of strong investor influence ownership. They have all grown under the control of powerful Swedish owners such as the Raising (Tetra-pack/ tetra-laval) and Wallenberg (Investor AB) family (Högfeldt, 2004). The aforementioned companies influence on the modern Swedish society and economy is also substantial, as Sjögren & Stahre (2008, p. 2) noted that the industrial machinery industry accounts for approximately 50% of all exports. Larsson (2008, p.21) enhance this by pointing out that the Swedish economy has relied upon the industry sector since the industrial revolution.

Sjögren & Stahre (2008, p.2) mentioned that Alfa Laval, Atlas Copco and Sandvik all contributes as major economic drivers of the Swedish society, thereby gaining a prime place at the center of many core questions of CSR; for example: employment safety, ethical business behavior, pollution, waste and energy efficiency. In light of this, they are facing major changes, especially concerning increased demands of long-term sustainability and globalization. Moreover, politicians are also influencing corporate behavior, as seen in Regeringsskansliet (2013) where the Swedish government highlights that companies should contribute to the society’s overall well-being and development.
1.3 Problem discussion

As presented in the introductory part, CSR is a response to the increased societal awareness. Today it is a popular yet complex construction that entails the idea of corporate responsibility beyond profit maximization (Godfrey & Hatch, 2007, p.87). For this reason it exists many different organizational approaches and scientific research to why a company should devote attention to behave responsible and sustainable.

Hence, interpretation and work with CSR among companies take on different forms depending on national context, nature of industry, and corporate culture and structure. As mentioned under CSR in a Swedish context, the socioeconomic climate in Sweden has had an effect on organizational responsibility approaches in terms of influences and regulations. We are therefore interested in investigating how Swedish companies progress through the complex process of understanding CSR in order to balance creation of social benefits and achievement of corporate objectives. Are companies engaging in CSR because they want to contribute to society as ‘good corporate citizens’ through respecting human rights and treat employees, customers and suppliers fairly, while being environmentally sustainable? Or are there other factors influencing companies CSR engagement?

This discussion emphasize different aspects of CSR as well as our interest in studying CSR in a business context, leading to our research purpose.

1.4 Research purpose and questions

The main purpose of this thesis is to investigate why the case companies engage in CSR activities, thereby understand their motivation to engage in CSR. We intend to look at the development of CSR and how CSR has been implemented in a business context, taking in consideration other factors such as stakeholders, legitimacy of business and different dimensions of CSR. Thereby we hope to create a theoretical understanding on what motives companies have to engage in CSR activities. Leading to our first research question;

*Why do companies engage in CSR?*

The main purpose will be explored in both theory and practice, therefore we have developed a secondary purpose. The first question may seem broad and overwhelming but we believe it is of importance to our purpose to shed light on the fundamentals of the question of why companies choose to devote attention to CSR. Our answer will in part be found through existing theories and literature, but also through an empirical comparative case study on the case companies. Our secondary purpose is to investigate how Alfa Laval, Atlas Copco and Sandvik choosen to engage in CSR activities and what their present CSR focus is. This comparative case study will also be used to answer our empirical question and secondary purpose;

*How do the case companies engage in CSR and what is their present CSR focus?*

Our goal with this study is to gain an understanding on why and how the case companies
are engaging in CSR activities, thus investigate their motives and strategic approach to CSR.

1.5 Delimitations

When writing a research about CSR, one must have in mind that it is an extensive topic to cover. Search for ‘corporate social responsibility’ on Google Scholar generates almost 1,7 million hits (as of 2013-05-19). It can feel overwhelming when searching for relevant literature on a specific topic. Therefore we would like to emphasize that although we have done our best to cover the literature relevant to this thesis, we do not claim that we have found and covered everything. Except the literature we have covered, we acknowledge that there is existing literature, and possible theories, which could be of benefit to our study, which we have not covered. We have chosen to study CSR from the perspective of the managers of the case companies. We therefore delimitate our study from any generalization of CSR in the industrial manufacturing industry in Sweden or internationally. The CSR concept is an umbrella term that cover various notions on the responsibility of business. In our research we have chosen to study and depict CSR from a managerial perspective of the case companies. Therefore we delimitate ourselves to exclude depicting corporate responsibility on the case companies as a whole and on individual employee level. Moreover, we delimit ourselves from taking any favorable stance on the meaning and importance of CSR, thereby leaving the interpretation the interviewees'. 
1.6 Disposition

Figure 1 below presents the disposition of following chapters in this thesis.

<table>
<thead>
<tr>
<th>Chapter 2: Scientific Methodology</th>
<th>This chapter will outline and discuss the methodological assumptions we make for this thesis. Moreover, it will critically address our scientific approach and research design, and how we have chosen secondary sources for our study.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 3: Theoretical Framework</td>
<td>In the theoretical framework we will discuss how we have chosen theories for this thesis. Thereafter we explain the conceptual development of CSR and how it can be defined. Moreover we will outline our chosen theories that will be the foundation for our interview questions and analysis of empirical data. Lastly we will summarize our theoretical standpoint and how we intend to use the chosen theories.</td>
</tr>
<tr>
<td>Chapter 4: Research Methodology</td>
<td>In this chapter we will provide an understanding of the methods used in our empirical data collection, outlining our case selection, selection of participants, access to cases, ethical considerations and our interview process including interview guides. We will also critically assess the collection of primary and secondary data.</td>
</tr>
<tr>
<td>Chapter 5: Empirical Findings</td>
<td>This chapter will present the empirical findings from our interviews and secondary data. Each case will be presented separately, whilst the closing summary will serve as our guide for analysing the findings.</td>
</tr>
<tr>
<td>Chapter 6: Analysis</td>
<td>In this chapter we will analyze the empirical findings by relating our theoretical framework to the empirical data in order to connect our findings to our research purpose.</td>
</tr>
<tr>
<td>Chapter 7: Conclusions &amp; Recommendations</td>
<td>The concluding chapter will answer our research questions through fulfilling our research purpose. Moreover, we will outline the implications of our study, thereby provide our recommendations on managerial implications and further research.</td>
</tr>
</tbody>
</table>

Figure 1: Chapter disposition
CHAPTER 2 - SCIENTIFIC METHODOLOGY

In this chapter we introduce how the research has been conducted, and how we have chosen methods for our study. Starting with the authors’ preconceptions; followed by our research philosophy, scientific approach and research design. Finally we highlight the ethical considerations made for our study.

2.1 Our preconceptions

Bryman & Bell (2011, pp., 29-30) explain that researchers generally have previous knowledge, opinions and experiences within the area that they are investigating; thus, without consideration, there is a risk that preconceptions affect the research. However, Remenyi et al. (1998, p.46) argue that previous knowledge could guide the researcher to appropriate research area and methodology. Moreover, Saunders et al., (2012, p. 116) claim that personal values of the researcher enhance credibility of the research, since the research is the authors’ evaluation and valuation of the research area. Our preconceptions of CSR derive from classes studied at university level. As graduate students at Umeå School of Business and Economics, we have gained valuable knowledge in areas interconnected with our research focus from a variety of classes and experiences, among them; corporate governance, applied corporate responsibility and corporate environmental management. Due to our previous experience of CSR both authors of this thesis have found a particular interest in CSR, let alone been inspired to research the topic further by university professors. Bickman & Rog (1998, p.78) highlight that preconceptions should be seen as an opportunity for the researcher, instead of ignoring them, rather make use of it as “a major source of insights, hypotheses and validity checks”. Through supporting our findings by multiple sources and theories, we assure that the reader can make an independent judgment of the findings in the thesis. However, the study will inevitably represent our own interpretation of the area of study.

With previous knowledge of CSR, its complexity and numerous definitions both authors have personal opinions and viewpoints on how it should be defined and conducted in the corporate world. However, at the beginning of this research project we did not have any extensive knowledge of the studied companies nor the industry. Hence, we approached them with an open mind and without any disturbing preconceptions that would interfere on our valuation and objectivity for the study.

Although the result of this study will represent the authors’ view of reality, which might lead to bias, the awareness of such will help us from making personal judgments. Moreover, we will emphasize the accuracy of information used, which will help the reader to critically evaluate the results. Saunders et al. (2012, pp. 108-109) argues that a specific method is not better than the other, but is merely a better fit for a certain purpose or question. Furthermore, the research question should guide the choice of methodological assumptions, which in turn can be critically evaluated and defended by the author. In short, the chosen methodology in this thesis reflects the authors’ view of what method is appropriate to answer the research questions, thus our view of reality.
2.2 Our Research Philosophy

2.2.1 Epistemological choice
Epistemology in research deals with what is considered as acceptable knowledge, the concept is divided into two opposing views; either positivistic or interpretative (Bryman & Bell, 2011, pp. 15-16; Saunders et al., 2012, p. 112). A positivistic view of knowledge takes on a scientific approach, meaning data collection and analysis through observations of the social reality, leading towards generalization of things being. Moreover, positivism is often linked to quantitative studies through its tendency to test theories on research samples (Ticehurst & Veal, 1999, pp. 19-20; Bryman & Bell, 2011, p.16). Interpretivism can be described as how social actors, thus we as researchers and the case companies, interpret the CSR concept (Saunders et al., 2012, p. 116; Bryman & Bell, 2011, pp. 16-18).

The purpose of this thesis is to study why and how the case companies engage in CSR. Bryman & Bell (2011, p.16) claim that while positivism strive to explain human behavior, interpretivism seek to understand the same. The concept of CSR has a variety of definitions and interpretations. What definition and drivers applied within an organization is due to how the concept is interpreted at an organizational level (Dahlsrud, 2006, p.1), including board of directors, top management and stakeholders including shareholders. This thesis is made up by different stages of interpretation by different actors; starting with the case companies and their representatives, through CSR consultants and lastly, our own interpretation of the companies’ behavior. In consideration to our research purpose and how CSR varies depending of interpretation we decide to follow an interpretative view of acceptable knowledge, meaning that we seek to understand the case companies’ behavior and thereby explain how they interpret CSR and involve in the concept.

2.2.2 Ontological choice
The ontology in research concerns the nature of social entities, meaning whether society should be seen as a construction of its participants or if its participants cannot affect or influence it. The first view is called constructionism and the latter objectivism (Bryman & Bell, 2011, p. 20). Constructionism holds that society, in this thesis what the CSR concept involves, depends on participants’ involvement (Saunders et al., 2012, p. 111). The notion of CSR is based on the idea that corporate financial imperatives can be in compliance with benefits of society, including all stakeholders (Min-Dong, 2008, p.60).

As mentioned in the introduction, many external forces stress companies to act as good citizens of society overall and not only satisfy shareholder objectives. Thereby our view of the CSR concept is that it is a social construction closely connected to and affected by participants. Without participants’ involvement CSR would not be a concern to the corporate world; hence, excluding objectivism. As the world changes around corporations, a response is needed, since companies cannot afford to omit problems with depleting resources, bad publicity or new legislation (Palazzo & Scherer, 2006, p.71). How corporations react derives from how they interpret these changes and external forces (De Geer, 2008, p.13). An implication is that different companies will address CSR differently, since their perspectives and issues differ. Moreover, there are no strict guidelines on what is ‘right’ or ‘wrong’ CSR; hence, one view cannot be generalized to fit all organizations (Remenyi et al., 1998, p.35). Consequently, we believe that CSR in
our research context is a social construction which is highly dependent on participants’ involvement and interpretation.

### 2.3 Scientific Approach

The scientific research approach concern with the relationship between theory and empiricism, there are two opposing views; deductive and inductive. In short inductive reasoning emphasizes theory building, whilst deductive reasoning involves theory testing (Bryman & Bell, 2011, p.11-13). An inductive approach usually starts with data collection, which is analyzed and used to explain what has happened, thereby inductive reasoning takes on a theory developing approach (Ticehurst & Veal, 1999, p. 22). Deductive reasoning investigates different variables’ relationship to each other through theory testing, leading to either rejection or confirmation of an assumed interdependence between them (Creswell, 2003, pp. 141-142). However, a researcher is unlikely to use strictly one scientific approach in a research project (Bryman & Bell, 2011, p. 13). Ticehurst & Veal (1999, p. 22) states that inductive studies usually contains an element of deductive reasoning, and vice versa, since “data are rarely collected without some explanatory model in mind”.

Following the laid out principles of deductive and inductive reasoning we chose to follow an inductive approach for our study. We consider this research as primarily inductive because we investigate a specific phenomenon in an uninvestigated setting, whereas our research purpose cannot be answered without collecting new empirical data from the case companies. Hence, our theoretical framework can explain why and how companies in general engage in CSR, but not why the case companies do. Thereby the contribution of this study can be associated to theory creation on how and why the case companies engage in CSR, rather than concluding that they do or do not, which would be a deductive study. In order to fully understand why and how the studied companies engage in CSR we have to investigate their behavior and reasoning rather than strictly use theoretical models. However, we will employ theories on CSR in order to explain their reasoning, which suggest that we have a deductive element in our study. In addition, an inductive approach is more flexible in data collection and therefore better suited for qualitative studies (Saunders et al., 2012, p. 127; Bryman & Bell, 2011, p.13). Moreover, the inductive approach to the relationship between data and theory is usually associated with qualitative methods and is commonly used when studying a specific phenomenon (Douglas, 2003, p.54). According to Ketokivi & Mantere (2010, p. 316) the difficulty with inductive research derive from credibility issues when trying to generalize through inductive reasoning, due to interference on data interpretation from the researcher. However, our research purpose is not to create a general theory on why and how companies engage in CSR activities, rather we limit ourselves to the scope of our comparative business case study.

### 2.4 Qualitative Research Strategy

A research strategy emphasizes how the research is conducted, there are two main schools; qualitative or quantitative studies. The main difference between qualitative and quantitative research is that quantitative emphasizes numbers and causal relationships between variables, while qualitative focus on words and understanding (Ticehurst & Veal, 1999, p. 47; Bryman & Bell, 2011, p. 26). Yin (2003, p. 3) points out that each
strategy has benefits and drawbacks, and by choosing one method, the researcher need to understand these differences. Before concluding which research strategy to follow, we have to assess what kind of information we need in order to answer our research purpose and questions. Our purpose is to investigate why the case companies engage in CSR, moreover we investigate how the case companies engage in CSR activities; thereby our sample is limited to three companies. Moreover, the CSR concept is ambiguous and not easily understood within an organization or context, therefore we need deep and rich data from the studied companies. Myers (2008, p.5) argue that in a study where the researcher wants to understand the reasons to why things are happening and in which context decisions are taken a qualitative method is advantageous.

Myers (2008, p.5) argue that in a study where the researcher wants to understand the reasons to why things are happening and in which context decisions are taken a qualitative method is advantageous. Since we are looking to get a deeper understanding of a specific case, which is best accomplished through emphasizing text rather than numbers, we have decided against using a quantitative method for this thesis. Qualitative researchers have three distinct differences to quantitative, they foremost uses inductive reasoning and follows interpretivist and constructionist research philosophies (Bryman & Bell, 2011, p.386). Thereby we have decided to use a qualitative research method. Had we instead chosen to benchmark the studied companies’ financial performance to CSR performance, a quantitative approach would have been more appropriate.

Due to the ambiguity of understanding the CSR concept, we have decided to use multiple sources to better understand the studied companies reasoning. Triangulation of sources is commonly used when investigating a complex issue, since multiple viewpoints helps the researcher to ‘pin down’ the research area (Bryman & Bell, 2011, p. 397; Ticehurst & Veal, 1999, pp. 50-51). We are going to triangulate or findings by using company interviews, external party interviews and company documentation in order to strengthen our empirical data (Yin, 2003, pp.99-101).

### 2.5 Comparative Case Study Design

The research design outlines data collection method and analysis. There are a variety of options outlined in research literature; experimental, cross-sectional, longitudinal, case study and comparative study (Bryman & Bell, 2011, p. 45). The choice of research design is guided by first and foremost the research purpose and secondly, research philosophy.
and approach (Saunders et al., 2012, pp. 136-137). For this thesis we have decided to use a comparative case study design on three different companies. According to Bryman & Bell (2011, pp. 68) studying more than one case has been called both multiple case-study and comparative study as it in essence takes the same shape as a single case study, but with more samples. Moreover, a comparative case study is a “detailed and intensive analysis” of a few cases or a specific occurrence to establish similarities or differences (Bryman & Bell, 2011, p.63; Eisenhardt, 1991, p. 620).

Our qualitative study concerns an ambiguous subject applied in a specific context with results dependent on the case companies interpretation and view of CSR a comparative case study design will aid us in establishing similarities and differences by its emphasize on depth and context. Yin (2009, p.18) claim that a case study is advantageous when researching a real life occurrence, which is case specific and depends on the involved actors, hence rendering a clearer relationship between theory and practice in management processes. In addition, a comparative design is appropriate for creating a better understanding on a social phenomenon by its ability to compare similar meaningful situations (Bryman & Bell, 2011, p.63).

According to Yin (2003, pp.5-6) the research questions in a case study design should address one or more of the basic categories; who, what, where, how and why. By reviewing our research questions: “Why do companies engage in CSR?; How do the case companies engage in CSR and what is their present focus in CSR?” We have concluded that our questions covers why, how and what. The why is addressed to answer the underlying reasons to why companies engage in CSR activities, and the how concern how the case companies have chosen to engage CSR into their business activities. According to Saunders et al., (2011, pp.145-146) a case study is a appropriate for answering why and how questions, especially when the research involves an exploratory purpose. Moreover, it is advantageous for research that involves multiple sources of data. In order to fully answer these questions we need to use more than one case to distinguish common characteristics, a key component to comparative design according to Bryman & Bell (2011, p.67).

According to Yin (2003, pp. 3-4) any research design can be used for exploratory, descriptive or explanatory research. We will conduct an exploratory comparative case study on Alfa Laval, Atlas Copco and Sandvik, and their reasoning to why and how they engage in CSR activities. Exploration is usually classified as inductive, while confirmation is used in deductive reasoning (Stebbins, 2001, p. 7). Our research approach is primarily inductive as we explore and identify why and how the studied companies engage in CSR, rather than confirming the existence of CSR engagement within. Moreover, exploration is commonly used to generate ideas that are combined into grounded theory (Stebbins, 2001, p.9). However, we will not generalize our findings outside the scope of our study, since our research area is heavily dependent on context and the studied cases. Generalization is often, but not exclusively, associated with quantitative studies and deductive theory testing (Bryman & Bell, 2011, p.61).

Critique on comparative case studies claim that including more than one case will interfere on the depth and instead emphasize context (Dyer & Wilkins, 1991, pp. 613-614). However, according to Eisenhardt (1991, p. 620 a series of ‘mini cases’ is a proven tool for building theories, since it allows the researcher to find common attributes and links between them. In order to fulfill our research purpose we have chosen to use
different sources of data. Not only will the use of multiple sources help us to ascertain our conclusions, but also minimize the risk of researcher bias. According to Yin (2011) triangulation is a common strategy for qualitative researchers to avoid bias.

We have rejected other research designs in favor for a comparative case study method following an exclusion process. An experimental design would not be suitable for our study since the design compares two or more groups by certain variables, and how changes in one variable affects another (Saunders et al., 2012, p. 142). Longitudinal studies is often used when looking for changes over time, whereas the researcher observes a certain organization or other social setting at different points of time in order to discover changes or patterns. Usually longitudinal studies involve continuous research for more than 10 years (Pettigrew, 1990). By emphasizing patterns and common attributes a longitudinal method seems appropriate; however, this thesis investigates the identified problem area at one point of time, which excludes a longitudinal research design. The last considered method, cross-sectional, would also be appropriate for our study since it emphasize data collected at one point in time. However, we have decided against using a cross-sectional design because it involves data collected from a whole population, whilst this study is limited to three companies (Bryman & Bell, 2011, p.54). Finally, since a comparative study is at heart a multiple case study, and we study more than one company, a single case study was never an alternative.

2.6 Choice of Secondary Sources

This thesis results from the authors’ genuine interest of CSR and its application within companies. Our interest derives from previous studies and understanding of the subject, and the will of deepening our own knowledge of the studied subject. As mentioned under the preconceptions headline, we both have previous knowledge of CSR, which can both aid and lead to bias in a study. However, by our previous knowledge we have extracted familiar models such as the stakeholder theory and ISO26000 as points of departure for future research. By using course material from classes at Umeå School of Business & Economics, Prague School of Economics (VSE) and ESC Rennes School of Business, we built an initial framework of literature. The framework guided our search for further readings since we extracted other sources from the reference lists. Our choice of literature and theories has been guided by critical evaluation of the authors and place of publication. Furthermore, where authors have referred to other sources we have read the original source in order to give our own interpretation of the data. Scholarly articles have primarily been found on article databases such as Emerald, Business Source Premier, Google Scholar and Econbiz, all accessed from Umeå University library website. Written sources, including books and articles, have been found in Umeå University library. In our database search we have used keywords such as; CSR; CSR strategy; CSR development; CSR in heavy industry; CSR reporting; Stakeholder theory; ISO26000; Sustainability; Sustainability development; Sustainability reporting; Porter and Kramer; Legitimacy theory; CSR pyramid; Implementation of CSR; Business application of CSR.

According to Hultén et al., (2007, p.54) a researcher must determine the objectivity and trustworthiness in any secondary source before accepting it as applicable to the research. In order to overcome these issues we have decided to use multiple sources and viewpoints of our research area to consolidate a critical stance to theories and information used in
writing this thesis. We have evaluated different opinions as well as articles written and published by different sources to help us create our own view of the research area.

2.7 Choice of theories

Theories can guide analysis of data in order for researchers to make a fair judgment when developing new theories. Moreover, building a theoretical framework works as a foundation for further data collection and analysis. By using theories we will be able to answer our research questions objectively and with academic support (Bryman & Bell, 2011, p. 393; Saunders et al., 2012, p. 149). In section 2.6 we outlined how our previous experience from university studies have guided our initial choice of theories. However, our experience is not nearly enough to thoroughly assess the research area on our own. Thereby we have had to rely on previous researchers and secondary sources in order to fully understand our research area and find appropriate theories.

Both our main purpose and closely related sub-purpose, as well as our two research questions can be answered by our empirical data, and in relation to theories on CSR. Hence, theories will be used to answer both our theoretical question and empirical question. Thereby we have searched for theories explaining CSR and how CSR have been applied in the corporate world. By reviewing literature, academic articles and previous research we have created a theoretical framework for understanding CSR and how different elements of the concept influences companies. There is a variety of different theories on how the business community should treat corporate responsibility. However, we have chosen theories that, by our literature review, have appeared as the most influential throughout CSR’s conceptual development. From our initial discussion of defining CSR and its historical development we have established a chronological order of theories later used as our theoretical framework. The first appropriate framework for explaining a modern view of CSR was Carroll (1979; 1991)’s pyramid. This model outlines four areas of CSR, however, it does not fully cover the interaction between the areas, nor does it explain the drivers of each area. Thereby we found the stakeholder theory, which evolve on whom companies are responsible to (Freeman, 1984; Carroll, 1991; Lépineux, 2004; Kakabadse et al., 2005). In order to understand why companies are responsible to their stakeholders we chose the legitimacy theory (Kapland & Ruland, 1991; Suchman, 1995; Tilling, 2004). Thereof we created a framework for understanding why companies engage in CSR. However, our second research question involve answering how companies engage in CSR, which we sensed neither the stakeholder or legitimacy theory could answer. Through including ISO 26000 (ISO, 2010; Schwartz & Tilling, 2007) we could arrange the companies engagement into different areas of the model, thereby identifying how their engagement takes shape. In our thesis we are studying why and how Alfa Laval, Atlas Copco and Sandvik engage in CSR today, therefore we wanted a modern notion of CSR, since many of the aforementioned theories were founded in the 70s and 80s we looked for a modern approach to CSR. Hence, we found the CSV model by Porter & Kramer (2002; 2011), which emphasizes how companies should act as good corporate citizens while fulfilling their financial targets. We argue that the CSV model can explain an interrelationship between why and how the studied companies engage in CSR. Lastly, in connection to the CSV model we searched for recent research on how the business community have engaged in CSR, creating a short review and contextual framework on previous business case research.
CHAPTER 3 - THEORETICAL FRAMEWORK

In this chapter we present a deeper insight in the concept of corporate social responsibility, and the relevant theoretical literature on CSR for this thesis. We will outline the chosen theories and provide arguments why we consider them relevant for highlighting our problem formulation as well as aiding us through the empirical findings towards the purpose of this thesis. As mentioned in the introduction CSR can be perceived as a complex and multifaceted topic, therefore the chapter departs with an introduction of how to approach the concept of CSR, further we depict the development of the historical conceptualization over time as well as the present perception of CSR as a business case.

3.1 Corporate Social Responsibility

The call for a more humane and ethical way of doing business has resulted in a concept which has been gaining significant momentum during the last 60 years. Behind the development of this concepts stands a broad audience of contributors coming across all corners of our modern society and science. Scholars, politicians, managers and broad public has all been discussing on various topics such as economics, law, ethics, environment and human rights in order to explain the vital relationship between business and society (Freeman & Hasnaoui, 2010, p.423).

The result of this quest is what we today call Corporate Social Responsibility or CSR. The concepts simple idea is that ‘business and society is interwoven rather than separate entities’ (Wood, 1991, p.695) CSR is a complex multidimensional social construction that can be observed from many different points of view depending on context (Dahlsrud, 2006, p.1). Since this thesis deals with the notion of ‘why’ and ‘how’ three particular firms in Sweden choose to engage in CSR, we argue it is of importance to outline some useful prerequisites related to understanding the entire landscape of the concept.

