



Masters Thesis in the area of Strategy and Management
Norwegian School of Economics and Business Administration
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The Value of Corporate Social Responsibility

Looking Beyond the Bottom Line

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Bergen, Fall 2006

This thesis was written as a part of the Master of Science Program at the Norwegian School of Economics and Business Administration. The institution, the advisor, and the sensors are not - through the approval of this thesis - responsible for the theories and methods used, nor results and conclusions drawn in this work.

Abstract

Corporate social responsibility (CSR) has developed increased prominence as an idea, as a company strategy and as a practical program in companies across the world. The literature in the CSR field has focused on whether firms have a responsibility beyond business, and whether CSR affects financial results. This study explores whether and how a company's corporate social responsibility strategy adds value to the company, beyond the financial perspective. The study was carried out using case studies of three companies with well-implemented CSR strategies; The Body Shop (Norway), Stormberg, and Kaffehuset Friele.

The main findings of this paper concern CSR implementation, CSR driven value, and CSR perspectives. The research provides four components of CSR strategies: corporate values, CSR initiatives, organizational membership, and fit to core business. Further, this paper finds that CSR adds organizational value along the operations, human resources, markets, reputation, and stakeholder dimensions. The final contribution of this paper is the development of three CSR perspectives: "black and white", "caring for each other", and "the big picture". The perspectives integrate implementation and value. The firm's CSR perspective influences which values are found and the extent of the direct link between CSR strategy and value created.

Acknowledgements

This thesis is the result of several contributions.

I would like to thank Inger Stensaker for guiding me through the entire process, from formulating the research questions to making discoveries in the analysis. She has been a great motivator – every meeting has left me with renewed drive and enthusiasm.

I would like to thank Hilde Vanvik at The Body Shop, Steinar Olsen at Stormberg, and Jan-Gustav Andersen at Kaffehuset Friele for allowing me to use their companies as cases and for taking the time to explain how their companies view CSR.

I would like to thank my parents, Joyce and Andreas, for their suggestions, comments, helpful hints, and for their support. Finally, I would like to thank Knut-Olav for his ongoing support and for believing in me.

Janicke E. S. Falkenberg
December 19th, 2006

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Chapter 1: Introduction

“We need business in order to promote development. They are the ones with the money, technology, and management. They are the ones who can create jobs. You can't create sustainable development without creating jobs.”

UN Secretary-General Kofi Annan (Business Week, 2004)

Today there is a heightened interest in and increased focus on what role companies should have in society. Corporate social responsibility (CSR) has developed increased prominence as an idea, as a company strategy and as practical programmes in companies across the world. Every day one can read stories in the news about how companies are struggling to define their roles, and identify their boundaries. This fall, 2006, the Nobel Peace Prize was awarded to the founder of the micro-credit institution Grameen Bank, Muhammad Yunus. On his arrival in Oslo, Yunus challenged the Norwegian telecom company Telenor, majority owner of Grameen Phone, to set aside their profit orientation and seize a more social orientation by leaving control of the company to Yunus and Grameen Bank (Beonisen 2006). This challenge forces Telenor to review the goals and boundaries of their company – are they in the business of business, or can they include social responsibility in their business?

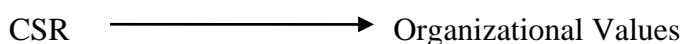
More and more companies are becoming open to the opportunities and challenges of social responsibility, and attempting to redefine how they do business. Companies are required by consumers and the media, to answer new questions concerning how they do business, and they are being held accountable for new stakeholders. The Norwegian oil giant Statoil has recently resolved not to give or receive any gifts from suppliers or customers, in order to avoid any question on their integrity regarding corruption issues (Haugnes & Henriksen 2006). This could be seen as a consequence of the 2002-2003 scandal in Iran, where they admitted to corrupt practices (OLF 2006). Other companies, such as Storebrand, have started focusing on Socially Responsible Investing (<http://www.storebrand.no/>). Yet, the debate around corporate social responsibility is still vigorous – is the business of business business, or is business, as Annan states above, a necessary tool for development?

It is evident that, regardless of where they stand in the CSR debate, companies must approach the issues of CSR in a serious and reflected manner. The question then becomes, can CSR be beneficial to the company as well?

A study by Business in the Community found that 73 percent of top European business leaders believe that sustained social/environmental engagement can significantly improve profitability. In Norway this figure is higher, a full 91 percent of top executives believe that the firm's profitability will increase when engaging in a socially responsible strategy (Topplederundersøkelsen 2003). However, recent academic research finds the link between CSR and profitability to be unresolved. Therefore, while there is an ongoing debate, both in academia and in the media, on whether there is a relationship between socially responsible firm's CSR strategies and the bottom-line, there appears to be limited research as to which other dimensions in the firm are affected by CSR strategy. Examples of dimensions within the firm, organizational dimensions, which can be affected by a CSR strategy, are employee retention, employee recruitment, customer loyalty, the firm's reputation and so on. This paper will examine three companies with effective CSR strategies to discern *how* they have implemented CSR and *whether* their CSR strategy creates any organizational value – value beyond the bottom line.

1.1 Research Questions

The purpose of this paper is to explore whether and how a company's corporate social responsibility strategy adds value to the company, beyond the financial perspective. The first question to be addressed is: What are the organizational values of implementing CSR? And secondly, how do organizations implement CSR? In addressing the values of CSR and the ways of implementing CSR, this paper contributes to the work done on corporate social responsibility by addressing which organizational values are affected, and by looking at the practice – the how – of CSR. The research can be simply illustrated in the following figure:



To address these questions, I will first give a review of the literature in the corporate social responsibility field, resulting in a proposed model of the organizational dimensions affected by CSR. I then present the methods used to investigate the CSR strategies of three companies, and following this, the data is presented. In Chapter 6, I present my findings, and finally, in the last chapter, I draw conclusions which attempt answer the two research questions.

Chapter 2: Literature Review

The literature on corporate social responsibility encompasses a vast array of different theories, models and terms. This chapter provides an overview of the main research in the field, introducing the term CSR and related concepts. After introducing a general overview of corporate social responsibility, both in Norway and internationally, the CSR debate will be discussed. Following this, literature and research pertaining to the two research questions will be presented. This provides the foundation for the model presented in the next chapter.

2.1 Introduction to Corporate Social Responsibility

While a recent study¹ found that 90% of Norwegian top executives believe that corporate social responsibility is a prerequisite for a company's competitive advantage, another report found that corporate social responsibility reporting in Norway has in fact decreased in the past few years. In this section I introduce the phenomenon of corporate social responsibility and present data of the role of CSR in Norwegian companies, and then provide a chart of the diverse CSR terminology, and finally present international developments in CSR.

2.1.1 What is Corporate Social Responsibility?

Corporate social responsibility (CSR) refers to “consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks” (Davis 1973 in Carroll 1999: 277). A variety of terms are used in discussing corporate social responsibility: business ethics, corporate citizenship, corporate accountability, and sustainability. Business for Social Responsibility (www.bsr.org) defines CSR as “achieving commercial success in ways that honours ethical values and respect people, communities, and the natural environment.” Other definitions (www.wps.pearsoned.co.uk) include “the need for organizations to consider the good of the wider communities, local and global, within which they exist in terms of the economic, legal, ethical and philanthropic impact of their way of conducting business and the activities they undertake.” While there are a multitude of definitions of CSR, which partly fuel the ongoing CSR debate, in summary “the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991: 43).

¹ See section: “Corporate Social Responsibility in Norway”

2.1.2 Corporate Social Responsibility in Norway

Corporate Social Responsibility has become increasingly important internationally, with increasing focus in the UN, the EU, and national authorities. There seem to be some major differences between the American and European models of CSR. One difference is the American view that CSR equals corporate philanthropy, the donation or granting of money to various worthy charitable causes, while the European model seems to involve implementing CSR more thoroughly in every aspect of the company. However, according to findings in a survey (Topplederundersøkelsen, 2003) of the top executives in Norway's 300 largest companies, Norway is lagging behind in relation to Corporate Social Responsibility. The survey finds that Norwegian executives have not focused their attention on CSR to the same extent as executives in other countries. The results of the survey are interesting on several aspects. Four out of ten Norwegian executives have no knowledge of what CSR entails. However, when the term is explained the vast majority, 90%, believe CSR is a prerequisite for a competitive advantage. The Norwegian executives agree that the importance of CSR as a competitive factor is increasing. Further, the survey revealed that while some executives believe that the firm's only responsibility is to maximize owner profitability², 72% disagree with the sentiment that this is the firm's only objective. In addition, 92% of the executives do not see incongruence between achieving maximum shareholder value and simultaneously having an environmental, ethical, and social responsibility.

Interestingly, the survey reported that 91 % of the Norwegian top executives surveyed believe that the firm's profitability will increase when engaging in a socially responsible strategy. Further, the executives believe that the consequences of ignoring the firm's social responsibility are that customers, employees, and the community turn their backs on the firm. The executives agree that they are in business because they have received a "licence to operate" from their communities and from society. This licence, or agreement, will be breached if companies ignore their social responsibility. The executive survey concludes that CSR can become an important competitive advantage in arenas where the other competitive factors are similar. In addition, the survey finds that employees are increasingly aware of CSR issues, and in general they seek employment in companies in which they can identify with the values of the company.

² See discussion on Friedman's point of view on pg. 16

In attempting to describe why CSR as an international leadership phenomenon has remained relatively unconsidered by Norwegian executives, the report highlights several factors. The most important factor is that, traditionally, a sense of duty and societal responsibility has existed, and that this sense of duty has coloured executives' community spirit. However, this duty and responsibility has been implicit, and not been formalized as a CSR strategy.

In a different survey concerning CSR reporting (Ruud, Jelstad, Ehrenclou, & Vormedal 2005), researchers have found that Norwegian companies have actually decreased their Corporate Responsibility reporting from 2002 to 2005. The companies' reporting can be seen as an indicator of the companies' CSR activity. This is consistent with a similar study conducted by KPMG in 2005. The researchers distinguish between legally mandated and voluntary reporting, where the mandated reporting includes non-financial requirements such as external environment, working environment, and gender equality. In analysing how the 100 largest Norwegian companies report on corporate responsibility, the study found that while 46% of the companies report in a satisfactory way on their internal social responsibility (HSE factors including employee health, safety, and working environment), only 14% report on their external social responsibility. Further, only 8% of the companies studied report on business ethics and the companies' economic impact on society.

Despite these tendencies, a positive trend is emerging as demonstrated by the 14% that have published separate non-financial reports. This trend is positive both in that the companies are reporting on their social activities, but also in that companies in fact take their social responsibilities seriously. The results of the study show that while a few companies exhibit best practices, the majority of Norwegian companies fail to report satisfactory, both legally and voluntarily. This means that there is room for improvement concerning both legal and voluntary reporting. The companies place less importance on external (CSR) than internal social issues (HSE factors), and neglect reporting on socio-economic impact. The report shows that "there is room for major improvements among most large companies in Norway, both in regards to legally mandated reporting (...) and in regards to voluntary reporting in the annual report and in separate non-financial reports" (Ruud et al. 2005:7).

The two reports cited above draw conclusions about the prominence of CSR in Norway. The first report focuses on what CSR knowledge executives have and what their opinions are concerning the benefits of CSR. The second survey focuses on how companies report on their

activities, both legally mandated, and voluntary (CSR) reporting. Both studies show that Norway lags behind the international trend of CSR: the executives lack knowledge of the area, CSR is rarely implemented into the firm’s strategy, and reporting on non-financial aspects is infrequent. However, both studies show a positive trend in the sense that more and more Norwegian firms are becoming increasingly aware of the importance of CSR. This is also confirmed by the number of companies registered as members of Initiative for Ethical Trade (Initiativ for etisk handel: www.ieh.no) and Green Business Network of Norway (www.gbnn.org) which is a member organisation of CSR Europe (www.csreurope.org). In addition, some Norwegian companies are pioneering new CSR instruments, such as socially responsible investing, SRI, (“green funds”) introduced to Storebrand by Carlos Joly.

2.1.3 CSR Definitions – An Overview of Terminology

In the arena of Corporate Social Responsibility several different terms are often used interchangeably. However, there are distinctions among the various terms. I have outlined these in the following table.

Corporate Social Responsibility	“consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks” (Davis 1973 in Carroll 1999: 277)
Social Issues	Social issues can be defined as the topical areas of corporate social responsibility. The literature in this area is dominated by the life-cycle approach, which explains the evolution of a social issue from its emergence to its saturation phase (Dentchev, 2005: 37).
Corporate Social Performance	Corporate social performance is associated with concrete outcomes of corporate conduct: “the social impacts of corporate behaviour (...) the programs companies use to implement responsibility and/or responsiveness; and the policies developed by companies to handle social issues and stakeholder interests” (Wood 1991 in Dentchev 2005: 36).
Corporate Social Responsiveness	Corporate social responsiveness is concerned with the ability of organizations to manage the company’s relations with various social groups, and has a process orientation. Further, Carroll (1979) proposes four responsiveness strategies: reaction, defence, accommodation and proaction.
Business Ethics	Business ethics have been developed as a branch of general ethics, and are concerned with the moral adequacy of business action
Corporate Citizenship	Being a corporate citizen is a metaphor used to underline

	the membership of corporations in society, illustrating how companies build bridges between themselves and the communities in which they operate (Dentchev 2005)
Shareholder	“An owner of a corporation whose ownership is represented by shares of stock in the corporation. A shareholder or stockholder has rights conferred by state law, by the corporation's by-laws or by a shareholders' agreement or buy-sell agreement” (www.leanlegal.com/dictionary)
Stakeholder	The stakeholder perspective of the firm (Freeman) views the firm as an aggregation of groups or individuals who are directly or indirectly affected by or affect the activities in the firm.
Sustainable Development	“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of "needs", in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and the future needs” (Brundtland Commission, 1987, www.unisdr.org).
Corporate Sustainability	The translation of the above definition of sustainable development to the firm. Organizations have a significant impact on social and environmental developments, and must be concerned with social and human welfare while reducing the ecological footprint and ensuring the effective achievement of organizational objectives (Dentchev, 2006).
Triple Bottom Line	The triple bottom line refers to three aspects of corporate sustainability, <i>environmental, social and economic</i> .
Cause-related marketing	Cause related marketing is the firm’s use of “linkages between commercial organizations and charities that can be used by both parties to enhance their profiles and to help achieve their marketing objectives” (www.pearsoned.co.uk).
Corporate Values	“Corporate values are a major dimension of corporate culture, defining the standards that guide the external adaptation and the internal integration of organizations. Corporate values influence organizations’ product and service quality, advertising content, pricing policies, treatment of employees, and relationships with customers, suppliers, community and environment” (Hunt, Wood, Chonko 1989)

Table 1: CSR: An Overview of Terminology. Developed for this paper by the author

In this paper, the term corporate social responsibility (CSR) will be used, as defined above, as a collective term for the firm’s ethical behaviour, corporate citizenship, stakeholder focus, and social responsibility.

2.1.4 Mapping the Territory: CSR Literature

“The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches, which are controversial, complex, and unclear” (Garriga & Mele 2004:51). This statement illustrates the need for an outline or “mapping” of the CSR landscape. Garriga and Mele provide this map in their *Corporate Social Responsibilities Theories: Mapping the Territory*. The authors outline four main types of theories: instrumental theories, political theories, integrative theories, and ethical theories. For the purpose of this paper, the instrumental, integrative, and ethical theories are most relevant. Therefore the political theories will not be defined.