The landscape of CSR has been crafted by many and driven across our globe by supreme forces such as regulatory pressure, consumer attention, investor demands and business competition to mention some (Haigh & Jones, 2006). In more recent terms CSR is seen as an umbrella term full of theories, approaches and different viewpoints attempting to explain the inclusion of societal and environmental concerns of corporations (Garriga & Melé, 2004, p.5; Marrewijk, 2003, p.102). The popularity of CSR has put the subject on the agenda of many, the result is that the concept includes terms such as corporate responsibility, corporate citizenship, sustainability and corporate social performance to mention some (Carroll & Shabana, 2010, p.86). Grankvist (2009, p.19) argued that CSR has been the prevailing name since ‘corporate’ in CSR sounds more business-critical in comparison with other terms, thereby gaining more attention in the business community. Beside its popularity CSR is also known for its infamous complexity and loose boundaries which has led to the debate that a universal adoption and definition is unachievable (Freeman & Hasnaoui, 2010, p.419). The complexity can be seen from many dimensions; Sahlin-Andersson (2006, p.1) argue that is due to its many contributors; “CSR is a cross-sectional phenomenon since its evolution is a part of the development of boundaries and relations across societal sectors such as business, state and civil society”. Oosterhout & Heugens (2006, p.8) argue that the term CSR itself is unsophisticated – the ‘S as in
Social’ does not address any particular part of society while the ‘R as in Responsibility’ can mean many different things such as obligation or duty.

A lot of the ambiguity behind CSR seems to derive from the lack of universal definition to the subject (See Appendix III for some of the existing definitions). While corporations today are encouraged to behave socially responsible on a wide array of issues (Welford & Frost, 2006, p.168) there is a confusion in both the corporate and academic world as how to define the concept of CSR (Dahlsrud, 2006, p.1). Dahlsrud concluded that because CSR is a social construction it cannot be universally defined, rather it is something best understood in its specific context.

De Schutter (2008, p.204) further suggested that the confusion is about the subjects many perspectives; hence, from what side of the relationship is CSR viewed.

(1) “CSR may refer to an understanding of the role of business in society. Business in this sense means socially responsible by owing duties not only so its shareholders but also the stakeholders in its environment”.

(2) “CSR may refer to a way of regulating business activities. It manifests a shift from the imposition of top-down obligations under the threat of legal sanctions, to the reliance on incentives and voluntary initiatives as a way of orienting the activities of the corporation”.

(3) “CSR may refer as an alternative to regulating business itself. Here it appears as a code word for abandoning certain questions that might be target to regulatory approaches to market mechanisms” (De Schutter, 2008, p.204).

With this in mind we objectively present the latest definition given by the European Commission of Communities (2011, p.6);

“The responsibility of enterprises for their impacts on society.”

We believe that in order to fully understand and be able to give a fair picture of the concept we must further analyze its origin in retrospective, the conceptual evolution over time and its present meaning and application as a business case.

3.2 Historical evolution of CSR

Literature suggest that most scholars point towards Bowen’s Social Responsibility of the Businessman (1953) as a first attempt to theorize the modern debate on the relationship between business and the greater society (Lee, 2008, p 56; Carroll, 1999, p.269). Bowen’s work was centered on the belief that large corporations are epicenters of economic power and their actions are affecting the lives of individuals at many points. Even though Bowen’s work is aimed towards the acts of businessmen rather than companies he set forward an initial definition which emphasizes the obligation for social responsibility of business; “it refers to 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” (Bowen, 1953, p.6). This concern with the doctrine of social responsibility and ethics of business clearly shows how Bowen’s contribution marked the modern discussion on the topic (Carroll, 1999, p.270). Lee (2008, p. 57) argued that parallel to this development the legal environment in the US became and more
favorable to CSR thinking, numerous legislations “were enacted at that time to regulate conducts of business and to protect employees and consumers”.

A prominent name in the development of CSR literature was Keith Davis who’s widely definition of CSR states; “businessmen’s decisions and actions taken for reason at least partially beyond the firm’s direct economic or technical interest” (Davis, 1960, p.70). Furthermore, Davis (1960, p.73) highlighted the consequences of neglecting social responsibility; “the avoidance of social responsibility leads to a gradual erosion of social power”. McGuire (1963, p.73) was involved in the CSR debate with his book ‘Business and Society’ by stating; “the idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”. According to Carroll (1999, p. 271) McGuire’s definition was somewhat more precise than previous ones in regard to his concern on going beyond economic and legal obligations. The fundamental evolution of CSR in the 1960’s can be summarized as; an awakening notion that business should include societal responsibility beyond what is legally required while pursuing corporate objectives.

During 1970’s the CSR concept received heavy criticism and academic interest as well as institutional recognition. Milton Friedman criticized CSR and his involvement fueled a debate which led to an overall academic research momentum on the subject (Lee, 2008, p.55). In Friedman (1970) the author argued that the sole responsibility of business is to generate profits for its shareholders. The drawbacks of CSR activities in Friedman’s eyes were that they could impose unfair and costly burdens on shareholders; concern for societal issues should therefore be left on governments. Davis (1973) added that business managers were not ready to deal with social issues since they lacked the ‘social skills’. Many mid-level managers agreed on the criticism since they had a hard time to see the link between CSR and profitability. CSR activities were therefore regarded as costs with highly uncertain outcomes (Lee, 2008, p.55). The debate between proponents and opponents went on but the fact remained that the concept still lacked a generally acceptable theoretical body (Carroll, 1999, p.282). Therefore Carroll introduced a model for CSR in 1979, which aimed to answer the desperate search for social responsibility and create a framework for providing appropriate answers to the social issues firms were facing. This model of Corporate Social Performance (CSP) became a big leap towards a solid theoretical development within CSR, it later became known as the widely cited ‘Pyramid of Corporate Social Responsibility’. Notably the CSP model was built upon the notion of stakeholder management which at that time saw a parallel development by management theorists such as Freeman (1984). The idea behind the stakeholder theory was that firms had responsibilities stretching beyond the interest of merely those who had a financial interest in the firm (shareholders). The theory included management practices to create a good fit between the entire system of stakeholders and the simultaneous achievement of corporate objectives (Donaldson & Preston, 1995, p.67).

The literature on CSR over time suggests that stakeholder theory is one of the most important contributors to the development of the concept; we therefore aim to explore the influence of the stakeholder theory further on in this theoretical chapter. Carroll’s CSP model suggested three distinct elements; a definition of social responsibility, a list of issues where social responsibility exists and a scheme of responses a firm could use to address these social issues (Garriga & Melé, 2004, p.60). However, the largest contribution of the model was arguably that it did not treat economic and social goals of the corporation as incompatible trade-offs (Lee, 2008, p.60). Thus, according to Lee
Carroll founded a conceptual shift in CSR, no longer was social responsibility supposed to be seen as an ‘accessory’ for companies but rather corporate objectives should be integrated into a framework of social responsibilities; economic, legal, ethical and discretionary, which a firm should address at any given point in time (Carroll, 1999, p.283). For academics Carroll’s intention was to provide a framework for understanding the existing thoughts on CSR, for managers it was meant to be a wake-up call and a pragmatic tool (Lee, 2008, p.60).

The interest in CSR continued throughout the 1980s, the literature as well as the core concerns grew into alternative concepts, theories and approaches such as public policy, business ethics, and stakeholder management (Carroll, 1999, p.284). The conceptual shift was to operationalize CSR as managerial processes and investigating if it had any relation to corporate financial performance (Lee, 2008, p. 60).

The 1990s marked a period when CSR thinking became heavily centered on stakeholder perspectives, resulting in a conceptual development towards strategic management interests (Carroll, 1999, p.289). The development occurred mainly for two reasons; firstly, the stakeholder model identified the actors and defined their positions in relation to each other. For managers this meant that their responsibilities to employees, customers and government were much easier to map and manage than just searching for something that could be justified as social responsible (Lee, 2008, p.61). Secondly, the stakeholder model envisioned corporation’s purpose in a completely different way compared to other strategic management theories. Within the stakeholder model the central issue was the survival of a company, and survival was not only affected by shareholders but also various other stakeholders such as employees, governments and customers (Kakabadse et al, 2005, p.290).

In 1991 Carroll revisited his previous definition of CSR into a graphical four-part pyramid that holds business responsible for economic, social, legal and philanthropic issues at any given point in time. Carroll (1991, p.43) summarizes a thirty-year long conceptual advancement by stating; “the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen”.

According to Carroll & Shabana (2010) the 21st century developments of CSR has been focusing on using CSR as a strategic resource, thereby coupling CSR with financial performance and company competitiveness. Hart (1997) suggested a resource-based-view of a company and explained that considering the immense environmental challenges, a company that links the sustainability concept to strategy and innovation will gain significant competitive advantage. Other possibilities through CSR have spurred, including engagement in ‘strategic philanthropy’ which in theory could lead a company to new opportunities for innovation, access to new undiscovered markets and valuable social relations (Kanter, 1999; Porter & Kramer, 2002). Kotler & Lee (2005) addressed the field of marketing and suggested that charitable activities were good for business from a consumerism perspective. According to Baron (2001, p.11) strategic CSR is a term referring to a company’s profit maximization strategy that to some degree is viewed as highly social responsible. In this perspective, a company uses CSR to capture value and achieve competitive advantage. More specifically, according to Heslin & Ochoa (2008, p.131), a strategic CSR approach benefit a company through; attract skilled employees, development of new business opportunities, product and customer involvement, and supply-chain efficiency. We perceive that in the modern strategic perception of CSR there
no longer seems to be a conceptual break between a company’s social concern and economic performance. CSR have started to move from a gloom morality burden into successful ways of strengthening the bottom line performance of companies through good corporate citizenship. Parallel to conceptual development of strategic CSR among researchers, a similar development seems to have occurred in the business community (Lee, 2008, p.63). From this standpoint in the development we aim to present a modern take on CSR as a business case during the 21st century.

In Figure 2 above, we present a schematic overview of the development of CSR, including important theories and researchers. Since our main research purpose is to understand why the case companies engage in CSR, and our first research question has both a practical and theoretical answer, we need to address theories that can explain why companies engage in CSR, and particularly why the case companies engage in CSR.

3.3 Theories on CSR

3.3.1 The pyramid of CSR

Carroll (1979) developed the CSP model in response to Friedman’s critique and the overall responsibility confusion among academics and managers. The CSP model contained a three-fold purpose; (1) to define the essential aspects of CSR, (2) connect them to the relevant social issues and (3) aid practitioners to choose a responsive corporate philosophy to address those issues (Carroll, 1979, p.500). In 1991 the CSP model was further developed and depicted in a pyramid model that addressed the four responsibilities that businesses have towards society at any given point in time (Carroll, 1991, p.43). Carroll argued that the total responsibility of business should entail the simultaneous fulfillment of economic, legal, ethical and philanthropic dimensions by the company.

Economic Responsibility: According to Carroll (1991, p.41) the bottom responsibility of a company is to produce “goods and services that the society wants and sell them at a price that society thinks represents their true values”, this eventually benefits the company with profits. Profits serve as return on investments to owners and shareholders resulting in jobs and fair pay for workers. However, according to Schwarz & Carroll
(2003, p.509) company actions fall outside the economic dimension if; 1) they are not intended to maximize profits, 2) they are engaged in activities without economic value to the company.

Legal Responsibility; According to Carroll (1991, p.40) because society has granted companies to assume the productive role, they must always keep in mind that expectation exists for them to fulfill their economic mission within the framework of legal requirements. Carroll (1991, p.41) concluded that this was part of the social contract between business and society.

Ethical Responsibilities; According to Carroll (1991, p.41) ethical responsibilities overcome the limitations of law concerning the difficulty to legislate morality. Although the two first categories shall always embody ethical behavior there are activities and practices that are expected by the society but are not covered by legislation. Carroll (1991, p.42) emphasized the focus on voluntariness - that society keeps expectations of business over and above the legal requirements. Lantos (2001, p.597) argued that the ethical category were mainly rooted in the elements of “religious conviction, humane principles and human rights commitment”. Windsor (2006, p.96) expanded the ethical dimension of the pyramid, arguing that ethical CSR looks to expand the public policy and moral duties of a company, such as a concern for ‘universal human rights’.

Discretionary (Philanthropic) Responsibilities; According to Carroll (1991, p.42) the last obligation concern responsibilities that society has no clear-cut message for business, it is up to the individual company’s judgment and choice. From this perspective business is expected to contribute to enhanced quality of life in society. The difference between ethical and philanthropic responsibilities is that the latter is not regarding moral and ethics (Carroll & Buchholtz, 2003, p.71). According to Matten & Moon (2008, p.8) philanthropic activities are part of an explicit CSR strategy, meaning that companies engage in activities non-related to business operations in order to enhance brand value and reputation. Moreover, explicit CSR is commonly found among US companies, while European and Scandinavian companies adhere to a more implicit CSR strategy approach. Implicit CSR goes beyond voluntariness and is rather seen as a “reaction to the corporation’s institutional environment” (Matten & Moon, 2008, p

![Figure 3: The pyramid of Corporate Social Responsibility, Carroll, 1991, p.42)](image-url)
Figure 3 presents Carroll’s pyramid of CSR where the four different responsibilities serve as building blocks. This revised conceptualization implied that the four different responsibilities are aggregative; an example would be companies that want to be ethical must also be economically and legally responsible (Jamali & Mirshak, 2006, p.247). Carroll’s intention with this model could perhaps best be summarized in the following quote “the CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen” (Carroll, 1991, p.43). Carroll have confirmed that the pyramid has never been perfect, since the shape of the pyramid could create confusion; the hierarchical top could for example imply that the philanthropically responsibility is the highest priority for a company. However, the pyramid should be seen as a whole with the parts being related and accountable together (Schwartz & Carroll, 2003, p.505).

Our understanding of the CSR pyramid is that it serves as a solid foundation for understanding the responsibility performance of companies in terms of economical, legal, ethical and philanthropic dimensions. Moreover, Carroll’s pyramid model of CSR has over the last 25 years been the most durable and extensively cited in the literature (Crane & Matten, 2004, p.49). Furthermore, it is useful for fulfilling our purpose because it specifies companies’ economic responsibility as well as including it as an element to be considered of the CSR construction, thereby we can observe the studied companies engagement in CSR throughout the dimensions of the theory. Furthermore, we can depict from what dimension the studied companies emphasize in their motivation to engage in CSR activities.

Carroll’s conceptualization of CSR was inspired by parallel development at that time – the stakeholder oriented perspective. Carroll (1991, p.43) argued that the “stakeholder nomenclature put names and faces on the societal members or groups who are most important to business and to whom it must be responsive”.

### 3.3.2 The Stakeholder Theory

The core of the stakeholder theory steps away from the shareholder capitalism orientation that sees business as an instrument for profit maximization (Freeman et al, 2010, p.2). It presents an alternative that has been very suitable in regard to the parallel development of corporate responsibility and sustainability in the business community. The stakeholder theory concerns how to manage a business effectively while creating shared value between a company and its surroundings. It addresses problems of ethics, responsibility and legitimacy of capitalism to show how companies can successfully be managed while taking into account the full effects on any possible stakeholders (Ibid, p.9).

According to Lee (2008, p.61) the development of CSR has been inspired and propelled by the notion of stakeholder theory. Moreover, CSR literature is partly built on stakeholder literature and vice-versa (Kakabadse et al., 2005, p.288). Regardless, the link between them seems to be clear; a stakeholder orientation is a necessity if one wants to map and discuss the CSR territory (Branco & Rodrigues, 2007, p.5).

According to Kakabadse et al., (2005, p.289) the rational connection between CSR and stakeholder theory is that if CSR explains what responsibilities business ought to fulfill, the stakeholder concept addresses the question of whom business should be accountable to. In comparison the stakeholder theory is frequently defined as an opposite to the
shareholder (or stockholder) model, the latter states that only the shareholders have a legal claim on the company (Halal, 2000, p.131).

In Scandinavia the stakeholder management approach gained academic and practical ground already during the 60s with Rehman & Stymne’s “Företagsledning i en föränderlig värld” (1966) which envisioned the logic behind an early conceptualization of the stakeholder theory (Kakabadse et al., 2005, p.290). In 1984 Freeman published Strategic Management – A stakeholder approach which became a landmark in the stakeholder research field. Freeman defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organizations objectives” (Freeman, 1984, p.32). Based on Freemans thoughts Jones & Wicks (1999, p.211) presented four main statements at the core of the stakeholder theory;

1. “The company has relationships with stakeholder groups”
2. “The processes and the outcomes of these relationships are of interest to the company”
3. “The interest of all legitimate stakeholders have value”
4. “The focus of stakeholder is on managerial-decision making”

Weiss (2003, p.41) have developed the concept through stating that; “in a business context the legitimacy of constituents claim on the organization lies on either legal, economic, social, moral, technological, ecological, political or power interest, thereby far beyond the profit-only motive by shareholders”. Despite its wide acceptance the stakeholder approach has been questioned since it implies the sacrifice of business objectives (profits) to what is considered as morally acceptable, but economically uncertain social goals (Vinten, 2000, p.379).

Identifying stakeholders to a company is a key concern in the stakeholder theory, Gray et al. (1996, p.45) argued that stakeholders were; “any group or individual that can be influenced by, or can itself influence, the activities of the organization”. A more business-centered definition was developed by Freeman (2004, p.58); “those groups that are vital to the survival and success of the firm”, this reflected a progress of the subject within the
modern business context. Figure 4 presents a model developed by Donaldson & Preston (1995, p.69), which not only include the traditional pool of stakeholders (displayed in orange color), but also other groups that are affected by the actions of a company. According to Freidman & Miles (2006, p.13) the most common group of company stakeholders are; shareholders, customers, suppliers & distributors, employees and local communities. These are seen as the agents and groups with the most distinguishable relationship to the company and interaction with these are crucial for the achievement of the overall corporate objectives.

Since the main purpose of this thesis is to describe why companies engage in CSR, we argue that the stakeholder theory is relevant, since it depicts the companies’ relations to those groups they consider as stakeholders. Moreover, the stakeholder theory will be used to study how the case companies coordinate their CSR engagement in regards to these groups.

3.3.3 Legitimacy theory

According to Lindblom (1994, p.2) legitimacy can be defined as “a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part”.

According to (Long & Driscoll, 2008, p.56) the legitimacy theory explains the existence of a social contract between business and society. Consequently, the legitimacy theory is one of the most cited frameworks in CSR literature (see i.e. Gutherie & Parker, 1989; Tilling, 2004). According to Gutherie & Parker (1989, p.344) the theory of organizational legitimacy is built upon the thought that business operates in a society through a ‘social contract’ where it agrees to perform various actions desired by society in return for approval of its objectives and survival. Furthermore, in order for society to be able to assess whether the company is a good corporate citizen it need to receive enough information from the company. Suchman (1995, p.574) explained the character of legitimacy as multifaceted since it implies that it will operate differently in different contexts. Hence, legitimacy is socially constructed thereby it reflects an agreement between legitimate companies and the shared beliefs of some social groups. However, Power (2004, p.62) argued that as of the beginning of 2000, CSR was a legitimacy driver for companies, used as a defensive strategy for reputation and risk management.

According to Suchman (1995, p.574) there are many reasons to why organizations seek legitimacy, two dimensions are particularly important for explaining some of the imbedded rationality; Continuity vs. Credibility; legitimacy from an inside perspective of companies functions as an enhancer of both stability and comprehensibility of organizational activities. From an outside perspective legitimacy seeks to affect how people act towards and understand organizations, legitimate companies desires to be perceived as meaningful, predictive and trustworthy (Ibid, p.575).

Passive vs. active support; According to Suchman (1995, p.575) companies intention to seek legitimacy could be used as a tool for responding to threats or opportunities. Hence, if a company do not want the attention from a certain group, the threshold and engagement in legitimacy remain low, thus passive. On the other hand if a company have ambitious demands it can seek legitimacy from a large group of stakeholders, which can lead to a competitive advantage. According to Ashford & Gibbs (1990, p.180) companies can
practice these legitimacy-gaining dimensions through either adopting a reactive or proactive CSR approach. Whereas an reactive approach centers around the notion of reacting to the environment, suggesting that companies increases CSR activities (mostly disclosure) once legitimacy is being threatened by e.g. bad publicity in media, mistrust and pressure by the public or other threats to their operations. The proactive approach is aimed towards how CSR activities can help companies gain more legitimacy and thereby control their environments, for example improve image or raise share performance.

To conclude the link between CSR and legitimacy Clark & Gibson-Sweet (1999, p.11) argued that CSR can be used as a tool to strengthen company legitimacy, this can be done through communication their CSR agenda to their stakeholders. We chose to include the legitimacy theory since it is relevant for the purpose of this thesis because, as proposed by the covered literature, possessing and gaining a legitimate status in society can be a motive to why a company engage in CSR.

3.3.4 ISO 26000
ISO standards in general are commonly adapted and certified among companies and products around the world, usually they are used as a mean to ensure quality of products and operations (Schwartz & Tilling, 2007, p.291). For example, the studied companies have been certifying themselves with ISO 14001 as environmental management system, and ISO 9001 for product quality and safety, for a long time (Alfa Laval, 2012a; Atlas Copco, 2012a; Sandvik, 2012a). ISO 26000 have been developed in order to meet an increased market demand for a CSR standard (Castka & Balzarova, 2008, p.274). According to Schwartz & Tilling (2007, p.297) ISO 26000 does not possess the power of other ISO standards, rather it provides voluntary guidelines on how companies can or should approach CSR. Moreover, by developing a necessary conceptualization of the CSR concept, ISO 26000 have not solved the ambiguity in full, but at least provided some basic rules on how corporations should treat CSR. Thereby Castka & Balzarova (2008, p.283) concluded that the standard will only be adopted by organizations that are able to balance the costs of implementation and perceived benefits. Hence, organizations with stakeholders that recognize and emphasize the benefits of ISO 26000 are most likely to adopt it. However, Catska & Balzarova (2007, p.748) pointed out that any ISO standard, especially ISO 26000, can if not fully implemented, be used as a benchmark or inspiration for companies CSR activities. Moreover, Castka & Balzarova (2008, p.284) praised ISO’s involvement in CSR, since their vast stakeholder support will lead to a global recognition of sustainability. In support, Schwartz & Tilling (2007, p. 298) acknowledged that standards spread faster than norms throughout society, whereby ISO 26000 has the potential to persuade the business society to adopt CSR as a natural part of business faster than any norm could.

International Organization for Standardization (ISO, 2010) has identified six areas of corporate sustainability that companies face in society. In Figure 6 we have summarized these, whereby we have placed the organization in the middle to emphasize the simultaneous effect of each area on the organization. From an organizational perspective the model can be used to identify problem areas and each areas internal and external effect on organizations. Hence, the model can be used to assess risk, thereby outline a fundament for organizations CSR activities. For our study, the ISO 26000 provides a guideline to identify what activities the case companies engage in terms of CSR. It is similar to Carroll’s pyramid but develops a more thorough framework for analyzing which areas the
companies have identified as crucial. From the model we can assess how the case companies engage in CSR, and outline in which areas of CSR they engage in. In essence, what drivers they have and how they attend these.

![Image of ISO 26000 framework inspired by ISO (2010, p.4)]

3.3.5 CSR as creator of Shared Value (CSV)

One of the most recent additions to CSR research emerged in 2011 when Porter and Kramer presented “Creating Shared Value – How to reinvent capitalism and unleash a wave of innovation and growth” an article that highlighted the future trajectory on the notion of CSR. Porter & Kramer (2011, p. 64) argued that present-time businesses are viewed as a major cause of social, environmental and economic problems. As a consequence they experience diminishing legitimacy of business and political leaders have set up regulating policies that undermine competitiveness and hinder economic growth. There are numerous actors and reasons behind this development; however the present mindset of corporations is arguably the engine itself. Corporations have been preoccupied with a narrow conception of capitalism and today stand still in what is explained as an outdated value creation model focusing on narrow value creation and cherishing short-term financial performance. In addition, the firms merely see social responsibility at the periphery of the operations, not the core. To address these issues Porter & Kramer (2011, p.64) suggested that corporations need to redefine their purpose from creating profit per se to creating shared value and presented the notion of CSV as a reconnection between company success and social progress. Shared value should not be social responsibility, not philanthropy, or even sustainability, but a new way to achieve overall economic success. Porter & Kramer (2011) argued that CSV can be defined as policies and operating practices that enhance competitiveness while simultaneously enhances social and economic conditions in areas that the companies operate in. In summary, the CSV model highlighted an interrelationship between simultaneous societal and economic progress. According to Porter & Kramer (2011) this new rationale of synergy between successful business and progressive society can be achieved through following three actions;
Reconceiving products and markets; the starting point of CSV is to identify a wide array of societal needs, benefits and harms that are or could be embodied in companies’ products. Thereafter constantly be ready to shift them as technology, economy and societal trends change. Meeting needs in underserved markets requires rethinking of products and often leads to spurring innovation.

Redefining productivity in the value-chain; by redefining the activities in the value chain companies can address crucial issues such as natural resource and water use, health and safety conditions and equality on the workplace. Companies can find most of the rethinking and tuning in areas of efficient energy use and logistics, effective resource use, new distribution models, employee productivity and revival of domestic production rather than outsourcing.

Enabling local cluster development; companies can create shared value by engaging in cluster creation around them, this strive will eventually create a productivity and innovation-boosting infrastructure from where they can draw and share value.

We have chosen to include the CSV model as it represents a modern notion of CSR, whereby it furthers Carroll’s pyramid in explaining how companies can find competitive advantages while they also benefit society. The case companies all involve in environmentally heavy industries, but while they use material and energy within their operations, they also develop products that help other companies become more sustainable. Therefore, the CSV model can be used to explain the studied companies CSR activities; moreover, why and how they engage in CSR.

3.4 Business Case of CSR

In the following section we will present how aforementioned theories could be applied in a practical business application of CSR. Moreover, we will present previous studies on how CSR can be related to company financial performance.