Instrumental Theories of CSR: The instrumental theories of CSR focus on achieving economic objectives through social activities. There are three main approaches to this. The first is maximization of shareholder value as proposed by Friedman and Jensen (Friedman (1970) and Jensen (2000) in Garriga and Mele 2004:63). The second approach is strategies for competitive advantage, which include social investments in a competitive context (described in further detail below), strategies based on the natural resource view of the firm and the dynamic capabilities of the firm, and finally strategies for the bottom of the pyramid as proposed by Prahalad (Prahalad (2002, 2003) in Garriga and Mele 2004:63). The third instrumental approach is cause-related marketing³.

Integrative Theories of CSR: The integrative theories of CSR focus on the integration of social demands, and include four approaches: issues management, public responsibility, stakeholder management, and corporate social performance.

Ethical Theories of CSR: The ethical theories of CSR focus on the right thing to achieve a good society. There are four approaches to this type of theory: stakeholder normative theory, universal rights, sustainable development, and the common good.

Garriga and Mele’s classifications will be used (“theories in use”) in Chapter 6, the analysis, to further the descriptions of the case companies’ three perspectives on CSR.

³ For definition of cause-related marketing, see pg. 12

2.1.5 Key Developments in CSR Internationally

In order to round off the introduction to CSR, presented below are some key developments in CSR internationally. According to the organization Business for Social Responsibility (www.bsr.com), over the past decade several factors have converged to shape the direction of the CSR field.

<i>Increased Stakeholder Activism</i>	Corporate accounting scandals have increased the attention on companies' commitment to ethical and socially responsible behaviour. Increasingly, the public in general and various stakeholders are looking to the private sector to support a range of social and economic issues. Activist groups have increasing ability to publicly target companies and corporations they perceive as not being socially responsible.
<i>Increase in Codes, Standards, Indicators and Guidelines</i>	New voluntary CSR standards and performance measurement tools continue to increase, adding to an already complex landscape. Further, there is a growing consensus that the voluntary external standards, for instance the UN Global Compact, the Global Sullivan Principles, the CERES environmental principles, and the SA8000 labour standard, must be consolidated and streamlined.
<i>Accountability Throughout the Value Chain</i>	There has been an expansion of the boundaries of corporate accountability over the past few years. Companies are now held accountable for practices in their entire value chain, with special focus on supplier environmental, labour, and human right practises.
<i>Transparency and Reporting</i>	There is increasing pressure on corporations for transparency and growing expectations that they measure, report, and continually improve their social, environmental, and economic performances.
<i>Growing Governmental Interest</i>	Europe is leading the way as CSR is given a prominent position in both business and policy agendas. The European Commission has CSR at the core of its competition strategy, and has issued a Green Paper on CSR and created the European Multi-Stakeholder Forum on CSR.
<i>Convergence of CSR and Governance Agendas</i>	CSR activists have begun to stress the importance of board and management accountability, governance, and decision-making structures as imperative to the effective institutionalization of CSR.
<i>Growing Investor Pressure and Market-Based Incentives</i>	The past few years have witnessed a growing portfolio of high-profile, socially and environmentally screened market instruments (ex: Dow Jones Sustainability Indexes, FTSE4Good). Several socially responsible investors are using their shareholder power to influence companies to increase transparency and disclosure on a wide variety of CSR issues.
<i>Pressure to Quantify CSR "Return on Investment"</i>	Ever since CSR issues began to surface, there has been an ongoing debate and pressure to quantify and measure the economic and social benefits of a CSR strategy (see section above). Companies want to determine what their CSR initiatives have accomplished so they can focus scarce resources more efficiently, and societal CSR activists want to see demonstrable social and environmental impact, while others are still sceptical of the benefits of CSR.

Table 2: Key Developments in CSR. From BSR (www.bsr.org), modified by the author

2.2 The Corporate Social Responsibility Debate

Having introduced the concept of corporate social responsibility, as well as the terms and trends related to CSR, this section presents the notable CSR debate between Friedman and Freeman, which forms a basis for the ongoing CSR discussions. The questions discussed are: Is the business of business - business? Are values an intrinsic and necessary part of doing business? Do businesses need to be corporate citizens, or are social issues beyond the domain of most companies?

2.2.1 The CSR Debate: Friedman vs. Freeman

In his widely cited article in the New York Times Magazine, *The Social Responsibility of Business is to Increase its Profits* (1970), Milton Friedman⁴ argues that “there is one and only one social responsibility of business – to use its resources to and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman, 1970:6). Friedman argues that, in concurrence with Adam Smith, the pursuit of economic self-interest (within legal and ethical bounds) leads to efficient markets. Further, Friedman views the corporate executive as an employee of the owners of the business, whose responsibility is to conduct business in accordance with the desires of these owners. The executive is the agent serving the owners (shareholders) as the principals. Thus, it would in fact be considered mismanagement of the company, if the executive were to allocate the company’s funds in ways other than to maximize shareholder value. If, however, the executive wished to contribute his own means to a charitable cause, he would then be his own principle and free of the agent’s responsibilities. Friedman further expounds on the notion by describing how the company and its executives are ill-equipped to pick the best causes for charity, that this is the domain of taxes and government, and not business (Friedman, 1970).

Beginning in the 1970s, the CSR school of thought has slowly become a more central part of strategy discussions. Countering Friedman’s view that “the business of business is business”, Freeman proposed a stakeholder approach to strategic management (Freeman, 1984). At the heart of this view is the stakeholder, a spin on the word shareholder, which is “any group or individual who can effect or is affected by the achievement of the organization’s objectives”

⁴ Milton Friedman passed away while this paper was being written, November 16, 2006. Along with Keynes, Friedman is considered one of the two most influential economists of the 20th Century. He was awarded both the Nobel Prize for economics and the John Bates Clack Medal for his contributions to economic theory.

(Freeman 1984 in Dentchev 2005:40). Freeman argues that “stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose” (Freeman, Wicks, & Parmar, 2004:364). Hence, Freeman’s stakeholder theory counters Friedman’s shareholder views and argues that the businesses are responsible for more than profit maximization for shareholders.

2.2.2 Reconciling the Debate: The CSR Pyramid

A leading researcher in the CSR field, Archie B. Carroll, has attempted to reconcile the firm’s economic orientation with its social orientation, or the shareholder and stakeholder perspectives (described above). In attempting a comprehensive definition of CSR, Carroll created “a four part conceptualization of CSR (to include) the idea that that the corporation has not only economic and legal obligations, but ethical and discretionary (philanthropic) responsibilities as well” (Carroll, 1979). Later, Carroll conceptualized these obligations in the form of a pyramid (Carroll, 1991), constructed by the four types of social responsibilities that constitute corporate social responsibility: economic, legal, ethical, and philanthropic.

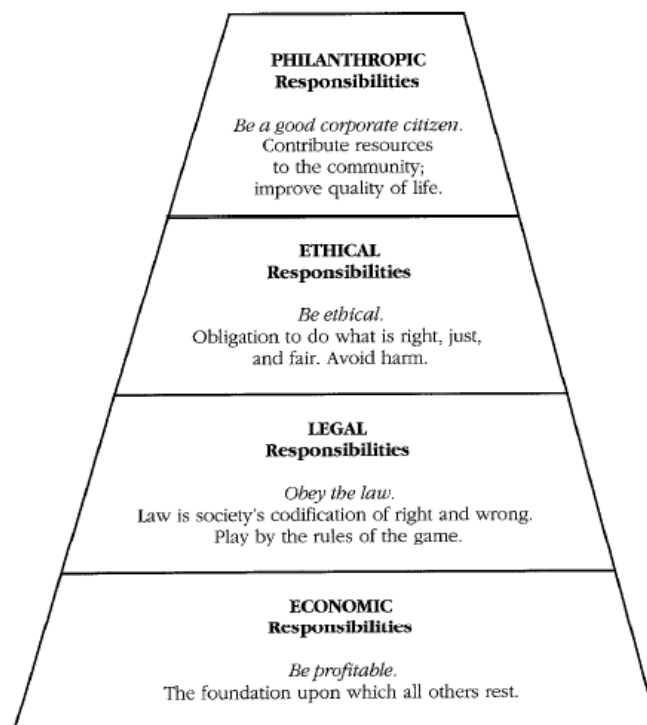


Figure 1: The Pyramid of Social Responsibility (Carroll, 1991: 42)

The firm's economic responsibility is to produce goods and services that customers need and want, while maximizing the profit. This is the foundation of all businesses, and hence the foundation of the pyramid. The legal responsibilities build on this foundation, and are a form of "social contract" between society and business to comply with rules and regulations. Rules and regulations are often a codification of ethics, which are turned into law, and must coexist with economic principles. Beyond the law, firms have certain ethical responsibilities, which are standards, norms, and expectations that reflect concern for consumers, employees, and shareholders. There is a dynamic interplay between the legal and ethical responsibilities of firms. At the top of the pyramid, as "icing on the cake", are the philanthropic responsibilities. These responsibilities are for business leaders to be good corporate citizens, promoting human welfare or goodwill; however Carroll (1991) emphasises that this is not expected in an ethical or moral sense.

Carroll argues that the first three tiers of his pyramid address the same issues that Friedman embraces; economics, legalities, and ethics, which leaves only the philanthropic issue for Friedman to reject. Thus Carroll's CSR Pyramid can be seen as an attempt at reconciling the two sides of the Friedman vs. Freeman debate.

2.2.3 The Current CSR Debate

While a majority of the current CSR literature is centred on the positive effects and implications on CSR strategies, some researchers disagree with the conventional thinking on CSR. Haigh and Jones, in an article published in 2006, voice some of these disagreements. In opposition to Carroll's proposal that CSR stems from a responsibility to be a good corporate citizen (top tier of CSR Pyramid), Haigh and Jones provide six sets of influences of corporate social responsibility in firms:

1. *Internal pressure*: the problem of linking CSR to results. Managers have incentives to produce results, which promotes short-term thinking. Further, managers must first and foremost see the likelihood of economic returns.
2. *External (competitive) pressure*: Firms implement CSR only if competitors have, and if they believe their position in the market place will be worsened without CSR.
3. *Investors*: Social funds are considered a marketing tool, and there is evidence that most institutional investors do not exert direct or indirect pressure on invested corporations to practice CSR.

4. *Consumers*: The authors disagree with the notion that consumers can promote CSR practices through their purchasing decisions in the marketplace; “consumers cannot be counted on to promote CSR outcomes”⁵ (Haigh & Jones, 2006: 249).
5. *Government Regulations*: While a benchmark of governmental responsiveness to CSR has not emerged, governments have, since the 1970s, placed taxes on externalities such as pollution. However, there is a problem because of the great cost of ensuring compliance.
6. *NGOs*: Shareholder activists have been the main drivers behind initiatives such as the Global Reporting Initiative, Sustainability Reporting Guidelines, and Triple Bottom Line Reporting.

Whereas some researchers argue for CSR as a means to create a competitive advantage⁶, others (such as Haigh and Jones 2006) view CSR as a reaction to different pressures and influences that can be overlooked or overcome without implementing CSR strategies.

Another recent criticism of CSR draws heavily on Milton Friedman’s view of the firm, and holds that “the fiduciary duty to firms’ owners is the bedrock of capitalism, and capitalism will wither without it” (Coelho, McClure & Spry 2003). Coelho and his colleagues contend that CSR, and other strategies that include a variety of stakeholders, removes capitalists from centre stage. Far from being an improvement, this actually has corrosive effects on the practical and ethical foundations of capitalism. Further, the authors argue that CSR tends to “1. Reduce the incentives to increase the wealth of a society, 2. Give ambiguous guidance to what an ethical manager should do, and 3. Exacerbate the principal-agent problem between shareholders and management by creating virtually unlimited opportunities for ethically suspect situations and outright corruption” (Coelho et al. 2003: 20). In addition, they argue that “free market capitalism has done more to alleviate human misery than all other methods of organizing resources combined (Coelho et al. 2003: 21).

While Coelho and his colleagues further Friedman’s views of the firm, other authors have approached criticisms to CSR from a different angle. In their article “Is it Ethical to Use Ethics as Strategy” (Husted & Allen, 2000), Husted and Allen question whether or not it is ethical to profit from a CSR strategy. This question can be seen as a response to critiques on

⁵ See discussion on consumers in Chapter 5: Case Descriptions

⁶ For CSR driven competitive advantage, see pgs. 23 and 27

their earlier article (Husted & Allen, 1998) where they advocate firms to allocate resources to long-term social objectives in order to create a competitive advantage. The authors evaluate the ethics of CSR from a utilitarian (consequences) and deontological (motives) perspective. Their responses to criticisms from a number of authors are: (Criticisms are in italics; their responses follow).

1. “*Ethics may be used to create a competitive advantage by imposing the ethical conventions of one firm on an industry, creating a monopoly*” - Response: Use ethics and social strategies as a means to differentiate.
2. “*Business is ill-equipped to solve social problems*” – Response: firms are more likely to create value from social projects that are highly central to their mission, where they have specific knowledge to solve that particular problem.
3. “*Ethics strategies may subvert ordinary democratic processes*” – Response: Governments can use fiscal policies to direct philanthropy/ethical strategy towards specific problem areas in society.
4. “*Strategic nature of ethics and CSR may divert support to only popular causes*” – Response: Look at the overall increase in support, not the distribution of it.

After responding to several common critiques of CSR strategies, the authors conclude: “as with any instrument, social strategy can be used in ways consonant with the demands of ethics” (Husted & Allen, 2000: 29).

Corporate social responsibility continues to be a topic of discussion among business leaders, as well as in academia. While the questions concerning the firm’s moral obligations continue to be debated, the discussion has evolved to include the issues of what value CSR can bring the firm, and how firms should implement CSR. This will be the focus of the next two sections.

2.3 Does Corporate Social Responsibility Create Value?

While 91 percent of Norwegian business leaders believe that the firm's profitability will increase when engaging in a socially responsible strategy (Topplederundersøkelsen, 2003), the research in the area is inconclusive. However, the effects of a firm's CSR strategy on other areas of the company are still being discovered. This section will first outline the link between CSR and financial results, and then review the research on the effect of CSR on organizational value and the competitive advantage of the firm.

2.3.1 CSR and the Bottom Line

There has been a great deal of research conducted in order to find a relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). Ever since Friedman's comments ignited the CSR debate, researchers have attempted to prove or disprove the relationship between social responsibility and economic performance. A majority of researchers have found a positive relationship, others have found a negative relationship and some studies have been inconclusive (Griffin & Mahon, 1997). The reasons for these inconsistencies include conceptual, operational, and methodological differences in the definitions of social and financial performance (Griffin & Mahon, 1997).

In analysing 53 separate research projects on the subject, Griffin and Mahon found that "individual industries operate within distinctively different contexts and with dissimilar social and environmental concerns, and patterns of stakeholder involvement" (1997: 25). The authors were unable to draw any appropriate conclusions about the relationship between social performance and financial performance. Instead they call for future research to reflect a consistency of financial measures, to use multiple measures of social performance, and to look at a single industry over time.

Whether or not there is a real connection between socially responsible business practices and a positive financial performance is still debated among researchers. Yet in a 2002 DePaul University study (www.bsr.org), the overall performance of the "2001 Business Ethics Best Citizen" companies was significantly better than the performance of the remaining companies on the S&P 500 Index, based on the 2001 Business Week ranking of total financial performance.

2.3.2 What Connects CSR and Financial Performance?

Husted and Allen explored the conditions that foster a positive relationship between corporate social responsibility and financial performance, and developed a model of corporate social strategy (Husted & Allen, 2001). The expectation is that this strategy model would then foster a competitive advantage for the firm. The authors explore the traditional notion that social strategy and business strategy are separate. They extend this by creating a model (see Figure 2) which integrates the approaches of business and social strategy. This model will be the basis of the modified model in Chapter 3.