3.4.1 Implementation of CSR

Implementation of CSR in company activities can take on a variety of forms, definitions and applications. Moreover, the concept is largely accepted and recognized in the business community as having a central role in business operations. However, there are no general frameworks of how to design and implement CSR into business (Maon et al., 2009, p.71; Lindgreen et al., 2009, p.252). Miromoto et al., (2005, p.316) propose that CSR activities should start with measuring and auditing in order for companies to assess their performance and societal impact. The assessment of companies’ impact has valuable learning outcomes, since it helps identify stakeholders’ expectations on company activities as well as recognition of positive and negative impacts (Maon, 2009, p.72). Through a series of case studies Miromoto et al., (2005, p.322) established that by creating a solid CSR auditing system, companies can ensure good stakeholder management, better corporate leadership, higher priority of CSR questions, and integration of CSR in company policy across levels and divisions.

Maon et al, (2009) have proposed a wider framework for implementing CSR based on a thorough literature review of various academic contributors (see; Werre, 2003; Maignan et al, 2005; Cramer, 2005). In summary the framework identifies four stages of
implementation; the first stage combines drivers to raising management awareness of CSR. These drivers are summarized to social, political, economic and management values, all affecting the management of a company. The second stage involves assessing different areas of impact that a company has on society. Thereby establishing a vision and working definition of CSR which should be integrated into a strategic plan. The last two steps include implementation of the strategy and assess the performance of the same, leading to continuous improvement. When the last stage is in place, the company should communicate about their CSR commitment and performance, in order for the driving stakeholders to critically evaluate the performance. The stakeholder dialogue is essential for this framework since the model itself derives from their stakeholders’ interest and values of what the company should be like (Maon et al., 2009, p.83).

By including these ideas on how companies should implement CSR into their operations we will be able to assess and cross-check the case companies implementation of CSR to theory, thereby addressing our sub-purpose of how the case companies engage in CSR activities.

3.4.2 Four aspects of CSR as a business case
Kurucz et al. (2008, p.84) suggested that the term business case is used by business practitioners to explain a pitch for an investment in an initiative that promises to yield a suitable return to the expenditure. In what has become known as the business case of CSR, also commonly named ‘doing well by doing good’ by media, the assumption is that a company can perform well financially by addressing not only its core business purpose but also its responsibilities towards creating a better society (Ibid, p.84). Carroll & Shabana (2010, p.85) explained this assumption as the underlying arguments and documents supporting why the business community, besides from a moral obligation should accept the CSR-cause and further advance it. The quest for the business case of CSR has by theorists been in mind ever since the very beginning of the concept. Carroll & Shabana (2010, p.91) argued that there has always been a ‘built-in’ premise that by engaging in CSR, businesses would enhance the societal environment from which they later could draw beneficences. However, as mentioned in the section of historical development of CSR, CSR activities as a business case became more attractive to the business community in the end of 1990s, it was around then the link between CSR and corporate financial performance (CFP) started to clear up for managers (Lee, 2008, p.63).

According to Kurucz et al. (2008, p.84) the relationship between CSR and CFP has been extensively conceptualized, specified and tested. Carroll & Shabana (2010, p.93) explained this interest by suggesting that understanding the CSR – CFP relationship is perhaps the first attempt in establishing a business case for CSR. The results have been mixed. Griffin & Mahon (1997) concluded that there is a positive relationship after summarizing the existing empirical evidence on the CSR/CSP-CPF link, the evidence spans over a 25-year period between 1972 until 1997 and include large US corporations. Waddock & Graves (1997) measured CSR with return on equity, return on assets and return on sales over 469 Standard & Poor 500 companies and found a positive relationship. A meta-analysis on CSR – CFP studies done by Orlitzky et al. (2003) suggest a general positive relationship across industries and study contexts (Kurucz et al., 2008, p.84). Carroll & Shabana (2010, p.94) argued that on the whole the CSR-CFP research suggest that a positive relationship indeed exist, however, there seems to be a lot of inconsistencies and therefore a need for further research. Based on this argument Carroll
& Shabana further argued that a broader view of the business case of CSR needs to be emphasized. A perspective that reflects the growing complexity of business operations and depicts the CSR-CFP performance including mitigating variables and situational contingencies (Ibid, p.95). The identification and understanding of these variables enable companies to pursue profitable CSR initiatives and establish a relationship between corporate strategy and the advancement of society as suggested by Porter & Kramer (2006).

Existing literature on the business case of CSR present a wide array of approaches on how to organize and focus resources to establish a CSR-CFP link (see Margolis & Walsh, 2001; Salzmann et al., 2005; Vogel, 2005). However, the chapter by Kurucz et al. found in The Oxford Handbook on Corporate Social Responsibility (Crane et al., 2008, p.85) is more suitable for our thesis since it “draws on existing reviews and models to construct an overview of four general types of business case of CSR based on value proposition”. According to Carroll & Shabana (2010, p.95) this framework summarize how the literature have been organized under four value creation categories. The presented four types of business cases of CSR is built upon what aspects of key value creation a company choose to emphasize. The authors also highlighted that these are not mutually exclusive modes – “a firm may be involved in all four at once through a variety of policies and incentives” Kurucz et al., (2008, p.86).

**CSR as a Cost and Risk Reduction:** The focus of a cost and risk reduction approach derives from the rationality that companies engage in CSR activities in order to reduce costs and risks threatening their operations. The value creation in this perspective depends on the company’s ability to deal with tradeoffs - that is to balance trading interests among social, environmental and economic concerns (Ibid, p.87). Stakeholders are essential to this balance as they play a central role in companies’ decision-making. A direct contribution from the stakeholder theory, which holds that an attention to stakeholders helps to reduce corporate risk (Donaldson & Preston, 1995, p.80). Kurucz et al., (2008, p.88) formulated this very well; “the primary view in this business case of CSR is that the demands of stakeholders present potential threats to the viability of the organization; thus, corporate economic interests are served by mitigating those threats through social and environmental performance”. With a cost and risk reduction incentive the primary focus of CSR activities is located to developing CSR standards and auditing practices aimed towards building confidence among stakeholders (Story & Price, 2006, p.47). Carroll & Shabana (2010, p.97) added that cost and risk reduction may also be achieved through CSR activities aimed towards environmental management recapping. Further argued by Berman et al. (1999, p.489); “being proactive on environmental issues can lower the cost of complying with present and future environmental regulations...[and]..drive down the firms operating costs”.

**CSR as a mean of Competitive Advantage:** In this approach CSR activities are means of strategy differentiation, setting a company apart from competitors. Stakeholder demands are no longer viewed as constraints as in the previous case but rather as opportunities to be captured. Value creation is then seen through adaption to these opportunities by proper strategic orientation and direction of resources (Kurucz et al., 2008, p.89). In literature, there are several contributions that have explained how companies can build competitive advantage through their CSR strategies. The work of N.Smith (2003, p.67) is arguably one of them; “a firm’s social responsibility strategy, if genuinely and carefully constructed, should be unique”. Other suggest that CSR activities were also found to have
a positive impact on attracting investments. T.Smith (2005, p.64) observed that institutional investors avoid companies that violate organizational values and principles and favor companies with good records on environmental stewardship, community involvement and corporate governance (Carroll & Shabana, 2010, p.98). Porter & Kramer’s work on Corporate Philanthropy (CP) can also been observed under this approach. The authors maintain that a company can gain competitive advantage through its philanthropic activities when such activities align with their core competencies and are focused on areas where there is a ‘convergence of interest’ between financial gains and social benefits (Porter & Kramer, 2002, p.7).

**CSR as a builder of Reputation and Legitimacy:** In this approach CSR activities are aimed on building firm value through gains in reputation and legitimacy, therefore the emphasis is placed upon alignment with stakeholder demands (Kurucz et al., 2008, p.90). On legitimacy Carroll & Buchholtz (2012, p.305) added that: “a business is perceived as legitimate when its activities are congruent with the goals and values of the society in which the business operates”. Reputation and legitimacy therefore grants the company ‘the license to operate’ in society (Salzmann et al., 2006, p.4). On reputation N.Smith expressed that CSR activities boosts companies’ ability to attract customers and employees. Moreover, consumers claim that CSR reputation has an influence on their purchasing behavior and that “some employees express a preference for working for more socially responsible companies” (N.Smith, 2003, p.63). There are several different CSR activities related to this approach. Cause marketing is one of them and entails a strategy where, in addition to demonstrating the products superiority, product benefits are linked to charitable activities (see e.g. The RED™ initiative aiming to battle AIDS in Africa) (Carroll and Shabana, 2010, p.99). Companies that are using cause marketing demonstrate an ability to mutually pursue profitability goals and meet stakeholders needs (Bronn & Vrioni, 2001, p.218). Using data on a sample of 227 UK PLCs, Brammer & Pavelin (2006, p.712) argued that companies are able to enhance legitimacy and reputation through disclosure of well-tailed performance information in areas of responsibility such as social and environmental.

**CSR as Synergetic Value Creation:** In this approach companies focus on creating value by finding and exploiting win-win outcomes, this is done by; “connecting stakeholder interests, and creating pluralistic definitions of value for multiple stakeholders simultaneously” (Kurucz et al., 2008, p.91). The rationality in this business case evolve around that companies are creating a ‘virtuous circle’ among stakeholders. Porter & Kramer have proposed arguments on this claiming that virtuous circles inevitably occur when firms understand the true nature of the link between philanthropic activities and competitive advantage (2002, p.66). An example of this could be charitable donations to communities that in the long run would improve the quality of human resources available to companies (Carroll & Shabana, 2010, p.100). From this win-win perspective CSR is seen as a vehicle that allows companies to both pursue profitably and satisfy demands of multiple stakeholders. Kurucz et al. (2008, p.101) concluded that this approach to value creation through CSR falls within the third and most modern era of social integration; “it is represented by moving away from thinking about social responsibility towards societal responsibility”.

In Table 2 we have summarized the business case of CSR from previous discussion. The four outlined stages of company CSR commitment are treated separately in accordance with their benefits, techniques and CSR era. We have chosen to include the literature on
CSR as a business case because we argue that these ideas are depicted as a balance between the purely theoretical perspectives on CSR and the practical business application of the concept. This is of importance since our case companies are actual actors in the Swedish business context with a commercial drive to progress financially and sustain operations in the long run. According to Carroll & Shabana (2010, p.101) the business case of CSR present arguments which contend that companies that engage in CSR ‘will be rewarded by the market mechanisms’ in terms of the four presented approaches; cost and risk reduction, legitimacy and reputation, competitive advantage and creation of synergetic value.

<table>
<thead>
<tr>
<th>Key Value Proposition</th>
<th>Cost and Risk Reduction</th>
<th>Competitive Advantage</th>
<th>Gaining Reputation and Legitimacy</th>
<th>Synergetic Value Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading; Engage in CSR to reduce costs and risk to the firm. “Stakeholders are threats to the viability of the firm”</td>
<td>Trading; Engage in CSR to reduce costs and risk to the firm. “Stakeholders are threats to the viability of the firm”</td>
<td>Adapting; Strategic approach to CSR as a builder of competitive advantage – “Uniqueness through CSR”</td>
<td>Aligning; Exploiting CSR to build value through gains in brand reputation and legitimacy – “Uphold license to operate”</td>
<td>Relating; Integrating stakeholder interests to create value on multiple fronts – “Virtuous circles”</td>
</tr>
<tr>
<td>Techniques</td>
<td>Energy-saving, environmentally sound production practices, community relationships</td>
<td>Corporate philanthropy, unique customer relationship programs (CRM),</td>
<td>SRI, Cause marketing, corporate disclosure and transparency practices (GRI-reporting)</td>
<td>Stakeholder engagement, corporate philanthropy, CSV-thinking</td>
</tr>
<tr>
<td>“CSR era”</td>
<td>Shareholder primacy</td>
<td>Shareholder primacy, Stakeholder management</td>
<td>Stakeholder management</td>
<td>Social integration</td>
</tr>
</tbody>
</table>

Table 2; Summary of business case of CSR, inspired by Kurucz et al, (2008, p.93); Carroll & Shabana, 2010

3.5 Summary of theoretical framework

In order to construct our theoretical framework we have analyzed the debate on the CSR development from a chronological perspective while highlighting the pivotal literature relevant for this thesis. Throughout this process we have observed that the contributions to the concepts construction come from a wide array of dimensions such as economic, legal, social, philanthropic and ethics to mention some (Dahlsrud, 2008, p.4). Moreover, beyond its constructional complexity CSR is not a universally adopted concept since it is understood and applied differently into business processes depending on the intention (Freeman & Hasnaoui, 2011, p.419). According to Dahlsrud (2008, p.2) the confusion of understanding derives from the fact that CSR is a social construction. Gjodberg (2009) concluded that the difficulty to construct a global understanding of CSR derives from the fact that local national context influences CSR practices. Our general understanding of this background is that CSR is a dynamic concept that changes overtime and should be seen as a broad encompassing umbrella of thoughts rather that a static framework. For this reason we have decided to leave the definition of CSR to the discretion of our three studied companies in order to get a fair picture of their understanding. However, to make the grasping of the concept somewhat easier for the reader we would like to bring forward
the comment by Wood (1991, p.695) “the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities”.

To summarize our theoretical framework; we have chosen to present the theories relating to CSR that we consider relevant to this thesis. The presented theories have all been measured as appropriate for us to; 1: understand the CSR concept, 2: understand motives and drivers to why companies engage in CSR, 3: understand CSR as a business case within the case companies, 4: create a fundament for our interview questions, 5: create a framework for analyzing the empirical data.

Our theoretical framework begins with an introduction to the CSR concept and its historical development; this reflects a conceptual shift from CSR being regarded as the corporations’ moral burden towards the society to a mean of driving corporate performance and creating shared value. Further we have outlined theories on how the CSR concept is constructed; beginning with the CSR pyramid which entails the company’s fulfillment of economic, legal, ethical and philanthropic responsibility towards society. Moreover, we argue that the question of to whom the companies owe these responsibilities is answered by the stakeholder theory. The legitimacy theory acknowledge a social contract between business and society, and explains the relationship between companies’ responsibilities towards their stakeholders. The aforementioned theories can be used to explain why companies engage in CSR activities. However, the purpose of this thesis also involve investigating how CSR activities are undertaken in a specific business context. Hence, the CSV and ISO26000 ideas present a modern business application of CSR. In our description of CSR as a business case we highlight how modern research have concluded that companies engage in CSR. These theories in combination with CSV and ISO26000 will help us understand why and how the studied companies engage in CSR from a business case perspective.

<table>
<thead>
<tr>
<th>Q1; Motives behind CSR</th>
<th>Q2;Engagement in CSR</th>
<th>Q2.2; Present CSR focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why?</strong></td>
<td><strong>How is the concept constructed and applied in this specific context?</strong></td>
<td><strong>What is the present focus for the investigated companies?</strong></td>
</tr>
<tr>
<td>Lack of a universal definition to CSR – How is the concept defined by the investigated companies?</td>
<td>How is the concept constructed and applied in this specific context?</td>
<td>What is the present focus for the investigated companies?</td>
</tr>
<tr>
<td><strong>How?</strong></td>
<td><strong>By using relevant theories from our theoretical framework and interpreting and applying them to the investigated companies</strong></td>
<td><strong>By using relevant theories from our theoretical framework and interpreting and applying them to the investigated companies</strong></td>
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<tr>
<td><strong>Which?</strong></td>
<td><strong>Stakeholder theory</strong></td>
<td><strong>Strategic CSR / CSV Business case of CSR ISO 26000</strong></td>
</tr>
<tr>
<td>Pyramid of CSR</td>
<td>Stakeholder theory</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
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<td>Stakeholder theory</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
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31
In Table 3 we present three sections of questions which are in direct relation with the purpose and research questions of this thesis. In each section we have summarized the cause to the problem, how we intend to investigate the problem, and finally, which theories we have identified for explaining the case companies reasoning in each section.
CHAPTER 4 - RESEARCH METHOD

This chapter outlines what methods we have applied for empirical data collection, including sampling and selection of companies and interviewees’. Moreover, it describes what methods we have used in the interviews and what ethical considerations we have made during our data collection process.

4.1 Choice of cases

We have decided to undertake a comparative case study. Eisenhardt (1991, p. 620) argued that by comparing multiple cases researchers can establish patterns and accuracy better than by using a single case because multiple cases allow the researcher to replicate and compare between cases. In order for us to make a comparative case study we first have to consider selection criteria’s for cases to study.

The fundamental criteria have been to study an industry with essential impact on Swedish economy. We have distinguished the industrial machinery industry as a major driver of the economy. Thus, our second criterion was companies within the industrial machinery industry with headquarters in Sweden. By including companies with headquarters in Sweden we ensured that they all operate within the same legal framework. However, in a study of Larsson (2008, p.21) concerning industry overview, 5800 companies would be suitable for our study. As we found it more likely that large companies are reporting on CSR and has developed a framework for the reports, we valued size as beneficial for the depth of our study; hence, we needed another criteria. By narrowing our selection to companies on NASDAQ OMXS30 we managed to select four companies that fit all criteria’s; Alfa Laval AB, Atlas Copco AB, Sandvik AB and SKF AB. By a brief introductory investigation we found that these companies provide publicly accessible documentation on CSR on their websites; including historical data.

By selecting companies we also limited potential interviewees’ for our empirical research. However, by only investigating company reporting and company representatives, we concluded that the answers may be biased. Thus, we wanted external opinions on CSR within the studied companies, which would allow us to triangulate data to reach more assertive conclusions. By searching for companies and organizations involved in evaluation and development of CSR in Sweden we identified McKinsey, Sustainergies, CSR Sweden, Miljörapporten, PWC and KPMG. We have chosen to name external interviewees’ as CSR consultants.

4.2 Choice of participants

For our empirical research question we wish to draw conclusions on why and how the case companies engage in CSR activities, moreover we seek to understand the case companies’ behavior and motivations to go beyond financial incentives to create societal value. Therefore we have to attain information from persons with expert knowledge on the studied companies and CSR. Thus, we have decided that a non-probability selection technique is appropriate for our primary data collection (Saunders et al. 2009, p.213; Yin, 2009, p.54-56). We want to be able to select our participants freely, but also have the possibility to be referred to appropriate participants by others; we have decided to use a self-selection selection approach. Meaning that we are able to contact chosen participants,
but based on their ability and willingness to participate we can also approach other suiting participants (Saunders et al., 2009, p. 241).

Following our choice of cases we contacted Alfa Laval, Atlas Copco, Sandvik, SKF, Mckinsey, Sustainergies, CSR Sweden, Miljörapporten, PWC and KPMG by emailing respective organizations CSR department and representatives. Our initial ambition was to include four companies and four CSR consultants. In the initial mail we described ourselves, briefly introduced our study and the purpose of contacting them. In addition, we inquired for documentation on respective company’s CSR activities in regard of gaining material for our textual analysis. By giving a large number of suitable cases a brief overview of our research objectives, they could chose appropriate participants by themselves; thereby ensuring that the respondents were able to understand and answer our research questions.

4.3 Access to cases

In order to attain information from our selected cases we need to gain permission from them to arrange interviews (Bryman & Bell, 2011, p.427).

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Alfa Laval</th>
<th>Atlas Copco</th>
<th>Sandvik</th>
<th>SKF</th>
<th>Mckinsey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to participate?</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Company/Organization ctd.</td>
<td>Sustainergies</td>
<td>CSR Sweden</td>
<td>Miljö-rapporten</td>
<td>PWC</td>
<td>KPMG</td>
</tr>
<tr>
<td>Willingness to participate?</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

*Table 4: Participating Companies and Organizations*

Table 4 presents all companies and organizations we have contacted for our study. Depending on their willingness to participate in our study we have denoted their initial answer. From Table 4 it is apparent that the companies and organizations that have taken part in our study is; Alfa Laval, Atlas Copco, Sandvik, CSR Sweden and KPMG. Remaining companies and organizations declined participation in the study due to various reasons.

Atlas Copco responded within two working days. However, we first requested to interview Atlas Copco’s head of CSR, but due to a busy schedule Atlas Copco decided to make their CSR coordinator available for interview. The interview with Atlas Copco was arranged in the middle of March. Not only did the interview give us the first part of our empirical data, but it also provided an opportunity for us to test-run our questions. It is our belief that this initial interview helped us develop our interview technique as well as our questions; hence, during the other interviews we experienced increased quality of questions and information.
KPMG responded quickly to our inquiry for interview. We were granted an interview with a senior associate of CSR at KPMG. This interview was our second overall, but first with the CSR consultants interview guide. Similar to the interview with Atlas Copco, the KPMG interview gave us an opportunity to test-run our questions in order for us to find strengths and weaknesses in the interview guide.

Neither Alfa Laval, Sandvik nor CSR Sweden responded to our first contact at all. Hence we commenced by sending another email to the representatives that we had distinguished. By the second email, Sandvik replied that they would grant us an interview with their head of CSR. Setting up a meeting with the Sandvik representative proved difficult, due to business related issues and leave of absence. However, in the beginning of April we managed to arrange the Sandvik interview.

Getting in contact with Alfa Laval proved to be difficult; after sending three emails to their CSR manager, without any reply, we tried to get in contact with his assistant instead. This proved to be successful, as the assistant promised to establish contact between us and Alfa Laval’s head of CSR, Ford. However, getting an interview scheduled with Ford was easier said than done. He resides in England and has a busy schedule travelling around Alfa Laval’s subsidiaries. After another two emails and a substantial amount of SMS texting back and forth we managed to arrange an interview with Alfa Laval in mid-April.

We tried to establish contact with CSR Sweden in the early stages of writing this thesis, this due to the fact that one of their employees have been heavily involved in developing Sandvik’s CSR activities. After a positive initial response to participating, CSR Sweden did not answer to our inquiry for interview date. Through a long process of several emails and phone calls we managed to book the interview in beginning of May, making CSR Sweden our last interview for empirical data collection.

### 4.4 Ethical Considerations

Our empirical data collection involve interviewing both company representatives and NGO representatives. Therefore we have made sure to inform the participants that their involvement in our research is fully voluntary. In the beginning of each interview we have introduced ourselves, the purpose of the interview, how the material is going to be used and asked for permission to record the conversation. Thereafter we have offered the participants to withdraw at any time during the interviews, as well as respond and remain anonymously in our thesis.

We are aware that the respondents are company representatives and are unlikely to disclose any sensitive information or information that might harm themselves or their employer. However, the nature of our research questions involve asking for the respondents’ opinion on why and how their company engage in CSR, making it hard to be fully objective. To minimize personal values of the respondents we have emphasized factual and event-based questions. Moreover, each respondent have a high position within the studied companies, granting them well-grounded information and opinions on the company activities. Lastly, we have formed questions that are strictly professional in order to not interfere on the respondents’ personal life.
In order to grant anonymous participation to the respondents we transcribed the interviews and emailed them for revision from the respondents. None of them have expressed a wish to stay anonymous.

4.5 Data collection

We have decided to triangulate sources in order to build a significant empirical section. There are numerous sources from which to attain data for a study; journals, articles, books, reports, public documentation, interviews and newspapers, to summarize a few (Saunders et al., 2009, p. 69; Yin, 2009, p.102). Yin (2009, p. 101) emphasize that each source works complementary to each other, thus, by using multiple sources we can strengthen our research findings. We have decided to use interviews as our primary data, while we consider company documents and reports as secondary data (Hair et al., 2004, p.72; Saunders et al., 2009, p.69).

4.5.1 Collection of Company and Organizational Reports

By distinguishing between primary and secondary data we have decided to treat all company and organizational reports as secondary data. The secondary data has been collected from a variety of sources.

Firstly, annual reports and other documents on CSR have been collected from respective company’s website. All studied companies publish their CSR reports and documentation for public access on their websites. On the websites the reports can be retrieved under headings such as ‘sustainability’, ‘annual reports’, ‘investors’ or ‘shareholders’. Depending on preference of the companies, they either publish standalone CSR reports or as a chapter within the annual reports. In addition to CSR reports, all companies also publish shorter documents on their CSR activities; i.e. code of conduct, ethical principles etc. Secondly, industry-wide reports have been collected from different organizational websites (i.e. KPMG and RobecoSAM).

All sources used have been weighted as useful and beneficial to our study since they allow us to gain multiple view-points of the research questions. The usage of secondary data is important to our empirical study since they in part answer our research questions. In addition, the secondary data helps us identify knowledge-gaps to our research questions that we can fill by our interview questions.

4.5.2 Criticism of Company and Organizational Reports

The documents and reports collected from the case companies’ have all been found at their original source, ensuring accuracy and credibility of the reports. We believe that the use of secondary data is beneficial for our study because it allows us to compare the answer received during the interviews with company reports. This complementary side of secondary data acts as a validation to what has been found in the interviews. However, we are aware that all data have been compiled and published by the companies themselves. Hence, the reports are not likely to bring forward any negative sides of the companies’ business operations, and we have been aware of the potential of biased information when scrutinizing the reports. Furthermore, we as authors have been at the center of reading and interpreting the information within the documents. In order for us to interpret the documents objectively we have developed a theoretical framework,
summarized in section 3.6. However, we view the reports as complementary to our primary data, thereby we only use it to enrich our empirical research, not as a major source of insights and information.

4.5.3 Interview Method
We have decided to carry out interviews for collecting primary data. As part of the preparatory work before conducting the interviews we have considered which methodology we undertake in order to best answer the purpose of our study. In our qualitative study we investigate a specific area, but need to attain deep and rich answers from the respondents in order to understand why and how the studied companies engage in CSR activities. Therefore we have chosen a semi-structured interview technique, meaning that we follow a set of questions that allows the respondents to open-ended answers (Hair et al., 2003, p.134; Trost, 2005, p.21). Our interviews will also emphasize low levels of standardization, whereas our interview guides specify the basic pattern for the interviews, but depending on the respondents’ answers, we will be able to ask for further explanation, and non-specified follow-up questions (Trost, 2003, p.19).