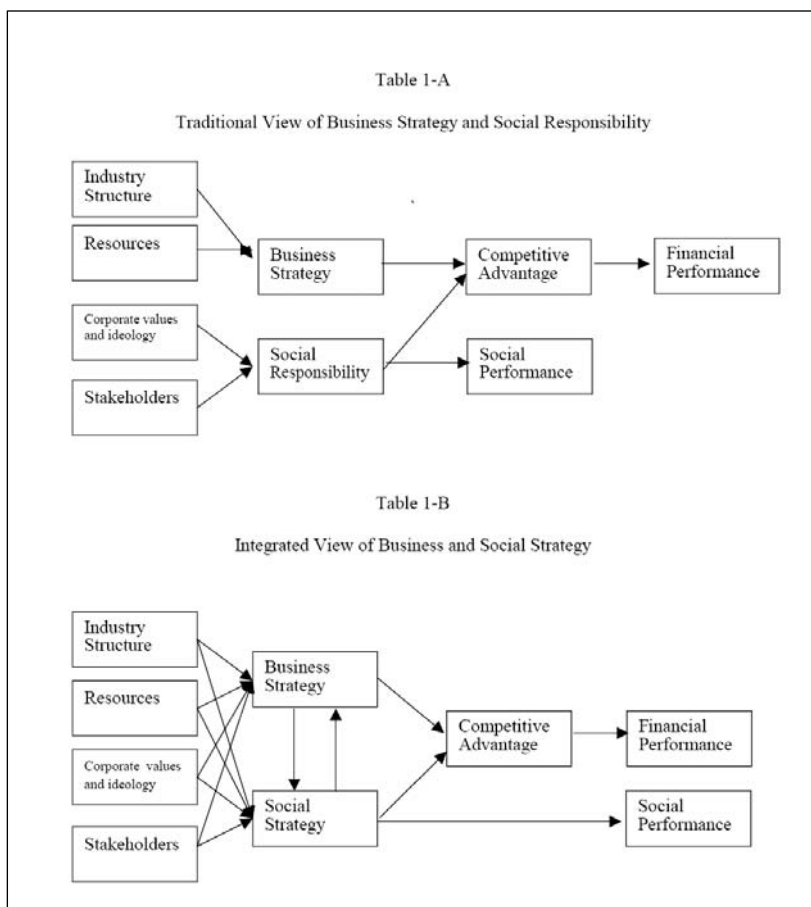


Figure 2: Model of Business and Social Strategy (Husted and Allen, 2001: 4)

In Husted and Allen’s model there is a connection between business and social strategy, and financial performance. However, the connection to financial performance is not the focus of this paper. Instead, I am extending the work to look at the organizational, rather than financial, value of CSR.

2.3.3 CSR: Organizational Value and Competitive Advantage

Organizational Value: For the purposes of this paper, organizational value is defined as value beyond the bottom line. That is, the value term is used in a broad sense, to encompass value-creating dimensions in the firm. These value dimensions can include employee retention, innovation, company reputation or customer loyalty. There is also a possibility that the CSR driven organizational values can, in the long term, have a positive effect on the company's financial results.

The research on what organizational value is created by having a CSR strategy is limited. Many express opinions about the value created by CR, such as the Business for Social Responsibility organization (www.bsr.org) who believes that CSR brings greater employee motivation and higher customer loyalty. These opinions result in a need for empirical research in the area. However, Dentchev has identified a series of organizational dimensions that are affected by corporate social responsibility.

Building on Husted and Allen's model of corporate social strategy, Dentchev (2004) attempts to answer the question of whether or not corporate social performance can contribute to the competitive advantage of firms. The corporate social performance (CSP) model can be viewed as the three dimensional integration of the principle of corporate social responsibility, the process of corporate social responsiveness and policies for social issues (Wartnick & Cochran, 1985). Dentchev found various positive and negative effects of CSP on the competitiveness of organizations, and hence warns that CSP is not an "innocent adventure for executives, rather a strategy for achieving corporate objectives, which must be carefully implemented" (Dentchev 2005: 45).

A competitive advantage "arises from discovering and implementing ways of competing that are unique and distinctive from those of rivals, and that can be sustained over time" (Porter, 1996 in Dentchev 2005: 60). In the resource-based view, a way to outperform competitors is the possession of valuable, rare, non-substitutable and inimitable resources or capabilities. Overall, a competitive advantage results in superior financial results. In the course of his research, Dentchev found several positive and negative effects of corporate social performance on a firm's competitive advantage:

Stakeholder relations	Employee motivation and satisfaction Attraction of new employees Customer loyalty Government Community
Corporate Reputation	
Business Model Improvement	Long term vision Better informed about the core business Stronger competitive position Aware of the essence of business Feasibility if the value chain Renewal Innovation
Cope with uncertainty	Anticipate problems Anticipate disruptive changes
Differentiation	Positioning as socially responsible Introducing new products with CSR attributes
Cost Savings	Lower energy use Less industrial waste More opportunities to corporate finance Less asset damage Less loss of product
Profit generation	Ensure the continuity of business Efficiency and effectiveness

Table 3: Positive Effects. Modified by the author from Dentchev (2005)

Reputation Damage	Unrealized promises High expectations Moral hazard (window dressing, green washing)
Harm the core business	Let stakeholders decide Lose commercial focus Insufficient understanding of CSP implications
Interference with interests or values	Employees Contractors Customers
Wrong perception	Information availability Lack of knowledge Lack of credibility
Insufficient improvement	Rising expectations Transparency changes attitudes

Table 4: Negative Effects. Modified by the author from Dentchev (2005)

The positive dimensions of CSR that Dentchev identified are useful in determining the organizational value of CSR, and several of the dimensions will be included in the model developed in Chapter 3. The negative effects Dentchev identified will be interesting to compare to the drawbacks of CSR identified by the case companies.

2.4 How Do Organizations Implement CSR?

Each firm seems to have its own way of implementing corporate social responsibility. There is little research on the link between implementation and organizational values created. First, this section presents *how* firms can implement CSR, using Galbreath's (2006) four strategic options. Following this, different ways of *evaluating* CSR strategies are presented: Burke and Logsdon's five criteria, as well as Porter and Kramer's (2002) argument that CSR is most advantageous when implemented in correspondence with the company's core business.

2.4.1 Four CSR Strategies

In a recent article, Jeremy Galbreath describes four options of what types of strategies a firm might choose to pursue with respect to CSR (Galbreath, 2006). Galbreath holds that CSR is ultimately a strategic issue, one that cannot be separated from a firm's overall strategy. In outlining four CSR strategies, he hopes to conceptualize them while setting a benchmark to evaluate CSR strategies and implementations across firms.

CSR Strategic Option 1: The Shareholder Strategy

In this strategy, CSR becomes a component of the overall profit motive, in tune with Friedman's views. The firm works towards maximizing shareholder returns, has a short-term vision, and the measurements and benefits are financial.

CSR Strategic Option 2: The Altruistic Strategy

In this strategy, CSR falls on the managers who guide the firm's social responsiveness. The interwoven nature of the relationship between the firm and the community is acknowledged, and the firm is "doing the right thing". The philanthropy comes from the surplus, and donations are made to the community intermittently.

CSR Strategic Option 3: The Reciprocal Strategy

In this strategy, CSR is seen as necessary to the firm's survival, and the goal is mutual benefits; societal benefits to the community and economic benefits to the firm. This is a more proactive strategy than the ones listed above, and can be described as "enlightened self-interest." The strategy focuses on partnerships (ex: cause-related marketing) and is of medium to long-term range.

CSR Strategic Option 4: The Citizenship Strategy

This strategy is based on Freeman's stakeholder view, and the goal of the strategy is built up of responsibility, transparency, sustainability, and accountability. The citizenship strategy views the internal and external constituents as stakeholders, and the firm must address their needs. The time frame is long-term, and the success of the strategy can be measured by a holistic, triple-bottom line analysis.

Galbreath's strategies provide four CSR options that firms can utilize. However, the way in which they implement and evaluate their CSR strategies will be discussed below.

2.4.2 Criteria for Beneficial CSR Strategies

While researchers have been unable to agree on whether or not there is a positive relationship between socially responsible behaviour and financial performance, Burke and Logsdon link CSR to the firm's performance in a different manner. In their article "How Corporate Social Responsibility Pays Off" (Burke & Logsdon, 1996) they examine ways in which CSR programmes can create strategic benefits for the organization even when they are not readily measurable as separate contributions to the bottom line. They propose that: "Corporate Social Responsibility (policy, programme, or process) is *strategic* when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission" (Burke & Logsdon, 1996: 496).

This led Burke and Logsdon to identify five dimensions of corporate strategy. These dimensions are both critical to the success of the firm, and useful in relating CSR policies, programmes, and processes to value creation in the firm.

1. *Centrality*: Closeness of fit between to the firm's mission and objectives
2. *Specificity*: Ability to capture private benefits by the firm
3. *Proactivity*: Degree to which the program is planned in anticipation of emerging social trends and in the absence of crisis
4. *Volunteerism*: The scope for discretionary decision-making and the lack of externally imposed compliance requirements
5. *Visibility*: Observable, recognizable credit by internal actor and/or external stakeholders for the firm

When taking into account these five dimensions, value is created: “identifiable, measurable economic benefits that the firm expects to receive” (Burke & Logsdon, 1996: 499). By implementing strategic social responsibility and including the five dimensions, Burke and Logsdon argue that firms become more aware of the benefits both to the firm and its stakeholders, and managers become better equipped to make decisions about CSR activities.

2.4.3 How Implementing CSR yields Competitive Advantage

Porter and Kramer (2002) explore how the proper implementation and attitudes towards CSR, which they narrow down to corporate philanthropy, can pave the way to a competitive advantage through improving competitive context (Porter & Kramer, 2002). In their article, “The Competitive Advantage of Corporate Philanthropy”, the authors describe corporate philanthropy of today as unfocused and only used for generating goodwill and enhancing morale. Porter and Kramer propose a more focused and strategic philanthropy, using charitable efforts to improve a firm’s competitive context, which is the quality of the business environment in which they operate. They call this *Context Focused Giving*, and impose this theory on two of Porter’s previous theories: cluster theory and the competitive advantage of nations.

According to the authors, “true strategic giving (...) addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise” (Porter & Kramer, 2002: 6). Further, they propose “philanthropy can often be the most cost-effective way for a company to improve its competitive context, enabling companies to leverage the efforts and infrastructure of nonprofits and other institutions” (Porter & Kramer, 2002: 9). To test of the value of a firm’s philanthropy, Porter and Kramer ask whether the desired social change is so beneficial to the company, that the organization would pursue the change even if no one knew about it. The authors provide examples of how to make the firm’s philanthropy a competitive advantage in the competitive context or cluster. Examples include the funding of local schools to improve the quality of the available work force, or funding research facilities in the industry etc.

When firms are making decisions on how to implement CSR strategies, they must take into account which strategy (Galbreath, 2006), or ethical philosophy, they wish to pursue. Then they must examine whether their chosen strategy fulfils the five criteria (Burke & Logsdon, 1996), and finally make sure that the chosen strategy can lead to a competitive advantage in the competitive context (Porter & Kramer, 2002).

Chapter 3: Model with Research Dimensions

In this chapter, a model for determining the organizational value of corporate social responsibility is developed. The basis of the model is found in the literature review, and the model will later be tested against the corporate social responsibility strategies described by the three case companies.

Building on the model presented by Husted and Allen (2001) of the “Integrated View of Business and Social Strategy”⁷, I created a modified model to fit the first research question of this thesis. That is, what are the organizational values of implementing CSR? To determine the value created by corporate social responsibility in the firm, one can integrate strategies for CSR in Husted and Allen’s model – setting CSR (purple box) as the sum of business and social strategies. The CSR strategy affects the firm’s competitive advantage, and the competitive advantage affects the firm’s financial, social, and now organizational performance. Husted and Allen’s (2001) original model is in blue, while the modifications are in purple.

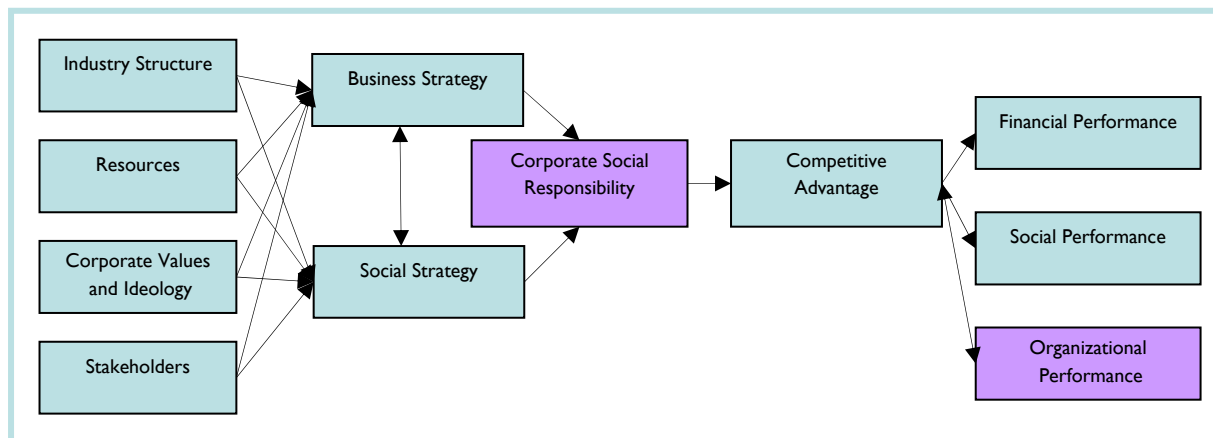


Figure 3: Modified Model - Based on Husted and Allen (2001)

Below is an extension of this modified model, which details the organizational dimensions that are believed to be affected by a corporate social responsibility strategy.

⁷ See pg. 23 for introduction to this model

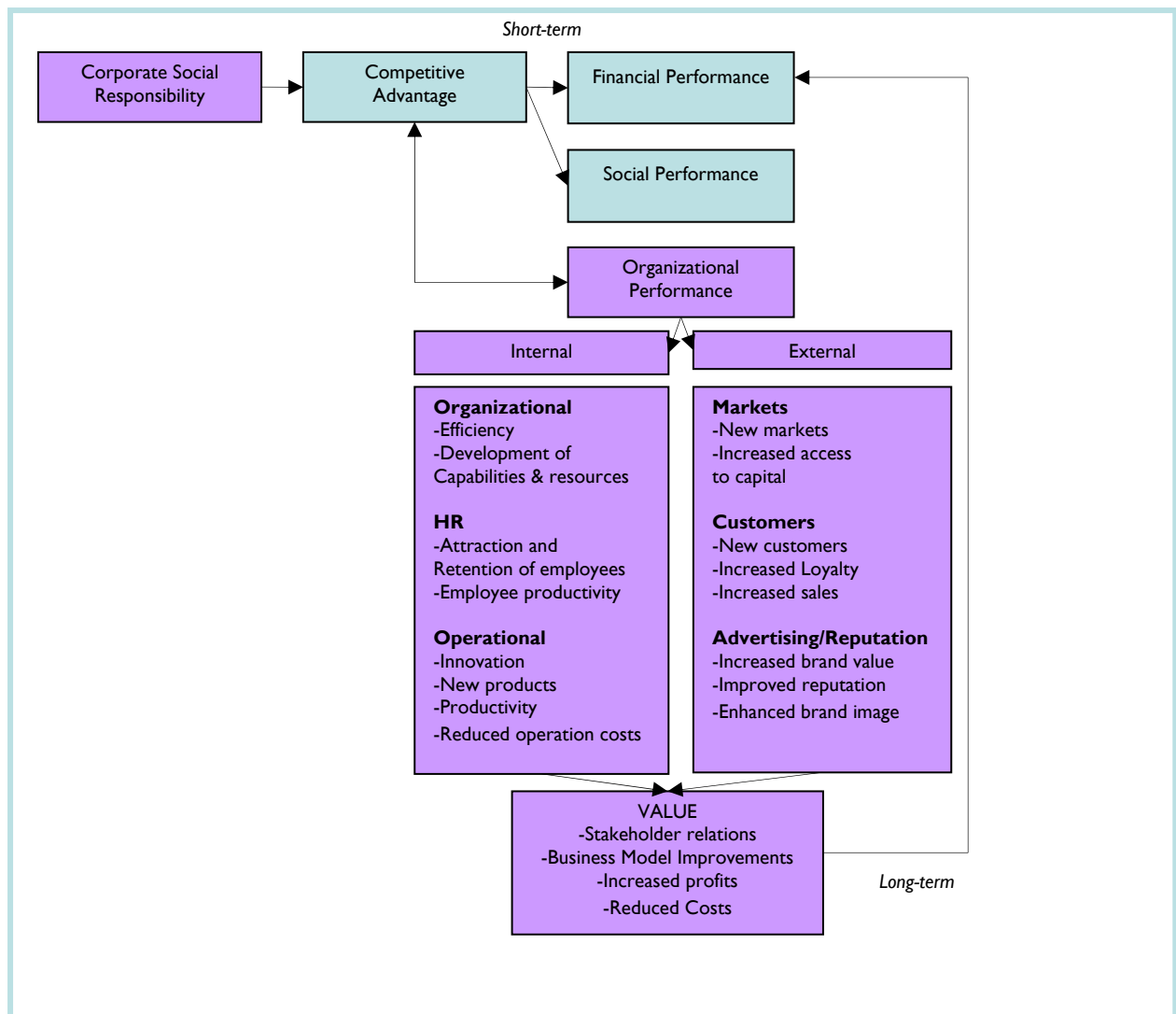


Figure 4: Modified Model - Detailing Organizational Aspects

The hypothesis in the modified model is that corporate social performance, when built into the firm's strategy from a business and social perspective, leads to a competitive advantage. Further, this competitive advantage leads to improved financial and social performance, as in the original model, while in the modified version the competitive advantage also has effects on organizational performance. In this case, the term organizational performance⁸ is used in order to relate to the financial and social performance terms used in the model. The organizational performance is linked to organizational values, value within the firm beyond the bottom line. Drawing on the four factors leading to business-and social strategy from Husted and Allen (2001), this paper will focus on the outcomes of the competitive advantage

⁸ Organizational performance is commonly used to denote the actual output or results of an organization as measured against its intended outputs. However, in this paper, organizational performance relates to the organizational values defined in the Literature Review, pg. 23.

brought by corporate social performance, especially the long-term value created through the organizational performance.

The effects of CSR on organizational performance can be divided in two parts, internal and external. The dimensions that are detailed in the extended model are collected and compiled based on the literature review. The main focus has been on the effects of CSR described in Dentchev (2004), Burke and Logsdon (1996), Porter and Kramer (2002), as well as the organization Business for Social Responsibility (www.bsr.org). The internal effects of the CSR induced competitive advantage on organizational performance are divided in three parts; organizational, human resources, and operational. The external effects are divided into markets, customers, and PR/reputation.

3.1 Internal Dimensions

Organizational: The organizational effects of CSR on the firm could be increased efficiency in the organization, as well as the development of capabilities and resources through the involvement of various stakeholders (Dentchev 2005, Freeman 1984, BSR, CSR Europe).

Human Resources: A CSR strategy can give the firm an increased ability to attract and retain employees. Companies with a strong CSR strategy can find it easier to recruit and retain employees, meaning a reduction in turnover and associated recruitment and training costs. Further, flexibility and work-life programs can reduce absenteeism, increase rate of retention and the productivity level of employees (Dentchev 2005, Burke & Logsdon 1996, BSR, CSR Europe).

Operational: CSR can lead to increased productivity and quality, as well as innovation and development of new products. CRS can lead to improvements in working conditions (as employees are a primary stakeholder), lessen environmental impact and perhaps lead to increased employee involvement in decision making, which in turn can lead to increased productivity and reduced error rate. Further, some CSR initiatives can reduce operating costs dramatically. Initiatives for improving environmental performance, often also lower costs (Dentchev 2005, Green Business Network of Norway, BSR, CSR Europe).

3.2 External Dimensions

Markets: CSR initiatives can enable the firm to pursue new markets, as well as new products. Further, the firm can gain an advantage in the capital market as the growth of Socially Responsible Investing (SRI) means companies with a strong CSR performance have increased access to capital that may otherwise not have been available (BSR, CSR Europe, IEH).

Customers: CSR can generate increased sales and customer loyalty, as there is a large and growing market for the products and services of companies perceived to be socially responsible (Burke & Logsdon 1996, BSR, CSR Europe).

Advertising/Reputation: Companies considered socially responsible can benefit both from its enhanced reputation with the public as well as its reputation within the business community, increasing the ability to attract new customers, capital and trading partners (Dentchev 2005, Burke & Logsdon 1996, BSR, CSR Europe, IEH).

3.3 Value

These internal and external organizational dimensions create value in various ways, including through stakeholder relations, business model improvements, increased profits, and reduced costs. Thus, from an organizational perspective, having an implemented CSR strategy can lead to a competitive advantage, which in turn fosters long-term organizational, social, and financial value.

Drawing on the work of Husted and Allen (2001), I have developed a model which includes financial and social performance, but adds to this work the dimension of organizational performance and organizational value. The new model gives a more complete picture of the effect of CSR on the firm's performance, by adding organizational performance.

Chapter 4: Methodology

4.1 Research Design

“The research design is the overall plan for relating the conceptual research problem to relevant and practical empirical design” (Ghauri and Grønhaug, 2002: 47). A research design is chosen to appropriately answer or enlighten the research questions in the best possible way. The research design must be effective given certain constraints, such as time or skills, which the researcher faces, and determining the research design can be seen as strategy to get the information one needs. Ghauri and Grønhaug (2002: 48-50) describe three types of research designs.

Exploratory research is used when the problem is poorly or not well understood, and a key characteristic is flexibility in the researcher, as new information is available, the search for the solution may change direction (Ghauri & Grønhaug 2002: 49). The research problem is often less well defined, thus one must observe, collect information, and construct explanations – also called *theorizing*. *Descriptive research* is characterized by a well understood and structured research problem. For this type of research, structure, precise rules and procedures are essential, and the same procedure must be used for all objects measured. *Causal research* problems are also structured, and the researcher is confronted with cause-and-effect problems. One must isolate whether certain causes result in certain effects (Ghauri & Grønhaug 2002). Further, the authors state that “research methods are rules and procedures, and can be seen as tools or ways of proceeding to solve problems” (2002: 34). The choice of data collection method will be dependent on an overall judgement of which type of data is necessary to solve a particular research problem.

According to Meyer (Meyer 2005) there are four components in all kinds of research designs: *Comparability*: one must be able to compare observations, *Manipulation*: that one observation precedes the other, *Control*: alternative explanations are eliminated, and *Generality*: being able to generalize the findings. In order to fulfil Meyer’s (2005) four criteria, the research design must include more than one firm (comparability), must give a clear understanding of causality (manipulation and control), and must give grounds for generalizing the findings (generality).

Qualitative research methods are described by Cresswell (Cresswell 2000 in Meyer 2005) as “an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting.”

Selecting a research method is a choice, and I have chosen a method based on the nature of the research questions – as the research questions are unexplored, I choose an exploratory method. Thus the research will follow an exploratory design: observing, collecting information, and constructing explanations (theorizing). Because the research problem is open, and the variables cannot easily be quantified, perhaps with the exception of sick leave, turnover, and sales numbers, a qualitative method with a complex and holistic approach is more useful for the purpose of this thesis. More importantly, this design will help uncover if the variables suggested in the literature review are central, or if there are other variables that are relevant. As researcher, I need to be open to hearing from firms how they see this.

All research methods have strengths and weaknesses; in focusing on the strengths, there is a need to recognize the limitations. The limitations of a qualitative research method include lack of statistical validity or reliability, generating hypotheses without testing them completely, and being unable to draw general conclusions from the case studies (Gummesson 2000 in Meyer 2005).

The chosen research design for this paper’s research problem is a qualitative exploratory design consisting of three case studies. The next section will describe the method chosen.

4.2 Qualitative Method: Case Studies

According to Meyer (2005), there are five types of qualitative research methods: biogeography, phenomenology, grounded theory, ethnography, and case studies. According to Ghauri and Grønhaug (2002: 171), “carrying out intensive case studies of selected examples, incidents or decision making processes is a useful method when the area of research is relatively less known.”

In the literature review, there seemed to be quite a gap in the area of what organizational value a well-implemented CSR strategy gives the firm. Thus, this area of research is relatively less known, and case studies are an appropriate method for studying the questions posed in this thesis. Case study research is “particularly useful when the phenomenon under investigation is difficult to study outside its natural setting and also when the concepts and variables under study are difficult to quantify” (Ghauri and Grønhaug, 2002: 171). Further, as is the case with this research problem, case studies are “particularly well suited to new research areas or research areas for which existing theory seems inadequate” (Eisenhardt 1989 in Ghauri and Grønhaug 2002: 172).

After having decided to conduct a case study, using Yin’s (1994) four types of case study designs (see Figure 5), can help to identify which type of case study design to pursue.

	Single-case designs	Multiple-case designs
Holistic (single unit of analysis)	Type 1	Type 3
Embedded (multiple unit of analysis)	Type 2	Type 4

Figure 5: Basic Types of Designs for Case Studies (Yin, 1994: 39)

Yin states a “need for a decision, prior to any data collection, on whether a single-case study or multiple cases are going to be used to address the research question” (1994: 38). The *single case* is justifiable where the “case represents a critical test of existing theory, where the case is

a rare or unique event, or where the case serves a revelatory purpose” (Yin, 1994: 44). However, using *multiple cases*, the evidence is often considered more compelling, and the overall study is regarded as more robust (1994: 45). When pursuing a multiple case design, one must follow replication logic, where the same results are predicted for each of the cases. For this design it is possible to draw conclusions based on the similarities and differences exhibited by the firms. An *embedded* case study contains more than one sub-unit of analysis, provides a means of integrating quantitative and qualitative research methods, and is appropriate for descriptive studies. A *holistic* design is “advantageous when no logical subunits can be identified and when the relevant theory underlying the case study is itself of a holistic nature” (Yin, 1994: 42).

In making a decision about the type of case study to use, one must consider the nature of the research questions. The exploratory questions favour using multiple cases, and because the literature in the area is emergent, one cannot critically test a theory as for single case studies. Further, a holistic design is chosen because no logical subunits are identified, and the relevant theory seems holistic. Therefore the design is a Type 3 (see Figure 5).

4.3 Selecting Sample

In deciding what cases to include, Ghauri and Grønhaug (2002) emphasise the importance of first deciding the target population, and then out of the target population, selecting one or a few cases, objects or firms for study. As described above, following Yin’s (1994) four types of case design, I have chosen a multiple-case design.

The target population for this thesis were companies that have a well-implemented CSR strategy. This is in keeping with Yin’s (1994) replication logic, and Ghauri and Grønhaug that “the cases should correspond with our theoretical framework and the variables we are studying” (2002: 176). That the companies already have a CSR strategy was necessary in order to draw conclusions as to the CSR driven value created in the firm, and these firms most likely have opinions on how CSR contributes to the organizational value dimensions. Thus it was necessary that the firms publicized their CSR approaches. To control for other variables, and to be able to gain access to the companies, it was preferable to use only Norwegian firms. In addition, it was important to include only firms in which I could gain access at the top level of the companies, in order to get a holistic view of the company, and to ensure accessibility of

interview subjects and other data. This can be seen as a type of information-oriented sampling.

To select firms that could be relevant to the purpose of this paper, I conducted a search for appropriate companies. First, the socially responsible companies that were “top of mind” were listed, followed by a search for members of organizations such as Initiative for Ethical Trade (IEH), ForUm, and ProSus. Thirdly, a search of newspaper articles contributed to the list of possible firms. The firms were contacted, and the three companies that were positive to being used as case companies, were selected.

Three appropriate case companies were included in the study: The Body Shop, Stormberg, and Kaffehuset Friele. The Body Shop – Norway - is a prominent ethical cosmetics company, with a long history of social responsibility, and thus a natural choice for a case study. Stormberg is a younger, sports clothing manufacturer that has also been founded on the premise of conducting business in an ethical and socially responsible manner. Kaffehuset Friele is an established, traditional coffee roaster, which only recently codified and formalized their CSR strategy. These three companies were all willing to be used as case firms, and interviews were granted with the CEOs of the companies.

These three companies are quite different on a number of dimensions. While all three companies have great belief in CSR, they exhibit similarities and differences in how they implement CSR and what they experience as value related to CSR. By using companies that have different opinions about the organizational value of CSR, one can gain a fuller, multi-dimensional perspective on the different value dimensions. In addition, the three companies vary in the way they work with CSR, which can provide more details on implementation perspectives. The three firms operate in different industries, they have different corporate histories, they vary in size and they have different value chains. These differences must be taken into account when analysing the results of the data collection, and when attempting to generalize the findings. The connection between the companies is that they all have a special focus on social responsibility, and they all serve the same consumers in the Norwegian market.

4.4 Data Collection

Ghauri and Grønhaug (2002) warn that special skills and some caution are needed for conducting a case study – “data collection in a case study design is crucial, as the whole study depends on it.” Further, the researcher “should not only be able to ask relevant and probing questions but also have the capabilities to listen and interpret the answers given (...) researchers should be able to read between the lines and understand not only what is said, but also what is meant.”

In order to write in-depth case studies with thick descriptions, data was collected in a variety of ways. Facts and figures on the three companies were collected through a number of websites, news paper articles, publications, presentations, and other public information. The more detailed and reflective information was gathered through semi-structured, in-depth interviews with the CEOs of the three companies.

4.4.1 Interviews

According to Ghauri and Grønhaug (2002), interviews demand real interaction between the researcher and respondent, and can be divided into three types; structured, unstructured and semi-structured. *Structured* interviews use a standard format with an emphasis on fixed category responses and systematic sampling and loading procedures combined with quantitative measures and statistical methods. In *unstructured* interviews the respondents are given nearly full liberty to discuss reactions, opinions, and behaviour on a particular issue. In *semi-structured* interviews the topics and issues to be covered are defined beforehand, while the data collected is often of a personal, attitudinal or value-laden variety.

For the type of data needed for the case descriptions, a semi-structured interview approach seemed most useful. In using Nigel King’s (2004) interview typologies, the types of interviews needed for this data collection are *phenomenological interviews* – in which the phenomenon researched is corporate social responsibility, and the researcher must reflect on his/her predetermined ideas and constructs. The researcher’s pre-understanding provides the researcher with a bit of a paradox: “We should not require split personalities but rather dual personalities: Those who are able to balance on the razor’s edge using their pre-understanding without being its slave” (Gummesson, 2000 in Meyer, 2005).

Thus for a semi-structured, phenomenological interview, one must reflect on one's pre-understanding. In the case of CSR, my pre-understanding is based in the academic literature and popular press. From the popular press, it is easy to have the pre-understanding that social responsibility gives firms great value. From the academic literature, there was an expectation of the type of organizational values that could be expected from CSR. I was careful to keep this pre-understanding from colouring the interviews and my interpretations of the data.

4.4.2 Interview Guide

In order to conduct the three in-depth interviews in a way that collected relevant data in an organized fashion, an interview guide was created⁹. Interview guides are used in qualitative research where themes and dimensions one wishes to cover are listed, and potential follow-up questions and helpful hints are added (King 2004). The interview guide was first written based on the literature review and model, and included questions regarding general company information and their CSR strategies. A challenge that presented itself in the early stages was length of the interview guide. The first version of the guide was much too long, and would have entailed interviews spanning several hours. This was corrected by eliminating redundancies and questions concerning information that was easily found elsewhere. Further, the interview guide was revised following the first interview, after realizing which questions worked well, and which did not.