The semi-structured interview approach is appropriate for our study since we need to alter our questions between company representatives and external experts, where each respondent can be able to answer in full without our guidance. Thereby we can ensure that we attain each respondent’s full understanding and perspectives of our research questions (Hair et al, 2009, p. 135; Kvale & Brinkman, 2009, p.150-151).

4.5.4 Interview questions
We have undertaken two types of interviews, one with company representatives and one with CSR consultants. Therefore we have developed two different interview guides. The questions in both types of interviews have been based on our research questions and purpose. Moreover, by relating each research question to relevant theories (see Table 2), we have distinguished three sections of questions. By using the same theoretical framework for both interviews and documentation analysis we ensure that we process the information consistently.

4.5.4.1 Qualitative data: Interviews company representatives
Through the interviews with company representatives we strive to gain understanding on why and how the studied companies engage in CSR activities. By developing questions that are related to business activities and theories on CSR we have ensured that the interviews follow a pattern, which allows us to compare and analyze the interviews through equivalent framework. However, with our semi-structured approach we were able to ask follow up questions for further explanation in order to fully understand how the companies have interpreted CSR (why they engage in CSR), what driving forces they have to further develop CSR, and how it has been implemented into the business activities (how they engage in CSR).

The interviews have been divided into three sections, of which each is applicable to the theoretical summary in section 3.6. Section one involve questions on how the companies define CSR, the reasoning to why they engage in CSR activities, and what principal stakeholders they strive to satisfy. Section two cover how the companies have chosen to engage in CSR, meaning what activities they undertake and to whom these activities are directed. Section three involve questions on how the companies have developed their
CSR, what challenges they face as a company, and how that has affected the present focus of their CSR activities. For a full recollection of interview questions see interview guide in Appendix I.

4.5.4.2 Qualitative data: Interviews CSR consultants

Through interviewing CSR consultants, our ambition is to gain a third-person perspective of CSR within the studied companies. The interviews were conducted with a second set of questions, which we fashioned in a similar manner as the first interview guide. Hence, with respect to attain coherent data from the interviews we developed questions that are related to the three sections outlined in section 3.6. However, because questions regarding the operations of specific companies may involve disclosing sensitive information, we have adjusted the questions to be more general about the industry and manufacturing companies in general, but we have clearly emphasized what companies we study to ensure that the interviewees’ understand what information we seek.

The first section involve questions on how companies within the industrial machinery industry have interpreted and translated CSR into their business activities and strategies. The second section focuses on how third party organizations are involved in developing and measuring CSR. The third section focus on present and future challenges of CSR within the industry in general, and how that has specifically affected the studied companies CSR focus. Moreover, it includes questions on how the studied companies have developed, and will develop in the future, in terms of CSR. For a full recollection of questions and interview guide see Appendix II.

4.6 Description of interviews

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company</th>
<th>Interview method</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSR consultants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria Percovich</td>
<td>Senior associate CSR</td>
<td>KMPG</td>
<td>Telephone</td>
<td>60 min</td>
</tr>
<tr>
<td>Marianne Bogle</td>
<td>Founder CSR Sweden</td>
<td>CSR Sweden</td>
<td>Skype</td>
<td>60 min</td>
</tr>
<tr>
<td><strong>Company Representatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mala Chakraboti</td>
<td>CSR coordinator</td>
<td>Atlas Copco</td>
<td>Skype</td>
<td>70 min</td>
</tr>
<tr>
<td>David Ford</td>
<td>Head of CSR</td>
<td>Alfa Laval</td>
<td>Skype</td>
<td>75 min</td>
</tr>
<tr>
<td>Cristina Båge-Friborg</td>
<td>Head of CSR</td>
<td>Sandvik</td>
<td>Skype</td>
<td>50 min</td>
</tr>
</tbody>
</table>

*Table 5: Description of interviewees*

Table 5 presents the interviewees’, their position and company, as well as mean of communication and length of the interviews. We decided to arrange our interviews by different means of communication on requests of the interviewees’. However, our
primary communication tool have been Skype, as we felt that it was important to see and visibly interact with the interviewees’ to create empathy and understanding of our research (Silverman, 2011, p. 162). The interviews have been carried out between middle of March and early May. Overall we have conducted five interviews, three with the studied companies, and two with CSR consultants. The time and length of the interviews varied with respect of the interviewees’ availability and the thoroughness of their answers. Depending on the answers we asked follow-up questions in order to gain deeper understanding (Ibid). During the interviews we used multiple recording devices as well as took notes in case the recordings were unclear or corrupted.

After completing the interviews we spent several hours to transcribe them from recordings to text. The importance of transcribing the notes is twofold, firstly, we were asked to present the transcribed version to the interviewees’ to ensure their accuracy. Secondly, transcriptions provide a full recollection of the interviews, which is hard to achieve by only taking notes (Bryman & Bell, 2011, pp. 482-483). Notably the interviews with KPMG, Sandvik and CSR Sweden were conducted in Swedish, and translated by the authors. Therefore we make a reservation for any errors of translation, since English is not our primary language.

4.7 Criticism of primary sources

The qualitative data gathered through interviews has been considered primary data used in the analysis of this comparative case study. During the interviews we strived to use a consistent language and pace when formulating our questions. In order for the interviewees to fully understand our questions we took measures to explain and evolve on any uncertainties. Moreover, we explained the purpose of each question.

The interviews varied in quality and length depending on the interviewee’s ability and willingness to answer. The cause to varying quality was due to the use of different interview method. While we experienced enhanced personal contact and sympathy for our research during Skype interviews, we did not manage to establish the same level of contact in the telephone interview. The telephone interview made it impossible for us to observe body language and reactions of the respondent. We experienced that the interviews contained portions of personal opinions and perceptions, especially in the interviews with Alfa Laval and CSR Sweden. Furthermore, the interviews with company representatives may have been influenced by bias, since the interviewees’ are high-ranking company representatives.

During the interviews with KPMG and CSR Sweden the respondents were careful to no disclose any sensitive business related information; hence, they answered more in general terms for the specific industry, without pointing out any specific company. However, both interviewees’ have thorough experience with the studied companies as well as their CSR activities.

We have considered alternative interview method, as we ultimately would have arranged face-to-face interviews to enhance the contact and interest of the interviewee. However, as our interviewees’ are geographically dispersed we concluded that other means would suffice for the scope of our study. In addition, considering the video function of Skype
we argue that the video interview have strong similarities with actual face-to-face interviews.
CHAPTER 5 - EMPIRICAL FINDINGS

In this chapter we will briefly present the studied companies, their involvement in CSR and the interviewee of respective company (see table 6). Thereafter, we will present the empirical data obtained from interviews and company reports. Finally, we present the data collected from third party interviews and reports.

<table>
<thead>
<tr>
<th>Case 1; Alfa Laval</th>
<th>Company</th>
<th>Interviewee &amp; Role at company</th>
<th>Q1; Motives to CSR - theories</th>
<th>Q2; Engagement in CSR - theories</th>
<th>Q2.2; Present focus of CSR - theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfa Laval</td>
<td>David Ford, Head of CSR</td>
<td>Pyramid of CSR Stakeholder theory Legitimacy theory</td>
<td>Stakeholder theory Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case 2; Atlas Copco</th>
<th>Company</th>
<th>Interviewee &amp; Role at company</th>
<th>Q1; Motives to CSR - theories</th>
<th>Q2; Engagement in CSR - theories</th>
<th>Q2.2; Present focus of CSR - theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlas Copco</td>
<td>Mala Chakraborti, CSR Coordinator</td>
<td>Pyramid of CSR Stakeholder theory Legitimacy theory</td>
<td>Stakeholder theory Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case 3; Sandvik</th>
<th>Company</th>
<th>Interviewee &amp; Role at company</th>
<th>Q1; Motives to CSR - theories</th>
<th>Q2; Engagement in CSR - theories</th>
<th>Q2.2; Present focus of CSR - theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandvik</td>
<td>Christina Båge-Friborg, Head of CSR</td>
<td>Pyramid of CSR Stakeholder theory Legitimacy theory</td>
<td>Stakeholder theory Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CSR consultants</th>
<th>Company</th>
<th>Interviewee &amp; Role at company</th>
<th>Q1; Motives to CSR - theories</th>
<th>Q2; Engagement in CSR - theories</th>
<th>Q2.2; Present focus of CSR - theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPMG &amp; CSR Sweden</td>
<td>Victoria Percovich, Senior associate CSR; Marianne Bogle, Founder CSR Sweden</td>
<td>Pyramid of CSR Stakeholder theory Legitimacy theory</td>
<td>Stakeholder theory Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td>Strategic CSR / CSV Business case of CSR ISO 26000</td>
<td></td>
</tr>
</tbody>
</table>

Table 6: Summary of Cases, Interviewees’ & Theories

5.1 Introduction to Alfa Laval AB & Interviewee

The history of Alfa Laval traces back to 1883, when Gustaf de Laval created AB Separator, a business based on his inventions of a steam turbine and a centrifugal separator. AB Separator was later renamed Alfa Laval AB and is presently employing around 16000 people in 100 countries. Today their core-business still involves heat transmission, separation and flow management (Alfa Laval, 2013a). Part of Alfa Laval’s core-business involves innovating, developing and manufacturing products that are used within manufacturing processes; hence, they have identified themselves as a vital supplier.
for increased efficiency and sustainable development for its customers. Alfa Laval’s CEO, Lars Renström, clarifies this by stating; “Alfa Laval has a unique role to play: We provide solutions that improve the energy efficiency of industrial processes and reduce greenhouse gas emissions. We are found in many environmental protection systems. We help to increase the yield of food and energy production and produce clean water. We are committed to innovation.” (Alfa Laval, 2012b). With their mission statement “To optimize the performance of our customers’ processes, time and time again” (Alfa Laval, 2013c), Alfa Laval aims to supply solutions for global issues of today and in the future, within their field of operation (Alfa Laval, 2013b).

Alfa Laval initiated their commitment to CSR in 2003, by formulating business principles which aimed to establish sustainable improvement through three steps; communicate, educate and manage & measure (Alfa Laval, 2004). In order to support their three step process, they implemented the GRI guidelines as a mean to measure and evaluate CSR performance (Alfa Laval, 2007).

Presently Alfa Laval’s commitment to CSR is visible through their membership in the UN global compact as well as being awarded by FTSE4Good. In order to uphold a sustainable reputation the company delivers annual sustainability reports and business progress reports (UN global compact, 2013).

Ford started his journey at Alfa Laval in 1993; initially he fulfilled the position of human resource manager, a position he held for 10 years. In 2001, when Alfa Laval prepared to become a publicly traded company, Ford was made responsible for the company’s social responsibility commitment. Ever since 2003, Ford’s sole responsibility has been to address CSR related issues within Alfa Laval. In his role as responsible for CSR in Alfa Laval, Ford has been the only person with CSR in his job title, only answering to the CEO and the board of directors.

5.1.1 Alfa Laval’s motives to CSR
Alfa Laval’s interpretation and definition of CSR can be seen in their core business declaration from their latest annual report:
“The core business concept, and the driving force behind daily operations, is to help create better everyday conditions for people. This is affected through the company’s products, which meet the basic needs that arise in most operations for heating, cooling, separation and fluid handling. Alfa Laval’s products are both efficient and environmentally friendly. They can reduce energy consumption – and thereby carbon emissions – or clean water and other fluids – which helps to limit the negative environmental effects of customers’ processes” (Alfa Laval, 2012a, p.13)

Ford explains this development as follows; Alfa Laval was a late adopter of CSR as part of their business routines. As a privately owned company, they did not have an incentive to follow market trends or adhere to a large community of different stakeholders. However, as part of the process of going public in the beginning of 2001, they did a market-place analysis to spot current trends and prerequisites for being a publicly traded company. The analysis was in part conducted through benchmarks with SKF, Atlas Copco and Sandvik. Ford says; “we did a bit of gap analysis for the processes and policies we had in place, and for what was the normal policies of these companies in CSR”. The analyses lead to an understanding that they were lacking in terms of structure and formal
code of conducts. With this in mind, Ford engaged in seeking out potential shareholders, among them Swedish banks, to identify how to commence in meeting the investors demand in terms of CSR. By the end of the process, the Alfa Laval board agreed on the documents that were drafted, and the end-product was the so called business principles of Alfa Laval. The business principles entails Alfa Laval’s standpoint on issues concerning environment, human rights and business ethics. To finalize the process the final documents were presented to potential investors, employee representatives, unions, management and board members who, upon the positive response, signed them in 2003.

The next step in the process was making a gap analysis on Alfa Laval’s aspiration in each business principle, followed by prioritizing the importance of each, since they realized that they could not work with everything at the same time. Ford comments “It was quite humbling, because we believed we were a really good company, but when we had a set of principles, and we started with saying ‘how do we know this? What data do we have to show, to prove to ourselves and the outside world that we were good’ and in some cases we weren’t nearly as good as we thought we were”.

In terms of external driving forces for developing their CSR activities, Alfa Laval did not feel any particular pressure from competitors, as they did not, nor do to any far extent today, have any particular commitment to CSR activities. According to Ford, the driving force was rather the question how to prepare Alfa Laval to be a publicly traded company, and the realization that they had fallen behind other publicly traded companies in the industrial machinery industry. Hence, Alfa Laval’s initial motivation was to “let’s make sure we are offering share prices that are good and strong and that we’re a sound company for people to buy”.

The process of understanding what they needed to do to satisfy the market entailed a humble approach, where Ford sought advice from people at other companies, in the same position as him. According to Ford, being a late adopter of CSR proved beneficial since they could avoid doing the same mistakes as others had done before. During this very informal learning process Ford learned about the UN global compact and what other companies were doing in CSR. Moreover, he sought the advice of analysts and investors to understand the market demands.

Present drivers of Alfa Laval’s CSR commitment still derives from the investment community. Ford expresses “If you’re a publicly traded company, CSR is the responsibility towards the society, and society is reflected if you’re owned by pension funds”....” that’s older people in Sweden particularly. Many of our shareholders are pension funds, long-term investments for society’s needs, for pension needs. So the values from the investors actually do reflect what you want to have in society as a long-term investor, and the longest term are pension funds. They want to buy equities, invest for their member’s future financial security, then you need a secure investment, and it’s more likely than not for companies who have a solid set of values”.

However, Ford claims that they do not feel the same pressure from their investors nowadays, since Alfa Laval is generally rated as one of the benchmarks of the industry by institutional investors. Ford on the other hand senses that they do not always deserve the praise of their investors; therefore he has made it a habit to be very transparent and critical in the editorial of every progress report. In comparison to other companies Ford points out that he is striving to be as honest as possible about their progress. For instance,
when reading other company reports he feels that they are often expressing how good they are, while in reality that is far from the truth. Ford comments on the truth; “real life on CSR is, if you look honestly you can find so many things that you can improve. If you pile it on the table, whether it’s environmental performance, human rights, equality; if you benchmarked yourself against best practice globally any company, across all these things they’re expected to do, you can find so much work”. According to Ford, deriving from this insight, Alfa Laval has taken a path of humbleness by not present their sustainability awards. For example, Alfa Laval has been awarded FTSE4Good status, but chose to not declare it externally or internally.

According to Alfa Laval’s annual report, one of the main drivers for the company is employee satisfaction; “Alfa Laval’s goal is to be an attractive employer with a positive work environment for motivated and committed employees, the foundation of the company’s continued success. Accordingly, continuous efforts are made to ensure that the work environment is attractive, safe and healthy, free from discrimination and with space for competence development” (Alfa Laval, 2012a, p. 42). Ford reflects on this by pointing out that the main driver of CSR has been investor interest, but he has experienced a shift towards employee expectations. This is especially evident among younger employees, who seek to have an employer that is acting responsible towards the society, experiences a good reputation globally and is seen as a good company. Ford expresses that “I think what is considered as a good company, as we’re all part of society, is becoming a much bigger driver now, but it’s not as vocal as the investors, not as focused as investors”. With focus he explains that investors are more likely to express their view directly, while employees are more subtle and do no express it directly towards the company. Moreover, Ford express that a big driver for them is company branding towards potential employees at universities. As CSR is a growing concern for students, the companies are forced to deal with questions on what students and employees want from their companies in order to feel a sense of fulfillment and happiness.

Considering environmental concerns such as pollution, CO2 emission, depleting resources and energy efficiency, which all usually pose as drivers for CSR, Ford explains that he thinks it a collective naivety deriving from social forces in Swedish mentality. He explains that corporate scandals such as ABB, Siemens and Telia all derive from lack of business ethics. The lack of structured ways of working with business ethics and corruption is striking within the industry, exemplified by the fact that none of the companies have implemented the Ruggie recommendations on human rights. Therefore Ford concludes that from an industrial point of view, the focus have to shift from environmental issues to addressing more pressing concerns such as human right issues and business ethics. The environmental focus is, according to Ford, fairly mature within the industry, as Alfa Laval’s product range itself is used by other companies to increase energy efficiency or to decrease emissions. Moreover, Ford explains that they will continue to work on environmental improvement, but as a natural part of good business and engineering as new products of Alfa Laval would not reach the market if they did not perform better than the products that they are meant to replace.

Alfa Laval recognizes global issues such as climate change, human rights abuses, lack of food and drinking water etc. Moreover, Alfa Laval acknowledges that multinational companies have an important role to play in overcoming these issues. A section of Alfa Laval’s business principles reads; “Alfa Laval has a unique role to play: We provide solutions that improve the energy efficiency of industrial processes and reduce
greenhouse gas emissions. We are found in many environmental protection systems. We help to increase the yield of food and energy production and produce clean water. We are committed to innovation” (Alfa Laval, 2012b, p. 2).

In terms of combining efforts among companies to create good for the society, Ford says that a commercial activity always derives from a commercial drive. Alfa Laval do not seek to solve social issues from a non-profit perspective, rather they sometimes find a common ground, either within the company’s departments or with other companies, based on natural innovation and business opportunities, which poses as a good commercial incentive. Thereby all activities undertaken by Alfa Laval is commercially driven, but as their product range in itself is part of making society better and more efficient, they create a trade-off just through doing what they are good at; hence, innovation and product development.

<table>
<thead>
<tr>
<th>Social</th>
<th>Business Integrity</th>
<th>Transparency</th>
<th>Environment</th>
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<tbody>
<tr>
<td>Respect for human rights is fundamental</td>
<td>High ethical standards guide our conduct</td>
<td>The company’s commitment to open dialogue builds trust</td>
<td>Optimizing the use of natural resources is our business</td>
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Table 7; Business principles of Alfa Laval

Table 7 present the latest business principles of Alfa Laval, these form the basis for their sustainability commitment (Alfa Laval, 2012a, p. 45).

5.1.2 Alfa Laval’s engagement in CSR

Alfa Laval started engaging in CSR in the beginning of 2003 through a risk assessment within the group management. The meeting resulted in a list of priorities identified by top management, where they assessed areas within the company they felt they were lacking knowledge. The list consisted of five points; working & labor conditions, human rights, ethics and people in the supply-chain. Ford explains that they discussed the matters among them to identify what knowledge gaps they had in each, and reached the conclusion that if they did not know, they had to find out. The product of the meeting was a priority order of know CSR issues, where environmental management surprisingly ranked at the lower end of the list. Thereby Alfa Laval did not do any specific efforts on the environmental side for the first few years of their CSR activities. Ford explains the argument as “we actually gave a good story to tell on the environment, the first few years we didn’t do much on the environment, because we knew what our products did for the environment”. The reasoning behind prioritizing environment so low was that Alfa Laval was certain that they knew the environmental impact of their products. However, through reaching out to other companies Ford, who was at the center of implementing CSR in Alfa Laval, understood that those companies would start with social issues if they were to take on the process again, rather than starting with environmental management. Ford expresses that having the other companies experience was a benefit of being late adopters of CSR as part of Alfa Laval’s business. However, internally Alfa Laval has made efforts to become more sustainable. Since 2004 Alfa Laval certifies all company sites with an environmental management system (EMS). This goes along with company’s environmental business principle “Optimizing the use of natural resources in the most efficient manner is our business” (Alfa Laval, 2012a, p. 62).
In 2012, Alfa Laval published a revised version of their business principles, in which they have addressed value principles in addition to what the old report contained. However, Ford notes that it has been more difficult this time around, since they now have much more information and knowledge about CSR and how it is connected to the company’s activities. The process has the same shape as the one in 2003; they first start with a risk assessment through a dialogue with stakeholders, managers and employees. The assessment will be used to identify knowledge-gaps, or gaps between their aspiration, expressed in the business principles, and achievement. Then they will compromise a list where they prioritize the issues like any set of business priorities.

According to Alfa Laval’s policy, the business principles apply to all companies in the Alfa Laval group. These principals are reinforced by a number of internal policy documents, which provide more practical information to the employees. Moreover, the company’s policy states that the principles have to be implemented and supported by management structure, tools, guidelines and training activities (Alfa Laval, 2012b, p. 6). Ford delineates that this year’s priority, according to their business principles, is to focus on business ethics in sense of anti-bribery and anti-corruption. Not because they feel any particular risk from bribery or corruption, but they did not undertake any training or group communication on the issues since 2006/2007.

Part of enhancing the focus on ethical business behavior was the establishment of a Commercial Ethics Council with the CEO, Lars Renström, as a chairman (Alfa Laval, 2012a, p. 9). According to Ford, the formal implementation of CSR in Alfa Laval is divided into different layers. The first and most obvious is their reporting standards. The formal reporting follows the GRI standards, which are presented separate to both progress reports and annual reports. A section of Alfa Laval’s business principles reads “All entities in Alfa Laval strive to measure and record relevant non-financial information relating to the implementation of the Business Principles”… “this helps to maintain a focus on the issues as well as provided key data by which targets can be set and progress can be tracked” (Alfa Laval, 2012b, p. 6). However, Ford emphasize that GRI is just a way of reporting, not implementing CSR. Moreover, GRI is helpful for companies to work with internal indicators and structure on reporting and measuring CSR performance.

The GRI reports in combination with progress reports, business principles and the code of conduct compromise the reporting made both internally and externally. Ford emphasizes that neither the sustainability report nor the progress reports go through the PR department, since he feels that the issues dealt with within should not be revised or manipulated to tell an improved story of Alfa Laval’s sustainability activities. Ford says “that has been conceived as beneficial for our transparency, since we’re saying where we’re failing more than other companies. It’s part of our business principles and we have to live up to that as well. Transparency is trust, if you are constantly giving the marketing speech on the company meetings, you end up believing your own publicity if you’re not careful. The CEO agrees and the head of investor relations agrees that we tell it as it is”.

Another feature of implementing CSR into Alfa Laval is the management approach. First of all, Ford is the only person at Alfa Laval who holds a title branded with CSR. In his duties he only reports to the CEO and board of directors. Moreover, Ford has no staff, no budget or no secretary. Ford says that is a philosophy deriving from their initial CSR strategy in 2003, when the management said; “If this is the values by which we’re going to live, they live in the position, it lives in management, in employees, in company culture;
an integral part of peoples jobs”. According to Ford there are a number of ways to go about the issues. Either you treat the business principles as formal law that should be told and trained to every employee. However, upon implementation in Alfa Laval, Ford decided to focus on getting the message and training to the people that had the most impact on particular business principles. For example, anti-bribery and anti-corruption is likely to face the sales force and the purchasing organization, as they might be exposed to corrupt customers or suppliers. Ford explains “we’ve broken the business principles down when we implement to the target group of the employees that can actually influence the results that we want to achieve, and we’ve ignored employees that don’t have an influence on achieving our aspiration”. However, he also claims that this approach has had a negative effect, since employees in general does not have the whole picture on what they are trying to achieved, and have achieved, in the CSR field; hence, they have under-marketed within the organization. Ford evolves by saying “We’ve been very focused on saying let’s not waste our energy on people that can’t really do anything with it, let’s get the relevant message to the relevant people. The big backside of that is that our employees in general are not aware of what we’ve done in the big picture. So far we’ve said we don’t care about that, because it’s about achieving the goals first. It’s like external marketing, we don’t use FTSE4Good label, we haven’t done that internally either, we just started to tell people as we started to revise the business principles”.

According to Alfa Laval’s annual report, the company takes on a ‘tell it as it is’ culture, where employees, managers and other vital stakeholders are encouraged to participate in finding both problems and solutions to sustainability related issues within the organization (Alfa Laval, 2012a, p. 45). Concerning CSR as part of Alfa Laval’s business strategy, Ford expresses gratitude towards the company’s products once again “…if you take a large chunk of CSR which is environmental management, so many of our products are used for environmental application, our business strategy or product range is inevitable orientated towards sustainability, because of what we make. From my point, CSR in Alfa Laval, I have the luxury of the fact that our product range is about efficiency to production, it’s about energy consumption. It’s a lot about environmental application. Our product range is very consistent with the message internally and externally about CSR”. Ford claims that while it is easy to implement CSR into their business strategy, it has proved to be harder to translate the business principles into their strategy.

Another aspect of CSR is life-cycle assessment of product lifetime and environmental impact. Ford argues that since their core products and prime business concept is to develop products through innovation and world class engineering, there would be no market or incentive to release new products if they did not provide higher efficiency, hence, lower life-cycle environmental impact. Thereby Alfa Laval has undertaken life-cycle assessment of their products, resulting in systems for measuring improvements and impacts of their engineering efforts.