The final interview guide consists of 24 questions, split into three sections. The first section is on CSR in general. This is in order to find out what the company's definition and view of CSR is, and in which ways they implement their CSR strategies. Further, the first section includes questions on the positive and negative aspects of CSR, and on the particulars of CSR in Norway, and a general question on the organizational value of CSR. This is in order to evaluate whether the firms have a clear opinion as to the value of CSR on one or more of the dimensions from the model, or dimensions beyond the model. This is in order to see what dimensions are mentioned before further prodding. The second section of the interview guide is split up into the six dimensions of the model; Organizational, Human Resources, Operations, Markets, Customers, and Reputation/ Advertising. Specific questions are asked about each of these dimensions in order to gain a clear understanding of whether or not CSR affects these aspects of the firm. Follow-up questions and pointers are given in order to dig

⁹ See appendix 1, pg. 112, for the full Interview Guide (in Norwegian)

deeper into the answers. The final section of the interview guide is a short conclusion to make sure that all relevant dimensions have been discussed.

4.4.3 Interview Objects

After discerning which three companies would make interesting case studies, it became clear that the most pertinent interview object would be the CEOs of the companies. These can be considered key informants, those who possess the most relevant information (Meyer 2005). In order to gain access to the interview objects, a lengthy email concerning this thesis and the purpose of the proposed interviews was sent to each of the interview objects¹⁰, including a letter of reference from the advisor. This detailed email and letter of reference helped to legitimize the project, making it easier to gain access to the high-status interviewees (King 2004).

<i>Firm</i>	<i>Interview Object</i>	<i>Interview Type</i>
The Body Shop	Hilde Vanvik, <i>CEO Norway</i>	Telephone interview
Stormberg	Steinar Olsen, <i>CEO</i>	Telephone interview
Kaffehuset Friele	Jan Gustav Andersen, <i>CEO</i>	In-person interview

Table 5: Interviews

Because Vanvik and Olsen were in different cities and pressed for time, phone interviews seemed most appropriate. There are several drawbacks of phone interviews, especially the inability to read body language and they can be tiresome. As Kaffehuset Friele is in Bergen, the interview with Andersen was a lengthy, in-person interview.

Having only one, lengthy, interview with each of the companies has definite disadvantages, especially concerning reliability of data. Ideally, one would conduct several interviews within each firm with different people, which would support or disprove the statements made. However, the employees' time constraints made this difficult. To overcome this potential weakness, triangulation was used to improve the accuracy of judgements and thereby results, by collecting data through different methods or even collecting different kinds of data (Ghauri and Grønhaug, 2002). The interview data was triangulated using data collected through different methods – articles, websites, speeches, public information

¹⁰ See Appendix 2, pg. 114, for the letter that was sent to the companies, in order to gain an understanding of what the firms knew about the interview beforehand.

4.5 Data Analysis

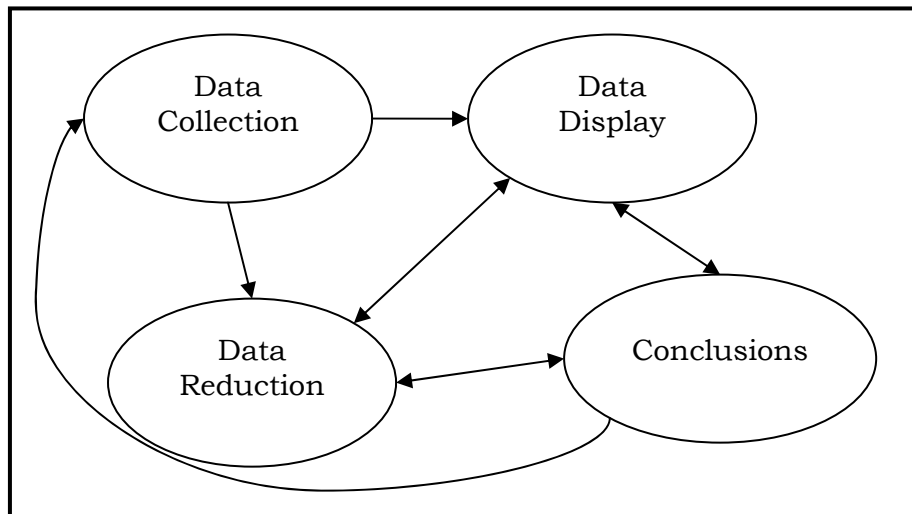


Figure 6: Components of Data Analysis: Interactive Model (Miles & Huberman 1994 in Ghauri & Grønhaug, 2002: 180)

The figure, *Components of Data Analysis* (Miles & Huberman, in Ghauri & Grønhaug, 2002: 180), shows how one can analyse data from case studies. The data collection leads to data display and data reduction, which in turn lead to conclusions. The conclusions then link back to the data collection. The analysis in this paper follows this model to a certain extent. I have used data displays and data reduction and drawn conclusions; I have not linked this back to the data collection.

The three case companies are presented using a *within-case* method. Each case write-up has the same structure, derived from the model and from the interview guide. The cases are described and discussed using the information collected through the interviews and through other sources. The presentation is a data display, and the final table is an example of data reduction. An aspect that may have had some effect on the data presented is the way in which the interviews were written up.

Notes were taken during the interviews which were then fully written up shortly after each interview. These notes and case write-ups were all in Norwegian, as the interviews were conducted in Norwegian. These full transcripts were then translated into English, and represented in the data display. There could be some meaning lost in the translation. This procedure is also the reason why direct quotes are not used.

The analysis of the data is *cross-case analysis*. By comparing and contrasting the three cases on the various dimensions, one can hope to find answers to some of the research questions and make some general assessments. In order to conduct a cross-case analysis, the data presented in the cases was reduced to fit in a table¹¹, which gives a clear and concise overview of the data. This enabled comparing and contrasting of the three companies, making it possible to find similarities and differences.

The analysis is divided in two sections, firstly how the companies view and implement their CSR strategies, and secondly what organizational values they perceive CSR as adding to the company.

In analyzing the three firms' CSR strategies and implementation perspectives, one must attempt to make the values operational, and to measure the implementation methods. This was done drawing on Burke and Logsdon's (1996) criteria for CSR strategies. As discussed in the literature review, they propose that "Corporate Social Responsibility is *strategic* when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission" (Burke and Logsdon, 1996). When analysing the three case companies CSR activities, it will be interesting to discover whether these criteria work towards supporting their core business activities. This analysis can be strengthened by Porter and Kramer's (2002) work to find out if the CSR strategies positively affect the competitive context. Then again, drawing on Burke and Logsdon's five dimensions, one can analyse the CSR strategies and the way they are implemented. This was done by seeing the companies' CSR strategies, measured on the criteria of *centrality, specificity, procativity, volunteerism, and visibility*. While the value dimensions can be found through the data collection and analysis, the implementation methods must be discerned from the case studies. The implementation of CSR can then be evaluated based on the five criteria and Porter and Kramer (2002).

¹¹ See Appendix 3, pg. 115, for table

4.6 Research Limitations

4.6.1 Validity

The issues of *internal and external validity* are important to consider. Internal validity refers to the extent to which we can infer that a casual relationship exists between the two variables. Threats to internal validity include selection bias, history, maturation, drop-out, and testing. External validity related to what extent the findings can be generalized to particular persons, settings and times, as well as across types of persons, settings, and times (Ghuri and Grønhaug 2002).

For qualitative research, four different types of validity are often emphasized: descriptive, interpretative, theoretical, and generalizable (Ghuri & Grønhaug, 2002: 139). “Descriptive validity refers to the factual accuracy of the data (... and) becomes a crucial point when it is assumed that the researcher has inherent beliefs and values, and that multiple realities exist within the research setting” (Stensaker, 2002: 71). The descriptive validity may be low as the data is collected through one source on one level of each case company. However, the results of the interviews were checked against data collected from other sources.

“Interpretive validity has to do with the credibility of the research in the eyes of the researched population” (Maxwell 1992 in Stensaker 2002: 71). The interpretative validity in this study is low, as the interview objects have not been consulted concerning the findings and interpretations made. Having some participant verification would have increased the interpretative validity (Stensaker, 2002). Theoretical validity refers to adequacy of the suggested theory on explanation (Ghuri and Grønhaug, 2002). The research in this paper attempts to be theoretical and analytical in order to be credible to other researchers (Stensaker, 2002), in order to secure some theoretical validity.

Generalizability refers to the extent to which the findings from a study can be generalized to other settings (Ghuri and Grønhaug, 2002). The extent to which the findings can be generalized to particular persons, settings and times, is also an issue one must take into account with the chosen research design. Because there are only three case companies, and because they have different approaches to corporate social responsibility, one must be careful when attempting to generalize the findings and transfer results onto other companies. The

external validity will be high when generalized to particular settings, the three companies, but lower when generalized across companies.

The internal validity, the extent to which we can infer that a casual relationship exists between the two variables, is certainly an issue with regards to the chosen research design. As discussed above, there is a certain selection bias, because all the firms were chosen based on their CSR strategies, and based on their accessibility. Further, because the firms are so different, it may be difficult to discern the causal relationship between the variables; that CSR leads to organizational value along certain dimensions, and that the value is not due to other factors in the company.

4.6.2 Other Limitations

Several limitations of the research method have been mentioned already. The three companies vary greatly in industry, size and history – making the determining of causality and generalization difficult. Because of limits on time and accessibility, only three interviews were conducted which could limit the information collected, and reduces the level of triangulation of data. Two of the interviews were phone-interviews, which could limit the detail of observation. Further, having the interviews conducted in Norwegian while writing the cases in English, can result in less detailed and accurate descriptions, because one cannot use quotes. However, by collecting information from a variety of sources and providing thick-descriptions, this problem can be overcome. Internal and external validity, as described above, provide further limitations to the research.

Another aspect that can limit reliability of the findings comes when using semi-structured interviews. In these types of interviews there is a danger that one asks questions that “puts words in the mouths of the interviewees.” This is why the interview guide includes very open questions, such as what value does CSR bring to the company. The danger of guiding answers can be overcome using open questions, or changing the format to unstructured interviews. However, with unstructured interviews there is a danger of not covering the dimensions and aspects one is researching.

The case companies all have formalized and publicised CSR strategies. This suggests that the companies take CSR seriously, and focus energy and resources on it. This may lead to a bias,

as the firms want to see the value of CSR, to see that their expenditures pay off in some way. Further, the CSR driven firms may see additional correlations between CSR and certain aspects in the company. Thus it is important to have a critical and (if possible) objective perspective when analysing the data collected through interviews. Yet, the objectivity of the analysis can be questioned when one factors in the researcher's own, subjective, interpretations of data and answers, as is the nature of qualitative research. The researcher must be aware of pre-understanding, understanding when analyzing the data and drawing conclusions. Another aspect that could weaken the reliability of the analysis is the lack of recordings from the interviews. Despite ardent note-taking, and writing the interviews up quickly after they took place, some content is necessarily lost when using this method.

In considering the reliability of the study, "whether or not another researcher, if following the same procedures, would arrive at the same conclusions" (Stensaker 2002: 74), this chapter, the methodology, describes the research process carefully. This detailed description, from research process to analysis, should enable other researchers to arrive at similar conclusions, or assess the reliability of the research.

Chapter 5: Case Descriptions



5.1 Case Company: The Body Shop

Introduction

The Body Shop International is a worldwide manufacturer and retailer of natural and ethical cosmetics products. Since its founding in 1976 the company has grown to 2,100 stores in 55 countries, with a range of over 1,200 products, all without animal tested ingredients, and several with fairly traded ingredients. (<http://www.thebodyshopinternational.com>)

The Body Shop was the first international cosmetics brand to be awarded the Humane Cosmetics Standard¹² (<http://www.eceae.org>) for their Against Animal Testing policy. Further, The Body Shop has created its own fair trade program called Community Trade. Body Shop believes that “business has the power to make the right kind of difference to the world, and the best way to convince others is to lead by example” (The Body Shop: Company Profile).

The Body Shop in Norway has 25 employees at headquarters, and has 31 stores stretching from Svaldbard in the north, to Kristiansand in the south.

Company History

The Body Shop was founded in 1976 by Anita Roddick, when she began selling an assortment of hand-made, natural products from her store in Brighton, England. The company grew quite quickly through international franchising, and after going public in 1985 the

¹² The Humane Cosmetics Standard (HCS) is the world's only international criteria for cosmetic or toiletry products that are 'Not Tested on Animals'. The HCS was launched in 1998 by an international coalition of animal protection groups from across the European Union and North America, including the European Coalition to End Animal Experiments. (<http://www.eceae.org/english/hcs.html>)

company sponsored posters for Greenpeace. Their first Community Trade initiative (see description below, CSR Initiatives) was from a supplier in southern India, which supplied the Body Shop with a footsie roller.

The Body Shop Foundation, a charity to fund human rights and environmental protection groups, was created in 1990. The Body Shop has since then raised awareness on a wide variety of social issues in a wide variety of ways. One of the most successful campaigns was Against Animal Testing, which led to a complete ban on animal testing on cosmetics products in Great Britain and a petition delivered to the European Commission in 1996. In 2006 the Body Shop celebrates 30 years of ethical business, and in the spring of 2006 became part of the L’Oreal Group and de-listed the London Stock Exchange, while retaining its unique values and identity (<http://www.thebodyshopinternational.com/>).

Company Values

“We believe every woman has the right to feel fabulous. We believe everyone has the right to earn a fair wage for their hard work, that child labour should be abolished, that amazing natural ingredients should be celebrated, not plundered, and that no animal should be tested on for cosmetic purposes. These beliefs form our five company Values:



Against Animal Testing

Our commitment to being a cruelty free cosmetics retailer

Support Community Trade

Our commitment to fair trade

Activate Self Esteem

Our commitment to our customers

Defend Human Rights

Our commitment to ethical trade and defending basic human rights

Protect our Planet

Our commitment to protecting the environment and supporting sustainable development

Our Values are our DNA and govern all that we do, from reducing our carbon footprint to ordering our envelopes. To us, there is no other way to work. After all, when you believe in what you do, you do it better.”

(<http://www.thebodyshopinternational.com/>)

Company CSR Initiatives

The Body Shop attempts to incorporate their values in every part of their business, from finding new ingredients for their products, to ensuring great customer service by caring for their employees. The Body Shop exists on the premise of conducting business in an ethical and correct manner. Their focus is on Trade not Aid, and socially responsible trade.

The founding principles of the company, focusing on CSR, permeate every step in the value chain. According to Hilde Vanvik, behaving ethically pervades everything from how employees are treated to how they attain the raw materials for their products. The focus on CSR began with animal protection, followed by a focus on the environment, and now the issues of human rights are at the centre of attention.

Vanvik explains the importance The Body Shop, and their customers, place on the way in which the products are produced. A just payment to suppliers and salary to producers is given, while the company goes to great lengths to ensure that no slave labour has been used. The Body Shop has developed its own type of fair-trade models, and is constantly innovating in order to avoid animal testing.

Vanvik explains that in order to ensure an ethical behaviour, the firm must review every step in the value chain. One example is their Community Trade Program (see below), in which the local communities that supply The Body Shop, may decide the best way in which to implement the support they receive. On the other end of the value chain, The Body Shop is constantly working to further the development of their employees.

In addition, the Body Shop has other initiatives (The Body Shop: Company Profile):

Transparency

The Body Shop has been active in the trend towards increased corporate transparency, and has been a force for positive social and environmental change through its lobbying and campaigning programs around their five core principles.

Engaging Stakeholders

The Body Shop sets clear standards for itself and its partners in business practice, engaging stakeholders, and reporting their performance and intent to improve within the overall context of their business. In addition, the company publishes details of their social, economic and

environmental performance via web-based stakeholder accounts. One campaign was directed towards activating consumers' self esteem.