In comparing Alfa Laval’s CSR to other companies Ford says that they use different kinds of benchmarks, although it is difficult to find common measures as the companies differ in business model and organizational structure. However, Ford points out that benchmarking is most successful when they find another company which is facing the same problem at the same point of time. Then it is easier to exchange ideas and solutions to the common problem. A current topic that has led to substantial cooperation between companies is the UN legislation on conflict minerals in the Democratic republic of Congo.
5.1.3 Alfa Laval’s present focus of CSR

From his central position of implementing and developing CSR at Alfa Laval, Ford has experienced a shift in demand on improvement. He says that ten years ago, persons in leading positions would say that they want to live up to the business principles. However, in recent years Ford has experienced a shift towards demands coming from inside the organization. Questions have arisen on how Alfa Laval can be good to society rather than how society can be good for business. Ford says that this shift has created an entirely new set of demands. He exemplifies by saying “when we sell our products, how are they used by our customers, do we feel totally comfortable from an ethical or human rights point of view, in the way that they’re used. If we sell products to a customer and perceive that the customer is not treating its employees in a good way, how comfortable are we in actually selling to that customer. That’s a huge new question, because sustainability is very much defined as ‘it’s your responsibility boundaries, it’s your company, your own company’s operations and it’s your suppliers’, but to start to say do we extend the size to human rights, do we extend the size to our customers, and the future impact of our products and our influence in society. That’s really a big change”.

According to Ford, the social issues of CSR are arising as focus within the industrial sector. The focus of CSR has been environmental issues for the past 10 years, but within 5-10 years Ford believes that the formation and implementation of the Ruggie principles on human rights will be the central concern of CSR for Alfa Laval. Moreover, beginning the process of understanding and implementing the UN bribery principles will shift the focus towards societal concerns.

On the topic of social and ethical issues, Alfa Laval’s annual report mentions that eliminating bribery and corruption is essential for continuing development of international fair trade. As preparation for these growing challenges, Alfa Laval has conducted extensive training, internal auditing and reporting on the issue. Furthermore, Alfa Laval has implemented an anti-bribery and corruption policy (Alfa Laval, 2012a, p. 46).

One of the most recent developments within CSR is the release of ISO26000. However, Ford is uncertain on the actual effect of the ISO standards in general. Beginning with the implementation of the quality standard ISO9001; Alfa Laval applied the standard with the intention to use it as a driver for change. Ford explains that the Alfa Laval top management was collectively disappointed with the results. Alfa Laval will certify them to a standard if it is required by their customers, however, Ford feels that Alfa Laval’s company culture does not benefit from standards as a driver for change; “…for Alfa Laval where we drive for innovation and creativity, standards don’t help”. For the most recently developed standards, ISO26000, Ford sense that it is hard to standardize intangibles, as it is hard to measure and estimate its impact; hence Alfa Laval is not likely to directly adopt the new standard in whole. However, Ford claims that he reads the standards and uses the information as a source of inspiration and ideas for progressing CSR at Alfa Laval.

Looking at global issues such as climate change, urbanization and depleting resources, Ford believes that both companies, such as Alfa Laval, and governments have essential impact. While the multinational company community can provide components and products for higher energy efficiency, governments first have to decide on strategies and infrastructural development. Questions on the having or not having nuclear power are not
decided in any board rooms, but in governments. However, Ford points out that Alfa Laval can supply products that make fossil fuel energy more efficient, but cannot legislate on its existence.

On the other hand, Ford believes that multinational companies can and will have substantial impact on social issues such as human rights and the use of conflict minerals. He points out that governments and non-governmental organizations is starting to realize the potential of multinational companies as a driver for change in these areas. For example; the UN legislation on conflict minerals has been discussed and adopted among many multinational companies, which in turn has had substantial effect on the trade and use of mentioned resources. The power of multinational corporations has two major benefits that governments and countries do not. Firstly, corporations do not have any boundaries for its operations, meaning that they can influence on a global scale. Secondly, the collective turnover of the multinational community far exceeds both USA and China. In combination these two factors lead to substantial power to influence both locally and globally, on political and economic depths that no country or government can. Therefore, Ford concludes that it is in the interest of society to focus on corporations as a driver for social change.

Turning back focus to Alfa Laval’s upcoming challenges, Ford establish that they are facing a major change in a few years, as he will retire from active duty. This has created concerns within the company management on how to sustain the CSR momentum they have built in the past 10 years. Part of the solution has been to commence a revision of the business principles and set a new list of priorities. The main question for Alfa Laval is how to continue develop CSR as the company is continuing to expand. As Alfa Laval is in this process at the moment, and they do not know what implications Ford’s retirement will have, the direct future of CSR of Alfa Laval is still to be decided. However, Ford believes that the aforementioned trends and legislations within the social side of CSR will be emphasized by both Alfa Laval as a single entity, and the industrial sector in general.

5.2 Introduction to Atlas Copco AB & Interviewee

Atlas Copco was founded in 1873 in Stockholm, presently the company operates in 170 countries, has 39000 employees and a cemented reputation as one of the backbones of Swedish industry. Atlas Copco’s core business involves; compressors, expanders & air treatment systems, construction & mining equipment, power tools and assembly systems (Atlas Copco, 2011). Atlas Copco’s president and CEO, Ronnie Leten, states that increasing productivity is the main goal of all business activities for Atlas Copco. Moreover, long term commitment should impregnate every decision. Sustainability is not being ‘green’, rather Atlas Copco strives to ensure sustainable productivity through customer interaction, innovation, diversified workforce, competence development, investing in local communities and minimizing environmental impact (Atlas Copco, 2010a).

As of 2010 Atlas Copco took on the challenge to deliver sustainable productivity, which has been successful through implementing balanced scorecards on environmental and sustainability performance. The restructuring was implemented on corporate group level through a changed vision statement; where financial performance is at the bottom of the
performance pyramid, while other operational goals, such as environmental, are prioritized (Röhne, 2012). Atlas Copco’s vision and mission statement reads: “The Atlas Copco Group’s vision is to become and remain First in Mind—First in Choice® of its customers and other principal stakeholders. The mission is to achieve sustainable, profitable development” (Atlas Copco, 2011). The vision and mission statement holds that Atlas Copco take on a stakeholder approach to attain development and growth. This is assured by their commitment to a number of sustainability standards; Dow Jones Sustainability Index (DJSI), Global Compact, Global 100, FTSE4Good and Global Reporting Initiative (GRI). In 2013 Atlas Copco ranked 18th among the most sustainable companies in the world according to the Global 100 ranking system; meaning that they increase productivity while using fewer resources (Global 100, 2013). Moreover, according to RobecoSAM (2011, p. 83) Atlas Copco’s CSR commitment qualified for a bronze medal, in accordance with RobecoSAM’s industry-specific global benchmark test.

Chakraborti’s began her career at Atlas Copco as a graduate student writing her master thesis on how Atlas Copco could integrate their sustainability report into the annual report. Her work resulted in a new direction for the company’s annual report which can be seen in the most recent report published March 19, 2013. After finishing her degree project Chakraborti got employed as sustainability coordinator of Atlas Copco, the role she is presently holding. In her position as CSR coordinator Chakraborti answers directly to Karin Holmqvist who is vice president of CSR.

5.2.1 Atlas Copco’s motives to CSR

According to Chakraborti Atlas Copco started to report on sustainability during the early 2000; ever since the company has gradually increased its efforts in becoming more sustainable. The commitment to CSR is reflected by the board’s ambition to ensure that Atlas Copco is a prosperous company in the long-run. This is reflected in the groups safety, health and environmental policy; “The Group views sustainability as an opportunity to drive product innovation, reduce costs, mitigate risks and create business opportunities for long-term strategic growth” (Atlas Copco, 2010b).

As of today the company follows the creating shared value perspective as a role model for its CSR definition. Chakraborti explains; “We follow a model with three pillars, philanthropy, internal processes and industry standards. Engagement in these pillars is done through the perspectives of social, environmental and economic activities. Although we look at the pillars simultaneously and the important interaction between them it is in the latter two where we sense that we can create more value to society. By working closely with our own products and operations”.

Table 8 presents Atlas Copco’s three pillar model for CSR, and their engagement in each area. Although Atlas Copco works rigorously with their internal operations such as keeping an open dialogue with customers and suppliers, it is their commitment to create innovative products and to reengineer the industry standards that is the drive behind their CSR strategy. Chakraborti describes this attitude with an example; “When you have a 40 ton mining equipment that runs 24/7 on fuel and diesel on the field in Nigeria where there’s no electricity, that’s where the impacts is as far as the environment is concerned”. The company takes pride in their products and that goes into the fundamentals of their CSR approach, Chakraborti explains; “the products that sell the best and have the greatest company pride must have some sort of environmental concern; such as energy efficient compressors – that’s really the pride and joy of the company”.

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The long term ambition of the board can be seen in the company’s approach to invest in activities that encompass their CSR strategy. Chakraborti explains; “when you have a company that’s forward-looking, that’s the driver, that’s sort of the ambition – ok, it’s sort of a cost, it’s an investment, we’re going to see this payoff. Chakraborti’s personal opinion is that commitment to CSR usually conflicts with, and is undermined by, a short-term perspective on goals and “rewards” such as taking bribes to get out of unfavorable situations.

According to Chakraborti Atlas Copco’s understanding of CSR is that it gains momentum and is driven by their business through the ambition to not only make their own business sustainable but also the business of their customers. However, it is evident that an orientation towards other stakeholders is also of significant weight to their CSR commitment. Chakraborti explains how the stakeholders contribute to Atlas Copco’s perception of what and where CSR focus is needed; “Sometimes it helps us focus, sometimes it opens our eyes up to new issues that we haven’t considered. We actually try to work a lot with NGOs’; they really know what’s happening on the ground. We can’t always have the whole picture”.

Atlas Copco’s business code of practice explains their commitment to shareholders and investors; “we strive to be the preferred company for shareholders to invest in, and we aim to create, and continually increase, shareholder value” (Atlas Copco, 2012b). Chakraborti comments on the link between sustainability and investor community by explaining that a lot of their aspirations come from the heritage of Investor AB’s commitment to sustainability. With this in mind Chakraborti emphasizes that their CSR, in excess of a business drive, is also heavily influenced by a stakeholder orientation. She finally concludes that the proactive approach towards corporate responsibility within Atlas Copco’s values justifies the company as a striver to become a ‘good corporate

Table 8: Atlas Copco’s CSR commitment, inspired by Atlas Copco (2009)
citizen’. She also recognizes that CSR is a wide and shifting landscape where there is still much work to do; “I would say we are striving to be the best corporate citizen that we can be, and that we are doing a pretty good job. But frustrating as it is, it cannot go unnoticed that it still is not enough, given how big the scope is of CSR”.

5.2.2 Atlas Copco’s engagement in CSR

Atlas Copco compromises their CSR reports according to the GRI guidelines. However, Chakraborti notes that it would be helpful for the companies if the reporting framework became more comprehensive; “It doesn’t say much about material use, and it doesn’t take into account the differences in business models. It’s not developing into a standard as much as it’s developing into a framework of reporting”. Furthermore, Chakraborti reasons that it would become easier for companies to compare and benchmark with competitors, regardless their specialty or business model, if GRI would develop more into a standard than a framework.

According to Chakraborti Atlas Copco’s CSR engagement during the early 2000s had an auditing focus which emphasized on measuring and reporting environmental data for financial performance and decisions. The shift to a strategic approach and implementation of CSR came as the company passed the first decade. The core of the implementation was driven by setting up concrete operational goals and aiming to achieve a broad spectrum of sustainability within them. Chakraborti describes this evolvement; “we were reporting on sustainability in early 2000, but I don’t think we nailed it down to strategy as much as we did in 2010 when we first put the goals up. In a matrix model we went from a soft concept of measuring to solidifying what we call operational goals, and if you take a look at these operational goals, they are influenced by sustainability; they are energy, water, health, human rights issues like diversity, and we call them operational”.

Table 9 present Atlas Copco’s operational goals and the means by which they strive to achieve them. Chakraborti comments on the operational goals by saying that although the company has achieved a more advanced strategic alignment of CSR, that simply measuring and calculating metrics and environmental performance is still an essential part of their day to day CSR activities.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Increase customer satisfaction</th>
<th>Increase energy efficiency</th>
<th>Offer safe and reliable products</th>
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<tbody>
<tr>
<td><strong>Operational means to attain goals</strong></td>
<td>Develop new products with a life-cycle perspective</td>
<td>Decrease emissions from operations</td>
<td>Decrease emissions from transports</td>
</tr>
<tr>
<td></td>
<td>Reuse and recycle waste</td>
<td>Construct company sites according to sustainable building standards</td>
<td>No corruption or bribes</td>
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<td></td>
<td>Zero work-related accidents</td>
<td>Develop employee competence</td>
<td>Safe and healthy working environment</td>
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<td></td>
<td></td>
<td></td>
<td>Increase gender and nationality diversity</td>
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*Table 9: Atlas Copco’s operational goals (Atlas Copco, 2012c)*
In terms of communication Chakraborti emphasize that the internal communication within Atlas Copco is a key factor to their progress since it opens up for synergy and stringency from the inside of the company; “It’s very important to have your people on board before you go out and say anything else. So in that aspect you can say that internally is a little bit more important, because you have people that will be performing the tasks that ultimately lead to the results that we can publish externally”. As examples of internal communication Chakraborti mentions that the company releases monthly internal documents and magazines, some even specifically targeting a certain group of employees e.g. managers. However, she also points out an existing and important balance between the internal and external modes of communicating their CSR; “on the other hand to not be able to communicate the value of all of your hard work externally, to the stakeholders that judge you; that would be a complete waste of all of our internal efforts”.

Through their external communication Atlas Copco not only produce information for shareholders, but also has come to use social media such as Facebook to communicate their CSR activities to a broader audience.

When it comes to training and education Atlas Copco emphasizes the importance of collaboration rather than focusing on sole individual training among employees. Chakraborti explains that Atlas Copco’s multinational size drives this rationality; “We have noticed that you get a really rich discussion and exchange when you have people from different countries in a room or on video-conference. Suddenly things make sense in a whole different way, for someone, let’s say from South Africa or Uzbekistan”. However, the size of the company can sometimes also pose as a friction to their implementation of CSR policies. Chakraborti underlines this by pointing out the difficulty of translating and applying core values from the Swedish part of the company to other locations around the world; “have you ever tried firing someone who is corrupt by your business code but not by local law- it’s hell, it’s completely impossible to understand how to proceed”.

According to Chakraborti interaction between Atlas Copco and other companies is also important to identify and resolve sustainability related issues. Chakraborti notes that the company engages in sustainability related meetings and discussion with both peer industry companies such as Sandvik and Volvo as well as H&M and IKEA. This is done to share ideas and practices on different topics relating to CSR.

The CSR Manager position in Atlas Copco is presently held by Karin Holmqvist, she in turn answers to the Vice President of Communication who is a part of the board of directors. Chakraborti explains the idea behind this structure; “they really go against the idea of having a specific CSR person on the board, because then it becomes that person’s job, and not integrated to the CFO’s job, the HR managers’ job. CSR is actually in every person on the board’s personal job mission, they have certain responsibilities”. In Chakraborti’s opinion, an open landscape where the responsibility is integrated to every person’s job description is more suitable for straightforward and effective collaboration between the CSR function and the rest of the board members (CFO, CMO etc.). On the divisional level CSR representatives are spread across the four different business areas of Atlas Copco, together they form a council which functions as a traditional team. However, Chakraborti clarifies that there is no specific department that bears a CSR label; “the idea is that if they made us a separate department, then it sort of feels like this is not a part of core-company value”.

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Chakraborti explains that Atlas Copco’s strive to progress as a long-term prosperous company is rooted in their idea to make business through sustainable products that improve business for their customers. This approach to operate, with a shared value creation in mind, is a key to competitive advantage. “It’s about a company that can enter tricky markets, because it has its human rights and corruption issues in place, and stay there when the rest of them is bleeding money and have to bail out, because they’re paying bribes. It’s about internal efficiency, saving costs, producing more. That is a company that delivers high value to both shareholders and society”.

5.2.3 Atlas Copco’s present focus of CSR

“With world-class customers in every corner of the world Atlas Copco’s biggest challenge is to continue to meet their need of sustainable products to increase their productivity” (Atlas Copco, 2012a, p. 40).

Atlas Copco has done a significant upgrading of their approach to become a more responsible company. Although they have established the fundamentals for aligning their strategy with their vision on CSR, Chakraborti explains that there is still work to be done in the nearest future; “we have the goals, but we don’t explicitly talk about our strategy with CSR, we talk about innovation and growth and aftermarket sales, we don’t integrate quite as well as we should. So I think within the next 5 years we’re going to see a change in that, and then it really shows up in our strategy”.

One of the latest influences and developments of CSR is the ISO26000 framework. Chakraborti explains that Atlas Copco has played an influential role in the frameworks’ development. Chakraborti notes that Atlas Copco has not done any major changes to incorporate the framework, as they view it as control system rather than a standard. However, as the framework was published Atlas Copco commenced a gap analysis between their present implementation of CSR and the requirements of the framework. They concluded that if they would want to implement ISO26000 only minor adjustments would be needed.

According to Chakraborti the current focal questions of CSR within the industrial sector in Sweden concerns human rights issues and corruption; “corruption we understand but we don’t necessarily understand how to work with it in the most ideal way, it’s progressed but it’s a big question. In human rights it’s an understanding on which are the human rights that are business related, but implementing that, getting the value, that’s one part”. She further explains that these focal questions will continue circling around the notion of how to measure the societal impact of business. When looking through the three perspectives of Environment – Society – Economy many companies, among Atlas Copco, will try harder to create a tighter fit between them; “I believe it will be about connecting the dots between those three. The economic part is quite in place for many through innovation and sustainable products etc., it’s just about knowing how to speak to the other two parts”.

Despite turbulence in the global business community, Atlas Copco believes in a prosperous future; “Atlas Copco will continue to benefit long-term from the global trends. One such trend is urbanization, which drives demand for more minerals and infrastructure work. Another megatrend is the geographical expansion in regions such as Asia, Africa and South America. These markets still offer a lot of potential. Last but not
least is the industry’s constant drive for productivity and energy efficiency, which is core to our operations (Atlas Copco, 2012a, p. 5).

5.3 Introduction to Sandvik AB & Interviewee

Sandvik AB was founded in 1862 as the world’s first industry scale steel producer using the Bessemer method (Sandvik, 2013a). Through a series of innovations and acquisitions, Sandvik has developed into a high-technology engineering group comprised of five business areas; mining, machining solutions, materials technology, construction and venture business (Sandvik, 2013b). A main characteristic that connects today’s 49000 employees with the company history is the unchanged strategy of added value, heavy investment into R&D, customer relations and an emphasize on exports (Sandvik, 2013a).

Sandvik’s mission statement holds that the company shall be the leader in selected areas. Moreover, the company’s goal is “to actively contribute to improving the customers’ productivity and, consequently, their profitability” (Sandvik, 2013b). Essentially, Sandvik has established themselves as a vital part of increasing the efficiency, profitability and sustainability of their customers.

Since 2006 Sandvik releases an annual report on sustainability based on the GRI guidelines and ISO14001. According to Grankvist (2011) Sandvik commenced reporting on a small scale with respect to information demanded by its principal stakeholders. However, since the first report, the scope of measurements and, thereby, the scope of the reports have grown. The reports are included in the annual reports, but can also be found as standalone reports on the company website. Moreover, Sandvik’s sustainability work has rendered a number of recognitions, among them; FTSE4Good index for sustainable investment, Newsweek Green Ranking, DJSI and Ethibel Excellence Investment Register (Sandvik, 2013c). As of 2011, the newly appointed CEO, Olof Faxander, introduced a change process aimed to adapt the company to changes in the global economy. The focus of the strategy is to “make Sandvik more fast-paced, international and customer-focused” (Sandvik, 2012b).

In 2010/2011 Sandvik was awarded a silver-class ranking by RobecoSAM (2011, p. 83). The award proves that Sandvik ranks as one of the best company’s in the world regarding CSR within the industrial machinery industry.

Båge-Friborg is responsible for CSR within the Sandvik group. Her position was recently established by the company as part of the change process initiated by Olof Faxander. As CSR manager for Sandvik Båge-Friborg reports directly to the group executive committee and has a designated person within the committee who is responsible for CSR questions on executive level. According to Båge-Friborg, this is a way to emphasize CSR even more as a natural part of Sandvik’s business operations, and to show stakeholders that the group is serious to its sustainability commitment.

5.3.1 Sandvik’s motives to CSR

Sandvik’s commitment to CSR activities derives from the boards’ conviction that CSR is the key for the company to stay in business for another 150 years, adding to the 150 years they have existed. By realizing that the world is in constant change and that it has become ever more fragile in its state of overuse, Sandvik has established the need to change
business behavior to maintain operations. Båge-Friborg clarifies this; “if Sandvik is going to be able to sustain operations in the future we need to attend not only environmental, but also social and economic sustainability, all in relation to our business activities”.

According to Sandvik (2012a, p. 100) the company’s new take on sustainable development features responsibility for the environment, health, safety, business ethics and human rights; “it is part of systematic risk management activities aimed at creating new business opportunities while retaining a good reputation”. Therefore sustainability has become an integral part of Sandvik’s business orientation; “the fundamental concept is that at the same time as the Group increases profitability, responsibility is assumed for its impact on various stakeholders. It is about reducing risks but also about being able to identify the business opportunities” (Sandvik, 2012d, p. 24).

According to Båge-Friborg this new approach to CSR derives from more than modern leadership; Sandvik has made a direct connection between how well they perform in terms of CSR and the financial results of the company. A major driving force behind the long-term strategy of Sandvik is the institutional investors demand for sustainable growth. Båge-Friborg points out that major Swedish banks such as Swedbank and Nordea, as well as many other of Sandvik’s owners, wants Sandvik to progress and improve in questions related to CSR. The intense concern for shareholders is reflected in Sandviks executive summary of 2012; “the Sandvik Group’s long-term objective is to create value for its shareholders” (Sandvik, 2012d, p. 6).

However, shareholders constitute only one part of Sandvik’s principal stakeholders. Båge-Friborg points out that they keep a constant dialogue with the identified principal stakeholders; namely investors, suppliers, employees and customers. However, as Sandvik is in a process of redefining their CSR strategy and activities during 2013 and 2014, they will revise the principal stakeholders as part of the process.

In terms of other principal stakeholders, more specifically suppliers, Sandvik has established a Code of Conduct that emphasizes the standards of working conditions throughout the Sandvik Group’s entire supply-chain. This involves equal and respectful treatment of employees, environmental manufacturing process, and ensuring ethical behavior throughout operations (Sandvik, 2012a, p. 108).

<table>
<thead>
<tr>
<th>Employees</th>
<th>Environment</th>
<th>Suppliers</th>
<th>Business ethics</th>
</tr>
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<tbody>
<tr>
<td>Promote &amp; protect the safety, health and well-being of individuals. Create a flexible &amp; high-performing organization.</td>
<td>Optimize the use of resources. Reduce emissions. Increase efficiency of products and for customers</td>
<td>Ensure responsible sourcing</td>
<td>Ensure zero tolerance in respect to corruption</td>
</tr>
</tbody>
</table>

Table 10; Objectives of Sandvik’s CSR strategy (Sandvik, 2012d, p.8)

Table 10 summarize the main objectives of Sandvik’s CSR strategy.

5.3.2 Sandvik's engagement in CSR

According to Båge-Friborg originally Sandvik’s CSR activities have emphasized reporting and communicating, hence the internal audit has been responsible for
sustainability related issues. However, as Sandvik commenced to revise their CSR strategy and implementation, the responsibilities have been moved to a more strategic position and Båge-Friborg has been appointed to strategic CSR manager. The annual report, Sandvik (2012a, p. 7), describes this strategic move; “part of Sandvik’s new strategic direction involves building a sustainable business concept, which not only includes financial responsibility, but also environmental and social responsibility. This requires that we integrate sustainable development into our corporate culture”. It is evident that Sandvik has identified four key areas within their operations where their sustainability efforts must be intensified:

- For employees, the most important aspect is the creation of a safe and secure work environment.
- For the environment, the focus is on economizing on resources, minimizing emissions and assisting our customers in their efforts to reduce their environmental impact.
- For our suppliers, the task is to create solid evaluation processes to ensure compliance with our Code of Conduct, with respect to business ethics; we must do everything in our power to prevent corruption.

Figure 7 compromises Sandvik’s business strategy and the main challenges it is emphasized to overcome.

![Figure 6: Sandvik’s business strategy](image)

With the new system in place, Båge-Friborg explains that Sandvik will commence an increased strategic policy towards CSR. Part of this process is undertaking a risk assessment; hence, determining how successful the company has been with its previous focus of CSR, whether the focus have been rightfully directed or not and how to progress into the future. Moreover, the risk assessment contains an element of materiality analysis, which Båge-Friborg explains as a process of attaining deep knowledge of Sandvik’s actual impact within different problem areas. From the analysis they will learn whether they have had the right focus of their CSR activities and how to be as efficient as possible in future activities. In addition to the materiality analysis Sandvik will commence a set of dialogues with principal stakeholders, to identify their view of present and past CSR activities. Båge-Friborg comments that Sandvik feel that they have been weak in taking in the stakeholder dialogues into their CSR activities before, but will start a process of improving this. According to Sandvik (2012a, p. 10) communicating the code of conduct
to management, employees, suppliers and customers is vital for creating positive leverage for Sandvik’s CSR ambitions.

Båge-Friborg explains that by separating the CSR reporting function from the policy-making and driving function, Sandvik have created a genuine system of CSR. Båge-Friborg points out that the natural function for internal audit is to control and report on company performance; hence, driving a strategic CSR development from internal audit seemed misplaced. With a strategic CSR manager in place, Sandvik have shifted many of the responsibilities in terms of CSR from internal audit to a better suited position. Båge-Friborg says that her position will allow Sandvik to drive CSR policies towards a more strategic approach within the corporation, more so than having internal audit in charge for both reporting and policy development. However, the audit and reporting of CSR will stay with the internal audit. Båge-Friborg comments on the benefits by saying “in that way we’ll attain both a controlling function through internal audit, and a strategically driven role directly linked to the executive committee”.

In terms of the operational side of CSR, Båge-Friborg remarks that Sandvik has a mature system; for example, they are doing regular assessment of suppliers. Moreover, through previous activities Sandvik is also in control over water usage, pollution and emissions. Although Båge-Friborg sense that they always can improve within aforementioned areas, she emphasize that they currently have control and know how to measure their impact. This is exemplified in Sandvik (2012a, p. 26) where the company emphasizes their implementation of the environmental management system ISO14001 on a majority of their sites. Båge-Friborg further explains that when the new strategy is in place, they will have attained means to establish a clearer stringency between their CSR activities and business operations.

Båge-Friborg continues that in addition to the process of attaining a strategic implementation of CSR, Sandvik is presently focusing on establishing stricter ethical guidelines in terms of anti-corruption and anti-bribery. Sandvik (2012a, p. 101) delineates that a key ingredient to implementing these guidelines is training all company employees how to address issues relating to environment as well as business ethics. Moreover, Sandvik has established a risk management system for evaluating both financial and non-financial risks. However, Båge-Friborg remarks that it is a work in progress, and they have not disclosed the results of their efforts in recent reports, but coming 2014 she points out that they strive to be more transparent towards all stakeholders.

Sandvik is essentially a multinational company, thereby the CSR organization have been diversified to different subsidiaries around the globe. For example, the head of environment, health and safety questions residues in Australia. According to Båge-Friborg, this is due to practical reasons such as limited space at the head quarter in Sweden. However, she does not feel that the distance is a problem since there are multiple means to communicate between concerned parties, such as email, telephone and video conferences.

**5.3.3 Sandvik’s present focus of CSR**

Båge-Friborg explains that the greatest challenge for Sandvik in terms of CSR is to go through the process of implementing the new strategic approach to CSR. An underlying issue is to formulate and implement a global system for working with ethical issues,
including anti-corruption. Moreover, since only 20% of the employees are based in Sweden, while the remaining 80% residues abroad, the problems that Sandvik encounters in terms of corruption are summarized on a global basis; although the formulation of strategy derives from the group’s headquarters in Sweden.

According to Sandvik (2012a, p. 102) their customer demand increased commitment to sustainability from the company. Many of these demands relate to workplace safety and environment. Furthermore, Sandvik established a long-term objective in 2009 relating to developing more products that support sustainability principles, which is also a product of customers demand.

From long-term perspective, Båge-Friborg explains that they are looking on finding solutions to how to benchmark their CSR progress against financial performance. Furthermore, Sandvik is in an internal discussion on how to integrate their financial reports with sustainability reports, but according to Båge-Friborg, that will not happen this year.

5.4 Empirical findings External reports & CSR consultants

The following section is compromised from interview material collected during interviews with Percovich (KPMG) and Bogle (CSR Sweden). In addition, data collected from RobecoSAM and KPMG survey reports are displayed in order to enhance the richness of the findings.

According to Percovich KPMG offers a variety of services relating to CSR. However, their work has changed substantially during the past few years. From solely focusing on audit and verification, KPMG now offer services connected to risk, risk assessment and strategic consulting relating to CSR. Vicotria Percovich has worked with sustainability for at least three years, beginning with the financial side of CSR. Nowadays Percovich is more focused on the social-financial aspects of CSR, and its effect on the companies that employs’ KMPG’s services.

CSR Sweden was founded in yearly 2000 as a Swedish branch of CSR Europe. The initiator was the Swedish jobs and society foundation (NyföretagarCentrum Sverige). According to Bogle a driving force of the initiative was the societal pressure on businesses to increase their responsibility towards society. CSR Sweden’s main objective is to inspire Swedish corporations in their work with corporate responsibility questions; moreover, to promote the discussion between the Swedish business community and politics. Bogle has involved in CSR Sweden since the start, and is presently head of the organization. CSR Sweden is today considered as one of Sweden’s business networks focusing on corporate responsibility.

5.4.1 CSR consultants’ opinions on motives to CSR

Percovich explains that KMPG has experienced a significant development of how companies interpret and work with CSR. Companies have started to realize the financial value of incorporating sustainability into their business strategy and management routines. This view reflects how companies have gone from defining CSR as a moral obligation to society, into a way of creating shared value for business. Percovich summarizes the concerns for companies; “it’s not only a hygiene factor anymore, therefore companies that engage in these questions make money and an enhanced
corporate reputation; better reputation means more customers and more customers’ result in increased returns”. Bogle argues that companies should define CSR based on what negative effects they have on society, thereafter strive to minimize the negative effects and their positive effects.

Bogle explains that companies engage in CSR for numerous reasons, some more serious than others. She explains “a service oriented company understands the value of adhering to different stakeholders, for example employees and investors, or using CSR as a mean to assess and address risk”. Moreover, the complexity of CSR is increasing as new approaches of working with CSR are constantly appearing. However, it has become apparent that the issue will not go away. The reasons of the constant development of new approaches, as mentioned by Bogle, is according to RobecoSAM (2013, p.77) increased demand for product stewardship and life-cycle assessment. Furthermore, many companies within the industrial machinery industry have supply-chains in emerging markets, which expose them to risks relating to human rights and corruption.

Both Bogle and Percovich agrees that the scope of corporations’ commitment to sustainability has changed going from an auditing and reporting focus, to a strategic and risk management approach. However, Bogle points out that the company focus is still rooted in communication and promotion of their CSR activities; “the issue derives from the fact that the CSR concept is very complex, and companies haven’t fully understood their scope of responsibilities and how that is connected to their business models”.

According to Percovich the industry has become more pro-active in regards to global trends, such as climate change, energy efficiency and depleting resources. A major reason is the realization that industrial manufacturing will be heavily affected by these trends; for example resources are perceived as increasingly scarce. Thereby corporations have an incentive to sustain long-term growth and existence. Bogle adds that this especially concerns companies within the industrial machinery industry as they operate in areas with high risk exposure towards human right issues. KPMG (2011b, p.2) states that CSR is increasingly used as a business imperative following “what gets measured gets managed”. Thereby businesses are finding ways for sustainable long-term growth and innovation. According to Bogle the industrial sector, including the companies of this thesis, is not only trying to understand how to implement CSR strategically, but is emphasizing collection and measuring of huge amounts of data.

5.4.2 CSR consultants view of company engagement in CSR

According to Vicoria Percovich KPMG’s work with sustainability has changed in the last few years. She explains; “we’ve gone from working solely with auditing to working with a bigger scope of questions, involving risk management and strategic questions”. However, auditing is still the core activity of KPMG’s work with CSR questions. Percovich adds that it is natural for companies that have employed KMPG for financial auditing, to further their co-operation with sustainability auditing. Whereas KMPG only verifies that what is reported is accurate according to what standards the companies declare to hold or achieve; for example level of GRI reporting (A-C).

Bogle points out that CSR Sweden does not offer consulting services for increased business value, rather they engage in finding solutions to complex questions related to the relationship between business and society. Including enhanced communication between
stakeholders and corporations as well as educating companies in CSR development and issues, such as new legislation on human rights. Furthermore, Bogle expresses that companies in general has lack of knowledge on how to fully understand and grasp the inherited complexity of human rights issues in developing countries. This knowledge gap can only be addressed and understood by extensive training and experience.

Bogle explains that CSR Sweden’s human rights academy is a response to the business community’s lack of knowledge in questions relating to human rights and business ethics. It is evident that companies do not know how to work with these issues hands on. Thereby, the human rights academy is working on educating businesses on how to deal with these issues, how to comply with legislation and to ensure the rightfulness in operations. Focal questions within the human rights debate are for companies to understand the Global compact guidelines and Ruggie principles. Moreover, Bogle denotes that there is gaps among Swedish export companies when it comes to dealing with human rights issues.

5.4.3 CSR consultants’ opinions on present CSR focus

Percovich explains that the rapid improvement of sustainability activity and reporting among Swedish industrial companies does not only derive from the fact that they are doing a good job, but also because they just recently started a journey that for instance the textile industry were forced to undertake 20 years ago. Percovich comments on the development; “one must always remember what it looked like 10 years ago. In the past five years industrial companies has done major progress, but one of the reasons of the rapid development is that they started far behind other industries”. Bogle comments that this rapid development have led to a knowledge-gap among these companies, which needs to be addressed by gaining knowledge on how their financial performance is connected to their effect on society and environment. Further, Bogle argues that by taking on a wider stakeholder perspective in activities, the industrial companies need to change their view of CSR; going from a profitability driver to be willing to sacrifice short-term sustainability investments for longer take on financial and societal benefits.

In Bogle’s opinion CSR activities should mitigate future risk by strengthening brand value, instead of being addressed post-crisis as damage control. Swedish companies in general have been weak in this sense in comparison to American counterparts. For example, Bogle argues that Swedish companies approach towards anti-corruption and human rights issues is merely value based, in comparison to American counterparts who address these questions through rigorous control systems. Bogle adds that this behavior of Swedish companies is somewhat soft; “it is simply not enough to write business principles and policies rejecting unethical behavior, there need to be better control systems in place”. Therefore Swedish corporations, especially those within the heavy industry that operate near risky areas, need to create and implement systems dealing with issues regarding foreign government and legislation. This kind of issues has become more complex today and the pressure has increased on what the companies independently have done to ensure that they obey the law. Bogle argues that this is new to corporations and the challenges threaten with short-term cost, but will be beneficial in the longer run. Companies need to realize the value in a CSV (creating shared value) – model. For example, by working with anti-corruption the benefits will be huge for society, which essentially will benefit the company in the future. Bogle finalizes her argument; “it is
dangerous to perceive CSR as a simple way earning profits, since it is a question that demands a deeper understanding of CSR’s complexity and long-term benefits”.

The main drivers of CSR are changing; companies are increasingly using CSR as a mean of cost reduction in addition to older drivers of regulatory requirements, brand enhancement and risk management (KPMG, 2011a, p. 13). According to Percovich the most important question facing companies today is to understand how to report on CSR activities, thereby aligning their work with the expectations of a broader stakeholder audience. Moreover, the focal question regarding sustainability reporting is to go beyond merely presenting environmental performance and explain how it can be linked to cost-saving and value creation, placing it more on a strategic level. Percovich develops her argument; “companies have gone from an extreme focus on environmental measuring and reporting to putting the information into a position where they can be observed and linked to social and financial aspects”… “this relationship has been perceived as vague in corporate boardrooms, but the meaning is starting to make more sense”. Percovich furthers her explanation by pointing out that KMPG has experienced an increased integration of sustainability reports into financial reports. Bogle comments that for companies to really understand CSR and its costs and benefits, it is important to place the discussion on a strategic level of the firm; where the responsibility to progress the subject lies on the board or top management, or at least directly beneath. Bogle argues that “Swedish companies have willingly taken on CSR questions, but merely as a mean to mitigate risk through communication. The reason behind this is the lack of knowledge among companies of the complexity of CSR”.

Percovich concludes that the future trajectory for Swedish MNC’s within the machine manufacturing industry is to establish a unified way of reporting and working with CSR questions throughout the entire organization; “these large Swedish companies are sometimes found to be very scattered”... “therefore I believe the challenge residues in establishing a unified way of working between different corporate functions and divisions in order to deliver a common way of reporting on their actual impact on society”.
5.5 Summary of Empirical findings

In section 3.4 we developed three sections of questions and explained the reason behind each section in connection to our research questions and purpose. Each section was also appointed theories Table 11 present a comparison between the empirical findings of each case in relation to each sections theories.

<table>
<thead>
<tr>
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<th>Q1; Motives to CSR</th>
<th>Q2; Engagement in CSR</th>
<th>Q2.2; Present focus of CSR</th>
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<tbody>
<tr>
<td><strong>Case 1; Alfa Laval</strong></td>
<td>Motive; Create better everyday conditions for people and society. Enhance brand value for potential investors. Stakeholders; Investors, employees, customers, suppliers. Legitimacy; Long-term growth. Benefit society through product innovation.</td>
<td>Reporting and long-term goal setting. Continuous evaluation processes. Connecting operations to ethical behavior and development of sustainable products. Stakeholder dialogue to identify problem areas. Core products enhance efficiency, thereby benefiting customers and society.</td>
<td>Assessing the company’s role in society, and what effects it has. Thereafter directing CSR focus. Interpret and implement stricter ethical principles and anti-corruption frameworks.</td>
</tr>
<tr>
<td><strong>Case 2; Atlas Copco</strong></td>
<td>Motive; Long-term sustainable growth to meet principal shareholders demands. Stakeholders; Investors, customers, employees, suppliers. Legitimacy; Decrease costs and risk. Create shared value between business and society. Make the business of customers more efficient.</td>
<td>Originally emphasized reporting through GRI standards. Lifted CSR to a strategic level through operational goals. Extensive training of employees to enhance results of strategic goals. Creating shared value through product innovation.</td>
<td>Create a tighter fit between sustainability goals and business-aligning CSR with business strategy. Understand and implement higher ethical guidelines including anti-bribery and anti-corruption systems.</td>
</tr>
<tr>
<td><strong>Case 3; Sandvik</strong></td>
<td>Motive; Sustain long-term profitability and growth. Stakeholders; Investors, customers, employees, suppliers. Legitimacy; Create new business opportunities and maintain a good reputation.</td>
<td>Originally emphasized on measure and report performance. Implemented long-term strategic business strategy including management position. Continuous improvement process and risk assessment.</td>
<td>Create a tighter fit between sustainability and business performance. Increase understanding and awareness of business ethics through implementing control systems. Find ways to link sustainability performance to financial performance.</td>
</tr>
<tr>
<td><strong>External opinions; KPMG &amp; CSR Sweden</strong></td>
<td>Experienced shift from moral obligation to hygiene factor. CSR is a company response to address risk. CSR addressing society results in long-term benefits, i.e. enhanced reputation and new business opportunities.</td>
<td>Scope of CSR has changed from reporting and measuring to a strategic approach. Maintained focus on reporting and communication. Strategic response to global challenges. CSR has developed to mitigate risk exposure.</td>
<td>Rapid development has led to knowledge-gaps. Increased demand for external help to meet increased demands (i.e. human rights issues). Need for a more pro-active approach – build systems. Understand and implement CSR to business activities.</td>
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Table 11: Summary of empirical findings
CHAPTER 6 - ANALYSIS

In this chapter we are going to connect our theoretical framework with the empirical chapter in order to reach the research purpose of this thesis. The chapter is structured into three sections, each connected to a research question. The empirical data will be analyzed in regard to each identified theory by using the summary table presented in section 5.5. Thereby we will be able to answer this thesis purpose and research questions in full.

6.1 Analytical framework

Figure 8 represents our approach to analyzing our empirical findings. In the introduction we departed with formulating how the changing global environment have forced companies to respond to the call for a more humane and sustainable way of doing business. The response led to intense academic debate which has resulted in a complex and ambiguous subject with various interpretations and applications. In this comparative case study we have studied three major companies; Alfa Laval, Atlas Copco and Sandvik, in order to exemplify how these business community actors interpret and participate in their role in society. Reflecting a business case study of why the case companies engage in CSR activities, and how they engage in the same.

Figure 7: Approach to analyze of empirical findings

Figure 8 outlines three areas that have contributed to a notion called ‘the business case of CSR’. Thereby we have formulated our research questions and created a theoretical framework. In subsequent sections we will use our theoretical framework to analyze our empirical findings in order to answer our research purposes and questions. In the first section we analyze motives to why companies engage in CSR, and particularly why the case companies engage in CSR activities.

6.2 Motives to CSR

As our theoretical framework propose CSR is a wide landscape and there are many reasons to why companies voluntary choose to devote attention and engage in such activities. The first research question of our thesis treats this particular topic theoretically
as well as empirically through our study of the case companies. Therefore we will analyze simultaneously using our empirical findings and depicted theoretical framework.

Our introductory chapter briefly mentioned that legitimacy of business is nowadays often in the spotlight (Palazzo & Scherer, 2006, p.71). Over time several issues has emerged such as increased environmental scarcity, corporate scandals and changes in societal values and attitudes that have come to put pressure on the community to concern for responsibility while in pursuit of their financial survival. To balance between these demands companies often turn to the concept of CSR. CSR is a result of a 60 year old debate where the contributors have been coming from a wide array of dimensions such as economic, legal, ethical, environmental, social, philanthropic, human rights (Freeman & Hasnaoui, 2011, p.424). Attempts have been made to find a suitable and universal definition to what CSR encompasses but the results have often led to the idea that it is something best understood in its specific context and intention (Dahlsrud, 2006, p.1). The citation by Godfrey & Hatch (2007) would serve as a good point of departure for this analysis since it light up the simple idea behind the responsibility of business; “There is no one definition of what it takes to be a responsible corporate. The key is to have a rigorous process for identifying those responsibilities and fulfilling them”.

Through our theoretical framework we have understood that there are many different motives to why companies should engage in CSR activities. According to Carroll (1991) a company has economic, legal, ethical and philanthropic responsibilities which should be simultaneously fulfilled towards society at any given point in time. These responsibilities are personalized by the stakeholder theory which delineates and depicts which specific groups in society a company should include in its CSR agenda. According to Freeman (2004, p.58) and the notion of organizational legitimacy the support of these groups is in the long-run vital to the success of the company. According to Porter & Kramer (2006; 2011) a company that is able to balance social responsibility with a commercial drive will be able to create a shared value approach that simultaneously address both competitive advantage and social progression. Even though the theories explain and connect the rationality to why a company should or could engage in CSR activities, Freeman & Hasnaouï (2011, p.419) and Gjølberg (2009, p.11) argue there is no universal way for a company to adapt CSR, since the concepts meaning and practice is both influenced by national context as well as organizational and structures. Thereby we will exemplify how companies understand and address CSR through our empirical observations of the case companies.

Our interviews disclosed that the motives to why the case companies engage in CSR has developed over time. Therefore we have decided to separate the analysis of our first research question into two parts in order to highlight how the case companies have gone through a learning process of understanding CSR, which we argue has influenced how they have chosen to engage in CSR. Thereby emphasizing the interconnection between our two research questions.

6.2.1 Initial motives to CSR – Pyramid of CSR

As a point of departure and common to all case companies, CSR was something that initially started off as an internal small scale process which has been significantly intensified during the last decade. However, as innovative engineering companies and important actors in the Swedish industrialization phase Alfa Laval, Atlas Copco and
Sandvik have all in various ways contributed to improving the conditions in society ever since their beginning. De Geer (2009, p.16) argued that the reason to why CSR was a ‘late bloomer’ and labeled different in Sweden is mostly due to the unique socio-economic development in the country.

Our first theoretical framework for analyzing our empirical data is Carroll’s pyramid of CSR (1991). It is arguably the first comprehensive framework that describes the different responsibilities (economic, legal, ethical and philanthropic) a company has towards the society at any given point in time (Lee, 2008, p.60). We have observed that initially all of the case companies in our study approached the complexity of CSR from a principal shareholder direction as they were facing pressure from their investors. The interviewees indicated that the incentives of their investors at that time primarily came from a financial concern; Båge-Friborg expressed that Sandvik investor’s expected ‘financial performance in the long run’. Atlas Copco have a strong investor base which emphasized a strong desire for ‘economic prosperity and a long-term company for another 140 years’. Alfa Laval’s investor community on the other hand wanted to ‘prepare and make sure the company is ready to be publicly traded’. In light of the CSR Pyramid by Carroll (1991) we interpret this as when the case companies came across and started to engage in CSR they foremost defined it as an economic responsibility – that is the company’s obligation to ensure profit maximization, competitiveness and return on investments for shareholders (Carroll, 1991, p.40). This obligation can also be connected to the much criticized standpoint of the economist Milton Friedman (1970) who wrote in NY Times that ‘the only social responsibility of business is to increase its profits’. Ford’s comment poses as a good example of this initial interpretation; “The motivation initially was ‘let’s make sure we are offering share prices that are good and strong and that we’re a sound company for people to buy’. That was the original motivation. The motivation is different now, but that was the origin”. Moreover, Marrewijk (2003) regarded this as a classical view of CSR.

**Legal responsibilities** follows the economic part in the CSR pyramid, this component holds that companies need to perform in consistence with expectations of government and law (Carroll, 1991, p.40). None of the interviewees indicated that the legal call for responsibility was the reason to why they started to engage in CSR. Rather they expressed that considering their size and history legal obedience have always been a natural part of the companies. According to Grankvist (2009, p.17) legal responsibility is seldom the main reason to why companies choose to engage in CSR, this because CSR per se is a voluntary action that goes beyond the law. **The ethical** dimension of the CSR Pyramid hold that a company should behave like a ‘Good corporate citizen’ meaning; to perform in a manner consistent with expectations of societal morals and ethical norms’ (Carroll, 1991, p.41). According to Windsor (2006, p.96) ethical dimensions of CSR looks to expand public policy and moral duties such as a concern for ‘realization of universal human rights’. We have observed that the interviewees’ all agreed that an ethical concern was present when the case companies first started to embrace the concept of CSR; as multinational corporations have been driven by ‘external pressure’ to take a stance on ethical questions such as human rights and business ethics. During this period, around 2000, a revision of the code of conduct was made in all of the case companies. However, we interpret that although the ethical responsibility was present it was more serving as a reinforcing background to the financial drive, hence not the main reason to why they started to engage in CSR.
The apex of the CSR pyramid consists of the philanthropic responsibility. Carroll (1991, p.42) explained that these responsibilities ‘encompass those corporate actions that are in response to society’s expectations that businesses ought to be good corporate citizens’. Examples of philanthropic activities are donation of money or corporate resources to society ‘even if it bears a cost to the company’. Neither of our interviewees’ expressed that philanthropy was the reason to why the case companies started to engage in CSR. For instance Ford expressed that philanthropy is not a part of Alfa Laval’s commercial drive for CSR. We compare this to Crane & Matten’s contribution that explicit and implicit CSR differs among nations and regions. Crane & Matten (2008) argued that as a result of different political, financial, educational and cultural factors the CSR systems differ between the US and Europe. Moreover, the cultural differences is highlighted in the following quote; "there is the much stronger American ethic of stewardship and of 'giving back' to society’” (Crane & Matten, 2008, p.408). According to Crane & Matten (2008, p.8) corporate philanthropy is commonly found in the ‘explicit’ approach to CSR much popularized in the US. This approach hold that CSR incentives are motivated by the perceived expectations of different stakeholders, simply put the firm communicate its CSR activities to get attention. The European and the Scandinavian countries on the other hand mainly engage in ‘implicit’ or ‘silent’ CSR systems that consists of values, norms and rules (Crane & Matten, 2008, p.8).

With this in background we find that when the case companies initial reasoning behind CSR engagement is put against the CSR Pyramid our findings indicate that the strongest motivation – the answer to why they started to engage in CSR – seems to come as a result of a financial pressure from their shareholders, hence, emphasizing the economic dimension of the pyramid. Furthermore, we have observed that a concern for ethical responsibilities were present as a reinforcing driver to the economic responsibility. Thus, the ethical responsibilities was a response from the case companies to external pressure to take a firmer and wider stance on ethical and social questions. Our analysis of the case companies initial motives to engage in CSR indicates that a lot of similarities among them. We argue that this results from several factors; similarities in ownership structures, the case companies belong to the same industrial sector, and potential imitation of CSR practices through dialogue and collaboration.

6.2.2 Initial motives to CSR - Stakeholders and Legitimacy
Companies early concern with demands of their shareholders is supported by Borglund et al (2009, p.41-43) who explained that Sweden was heavily influenced by the Shareholder Value idea popularized in the US during the 1980s. This idea of heavy obligation to shareholders came to dominate Swedish boardrooms throughout the 1990s much to the cost of a broader stakeholder audience. The stakeholder theory aimed to redefine the shareholder focus and has been developed by various scholars (see Freeman, 1984; Jones & Wicks, 1999; Donaldson & Preston 1995). The idea behind this strategic managerial framework is according to Salzmann et al. (2006, p.3) based on the following premises;
1. “Corporations have relationships with many constituent groups that affect and are affected by its decisions” (Freeman, 1984)
2. “Since these relationships affect corporate processes and outcomes, managers need to pay attention to a wide array of stakeholders” (Jones et al., 2002, p.20)
3. “The interests of all legitimate stakeholders have intrinsic value, and no set of interests is assumed to dominate the others” (Donaldson & Preston, 1995, p.67).

From our interviews we interpret that none of the case companies’ initial perception of CSR, around the beginning of the new century, showed any particular alignment with the depicted premises above, thus we argue that a broader stakeholder perspective was not behind the initial motivation to CSR engagement. Primary concern for a broader stakeholder audience was therefore not why the studied firms started to engage in CSR. Ford explained that Alfa Laval was at that time (around 2000) a private company and “did not have to adhere to a larger community”. Chakraborti at Atlas Copco expressed that their primary activities at that time was measuring and reporting performance. According to Story & Price (2006, p.47) this kind of audit approach to CSR aim mainly a ‘shareholder primacy’ orientation where “stakeholders are seen as a potential threat to the viability of the corporation”. Thus we argue that Atlas Copco saw the demands of a broader stakeholder community as something to answer for rather than something that could be implemented in their business orientation. This would be in line with the argument of Berman et al (1999, p.490) who claimed that shareholder oriented companies “view stakeholders as part of the environment to be managed, rather than as driving corporate strategic decisions”.

Sandvik’s initial motive to engage in CSR reflects a similar perspective as Atlas Copco, where focus have been put on measuring and auditing sustainability performance from a “systematic risk management perspective” according to Båge-Friborg. The case companies initial defensive approach to CSR can be connected to Power (2004, p.62) who argued that CSR was a mean for companies to gain legitimacy, hence used to build reputation and manage risk.