Values Report

The Body Shop values report focuses on the challenges within the firm in being a value-based company. The values report includes key value activities The Body Shop engages in, while also outlining the challenges and opportunities Body Shop has as a dynamic, value-driven firm.

Community Trade

The Body Shop believes that businesses have a responsibility not only to use trade to make money, but also have a positive influence on the world. With this in mind, the Body Shop began its Community Trade program, sourcing supplies from local communities, often in quite remote areas – areas which would otherwise not be given the opportunity to trade with a large, international company. Today the Body Shop trades with 31 communities in 24 countries.

The Body Shop Foundation

The Body Shop Foundation was launched in 1990 to give financial support to pioneering, frontline organizations that otherwise had little hope of gaining conventional funding. The foci are human and civil rights, environmental and animal protection. To date, the foundation has donated over 8 million pounds to such organizations.

Corporate Social Responsibility

According to Vanvik, corporate Social Responsibility is everything to The Body Shop – it is a question of being or not being. The Body Shop was founded on the principles of conducting business in a correct and ethical manner. She states that the term CSR recent, giving a new name to a practice The Body Shop has had since inception.

Benefits and Drawbacks of CSR

The Body Shop reaps the benefits of CSR by having a unidirectional ethical profile, both internally in the organization, and externally, towards all their stakeholders. One specific benefit of their CSR profile comes in the form of a constant flow of job applications from people eager to work for The Body Shop.

Vanvik points to several negative effects of utilizing a CSR strategy. One negative effect is the high level of expectations both internally and externally. Because The Body Shop has such a public and greatly esteemed profile, there are quite high expectations, placing the company on a sort of pedestal from which they can fall. This pedestal increases the necessity for The Body Shop to handle any sort of crisis, from small to large, in a professional and serious way. As this type of work demands a lot of time and attention, this could possibly divert resources within the company from their day to day business.

Having these high expectations placed on the company could potentially be dangerous. The media reacts immediately if there is any evidence of unethical behaviour on any level in the value chain. The Body Shop must be able and willing to respond to these issues at all times, in order to conduct their business in a fashion that is consistent with the principles of the company. Vanvik points out another time consuming, yet in her view positive, aspect of being a socially responsible company. The executives in The Body Shop must have detailed knowledge of all ingredients in all the products they sell. They must know where and how the ingredients have been tested; scientific proof of their effectiveness as well as being certain that no animal testing was involved.

Companies have Responsibilities?

When Vanvik first joined The Body Shop, she was not convinced that companies have a social responsibility. Today she is certain that this is the case. She thinks it is exciting to see how CSR has spread from company to company, from nation to nation. Vanvik explains that in a world where large multinational companies earn more than some small nations, there is a need for businesses to demand change – as they often have more power than governments. The pressure for positive change must come from businesses, as pressure is more effective when backed with capital, and today the capital resides in the hands of the MNCs.

Further, Vanvik believes that the international trend towards increased CSR in companies is more than a PR stunt. She explains that while a majority of firms seek to effectively implement CSR, it tends to be less prioritized when it has financial repercussions. The solution, according to Vanvik, is to create a CSR department that works quite closely with the top management of the company.

The Body Shop does not alter its CSR strategy when facing financial repercussions. One example is sunscreen. Today, it is virtually impossible to produce any type of sunscreen in which one or more of the ingredients have not been tested on animals in the past five years. For this reason, The Body Shop does not sell sunscreen today. The company is willing to bear the financial losses this entails in order to keep doing business in line with their ethical standards. However, Vanvik cannot think of any other company who would do the same – she believes that if other companies had found incoherence between their actions and their ethical principles, they would attempt to find loopholes in their ethical guidelines in order to avoid losses.

On the issue of corruption, Vanvik explains that it can be a difficult terrain to navigate. In certain instances, The Body Shop has elected not to enter certain countries because it would be impossible to avoid corruption. Tools for avoiding corruption are found in their Values Report, and in addition they use third party certification with organizations such as KPMG and Max Havelaar to ensure an ethical behaviour.

The Body Shop has made a number of mistakes, which they willingly admit to. By being open about these mistakes, and by learning from them, Vanvik believes The Body Shop is even more capable of ethical trade.

CSR in Norway

Vanvik has identified an increased need for CSR in Norway, as firms face a tight labour market. Because of the restricted supply in the workforce in Norway, she believes a functioning CSR strategy gives the employee an increased incentive to choose the company.

The Value of CSR

Organizational

Efficiency: One aspect of the organizational value of CSR in The Body Shop can be seen in their low percentage of sick leave (*sykefravær*: a growing problem in Norway), far below the industry average. Vanvik sees this as a sign that the employees enjoy their work and their workplace, and sees a direct correlation to being a “kind” company. Having such a low percentage of employees on sick leave increases the efficiency in the organization.

Development of Capabilities and Resources: The Body Shop's CSR strategy guides the development of every new product and every new market for the firm. From finding new communities to supply ingredients, to the processes involved in production, and when entering new markets, CSR is always in focus.

Human Resources

New Employees: The Body Shop received a steady stream of job applications. The applicants all stress the importance of ethics and CSR when applying for jobs, in particular animal and environmental protection. Vanvik sees this stream of applications as a great value to The Body Shop because of the strained labour market in Norway these days, and the difficulty many companies are experiencing in finding new employees.

Employee Retention: The Body Shop experiences a high rate of retention in the company, and most employees stay for many years. For instance, The Body Shop in Norway does not have any store managers who have not been with the company for less than two years. This is far above their main competitors where the average experience a store manager has is between six to nine months.

Motivation: The Body Shop recruits mainly from within, which is a great stabilizing factor according to Vanvik. In addition, the company gains value from the fact that their employees put up with more than in other companies. For instance a difficult computer system and demanding customers becomes easier to accept for employees because of the values that The Body Shop embodies. Vanvik believes that employees stay with the company because they are motivated by the company's ethical profile, and are proud to be a part of what The Body Shop stands for.

Operations

Vanvik sees some relationship between CSR and cost advantages, productivity and innovation. One example of CSR driven innovation is their new line of aloe vera products, where The Body Shop has found new, natural ingredients.

Cost advantages stem from The Body Shop's ability to be innovative and inventive with regards to CSR. However, Vanvik cautions that implementing CSR in every step of the value chain is an expensive way of running a business. The way in which they develop new

products and new suppliers takes time and money. By utilizing non-traditional, local suppliers, things take longer and one cannot always count on timely deliveries. In the long term, Vanvik believes that their manner of conducting business leads to cost advantages, however in the short run it brings cost disadvantages.

In regards to CSR driven quality, Vanvik believes that they have a competitive advantage. In using non-traditional suppliers and new means of production, The Body Shop can offer purer products than their competitors. Following the example of the new aloe vera products, the plants used are hand picked, as well as being organically grown, which greatly increases the product's quality.

Markets

New markets: There is a direct correlation between CSR in The Body Shop and which markets they are active in. Vanvik explains that it is often difficult for The Body Shop to enter new markets due to their ethical profile. A while back, The Body Shop sought to enter Burma, however due to the rampant corruption in the country; they were unable to do so. The Body Shop is adamant that their values and principles be the same in every country in which they operate, therefore they must conduct extensive research and analyses before they enter new markets.

Capital markets: Vanvik sees the benefits of a fully implemented CSR strategy for companies seeking access to capital markets. She explains that it is tempting for large players in business to have an ethical extension, as seen in L'Oreal purchasing the Body Shop in the spring of 2006. She believes that having an ethical component and socially responsible values resonates with the stockholders. The market trends show that ethical stock is highly valued, values are important and profits can be made. However, Vanvik questions how long this ethical trend will last.

Customers

Vanvik does not see much correlation between The Body Shop's ethical profile and customer loyalty. However, The Body Shop does have a small, but very active and critical, group of loyal customers, who are often in touch with the company's headquarters.

Research conducted by The Body Shop shows that while 90% of consumers are aware of the company's ethical profile, this is not enough to induce them to shop there.

An interesting observation can be made about consumers' behaviour around gift giving occasions. Particularly during the Christmas holidays The Body Shop experiences a surge in customers and purchases. Vanvik attributes this to the fact that consumers wish to declare something about themselves when they give gifts, and by giving products from The Body Shop they express that they are ethical and conscientious – as The Body Shop is. Thus, consumers attempt to embody the values of the company when giving gifts.

PR/Reputation

As a principle, The Body Shop does not pay for advertising through the traditional media. Instead, they use posters and materials within and outside their stores to market their new products. In addition, they send product samples and press releases to newspapers and magazines in the hopes of positive reviews and features in articles.

Their marketing strategy reflects the values of The Body Shop. However, their values are rarely a prominent feature of their marketing materials; instead it is the product and its qualities that are featured. As Vanvik put it, “having beautiful skin means more to consumers than Guatemala.” However, in launching their new aloe vera product, the fair trade aspect has been featured.

In marketing their products, Vanvik points out that having motivated employees can make them better salesmen. Employees are motivated (as described above) by the values and ethics of the company, and by the quality of the products, which could boost their attentiveness and sales skills towards customers.

Vanvik stresses that not everything is appropriate for marketing their products. For instance, Vanvik would never attempt to market the fact that The Body Shop pays employees for three hours of volunteer work a month (see article in Ukeavisen Ledelse). Further, Vanvik explains that due to the high expectations and standards set by The Body Shop and some of its customers, they must be cautious and aware that the way in which they are seen as a company is coherent with their values and principles.

When being asked whether or not The Body Shop would continue to conduct business in an ethical manner if no one knew, she enthusiastically answered “yes!”

Surviving without a CSR Strategy?

Vanvik believes that companies can and will survive, and even thrive, without a CSR strategy. She points to the German grocery chain Lidl, which has thrived despite having few, if any, CSR values. Vanvik expresses that as long as companies are able to keep unsavoury elements of their value chains hidden from consumers, they can continue doing well. Further, she explains that it is actually quite difficult to be an ethical consumer; therefore companies do not experience enough pressure to behave ethically from their customers. A problem here is that while most customers say they wish to be ethical consumers, when they are in the purchasing situation they do not use producers' values as criteria for their purchases.

According to Vanvik, there are many organizations that can help companies develop a proper CSR strategy in order to conduct business in a more ethical manner. Some examples are Initiative for Ethical Trade (www.ieh.org) and Max Havelaar (www.maxhavelaar.no).

Of stakeholders not mentioned in the model, Vanvik points out voluntary organizations, shareholders, and authorities. The Norwegian authorities often contact The Body Shop concerning various ethical issues, and they have invited Vanvik to contribute to hearings. These days, Norwegian authorities are focusing on how to implement ethical trade in local governments (etisk handel i kommunen).



5.2 Case Company: Stormberg

Introduction

Stormberg is a Norwegian producer of functional outdoor clothing for the whole family. By focusing on design as well as practical solutions, Stormberg has developed sports clothing that enable the entire family to be well dressed for outdoor activities in any weather. The principle is that it should not be expensive for a family to be outdoors together. This philosophy has made Stormberg the fastest growing producer within their market since they were founded in 1998. In addition, Stormberg has developed a separate outdoor clothing line for children, called LekeTøy Stormberg (www.stormberg.no).

Company History

The founders of Stormberg all had one thing in common: they all enjoyed being outdoors, as they appreciated the benefits of nature. The company was founded as a reaction to the high prices charged by other manufacturers of outdoor clothing, where one could buy clothes fit for arctic expeditions. After starting with only four employees and sales of NOK 3,8 million, Stormberg has quickly grown to 24 employees and sales of NOK 67 million in 2005. The company sold 704,527 pieces of clothing through 600 sports retailers throughout Norway (www.stormberg.no).

Further, Stormberg has been founded and driven as a “company that cares”. As a company filled with young, concerned employees, they appreciate that as individuals they are dependent on their community, and therefore they attempt to conduct their business in a manner which contributes to making the world a better place. While Stormberg is commercial organization which depends on making a profit, they aim to create this profit in a manner which is positive for society. Because they are part of a community, they wish to help solve problems in the community.

Company Values¹³

Inclusive Workplace

Stormberg focuses on an inclusive workplace, and includes everyone in decision making processes. Stormberg offers jobs to people who cannot otherwise enter the job market as part of having an inclusive workplace. Their goal is to hire 25% of the workforce from non-traditional sources. This has been a success so far, and they have successfully hired prison inmates and former drug addicts.

Honesty

Stormberg wishes to be open and honest. This is exemplified through not trying to convince the consumer that they have the best products, but products for families out in nature.

Courage

Stormberg values courage, because they believe that everyone needs to challenge themselves, and because one needs courage to do things differently.

Sustainability

A company that provides products in which to experience nature must act in a sustainable way. Stormberg believes that it is natural for a company that produces clothes for nature-experiences should behave in a sustainable way. Thus, Stormberg focuses on reducing the strain on the environment as much as possible.

Humanitarian Causes

In Stormberg's statutes one can find the rule that 5% of the annual revenue or 1% of the annual turnover should be donated to various charitable organizations. Because Stormberg produces all their clothes in China, where the worker's rights and social conditions are quite different than Norway, Stormberg follows up internationally recognized labour and human rights declarations.

Safety

Stormberg is very concerned with designing and producing safe clothing for children, and have made several innovations towards this end.

¹³ Found in Olsen's Lecture on Stormberg, given April 27, 2004

Company CSR Initiatives

Stormberg implements its CSR values in a variety of ways. By always taking the entire value chain into account they make sure that everyone from factory workers in China to warehouse employees in Norway are treated well. In addition, Stormberg hires people who have otherwise been left out of the job market. Further, Stormberg uses 5% of their annual profits to aid non-profit organizations. Olsen states that Stormberg does not spend money sponsoring top athletes and sporting events (Olsen lecture), instead they sponsor non-profit organizations.

SOS Children's' Villages

Stormberg has a partnership with SOS Children's' Villages which includes an agreement that Stormberg is financially responsible for one of the four SOS Villages in China, the one in Urumqi. The idea behind the agreement, entered into in 2002, is to help create a better future for orphans and neglected children. In addition, Stormberg supplies the village with clothing they produce in neighbouring factories.

Crisis Centres

Stormberg cooperates with several crisis centres across Norway, in order to better the lives of the children and mothers who stay there. In addition, the Stormberg employees host a day of fun for all the children.

Environment

Stormberg was certified by the Eco-Lighthouse Program (Miljøfyrtårn: <http://www.miljofyrtarn.no/>) in 2004. They wished to be certified in order to run an environmentally friendly business, and to contribute to a healthier environment. In addition, Stormberg cooperated with Material Retur (<http://www.grontpunkt.no/>), in order to find environmentally friendly ways of disposing of their waste.

Inclusive Workplace

Stormberg focuses on being an inclusive workplace (inkluderende arbeidslivsbedrift). This means that they work actively to keep the absence due to sickness low, and to recruit new employees from outside the normal workforce.

Europe in Focus

In 2004 Stormberg entered into a long-term sponsoring agreement with Europe in Focus (<http://www.europa-i-fokus.no/>). The agreement spans five years and in this period Stormberg will be the main sponsor for organization that focuses on street children in Romania and Moldova.

Way Back

In 2005 Stormberg entered into a sponsor agreement with Way Back (<http://www.wayback.no/>), “Life after prison”. The program helps former prison inmates to gain a life without crime and drugs.

Ethical Trade

Stormberg’s clothing is sold at low prices, but not at any cost. In 2002, as Norway’s first sports clothing company, Stormberg became a member of Initiative for Ethical Trade (www.etiskhandel.no). In addition, Stormberg was the first Norwegian clothing company to publicise a list of all the factories they use for production in China, in an attempt to increase the transparency of the worker’s conditions.