Where the stakeholder theory focuses on management of stakeholder’s expectations the legitimacy theory entails how a company should behave to legitimize its existence towards its stakeholders (Gutherie & Parker, 1989, p.344). Legitimacy is defined by Lindblom (1994, p.2) as “a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part”. Hence, a company that seeks legitimacy will act according to what is considered as correct and appropriate by the surrounding society's norms, values and expectations (Suchman, 1995, p.574). We have observed that none of the case companies indicated that need for legitimacy towards a broader societal audience was a reason to why they initially engaged in CSR. Our interviews have all disclosed that in the case companies initial CSR engagement, legitimacy was primary directed towards shareholders, this mainly because of the fact that this group were seen as the most important provider to capital base and thus economic survival. The survival of the companies was also depending on the interaction with customers. Because of the manufacturing nature of the case companies we interpret that legitimacy must have been paid towards customers through product innovation and quality. This perspective of legitimacy aligns with the ‘passive support’ of legitimacy proposed by Suchman (1995, p.574). This particular dimension of legitimacy hold that companies seek a low level of legitimacy threshold, meaning that the case companies sought legitimacy towards a particular group.

Up to now we have outlined and analyzed the initial reasoning to why Alfa Laval, Atlas Copco and Sandvik engaged in CSR activities. This time-frame is limited back to early
2000 up until 2009-2010, from when our empirical findings show that a new take on CSR have been emphasized by the case companies.

### 6.2.3 Present motives to CSR

Our interviews have disclosed that the reason to why the case companies engage in CSR has evolved ever since 2000. As mentioned the initial motivation derived from an adherence to the financial concerns of shareholders which Graafland et al (2012, p.379) considers as a ‘purely extrinsic’ motive to CSR engagement. Also our interviewees depict a scenario where CSR activities was seen as a systematic defense mechanism against potential threats from the broader society and was operationalized through auditing and measuring techniques. However, as of present day the case companies’ rationality seems to have expanded into that CSR can be used as a strategic management approach to save money, open new business opportunities, enhance company reputation and satisfy a wider community of stakeholders in society. According to Baron (2001, p.11) using CSR activities to capture value rather than merely mitigate risk is referred to as ‘strategic CSR’.

Our interviewee’s all explained this shift to a more strategic approach to CSR as a creator of value; Ford at Alfa Laval mentioned that their product range is inevitably oriented towards a sustainable business strategy, a strategic anchoring slowly set foot in 2003 with the draft of their ‘Business Principles; “If you go back 10 years, people on the top would say ‘we want you to live up to the ’Business Principles’. Now it’s coming from the organization saying how do we do this? That’s the big shift, and that creates a new set of demands. Asking how can this be good for society instead of asking how this can be good for business”’. Chakraborti at Atlas Copco explained that their strategic take on CSR occurred around 2010, that is when the company set up concrete operational goals that was characterized by a heavy concern for energy, water, health, human rights issues like diversity. In other words Atlas Copco made CSR a part of the operational mission. Båge-Friborg expressed that the strategic shift came as a result of the realization that CSR is ‘good for business’ and is today heavily driven by a new, more sustainability oriented board of directors. Båge-Friborg also highlights that her position as a CSR manager at Sandvik is entirely new, she reports directly to the board of directors and can be seen as a result of the company’s ambition to move CSR higher up in the organization. Percovich confirmed that KPMG has experienced shifting demands from companies, going from merely asking for auditing and reporting services to consultancy services on strategic implementation of CSR.

### A shift in stakeholder management

From our interviews and covered literature we have understood that the conceptual shift towards strategic CSR can be explained numerous factors. Around 2000 the global business community was shocked by the financial crisis and the idea of shareholder value became criticized for being too short-sighted (Borglund et al., (2009, p.83). Arguably as a consequence of this Jensen (2001) proposed the notion of ‘enlightened shareholder value’, the idea was that healthy stakeholder relationships were now seen as the key to profit maximization; “we cannot maximize the long-term market value of an organization if we ignore or mistreat any important constituency” (Jensen, 2001, p.16). Since CSR was highly associated with the management of stakeholders the concept quickly merged into this new momentum. According to Lee (2008, p.63) a positive link between CSR and corporate performance started to rationalize which have made the concept much more attractive to managers. According to Borglund et al. (2009, p.102) this development was also embraced by the strong Swedish investment community, which ever since have been
a key driver to the development of a modern strategic approach to CSR in Sweden. The case companies are heavily influenced by large investor groups thereby we have observed a strong attention to shareholders. Ford explained; “underneath one of the biggest drivers for us is still the investment community. If you’re a publicly traded company, CSR is the responsibility towards the society, and society is reflected if you’re owned by pension funds”. In the case of Atlas Copco, Chakraborti expressed that their investors still have a large influence on the board; “It’s probably our investors again, the Investor AB, they have Electrolux and us, and you see there’s a common thread in all of their companies in their portfolio, all of them focused on sustainability”. Båge-Friborg explained that Sandvik’s main driver for CSR is their institutional investors demand for long-term sustainable growth. However, what seems to be the biggest difference for the case companies today is a closer alignment to Freeman (1984) re-conceptualization of stakeholder management, which in general encouraged companies to look beyond the traditional pool of stakeholders consisting of shareholders, customers, employees and suppliers – in turn leading up to new managerial understanding and actions which are fundamental for the success of overall corporate objectives (Freidman & Miles, 2006, p.13).

We interpret that the result of this development has persuaded the case companies to broaden their scope of what groups should be consider as stakeholders to their companies. All of the interviewees’ expressed that a more refined view of stakeholders have made their CSR activities more meaningful and maneuverable, this aligns with the argument by (Davenport, 2000, p. 216) that a rigorous delineation of relevant stakeholders is useful for guiding managers in their pursuit of the proper CSR agenda. The case companies’ initial CSR approach was aimed towards satisfying the principal groups of investors and customers. Today the interviewees as well as the most recent sustainability reports of the case companies indicate that the scope has broadened into involving concern for a wide array of groups consisting of investors, customers, employees, potential employees, suppliers, NGO’s and even the global society. Much in line with the stakeholder model proposed by Donaldson & Preston (1995) (see figure 4 p.21). From this perspective the case companies engage in CSR activities as a mean of meeting and fulfilling the demands and expectations from a wide array of stakeholders in their surrounding environment. Chakraborti also expressed that engagement with various stakeholders serves as an inspiration to Atlas Copco’s CSR agenda; “We try to work a lot with NGOs and other groups, they really know what’s happening on the ground. We can’t always have the whole picture”.

If the case companies’ motives to why they engage in CSR is put against the CSR Pyramid (Carroll, 1991) we still observe that the economic responsibility is a key driver for all of the companies. According to Chakraborti engaging in CSR is a way for Atlas Copco to ‘operate from a long-term perspective in mind’. Ford explained that since Alfa Laval to a large extent is owned by the Swedish society (pension funds) it is a company that ‘society relies on to behave utterly responsibly and in sustainable matters while conducting operations’. Båge-Friborg concluded that the view of Sandvik’s management is that CSR is ‘simply good business and vital for the continuity of Sandviks operations and competitiveness’. With this observations in mind we interpret that the case companies still engage in CSR because they believe it benefits profitability and a long-term vision of their corporate agenda.
If we compare the case companies motives to engage in CSR today to how they reasoned around the turn of the century the economic aim to drive profitability still remains the same, what has changed is their understanding of how CSR can be used as a resource and a vehicle to drive new business opportunities and enhance competitiveness rather than something to use in defensive purpose. The case companies’ perception on how CSR can be used today is much in line with the notion of strategic CSR which in essence suggests that CSR can be used as a valuable organizational resource to capture value on broad front and drive competitive advantage for companies (Baron, 2001, p.17; McWilliams & Siegel, 2010, p.2; Porter and Kramer, 2006). Heslin & Ochoa (2008, p.131) argued that CSR when used throughout the business strategy also can attract competitive labor, this can be put against the following reasoning of Ford; “Since our shareholders apply less pressure on us today we experience that the drivers are slowly shifting to other aspects – such as employees; when we ask our employees internally, they would say ‘why don’t we know any more of this’. It’s much higher up on their agenda, particularly for the younger employees”. Percovich and Bogle with their practical expertise on CSR consulting acknowledged this strategic rationalization shift observed among the case companies by pointing out; “It’s not only a hygiene factor anymore, because companies that engage in these questions make more money and enhance their reputation, others want to follow”.

Furthermore, we have observed a development in the ethical responsibilities dimension among the case companies. All of the company representatives expressed that their companies have a ‘wider, more tangible’ responsibility pressure to account for social issues and business ethics compared to ten years ago, when they started to engage in CSR. We interpret that as a consequence of a broadening stakeholder scope. Donaldson & Preston (1995, p.67) argued that ‘the interest of all stakeholders are of intrinsic value’ which we interpreted as if the case companies have to be able to deal with more complex trade-offs between individual interests. Ford exemplified this; “We have a commercial drive from our shareholders to sell our products, but if receive information that the customer is not treating its employees in a good way it becomes a concern for us since it applies a pressure from other stakeholders. The question then arises on how comfortable are we in selling to that customer?”. A common attribute we observed among the case companies were the strong ethical responsibility towards employees, customers and societal issues in foreign countries where they have operations (e.g. human rights). Ford explained that Alfa Laval ensure all their employees receive beneficiaries and proper training as well as development, they are also focusing on extra training of employees that run the highest risk of facing corrupt customers. Chakraborti explained that Atlas Copco’s ethical responsibility is spread through its drive to create environmental friendly products; ‘when you have a 40 ton mining equipment that runs 24/7 on fuel and diesel on the field in Nigeria where there’s no electricity, that’s where the biggest impacts is”. Båge-Friborg expressed that Sandvik has devoted significant resources and scattered them across a global scale to deal in order to deal with human rights and anti-corruption questions that potentially threaten their operations. All of the respondents expressed that their respective companies take pride in the innovative and efficient products they produce and therefore the drive for a responsible reputation can arguably be a another reason behind why they engage in CSR. There has been several studies on what effect unethical behavior has on a company in the long run. For example N.Smith (2003, p.63) found that ‘many employees express a preference for social responsible companies’. T.Smith (2005, p.64) on the other hand found that CSR activities of a company has a positive impact on its ability to attract investors, especially institutional investors. Since the case companies are heavily dependent on qualified employees and investors these
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studies are worth mentioning. Therefore we interpret that the ethical responsibility and its effect on company reputation is today inevitably a driver to why companies choose to engage in CSR related activities.

6.2.4 Summary of motives to CSR

From the analysis we have established that the reasons to why the case companies engage in CSR activities. Initially CSR activities were driven by an economic responsibility towards long-term financial demands of shareholders. Moreover, a narrow stakeholder view, emphasizing on the traditional pool of stakeholders such as investors and customers (Figure 4, p.21). Passive legitimacy approach towards the broader society, all of the case companies merely emphasized legitimacy towards investors and customers, thus focusing on particular groups (Sachman, 1995, p.575).

Through our analysis we have observed that the present motives to why the case companies engage in CSR activities are;

(1) CSR is still foremost seen as an economic responsibility and mean to reduce costs and risk. However, inclusion of a broader stakeholder view have enabled the case companies to achieve profit maximization while addressing demands and creating value for a wider array of stakeholders.

(2) Strategic CSR eases the coordination of the case companies CSR agendas as well enhances a tighter fit between CSR activities and business operations. Moreover, a strategic approach to CSR contributes to benefits such as; employee recruitment and retention, leading to product development and innovation.

(3) Reputation; the case companies engage in CSR since it allows them to take a concrete stance on societal issues and society contribution thus building a strong reputation around the company.

6.3 Engagement in CSR

In our previous question we observed that the rationalization behind CSR engagement has changed over time for all of the case companies. As heavily investor governed companies they were all approached from the same direction, to maximize profitability and maintain competitiveness in a sustainable and ethical way. The economic drive for profitability and the concern for shareholders still remain the primary reason to why they engage in CSR, however their approach has changed into doing so while involving a broad array of stakeholders and contributing to better conditions in society.

According to Miromoto et al., (2005, p.316) company CSR activities are best undertaken by starting with measuring and reporting in order for the company to understand its societal impacts. Moreover, Maon et al., (2009, p.72) proposed that a company go through an ongoing learning process when committing to CSR, whereas measuring and reporting is essential in this process for the companies to understand their positive and negative effects. According to Hess (1999, p.47) using social reporting a company will understand the needs of its stakeholders, and the stakeholders will gain an understanding of the company.

Through our interviews we have observed that the case companies first and foremost engage in CSR through auditing and reporting. This has been apparent in both company reports and interviews with company representatives as well as CSR consultants. We interpret that how the case companies engage in CSR is driven by why they engage in
CSR activities. From analyzing the motives to why the case companies engage in CSR, we found that they primarily has an economic incentive from the investment community. According to Carroll & Shabana (2010, p.97) auditing and measuring is a cost and risk reduction approach that has been gaining significant popularity among managers. Ford explained that Alfa Laval’s fundamental engagement in CSR was and still is emphasized on measuring and reporting. Moreover, Ford said that the company’s auditing and reporting activities first were directed to risk assessment in order to satisfy possible shareholders. More recently Alfa Laval has undertaken a new process of assessing their performance, however, Ford mentioned that they now possess much more knowledge on their operations and societal impact. Chakraborti explained that Atlas Copco has done extensive measuring and reporting ever since early 2000. The contributions of these tools has been of significant weight to their CSR engagement since it has allowed the company to easier coordinate, maneuver and clearly communicate their responsibility agenda as well as giving them the opportunity to benchmark against peer companies. Chakraborti explained that measuring and reporting as of today is ‘still the core’ of Atlas Copco’s CSR engagement and in terms of quality their approach has changed over time. Chakraborti concluded that the future of Atlas Copcos engagement in CSR will have a continued focus on measuring and reporting, specifically the company will work more actively in order to achieve a closer fit between measuring and auditing quality and the efficiency of the external/internal flow of communication through the company. Båge-Friborg did not explicitly state that measuring and auditing on different responsibility areas has been the foundation for Sandviks engagement in CSR. However, Båge-Friborg explained that the ‘the entire bundle of CSR related questions’ initially had been under the responsibility of the internal auditing function of the company. Thus it can be interpreted that their initial take on CSR was mostly seen from a measure-and-audit perspective. As the responsibility questions gained importance and demanded a more strategic perspective Sandvik allocated the entire ‘CSR function’ to a more distinct, ‘strategic policy driving’ position. According to Båge-Friborg keeping a rigorous approach to measurement and auditing of their operations (not only CSR) has always been important to Sandvik since the company is mainly owned by sustainability aware institutional stakeholders such as Swedbank and Nordea.

From our observations we interpret that the case companies have and are still going through a learning process of how to engage in CSR. According to Miromoto et al., (2005) reporting is fundamental in this learning process, and aid companies to understand both positive and negative impacts on society. In relation to the case companies answers we interpret that they are following the model proposed by Maon et al., (2009) and Miromoto et al., (2005). From our observations of why the case companies engage in CSR, we discovered that their motives have developed over time, whereas they presently have a wider stakeholder approach. We interpret that the widened stakeholder perspective of the case companies derive from a learning process of understanding their role as well as positive and negative impacts on society.

Hess (1999, p.43) argued that a key to achieving a good corporate image is social reporting. Initially CSR reporting gained momentum through the demands of shareholders, both individual and institutional investors’ required CSR information as a part of the investment decision criteria’s (Borglund et al., 2009, p.114). Moreover, Morimoto et al., (2005, p.318) claim that through social reporting a company is able to enhance its legitimacy among stakeholders by improving communication as well as transparency. Our observation of the case companies motives to why they engage in CSR,
clearly reflect how they engage in CSR from the perspective of Hess (1999) and Miromoto et al., (2005). Whereas the case companies economic incentive to drive shareholder value and satisfy investors demand for transparency and information is apparent among all case companies emphasize on auditing and reporting. Bogle strengthened this observation by pointing out that service oriented companies should engage in CSR in order to assess and address risk. Moreover, Percovich commented on the case companies learning process; “The consensus today, not only in Swedish business context, but globally is that companies that engage in these questions make money and an enhanced company reputation; better reputation means more customers and more customers’ result in increased returns”.

Kurucz et al. (2008, p.87) proposed that engagement in CSR with an emphasis on measuring, auditing and environmental sound practices suggest that a company is following a ‘cost and risk reduction’ approach to CSR as a business case. This is a shareholder primacy approach (strong obligation to expectations of shareholders) where demands of stakeholders are seen as a threat to the corporation and are best mitigated by performance in social or environmental activities. We argue that a cost and risk reduction concern and thinking is present among all case companies as well as the argument that it is best addressed by measuring and auditing their CSR performance. A shareholder primacy is also present since their measure and auditing drive is foremost driven by an obligation to inform the stakeholders and potential investors, however, since the case companies engage in dialogue with various stakeholder groups they seem to have moved away from the perspective where stakeholders are seen as a threat to the viability of the corporation. They have applied a more dynamic way of Kurucz et al., conceptualization of CSR as a business case where the measuring and auditing is serving as a baseline for risk and cost reduction hence opening up a possibility for them to progress through the other business cases without endangering their operations.

Our findings indicate that measuring and auditing performance in regard to different responsibility areas seems to have been the ‘first’ building block in the case companies modern. From our findings we highlight that auditing is a part of their engagement since;

1. It functions as a risk assessment tool enabling the company to map their performance through benchmarking on different responsibility areas, and in some cases even discover new. The results of the initial assessment work have often led up a structure which have been used as a guide to the implementation of their entire CSR agenda.

2. Measuring and auditing is and has been essential for the companies since it enables them to meet the demands and keep a continuous and constructive dialogue with its concerned stakeholders. In our case, where the companies are heavily controlled by investor communities the emphasis on auditing has been to satisfy the demands of shareholders and attract new investors.

Through our interviews we have identified that all studied companies are moving into a strategic approach to CSR. According to the strategic CSR model proposed by Kurucz et al., (2008, p.84) constructing and implementing CSR related goals to the overall business strategy is a way for companies to gain competitive advantage and using stakeholder demands as a strategic tool rather than a constraint. Alfa Laval’s commitment to strategic CSR is reflected through their newly revised business principles, a process deriving from
Alfa Laval’s growing knowledge of how CSR is connected to their operations according to Ford. The interviews with Chakraborti and Båge-Friborg also revealed that Atlas Copco and Sandvik are moving towards strategic implementation of CSR. However, both Chakraborti and Båge-Friborg expressed that they are still in an infant phase of this process. Along with the strategic goal setting, all interviews unveiled that the case companies have increased their stakeholder dialogue as well as commenced employee training to enhance effectiveness of the strategic shift. Atlas Copco seemingly direct a general, common, CSR training to a wide group of employees, while Alfa Laval apply a more customized approach of CSR training to particular employee groups that may be affected. For example, employees that are potentially exposed to corrupt customers receive appropriate training. We interpret their educational behavior as similar across the case companies, since it is a reflection of what they aim to achieve with their CSR orientation. Percovich stated that KPMG has experienced a shifting demand from companies, going from reporting towards linking CSR performance to social and financial aspects. This reinforces our impression that the case companies are moving their CSR activities onto a strategic level. These observations confirm the results reached by Lindgreen et al., (2009) who concluded that CSR now is largely accepted and recognized in the business community as having a central role in business operations.

A notable difference between the studied companies is the different approach to strategic management of CSR. While Atlas Copco and, more recently, Sandvik have implemented a strategic management position answering directly to the board of directors, Alfa Laval only have one person in charge of CSR, Ford himself. Our interpretation of this is that Atlas Copco and Sandvik have sensed a bigger need of building rigorous systems to ensure corporate responsibility, while Alfa Laval relies on good engineering and a comprehensive EMS system as a backbone and driver for their CSR. According to Ford, Alfa Laval has an emphasized ‘tell it as it is’ culture, which he claims helps to build transparency and trust among stakeholders. Atlas Copco and Sandvik are more careful about what and how they communicate on CSR. Chakraborti emphasized this in saying that their efforts would be wasted if left untold. Båge-Friborg offered a similar explanation to Sandvik’s approach to CSR, as they have a rigorous system for auditing and reporting on CSR activities. Both Percovich and Bogle commented that the studied companies are still preoccupied with reporting on their CSR, but have moved towards placing their CSR performance on a strategic level. Our interpretation of the case companies’ behavior is that they have begun to realize the value of collecting data, but have not fully understood the business-side implications of what they report. However, the companies’ mutual formation of strategic CSR goals in combination with their ongoing evaluations of their performance is in accordance with Porter & Kramer (2011) CSV idea. Whereas Porter & Kramer (2011) argued that for companies to be able to create shared value, they first need to identify their benefits and harms to society. The case companies’ emphasis on measuring and reporting also confirms the view of Miromoto et al., (2005); auditing is fundamental for companies since it results in valuable learning outcomes in identifying stakeholder expectations and companies’ negative and positive societal impacts. By the companies’ move towards a strategic approach to CSR they confirm the CSR implementation framework by Maon et al., (2009), wherein strategic goal formulation belongs to the second step of strategic CSR implementation. However, by comparing the companies’ behavior to Maon et al., (2009) framework, we suggest that our business case study in part confirm the framework, but also suggest that company CSR engagement commence with auditing, and subsequently move into the framework’s first step of identifying a wider array of drivers affecting management awareness.
In our theoretical framework ISO 26000 was outlined as a framework used as inspiration and guidance for company CSR activities. Our interviews have confirmed that Catska & Balzarova (2007) made an accurate conclusion of corporate reactions to the model. According to Ford, Alfa Laval is using the ISO standards as inspiration. Atlas Copco have assessed their performance to ISO 26000, but do not intend to implement it. However, our intention of including the model have been to identify which areas the studied companies are engaging in. Figure 9 represents our reconceptualization of ISO 26000, adapted to Alfa Laval, Atlas Copco and Sandvik’s strategic CSR goals.

Our interpretation of the studied companies’ strategic CSR goals is that they are heavily directed towards environmental concerns, labor issues and customer satisfaction. This aligns with our interpretation of the companies’ primary stakeholders; investors, customers, employees (and suppliers). Moreover, this reflects the companies’ high ambition of driving societal change through their product innovativeness. Ford expressed that Alfa Laval think that they ‘tell a good story about environment’, as their products are used for improving efficiency for their customers. In addition, Alfa Laval has progressed their internal operations through certifying each company site with an environmental management system (EMS). Chakraborti also emphasized Atlas Copco’s firm belief in that their products are central to the company’s CSR “the products that sell the best and have the greatest company pride must have some sort of environmental concern; such as energy efficient compressors – that’s really the pride and joy of the company”. Båge-Friborg explained that Sandvik’s new strategic approach to CSR is heavily influenced by creating better opportunities for their customers through Sandvik’s products. In regards to the refined ISO 26000 model and the studied companies strategic CSR goals we interpret that they are all very concerned with product innovation, which they seemingly connect direct to the need of their customers sustainable performance and satisfaction. Moreover, we find that there is a casual link between the companies’ main CSR goals; through their focus of training and ensuring employee satisfaction, they drive innovation of products, which will create not only customer satisfaction but also enhance the efficiency and sustainability of their customers. The causal link further strengthens our
interpretation of main motivations of CSR, as we interpret the CSR goals to be connected to the companies’ financial performance.

6.3 Summary of engagement in CSR

We have observed that the case companies are using auditing as a base-line for their CSR activities. Because they consider auditing as a way of benchmarking their performance as well as a part of a rigorous risk mitigating and cost reducing system. This observation reflects their motives to engage in CSR by emphasizing an economic responsibility and adhering to shareholders expectations. Furthermore, we have observed that the case companies have and are going through a learning process, which is emphasized by their newly adopted strategic approach to CSR. Lastly, we have observed that the case companies foremost address environmental CSR, and, employee and customer satisfaction in regard to the ISO26000 framework.

6.4 Present focus of CSR

During our interviews we have found that Alfa Laval, Atlas Copco and Sandvik all have newly developed strategic CSR goals. However, Chakraborti explained that they are still trying to understand how these strategic goals can be fully implemented into their corporate strategy and operations. Båge-Friborg confirmed a similar ambiguity within Sandvik; whereas Sandvik have newly appointed Båge-Friborg as strategic CSR manager in order to gain momentum in implementing the new corporate CSR strategy. Although Ford used a different wording than Chakraborti and Båge-Friborg, we interpret the meaning to be similar among all interviewees’. Using Ford’s wording ‘how we can be good to society rather than how society can be good for business’, compromises the companies process of understanding and implementing strategic CSR goals that will create higher value for wider array of stakeholders than before. We interpret these answers to be in accordance with the conclusion of Miromoto et al., (2005); implementing strategic CSR goes through a learning process involving auditing and stakeholder dialogue, and thereby companies can understand how and what issues their CSR activities should address.

Bogle commented that the companies’ rapid development of CSR activities have led to knowledge-gaps in certain areas of CSR, which she explained must be filled in order for the companies to understand how their financial performance is connected to their effect on society and the environment. However, regarding Percovich’s comment that the companies have gone through a rapid development of CSR, partly attributable to their slow start, we interpret the knowledge-gaps as part of the learning process the companies are going through. Moreover, Bogle remarked that the companies must be willing to sacrifice short-term sustainability investments in order to achieve long-term financial and societal benefits. In light of that the companies all remarked that their business incentive to become sustainable derives from investors interests, we interpret their strategic goal formulation as a mean for the companies to become more long-term, as well as a willingness to make short-term sacrifices in order to fulfill these ambitions. In relation to the CSR-CFP link argued by Kurucz et al., (2008, p.86), we interpret that the studied companies are all beginning to understand the value of their sustainability activities, although they have not fully found a way to release the full potential. Percovich stated that the companies should strive to unify their financial auditing with CSR reporting, and thereby unveil their actual impact on society. Chakraborit mentioned that Atlas Copco
has commenced a process of integrating CSR performance to financial performance. Following the conclusion of Carroll & Shabana (2010) that there is a positive CSR-CFP relationship under the right circumstances, we interpret that the studied companies indeed can benefit from relating financial performance to CSR performance; thereby develop a CSR-CFP link that will assist in resolving the ambiguity in implementing strategic CSR. If successfully undertaken, this can eventually lead the companies to close in on Porter & Kramer (2011) CSV idea, whereas the last step is shared value creation between corporate finance and innovation-boosting infrastructure.