Corporate Social Responsibility

Stormberg likes to use words and phrases that in a simple and straightforward manner convey the values of the company. Steinar Olsen explains that some terms, such as Corporate Social Responsibility, can be difficult to understand and can lead to misunderstanding and distancing from the actual principles of the company. Therefore Olsen and Stormberg use simple terms to convey their values – being a company that “takes care of each other” communicates in a simple, yet understandable way what Stormberg believes in.

Olsen believes that companies have a social responsibility involvement and responsibility that extends beyond what happens within the walls of the company. Businesses have a responsibility for the development and betterment of society. Together, firms and individuals are all responsible for solving some of the problems in each community, whether it is poverty or the environment. Olsen considers it the responsibility of authorities, individuals and firms to face these issues together. In a brochure for IEH (Annonsebilag for IEH), Olsen states that there is a sea of opportunities for improvement, and that even though Stormberg is microscopic, they realize their responsibility and their ability to initiate change.

Benefits and Drawbacks of CSR

Olsen believes that there are many benefits in having a well implemented and functioning CSR strategy. Among others, he points out value creating factors such as creating a good working environment, finding good employees in a tight labour market, and the creating of an exciting, diverse, and loyal company culture. Being inclusive is an important aspect of how Stromberg conducts business, and according to Olsen this is a major determinant of employee satisfaction. In addition, loyalty and hard work is expected of every employee.

Further, a strong CSR strategy can benefit the firm's reputation both internally and externally, which Olsen finds a nice side effect of their social responsibility. All the factors mentioned above contribute to increased value creation and profits. Still, Olsen points out that they would continue their CSR strategy even if no one knew about it.

Olsen describes one of the drawbacks of being a prominent CSR firm is the high expectations it brings. Yet Olsen does not see this as a major problem, as there is risk involved in any business venture. At times the firm cannot live up to its ideals, however this is not something Olsen and his management spend time on – they continue focusing on doing the right things on a day to day basis. They realize that at times they may stumble, but by acting according to their principles every day, they reduce the risk of this.

Companies have Responsibilities?

Olsen is clear – businesses do have a social responsibility. He explains that when looking at the larger picture, we are all dependent on a well functioning society. While he sees Stormberg's social contributions as a "drop in the sea", this drop can help change the lives of a few people. We must learn that even limited resources can help changes in society,

According to Olsen, companies are naturally suited to accept some social responsibilities. Yet he cautions that companies must know their own limits, and perhaps support organizations that have better competencies to solve certain problems. For instance, Stormberg's recruiting policy is a concrete and practical way that firms can contribute directly toward solving certain social issues. In dealing with humanitarian projects, Olsen thinks there are other, better-suited organizations that can contribute. However, in this issue as well, companies can find good partners to collaborate with. For instance, Stromberg donates money to SOS Children's Villages in China (in the area in which they produce their products), in addition to supplying

them with clothing. Another organization that Stormberg actively supports is the local crisis centre, for which they host a full day of activities once a year – which Olsen describes as a motivating day for the employees as well as a charitable act.

CSR in Norway

Olsen expresses that Corporate Social Responsibility in Norway has less of a tradition than in the United States. Businesses have typically not contributed offensively, the reason for which may be the strong Norwegian public sector which one believes can solve many social issues.

Olsen, the community oriented founder of Stormberg, has not found other CSR oriented companies to learn from. Instead he has drawn on non-profits such as Save the Children and SOS Children's Villages.

The Value of CSR

According to Olsen, the organizational value that a CSR strategy contributes with is most evident in the strong organizational culture in Stormberg. The culture is permeated with a sense of community and pride, along with a very stable workforce. In addition, Stormberg has a very low percentage of sick-leaves, in addition to an ample supply of applicants in a rigid labour market.

Organizational

Efficiency: The level of efficiency in Stormberg is strongly influenced by their CSR strategy. Through their inclusive and democratic decision making process, Stormberg has developed a good workplace in which many different individuals can work well together. This leads to a high level of employee satisfaction and by taking part in making decisions, the employees feel a greater sense of responsibility for the company. This also influences the smaller decisions made every day – as everyone is aware of and in agreement with the general direction in which the firm is pulling.

On the other hand, this type of decision making process demands a lot of time. They spend a lot of time gaining consensus in their decisions, which can decrease the efficiency in the organization. Yet Olsen contends that this is more than outweighed by the efficiency gains that arise from the employees' sense of responsibility and loyalty.

CSR contributing to the development of the company: Olsen explains that their CSR strategy contributes to the development of the company in a variety of ways. Stormberg's product philosophy reflects their values and principles to a great extent. Stormberg wishes to be inclusive in every aspect of the organization, therefore they also wish to develop and sell products with an inclusive approach. Thus, they are an outdoor sports clothing company that focuses on nature experiences in Norwegian nature for most Norwegians.

According to Olsen, Stormberg's values and principles influence both the product development and their brand value. Examples of this can be found in their safety-first children's wear, their environmental focus in choosing materials and in production, in addition to their ethical trade. For instance, Stormberg produces their clothes in China, where they feel quite responsible for the near 200 textile factory workers in the 12 factories they use in the Shanghai and Ningbo area.

China: The textile factories in China often have several large customers, and Stormberg makes up between 1% and 60% of their capacity. The larger share of the capacity they buy, the more influence they can exert on the way the factory is run. However, Olsen has experienced that even in factories where they make up a minor part of the production capacity, they can still have influence on the conditions of the factories if they enter into long-term contracts. The contracts often span 3-5 years, and because Olsen travels to China several times a year, more personal contact is established. Olsen feels that this leads to a win-win situation for both parties.

Stormberg places conditions on the factories they do business with, something that Olsen feels has given many rewards. One such reward is that the workers do not quit or change factories, which is common after the Chinese New Year. In China's textile industry, 80% of the workforce is seasonal – they work eleven months and then return to their homes in order to celebrate New Year. This contributes to making the workforce very flexible, but also a bit unpredictable as they often choose to work for a different factory upon their return. By contributing to making the working conditions better, Stormberg has helped increase the worker retention rate, and thus the efficiency, at their factories in China.

Olsen has yet to experience pressures for corruption in China. While he realizes that corruption is quite extensive in China, he has not uncovered this in his business dealings there.

Olsen is happy to report that by having the factories live up to ethical standards, the “Codes of Conduct,” that Stormberg imposes this has influenced how the factory managers operate and behave towards their other customers. In that way, Stormberg has been part of a new trend towards fair standards for workers in China.

Who influences decisions? In Stormberg decisions are made by everyone, yet it is Olsen, as CEO who has the final responsibility and thus the final say. Stormberg learns from other organizations, and uses this knowledge in the decision making process. The organizations that Olsen draws on are, among others, Initiative for Ethical Trade (<http://www.etiskhandel.no/>), SOS Children’s’ Villages, (<http://www.sos-barnebyer.no/>), HSH (<http://www.hsh-org.no/>), and the crisis centres mentioned above.

Human Resources

Attract new employees: Stormberg has a great ability to attract new employees. They have many applicants for each opening, and they stress that one fourth of the employees should consist of people who have been unsuccessful in entering the labour market by traditional means. Therefore they have both previous prison inmates and drug addicts on staff. In addition, Stormberg offers job-training and work experience to people who would otherwise not be given these chances.

Why do new employees chose the company: Stormberg is a rapidly growing business. As Olsen points out, it is the sports clothing brand in Norway that has had the greatest growth in the past few years. This growth makes Stormberg very attractive to applicants. In addition, applicants favour Stormberg due to their CSR strategy, their community involvement and their ethical behaviour.

Employees stay in company: According to Olsen, employees stay in Stormberg mainly because they are happy with their work and the working environment. They work very hard and quite a lot, which makes the main principle of caring for each other even more difficult. Stormberg’s CSR strategy contributes to giving the employees pride in what they do, and a

rare sense of community at their place of work. The percentage of sick leave is quite low, which Olsen attributes to the organizational culture that focuses on caring for each other.

Motivation: Olsen believes that the employees are motivated by a variety of factors. A major motivational factor has been the fact that Stormberg has succeeded in a tough competitive arena. By constantly acquiring new market shares, and by aiming for continued growth, the motivation follows. Stormberg has since its inception in 1998 built what has become a major Norwegian brand. In addition to the growth in market shares and brand, Stormberg's employees are motivated by the innovation in organizational culture and community involvement.

Olsen points out that it is all about daring. Daring to choose employees from outside the normal pool, daring to give individuals a second chance – they often have a multitude of resources to contribute to the company. Olsen hopes that his measures can help change the trend, and help those who have been left out of the work force.

Operations

Stormberg's CSR strategy helps develop the company in a variety of ways. By considering their target consumers, the common Norwegian, they are innovative in designing their products, and by choosing to produce their products in China they gain cost advantages. In addition, the positive and caring organizational culture, combined with the high level of motivation and inclusive decision making (discussed above) contributes to increased efficiency in the company.

Markets

Today Stormberg has Norway as its only market. Olsen points out that Stormberg's CSR strategy influences how they act in their market, not which markets they enter. However, as Stormberg produces all their products in China, Olsen is eager to help change the poor conditions in the textile industry.

Capital Markets: Olsen believes that being a company that focuses on CSR can give a clear advantage in capital markets, however as Stormberg has not used these markets he cannot give an example of this.

Customers

Olsen believes that consumers to some extent, a small extent, choose products from Stormberg because of their values, principles, and focus on Corporate Social Responsibility. According to Olsen, customers find social responsibility and a firm's community involvement to be important; however this is seldom part of the purchasing process. Therefore Olsen believes that consumer chose Stormberg's products because they produce the right product and sell it at the right price, and with the right level of quality. Further, he explains the importance of being commercial while having a social responsibility – one could not do business without producing products that consumers are interested in.

PR/Reputation

Olsen explains that their values, principles and socially responsible strategy are not part of their marketing campaigns. The only information one would find on these issues is at the bottom of a campaign poster, and perhaps on the clothing tags. In addition, Stormberg has an extensive website that includes all their CSR initiatives. Stormberg's reputation as a socially responsible firm has been extended by coverage in the media. The media coverage has to a great extent focused on their unconventional recruiting processes.

Surviving Without CSR

Olsen believes that companies can survive without CSR, but that CSR should be an intrinsic part of doing business. This is illustrated in a speech he gave in 2004:

“My employees and I don't believe we can change the world. We know we can change the world, or at least a small part of it. We know that through our caring, several hundred workers in Chinese factories have a better day at work, we know that by caring about safety in the children's clothing we produce, the accident rate in daycares has been reduced, we know that by caring for each other in Stormberg we have created a pleasant and safe work place for everyone, including those who are otherwise on the outside. Social responsibility in companies is fundamentally simple. It is about caring, about having the courage to do things in a simple, yet different way. Every company can contribute, and it can pay off, financially.”

(Olsen, 2004)



5.3 Case Company: Kaffehuset Friele

Introduction

Kaffehuset Friele has produced coffee based on the high quality raw materials for the Norwegian market for over 200 years. Friele is Norway's largest coffee producer with a market share of 34%. Friele's primary goal is to produce Norway's finest coffee, while being a safe and caring place of work for their employees. In addition, Friele is engaged in the questions concerning the social responsibility of firms. Thus they consider the economic, environmental, and social aspects (triple bottom line) of conducting their business.

Company History

In 1799, the founder of the company, Herman Friele bought his first coffee consignment and shipped it back to Bergen. Even today, the current chairman of the boards, also named Herman Friele, travels all over the world in order to taste coffee and choose the best batches.

"The secret behind good coffee is to find the right blend, and then roasting the beans just long enough, at the right temperature, so that the aroma and taste comes to its full potential."

Chairman Herman Friele

Kaffehuset Friele's main coffee brand, Friele Frokost Kaffe, is the most frequently purchased coffee brand in Norway, and has a market share of 27%. In addition, Friele carries the brands of Krone, Café Noir and coffees with special flavours (Spesialkaffe). Friele's major customers are in the retail trade, consisting of the four major Norwegian grocery wholesalers who make up 82% of Friele's sales. The remainder sales are in the food service segment (18%) (www.friele.no).

Friele views Norway as the perfect market for coffee roasters, as Norwegians, along with the rest of Scandinavia, top the coffee drinking charts. The average Norwegian consumes nearly 155 litres of coffee every year, the second most popular drink in Norway after tap water.

Friele focuses on quality above all else: “At Friele we use only the best coffee beans from carefully selected coffee farms. In cooperation with these farms we have found green coffee that safeguards the distinct and full bodied taste our blend is known for. Our goal is to create the perfect ‘coffee moment’ for as many as possible. We use the best methods and the most modern equipment in the manufacturing process from roasting to grinding. Kaffehuset Friele is known as Norway’s coffee authority” (www.friele.no).

Company Values

It is important to Friele that their consumers can enjoy a cup of coffee and be assured that Kaffehuset Friele has taken its social responsibility seriously. Therefore they have created some rules of thumb for conducting business:

- They are to be open and honest in their information
- They will say what they are going to do – and do what they have said
- They will make demands – and follow them through

Respect for Human Rights

Friele supports the principles of the UN Declaration on Human Rights, in addition to the conventions of the International Labour Organization.

Conditions at the Workplace

The ILO’s conventions on the right to organize, the right to collective negotiations, and a minimum wage are fundamental to Friele. In addition, Friele expects its suppliers to adhere to the same conventions, particularly regarding child labour.

Health, Environment, and Safety

Friele works towards providing the employees with a safe and healthy working environment.

Implementation and Controls

Friele’s principles are translated from Norwegian into English, Spanish, and Portuguese in order to enable suppliers to learn them. In addition, Friele established a CSR board in 2003.

Company CSR Initiatives

Friele is a member of the organizations Max Havelaar (www.maxhavelaar.no), Initiative for Ethical Trade (www.etiskhandel.no), and Utz Kapeh (www.utzkapeh.org). In addition, the CEO, Andersen participates in various debates and conferences on ethical trade. Andersen is concerned with the fact that there is quite a lot of confusion about the various terms within the CSR field. He asks: what is ethical trade, what is equitable trade, what is sustainable trade? Friele is most concerned with sustainability and sustainable trade¹⁴.

Andersen believes that while Max Havelaar may be the most publicized and well-known initiative on the Norwegian market, it is not enough. He explains that if businesses want to contribute to a more sustainable trade, they must focus on large volumes, which Max Havelaar is unable to achieve. Therefore Friele is a member of Utz Kapeh (see description below). Utz Kapeh is a sustainable way of doing business, and it is concerned with every step of the value chain. The organization focuses on social issues such as wage level, innovation, pollution etc. Simultaneously, they focus on quality by constantly setting high standards to the suppliers. This is quite important to Friele.

Friele also practices CSR initiatives through their partner organizations. For instance, they cooperate with Initiative for Ethical Trade and Norwegian Church Aid (www.nca.no). It is important to Friele to contribute to the communities in which they operate. Their partner organizations urge Friele and other companies to have an aware and deliberate approach to the social responsibility issues. Friele took the initiative in mapping their suppliers' situations through traceability studies. As an exporter of quality, Friele is willing to further steps to gain insight and overview of the suppliers on various coffee farms. Through these traceability studies, the conscientious consumer can be given the necessary information. Andersen states that when companies wish to support humanitarian causes and disaster relief, charities and non-profit organizations are often better suited than the companies themselves.

An important component of Utz Kapeh and for Friele is to ensure that children do not miss out on their education because of the coffee farmers. However, Andersen cautions that one must understand that there are vast cultural differences between our nations. He warns against

¹⁴ Sustainable trade is defined as: "The ability to provide for the needs of the world's current population, without damaging the ability of future generations to provide for themselves. When a process is sustainable, it can be carried out over and over without negative environmental effects or impossibly high costs to anyone involved." (<http://www.sustainabletable.org/intro/dictionary/>)

value imperialism – where one forces one's culture's values on another. These cultural differences can take the form of how children helping out on the farm during harvest are viewed. This, after all, was the original purpose of the fall school vacation in Norway.