In connection to the studied companies’ progress of redefining their productivity, our interviews disclosed that they are sensing growing uncertainty of understanding their societal impact in regards to human rights and business ethics. Ford expressed that many corporate scandals derive from lack of business ethics, but although Alfa Laval does not feel an immediate threat of acting unethical they are working on understanding their products societal impact as well as how they can ensure that customers and suppliers are not engaging in bribery and corruption. Chakraborti mentioned that Atlas Copco is facing a similar problem, as they understand business ethics and corruption, but does not know how to connect them to their business operations. Bogle argued that the studied companies lack knowledge on how human rights and business ethics are tied to their operations. Furthermore, Bogle claimed that these problems derive from the companies’ reliance on value-based documents, rather than implementing frameworks or systems that ensure that company activities comply with human rights, anti-corruption and anti-bribery. In regards to the companies’ ambiguity of understanding the connection between human rights and their business operations we interpret that their behavior is not deriving from necessity. Rather they are taking a pro-active approach to ensure that future regulations does not impose danger or high costs on their operations (Berman et al., 1999, p.489). A proactive approach to societal issues can aid the companies to gain brand reputation and legitimacy towards society as well as employees and customers (Carroll & Buchholtz, 2012, p.305; N. Smith, 2003, p.63).

In relation to our reconceptualization of ISO 26000 (see Figure 9), we interpret that the companies are moving towards strengthening their focus on human rights including anti-bribery and anti-corruption. This will also strengthen their community involvement, as noted by Ford, who expressed the MNC’s power to influence globally through their vast economic power and cross-border reach. Moreover, Ford made an interesting point that he have experienced that governments and NGO’s are starting to realize the potential of co-operating with the MNC community to find solutions to human rights issues, most apparent is the work against the use of conflict minerals. We interpret Ford’s comments as a notion towards a two-sided understanding, on one hand, companies are beginning to understand their positive and negative impact on society, on the other hand society or governments are progressing to understand that some issues is best dealt with through influencing corporate behavior.
CHAPTER 7 - CONCLUSION & FURTHER RESEARCH

In this chapter we are going to conclude the analysis from previous chapter, and clearly state and answer our research questions. Moreover, we will present both theoretical and practical contributions of our study. Thereafter we present our suggestions to further research. Lastly we present our assessment of quality criteria in relation to our study.

7.1 Conclusions

Although CSR is not a new phenomenon to the corporate world, companies have demonstrated a difficulty to entirely fulfill a responsibility towards society; exemplified by recent scandals such as Telia’s bribery in foreign operations, or Findus and IKEA’s failure to ensure product quality.

As we have discussed throughout this thesis the CSR concept is a social construction which makes it difficult to universally define and adopt, rather the covered literature suggest that CSR is best understood and applied in a specific context and intention. The main purpose in this thesis is to investigate why the case companies engage in CSR activities, further with a secondary purpose of investigating how they chose to engage in CSR, and what their present CSR focus is. From these purposes we have developed our research questions;

Why do companies engage in CSR activities?

How do the case companies engage in CSR activities, and what is their present CSR focus?

We have addressed the first research question both theoretically and empirically, by covering theories and research on corporate motives to engage in CSR activities. Moreover, we have exemplified why companies engage in CSR activities through a comparative case study of three Swedish companies. Beyond our first research question we are also interested in investigating how the case companies’ motivation is reflected in how the case companies engage in CSR, and further what their present CSR focus lie. Thereby addressing our second research question and secondary purpose.

7.1.1 Why do companies engage in CSR activities

After analyzing, for this thesis, relevant literature and theories on CSR we conclude that many reasons exist to why companies engage in CSR. The spectrum of motives ranges from purely financial values to purely ethical values. What guide companies in this spectrum of CSR engagement is their approach to stakeholder management, their perceived legitimacy in society as well as the fit between their identified responsibilities and the core objectives of the companies. From our empirical study we conclude that the case companies reasoning to why they engage in CSR activities is heavily influenced by their ownership structure and innovative nature. Thereby we conclude that their primary motive to why they engage in CSR activities is to uphold their economic responsibility towards the interest of shareholders. Moreover, the case companies use CSR as a risk and cost mitigating system. From this perspective CSR is seen as a commercial drive towards profit maximization and company survival. However, the case companies’ primary motivation is reinforced by secondary reasoning that CSR can be used as a strategic resource enabling them to simultaneously pursue a commercial drive, while fulfilling the demands and expectations of a wider array of societal stakeholders. This strategic development of CSR has enabled the studied companies to go beyond the traditional pool
of stakeholders; investors, customers, employees and suppliers, and devote attention to other societal stakeholders found in the greater extent of their communities. From a wider stakeholder engagement the studied companies have acknowledged the need for addressing societal issues, such as human rights and business ethics. Therefore we conclude that the third motivation to why the studied companies engage in CSR is related to company reputation and value. Since the companies have expressed that reputation is crucial for new business opportunities, and employee retention and satisfaction. We would like to emphasize that we do not perceive these three motives as separate, rather they reinforce each other and together construct a comprehensive approach of how the studied companies perceive their role in society with their commercial drive. Our observations align with the literature on CSR as a business case, which entails that companies must address a wide array of societal stakeholders to uphold their legitimacy and license to operate while simultaneously pursuing competitive advantage and prosperity.

7.1.2 How do the case companies engage in CSR activities and what is their present CSR focus

We have observed that how the case companies’ engage in CSR is heavily influenced by their motives to why they engage in CSR activities. Whereas we concluded that the economic responsibility is the primary motive to why the case companies engage in CSR activities. We have observed that the case companies’ engagement in CSR is reflected in their long-term approach towards shareholders and financial prosperity. Furthermore, the case companies’ responsibility towards shareholders is reflected in their cost and risk mitigating approach through auditing and benchmarking performance. Thereby we conclude that:

- To uphold the economic responsibility and ensure a long-term perspective of the case companies, they emphasize an auditing base-line to be able to identify which areas of CSR that concerns them and improve their performance in these areas over time. Auditing and social reporting is a mean for the companies to sustain their legitimacy towards stakeholders including shareholders. According to the literature covered in this thesis, companies need to disclose enough information to stakeholders including shareholders in order to justify their existence. From this perspective auditing and reporting is a powerful tool for the case companies to fulfill their shareholders expectations.

The second focal point of the case companies’ engagement in CSR is their motivation to strive towards competitive advantage while fulfilling the demands and expectations of wider range of stakeholders in society, beyond the traditional pool of stakeholders. This has resulted in a strategic approach to CSR engagement, where the case companies CSR agendas are being linked to their operational goals. Our case companies expressed that a strategic approach to CSR aids them to determine relevant activities for their business mission as well as enhancing coordination across different dimensions of CSR. We conclude that:

- The strategic implementation is still in its infancy across the case companies, since they all expressed that it is an ongoing learning process where they engage in stakeholder dialogues and increased employee training.
- There is a notable difference between the case companies approach to strategic CSR. While Atlas Copco and Sandvik have both implemented more comprehensive
systems involving strategic CSR management and separate auditing. Alfa Laval has a more centralized approach with Ford as the key responsible for CSR engagement.

- By our reconceptualization of ISO 26000 we can conclude that the case companies strategic CSR is directed towards, or in direct connection to, their products. Hence, we conclude that they strive for a chain-reaction; starting with employees, driving product innovation, leading to increased customer satisfaction, which results in achievement of company financial motives.

In regards to the latter part of our second research question; ‘...and what are their present focus’ we acknowledge that it involves understanding the studied companies present engagement in CSR, thus it is in direct connection to how they engage in CSR. From analyzing the studied companies’ present focus of CSR, we conclude that;

- All of the studied companies are concerned with understanding ‘how they can be good for society rather than how society can be good for business. This question pose as the focal point of the companies’ present CSR engagement, and derives directly from their newly developed strategic understanding of CSR.
- Understanding how business ethics and human rights affect the case companies operations, and how the studied companies should engage in these, are directly related to the companies’ ongoing learning process deriving from their strategic CSR adoption. Hence, they have identified that they have a wider societal responsibility than what they believed. Therefore we regard this second present focus as a product of the first focus.

7.2 Discussion of Conclusions

In this part we would like to comment on the empirical data analysis and conclusion. During the process of unveiling the case companies CSR engagement we have found that the motives to why the case companies engage in CSR are fairly similar, we believe that several factors contribute to this;

- They are all influenced by similar ownership structures, meaning that their typical investors are banks, insurance companies, and, retirement and pension funds.
- They are operating within the same industrial sector without being direct competitors, hence, they may engage in imitation and best-practices exchange, which was repeatedly mentioned during the interviews.
- As high-tech industrial engineering companies, they all are heavily dependent on product innovation, which is reflected in their sustainability reports as well as disclosed during the interviews, where the company representatives commonly expressed that their main CSR contribution derives from their products.

The findings in our comparative case study have disclosed more similarities than differences, thereby our results have been stated in general terms, as we have interpreted our empirical data to be significantly consistent across all case companies. However, the most notable difference we have found is that strategic implementation of CSR differs between Alfa Laval, Atlas Copco and Sandvik. More specifically; learning procedures and, training and education differs across the case companies depending on what the case companies consider as being relevant to their present understanding of CSR. Lastly, engagement structures differ across the case companies in terms of personal and organization. We observed that Ford was solely responsible for Alfa Laval’s CSR engagement, while the CSR managers at Atlas Copco and Sandvik are part of bigger CSR
units. This aligns with our personal understanding, that CSR is a notion best understood in its specific organizational context and intention.

7.3 Research Contributions

In this thesis we have taken on to investigate why companies and particularly the case companies engage in CSR activities. Our findings show that there are many reasons to why companies engage in CSR, including a spectrum ranging from economic to ethical drivers, which in combination with companies’ stakeholders and companies’ search for legitimacy towards these stakeholders, all are motives to why companies engage in CSR. These motives have been investigated both theoretically and empirically, whereas we have been able to conclude that our case companies’ motives confirm the theories in full or in some cases partly. Through our empirical study we have contributed an understanding on how the case companies partly understand and operationalize the depicted CSR theories.

The results of our study implies that the complexity of CSR is increased by a multinational scope of operations. Thereby, the difficulty of understanding local community needs and problems on corporate headquarter level increases. Furthermore, our results disclose that auditing and reporting is fundamental for the companies to increase their understanding of their societal benefits and harm. Moreover, our study have revealed that the case companies claim to understand business ethics and human rights issues, but do not know how it connects to their operations. Therefore it is important to create a better understanding how to enhance the fit between CSR and business activities.

7.4 Limitations & Further research

This thesis is limited to three companies, thereby we would have to extend the sample size significantly in order to generalize our conclusions across the Swedish machine manufacturing industry. Since our case company interviewee’s are all CSR managers, our empirical observations are from a managerial perspective, thus not in detail investigate underlying factors of motives and engagement of individual departments and employees of the case companies. As of this managerial perspective throughout this thesis, we treat large terms such as sustainability, competitive advantage, innovation and financial performance merely as objective factors, hence we do not treat them or the link between them in detail. Thereby we suggest following avenues for possible research;

- Throughout this thesis we have treated engagement and implementation of CSR from an overarching perspective, we suggest that further research focus on more detailed investigation of how companies engage in CSR across departmental functions, such as R&D, supply-chain and sales etc.
- Our research revealed that the case companies engages in dialogue, further research could be focused on investigating if and how imitation of CSR practices is present across the case companies, moreover how collaboration can benefit or harm CSR strategy.
- The studied companies’ present focus include understanding the effect of human rights and business ethics on and from operations. However, there seems to be a
gap of how companies could address complex social responsibility questions, such as anti-corruption and business behavior.

7.5 Quality Criteria

We have throughout writing this qualitative business case study assessed the quality of our work through certain criteria. Commonly used quality criteria such as reliability, replication and validity have been questioned when applied to qualitative research, since they usually apply to quantitative studies (Denzin & Lincoln, 2005, p.24; Bryman & Bell, 2001, p. 395). The main issue in assessing the quality of a quantitative study is to rely on its trustworthiness (Bryman & Bell, 2011, p. 395). According to Yin (2009, p.43) trustworthiness should be established through other criteria than used in quantitative research. Numerous authors point towards using credibility, transferability, dependability and confirmability as more appropriate to assess qualitative research than aforementioned quantitative criteria (see: Bryman & Bell, 2011, p.395; Denzin & Lincoln, 2005, p.24; Yin, 2009, pp.40-41). Due to the nature of our study and the suggestions of appropriate quality criteria’s for qualitative studies we have chosen to evaluate our research by aforementioned qualitative research criteria. From this set of criteria our work have been evaluated.

7.5.1 Credibility

The term credibility involve that we as authors of this thesis persuade our readers of the accuracy of our findings, hence, ensuring that our findings are in correspondence with our observations and theoretical framework (Bryman & Bell, 2011, p.395). In order to strengthen our credibility we have used two methods. Firstly, we have used triangulation of sources through semi-structured interviews with company representatives and CSR consultants; moreover, we have collected data from company reports as well as third part organizational reports (Moisander & Valtonen, 2006, p. 24; Hair et al., 2003, p. 174-175). Secondly, before undertaking the semi-structured interviews we have familiarized ourselves with the companies through reading their reports, thereby we have been able to direct our questions towards specific areas of ambiguity. Moreover, after completing our interviews we have transcribed and submitted them to the interviewees’ in order for them to approve on accuracy (Bryman & Bell, 2011, p.396).

Our business case study is limited to three companies, although we initially set out to interview four companies and at least four CSR consultants, the vague interest for our study imposed limitations on our study’s scope (see Table 4; Participating Companies and Organizations). However, the responses received during interviews have been very similar to each other, although the studied companies’ business models vary. Therefore we argue that the credibility of our analysis and conclusion is strengthened by the equivalence of the interviewees’ responses. Furthermore, the limitations imposed by the low number of respondents does not interfere on our findings since we never intended to generalize our findings outside the scope of our business case study.

7.5.2 Transferability

Transferability emphasize whether our study can be generalized outside the scope of our research or not. However, qualitative research should not concern generalization to a wider population, but rather to theory (Yin, 2005, p.43; Bryman & Bell, 2011, p. 408). The peculiarities of the CSR concept covers a wide array of issues and areas. We briefly
covered the ambiguity surrounding the concept in our introduction, concluding that each organization will interpret and involve in CSR differently depending on their core business, strategy, stakeholder view and ownership structure etc. Our comparative business case study does only cover three companies’ involvement in CSR. In regards to the ambiguity of CSR and each company’s specific interpretation of what the concept entails, we have had no intention, nor has it been our objective, to generalize our findings outside the scope of the three studied companies. However, in our findings indicate that the studied companies all have similar motivation and engagement to CSR. This can either be coincidental or a product of that they all belong to the same or similar area of industrial engineering. In order for our results to be more significant, hence generalizable outside the scope of our study, we would have to extend our sample further by including more companies, preferably from the same industrial sector.

7.5.3 Dependability
Dependability in qualitative research parallels reliability in quantitative research, it concerns whether a study can be replicated by another researcher at a different point in time with the same results and conclusions (Yin, 2009, p. 45). However, Bryman & Bell (2011, p. 398) establish that it is more concerned with trustworthiness of the findings, which can be improved by keeping all notes, records, interview-materials and data analysis decisions. We argue that the dependability of our research is satisfying since we have taken measures to keep detailed records of all steps of our research process; including mail conversations, interview notes and audio recordings. These are all kept easily accessible for review so that anyone can critically evaluate our research. Furthermore, our results indicate that the studied companies are going through a change process in regards to their CSR engagement, whereas our results may have been different if undertaken in a different point in time. However, in regards to the companies’ motivations to engage in CSR we argue that they are unlikely to change substantially over time.

7.5.4 Confirmability
Confirmability concerns the objectivity of the researcher when conducting a study. It is important to stress that the research should not be influenced by personal values and preferences (Bryman & Bell, 2011, p. 398). However, Moisander & Valtonen (2006, p. 24) argued that the objectivity of a study can always be questioned, since the researcher cannot assess research material without including at least some of his or her values. Furthermore, even though common measures of increasing objectivity, such as triangulation or systematical analysis of data, are employed, research will always represent the researchers’ view of the examined topic. In regard to our interpretative view of acceptable knowledge and CSR as a social construction, this thesis represents our interpretation of the studied companies motivations and engagement. However, we have through the use of our theoretical framework analyzed the companies’ behavior from a theoretical perspective, and thereby increased the objectivity of our findings. Moreover, our triangulation of company reports, company interviews and CSR consultant interviews have proved valuable to improve our objectivity.

We are aware of the fact that it has been impossible to be completely objective when conducting this study, but we argue that by using extensive sources of literature and theories to support our statements we can increase the objectivity of the results. Furthermore, we have strived to give the reader a complete picture of the study at hand.
by providing detailed descriptions. Thus, we have not relied upon the readers own knowledge of the investigated topic.

When conducting the interviews, we have ensured that the interviewees’ have received the questions beforehand. In addition, we have clearly described the purpose of the study and the questions when conducting the interviews. We believe that this has helped the interviewees’ to answer objectively, rather than being overly subjective in answering the questions.
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Appendix I; Interview Guide Company representatives

The interview guide for our interviews with company representatives has been carefully formed to be applicable to all interviews with the studied companies. The intended purpose with the guide is to gain knowledge on how the companies have translated the CSR concept into their operations; why they have chosen to engage in CSR; whom their principal stakeholders are; their commitment to CSR; and how their CSR have developed and will develop in the future 5 years.

In order for us to gain access to the aforementioned information we directed our contact to the CSR departments at each firm. Furthermore, we want the interviewees’ to understand what information we strive to attain, we choose to thoroughly explain ourselves, our research purpose and the purpose of the interviews in our initial e-mail contact with the companies.

Excluding the initial presentation of the interviewee and us, the interviews cover three areas, which are based on our research questions and theoretical framework.

- What’s your name? Your position? How long have you worked at the company/ your present position? How is your position related to the company’s CSR?

Section one cover how the company have defined CSR, why they engage in CSR and what principal stakeholders they strive to satisfy.

- From your point of view; what does CSR mean for your company?
  - How is that reflected in your company’s work
  - Does your company use any specific definition of the concept?
- Why does your company work with CSR activities? (A mean of legitimacy towards stakeholders and investors? A necessity for business development? Establish competitive advantage? Others are doing it, therefore we need to do it?)
- Does CSR create legitimacy for your company? (how?)
- What are the driving forces of the company’s CSR initiatives?
  - Whom are the most important stakeholders? (Investors, employees, suppliers, society etc.)
- What does the work with CSR activities bring to your company? (benefits & costs?)
- How does your company report on CSR (Internally and externally)?
  - Which are the principal stakeholders you report to and consider in reporting? (Shareholders, media, governments, municipality, employees, NGO’s etc)
  - Which of the aforementioned stakeholders have the most impact on the company’s CSR initiatives/ strategy/ reporting?
- Do you think your company’s CSR activities is reflected in company image and reputation? (Why/ How?)
Section two covers how the company has implemented CSR into the business model, and how they work with CSR.

- How has the work with CSR developed throughout the last 10 years?
- Is CSR a part of your company’s strategic planning and decision-making?
  - When did it become a part of it?/ When will it become a part of it?
- As CSR can be a source of competitive advantage, how is sustainability and responsibility translated into every-day business routines of your company?
- What are the core questions of concern regarding CSR within your company? (environmentally, social, economic, philanthropic)
  - How do you identify these?
- Who is responsible for CSR within the company? Board member – Top management – department?
  - Projecting the future: do you think there will be a designated CSR board-member/ top manager in the next 5-10 years?
  - How would that affect the development of CSR within the company?
- One of the main topics discussed in media today is corruption and lack of controlling routines to avoid it. As corruption is barely mentioned in your company’s reporting, do you sense it’s not an issue for you? How does your company work with these issues? Keeping in mind that main growth markets such as Asia, Africa and South America?
- What kind of systems does your company employ to satisfy principal stakeholders and internally set goals regarding CSR? (i.e. audit/ consulting firms, conventions on CSR etc.)
  - How are these systems used within the company?
- Do you regard your company as a ‘good global citizen”? – taking on wider responsibility than those interconnected with the company’s business activities. Going that extra mile in order for the global good.

Section three cover how the company CSR initiatives have developed; what obstacles they are facing, and a discussion of the future of CSR within the company.

- How has the scope of your company’s CSR activities developed in the past 10 years? (i.e. level of reporting, adapting business strategies, increased commitment to sustainability)
- Presently, what are the biggest challenges for your company in terms of CSR?
- From your point of view, what are the biggest challenges from an industry-wide perspective?
  - How do companies within the industry co-operate to overcome these issues?
- How does your company keep track and adapt to changes in CSR (trends) (i.e. legislation, corporate scandals, new guidelines such as ISO26000)
• How do these trends and challenges affect the business strategy for your company?

• From your point of view, what are the main differences between CSR today and in 5 years for your company, in terms of focus, challenges, opportunities, strategy and reporting?

• Overall in the industrial machinery industry, CSR hasn’t been prioritized until the last 10-15 years. In your opinion; why is that? Why has it become important lately? – media, customers society?

• Usually financial performance and CSR performance are presented separately, but in the same annual reports, which makes it hard to assess the CSR performance in relation to turnover and profits. What is your opinion on this matter? (Development towards reports where they are presented in relation to each other, which will simplify how successful a company is in CSR (emission, co2 etc) in relation to financial performance. – Wider stakeholder satisfaction?)
Appendix II; Interview Guide CSR consultants

The questions directed to CSR consultants have been fashioned with regards to the research questions and the summation of theories outlined in section 3.9 of the thesis. With this in mind the guide has been formed into three interrelated sections, excluding introductory questions on the personality of the interviewee.

- Your name, company/organization, position, time at current position and previous positions (if applicable and relevant to the subject)
- What is your experience with CSR and CSR within the industrial machinery industry?
  - How long have you been working with CSR?
  - What is your expertise within CSR?
- What does your work task involve in terms of CSR?

The first section involves questions on how companies within the industrial machinery industry have interpreted and translated CSR into their business activities and strategies.

- From your point of view, why do companies engage in CSR related activities?
  - Why do companies within the industrial machinery industry engage in CSR activities?
  - Who are the most important stakeholders in the industry? (media, shareholders, employees, society, government, NGO’s)
- In comparison to other industries (i.e. textile or mining) do CSR activities/focus in the industrial machinery industry differ?
- In your opinion, have companies (Atlas Copco, Alfa Laval & Sandvik) in the industrial machinery industry implemented CSR into their core strategy?

The second section focuses on how third parties, such as auditing firms and interest organizations, are involved in developing and measuring CSR.

- What CSR services do your company/organization provide at large?
- Has the offered services developed and/or changed in the last 5-10 years?
- How much of your services are used by companies within the industrial machinery industry?
  - Have they increased their use of aforementioned services?
- How is your company/organization involved in developing CSR within the specified industry?

The third section contains questions on present CSR focus in the industrial machinery industry, and especially the studied companies. Moreover, it includes questions on how companies have developed in terms of CSR.

- From your point of view, what are the biggest challenges/ issues in for the industrial machinery industry?
  - Are these challenges reflected in the CSR activities of the companies?
- In your opinion, what are the present core questions of concern regarding CSR within in the specific industry?
  - Do the core questions of concern differ in comparison to other industries? (i.e. textile or mining)
- Judging from your organizations work, what are the future trends of these core questions of concern? (i.e. innovation, product stewardship, life-cycle responsibility)
- In your opinion, how will new regulatory (both voluntary and legislative) affect the future CSR activities within the specified industry? (i.e. ISO26000)
Appendix III; Definitions of CSR

The table below presents a summary of definitions of CSR from a variety of sources, compiled with inspiration from Dahlsrud (2006). For more definitions we recommend the reader to take part of the full article of Dahlsrud (2006).

<table>
<thead>
<tr>
<th>Source of definition</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Commission of the European Communities, 2001</td>
<td>A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis</td>
</tr>
<tr>
<td>World Business Council Development, 1999</td>
<td>The commitment of business to contribute to sustainable economic development, working with employees, their families, local community and society at large to improve their quality of life</td>
</tr>
<tr>
<td>Business for Social Responsibility, 2000</td>
<td>Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment</td>
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<tr>
<td>Khoury et al., 1999</td>
<td>Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance</td>
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<tr>
<td>Jones, 1980</td>
<td>CSR is defined as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership</td>
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<tr>
<td>Hopkins, 2003</td>
<td>CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. ‘Ethically or responsible’ means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation</td>
</tr>
<tr>
<td><strong>Global Corporate Social Responsibility Policies Project, 2003</strong></td>
<td>Global corporate social responsibility can be defined as business practices based on ethical values and respect for workers, communities and the environment</td>
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<tr>
<td><strong>Van Marrewijk, 2003</strong></td>
<td>In general, corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders</td>
</tr>
<tr>
<td><strong>Strategis, 2003</strong></td>
<td>CSR is generally seen as the business contribution to sustainable development, which has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, and is generally understood as focusing on how to achieve the integration of economic, environmental and social imperatives</td>
</tr>
<tr>
<td><strong>Andersen, 2003</strong></td>
<td>We define corporate social responsibility broadly to be about extending the immediate interest from oneself to include one’s fellow citizens and the society one is living in and is a part of today, acting with respect for the future generation and nature</td>
</tr>
</tbody>
</table>