A few years ago Friele received negative publicity in a national newspaper article featuring Friele's coffee suppliers in Kenya (Ergo 2002). This gave the firm a wake-up call, and they quickly established a CSR committee. This committee sought to formalize Friele's established, but not named, corporate social responsibility. Throughout this time, and despite the very negative media coverage, Friele elected not to withdraw from Kenya. Instead they decided to be part of inducing change in the conditions of coffee workers in Kenya. By constantly focusing on quality, and through cooperation with the relevant organizations, Andersen believes that Friele can be part of setting the stage for sustainable development.

Quality is the foundation on which Friele conducts its business. Andersen understands that the quality of the coffee they sell is dependent on the conditions on the coffee farms. The way the coffee is treated in its processing spreads to the final product, which is why it is in Friele's interest to ensure that everyone in their value chain is content. Therefore, Andersen views Friele's social involvement and cooperation with Utz Kapeh as driven by the quality principle in the firm. Further, Friele has built an educational centre in Brazil, they support a reading program, they support doctors, and business education etc. Andersen proudly explains that through these and other projects, the coffee workers have gained more options for their futures; they often stay in the local village instead of migrating to the cities because they have gained a sense of pride in their roots.

Initiative for Ethical Trade (IEH)

Kaffehuset Friele is concerned about fair and sustainable trade, and for that reason they are in close cooperation with the organization Initiative for Ethical Trade (www.etiskhandel.no). Friele believes that socially responsible trade can be achieved through collaboration with manufacturers, industry and trade. The company feels that the IEH charter is in keeping with Friele's values and norms, and they eagerly support the IEH development goal.

Norwegian Church Aid

Friele cooperates with the Norwegian Church Aid (Kirkens Nødhjelp: <http://www.nca.no/>).

Utz Kapeh

Utz Kapeh means 'good coffee' in the Mayan language. Good, meaning not just good taste, but also that the coffee represents something good for those that grow it and work at the coffee plantation. Friele is the only Scandinavian member of Utz Kapeh (<http://www.utzkapeh.org/>). The participation has so far been mainly in Brazil - the country from which Friele buys the majority of its green coffee. In 2004, 25% of the coffee Kaffehuset Friele purchases from Brazil was from Utz Kapeh approved farms. Further, it represents the environment being safeguarded.

Educational Centre

Friele's Educational and Cultural Centre is a centre for the children surrounding the Lambari coffee farm in Pocos de Caldas in Brazil. In addition to building this cultural centre in connection with the school, Friele has contributed to the project with a number of personal computers. The "Friele-Centre" has a library, PC-room, kitchen, toilets and a lounge with games.

Max Havelaar

Friele's Max Havelaar (www.maxhavelaar.no) branded coffee is from Guatemala, and consists of selected beans grown in the highlands, 1500 – 2000 metres above sea level. Max Havelaar is a branding plan that guarantees fair trade between north and south. The Max Havelaar brand guarantees that small producers and plantation workers in developing countries get good trade conditions and safer social circumstances. Kaffehuset Friele is now the Norwegian coffee producer that sells the most fair-trade coffee in Norway.

Corporate Social Responsibility

According to Andersen, Friele is an active and socially responsible company. Because Friele sources most of its raw materials from third-world countries, the company feels a special responsibility to contribute to decent solutions to the North-South issues. Andersen explains that conducting business in an ethical manner is not new to Friele; it has been a natural dimension of their business model for the past 200 years. Further, Andersen explains that for Friele it would be impossible to separate their Corporate Social Responsibility and analyze it as a separate dimension – instead CSR is an integrated part of how Friele conducts its business.

Friele, with Andersen at the helm, is most concerned with delivering *quality*. Their products should be of the highest quality in every regard, especially taste, but also to deliver quality on other dimensions, including CSR. Andersen explains that for Friele, their focus on quality and their focus on CSR are two sides of the same coin. Seizing responsibility, as a decent firm, is part of the quality focus within Friele, and in the way they conduct business. They take this into account in every step of the value chain. Andersen explains that as no one, individuals or companies live in an isolated world – thus it is natural for the company to continue their social responsibility and contribute to the debate on CSR by constantly questioning the role of business in society. Today Friele and other firms are questioned and confronted with their responsibilities by concerned consumers; therefore making these issues clear is a natural part of how Friele conducts business. Further, Andersen believes that CSR can provide firms with a win-win situation, as shown in the following figure (Andersen, 2004). The figure shows that giving the consumer the best product leads to good trade, including price and social standards. This gives a foundation to produce quality coffee, which again leads to the customer receiving the best product.

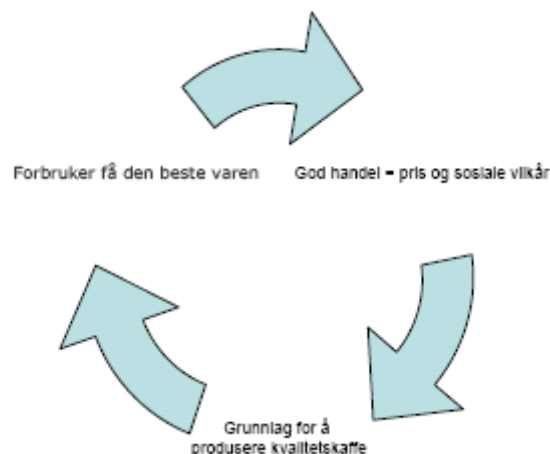


Figure 7: Friele's Win-Win Scenario (Andersen, 2004)

Benefits and Drawbacks of CSR

Friele's integrated CSR strategy is part of their vision. By purchasing the raw coffee from third-world countries, they gain a strong sense of awareness about the issues facing these countries, and have developed a structured way of handling their responsibilities. Friele's policy (handlingsregel) is to support projects related to the coffee business, for instance they sent support to victims of the hurricane in Guatemala.

The disadvantage of having a CSR strategy is that it is easy to criticise Friele. Because Friele sources their raw materials from third-world countries, and these countries are all poorer than Norway, it is easy to extend criticisms to Friele. Another drawback is, if problematic conditions were uncovered on the coffee farms, Friele, because of their CSR strategy, would suffer for the disparity.

Companies have Responsibilities?

Andersen believes that all companies have a responsibility to make the community and the world a good place to live. Friele is an active participant in the community that produces quality products for the Norwegian consumers, while creating value, and jobs. Companies are a natural part of a social cluster; therefore Andersen does not believe that companies have a special responsibility, but a natural social responsibility. Further, Andersen believes that all companies are responsible for every step in their value chains.

While Andersen states that companies are responsible for every step in their value chains, he believes that perhaps the first steps, where they source their raw materials, should be prioritized. However, Andersen also views the local community to be part of every firm's social responsibility. As Friele is a well-established firm in Bergen, they carry a responsibility to "put Bergen on the map." That is they, in some instances, support non-coffee related projects, such as lights on Ulrikken (one of the seven mountains surrounding Bergen) and Festspillene (Norway's largest cultural festival, hosted every year by Bergen). This responsibility is why, for instance, Andersen, the CEO, takes time to be interviewed by students at another institution in Bergen, NHH. Friele and other companies have a responsibility to behave as a good community institution, while making money in order to ensure longevity.

CSR in Norway

Andersen stated that CSR in Norway, in terms of companies having active strategies, has lagged behind other nations. However, Andersen believes that there has been a lot of CSR behind the scenes: corporate responsibility that was not labelled as such.

Further, Andersen feels that the CSR debate in Norway can at times be somewhat shallow and superficial, where the solutions found are too simplistic. Journalists have limited knowledge of CSR, and can therefore not contribute in a constructive way to the discussion on CSR, making the debate somewhat unprofessional.

Andersen points out that CSR and Max Havelaar are not the same, a common misperception in Norway. Andersen views CSR as much more, and wishes to promote organizations such as IEH to increase everyone's awareness of the CSR issues.

The Value of CSR

The value of CSR in Friele cannot be analyzed as a separate dimension, as it is part of the quality dimension. Andersen tells the story of Mr. and Mrs. Everyday who are enjoying a cup of Friele coffee – they should not only enjoy an excellent quality in taste, but in the quality dimension there should be an assurance that the coffee is made in an ethical manner. Unethical factors, such as child labour, must not deteriorate the quality experience.

Organizational

Andersen considers it difficult to draw a direct relationship between CSR and the company's efficiency. Because the effects of CSR are difficult to isolate in Friele, he cannot state that CSR has a direct effect on the level of efficiency. However, Andersen states that Friele has quite motivated employees and very rarely do employees leave the company (which he sees as both a benefit and a drawback). The employees enjoy their work, and are proud of their company. They feel that Friele's social responsibility initiatives are good, and they are proud to announce where they work.

Because the employees are quite influenced by the welfare of the company, and proud of it, there could be an indirect negative effect on the level of efficiency if the company receives unfortunate media coverage. A few years back, when Friele was the object of negative media due to the plight of coffee farmers in Kenya, the company noticed a marked reduction in efficiency – thus Andersen concludes that the CSR strategies may have an indirect effect on the level of efficiency in the firm.

Development: According to Andersen, Friele's CSR strategies have contributed to new dimensions in the firm, specifically an increased awareness about the company's

responsibilities, which has regulated decision-making within the firm. Friele must constantly ask: what is important to the consumer? CSR has enabled Friele to appreciate how things are interrelated, which is why they only use certified coffee, and which substantiates the quality focus of the firm.

Human Resources

CSR cannot be isolated as a factor in explaining why people wish to work for Friele, thus CSR becomes part of the total experience. Friele's profile consists of numerous dimensions, including quality products, a strong brand, and CSR – which are all essential to new and old employees.

Andersen believes that the most important factor in recruiting and retaining employees is that Friele acts as a proper member of society. CSR is part of being proper, and also part of Friele's overall reputation. Simultaneously, Andersen cautions that CSR may not be as important to everyone as perhaps students and journalists believe.

Operations

Andersen does not see a direct correlation between their CSR strategy and reduced costs, productivity gains, or innovation, because the CSR dimension is difficult to isolate. He focuses instead on productivity factors such as spirit, drive, leadership, and ownership. Because Friele creates products that are part of society, and because they have fun at work, the employees are more efficient in Friele.

Markets

Andersen does not feel that their CSR strategy has influenced, to any great extent, the markets in which they are active. In some cases, their cooperation with Utz Kapeh has provided guidelines on where they source their raw materials. One instance was in Peru, where a cooperative did not deliver the coffee as agreed and the contract was ended; yet this can be viewed as a business decision, not a CSR decision.

SRI: Andersen does not see any benefits or drawbacks from having an implemented CSR strategy when accessing capital markets, as they have not had the need for increased access. However, Andersen points out that CSR is part of Friele's overall goodwill, and he has experienced that banks are positive when Friele takes care in every aspect, including CSR, to project an overall positive picture.

Customers

Friele's customers are the main grocery chains in Norway; however they market their products towards the end consumers.

Andersen believes that the consumers, to a certain extent, emphasise Friele's brand, which is based on quality. In addition, he thinks that fair-trade is stressed, but only to a small extent. For instance, Friele did not experience reduced sales when the negative media surrounded the company a few years ago.

Friele's customers, the grocery chains, have attentive customers that make demands. The grocery chains then convey these demands to Friele and expect that the consumers' needs be met. By acting as a solid and dependable supplier, Friele can become an even better partner to its customers.

Andersen believes that the British consumers are far more involved in CSR than their Norwegian counterparts, yet he sees this as a trend that he believes will continue to grow. At the same time, he points out that consumers are often somewhat schizophrenic – consumers wish to be considered ethical, however, at the moment of purchase they consider the ethical products to be too expensive. A recent study by Opinion (Rapport Opinion, Oct. 2006) substantiates Andersen's statements. The report shows that consumers have a definite wish to be portrayed as responsible consumers, and ethics and responsibility are clear motivators in the purchasing situation. 72% state that it is very or quite important that food items are produced in an ethical way. Despite this clear sentiment, only 15% of respondents could name an ethical brand, producer, or retailer. The respondents did express a wish to learn more about ethical products.

Thus Friele must understand the needs of the consumers; they want coffee of the highest quality, but with the certainty that it is produced in an ethical manner. Friele strives to meet the consumers' needs, and the quality aspect is reinforced by their CSR strategies. On another note, Andersen reveals a new trend among consumers. "Everyday luxury" is a term used to describe the fact that consumers want more, on an everyday basis, and are happy to pay a price premium for more quality. In addition, he sees a relationship between buying ethical products that give the consumer a better conscience, and the new everyday luxury trend.

PR/Reputation

Andersen is quick to point out that Friele never utilizes their CSR strategy in marketing campaigns. It should be taken for granted that Friele has these affairs in order. Instead, Friele always focuses on quality in their marketing.

Friele would naturally continue their CSR strategies even though no one knew about them, as it is part of the focus on quality within the company.

Friele in the media

When the Norwegian newspaper Dagbladet (Ergo, 2002) came with allegations against Friele in 2002 concerning the plight of the coffee farmers in Kenya, the firm woke up to a new reality. Andersen acknowledges that he learned a lot from this experience. He learned that having a structured, informed and thoughtful approach to solving the problem is key when faced with these kinds of issues. Friele chose to solve the problem on behalf of the entire Norwegian coffee industry, as it seems Friele was a random target of criticism. By handling these issues in an appropriate and suitable manner, it turned out to have positive consequences for Friele's public image, in addition to starting a public debate on the issues at stake.

To handle the predicament with professionalism, Friele decided to form a CSR Board lead by Andersen. This group consisted of Friele's green coffee buyer, brand manager, director of sales, and other key people in the organization. The group sought to solve the problem by verbalising and codifying the already existing social responsibility in Friele. The result was a fully documented, clear CSR strategy.

Surviving without a CSR Strategy?

Andersen believes that companies can not only survive, but also thrive, without a clear CSR strategy. Often it is enough that companies simply exhibit common sense. In addition, Andersen point to several laws and regulations that help keep firms in line with accepted ethical codices. However, Andersen states that companies of a certain size and stature have an obligation to their consumers and to society in general to behave and conduct their business in an ethical way. This is especially true for companies that trade with third-world countries.

Andersen concludes by stating his belief that every company could benefit from the type of eye-opener that Friele experienced as a result of the media coverage around Kenya. Firms

should be confronted with questions concerning their social responsibility, yet one must not forget that it is, in fact, the consumer that decides what each company should do.

CSR has indirectly contributed to value in Friele – they had to “raise their antennas” about CSR, which has led to new product development, new needs being met, an acknowledgement that it is the market that controls each company, and they have learned that one can quickly fall to the bottom. Andersen suggests that perhaps some companies should create a crisis, with the intent to open their eyes to the values, issues, and risks involved in CSR.

Andersen would like to convey the idea that CSR is a continuous process towards a goal, and it is the process itself that is important. He is uneasy about the trend towards a polarization in society concerning what is right and what is wrong – which he thinks is an incorrect focus. Instead, Andersen suggests that companies research alternatives, and realize that the same instruments for brand building and management are used for social responsibility.

In conclusion, Andersen would like some clarification in all the CSR terms and expressions bandied around these days. Friele views CSR as an integrated part of their focus on quality and their business model, and feels that sustainable trade is the most appropriate term for what they do, and that this is best attended to through their cooperation with Utz Kapeh.

Chapter 6: Analysis

This chapter will first present an analysis of how companies implement CSR, followed by an analysis of the organizational values that CSR contributes to the company and a revised model. Finally, in order to bridge the implementation and values sections, three different perspectives on CSR are presented. For each section, the cases are compared and contrasted, and then conclusions are drawn from the analysis.

6.1 How Companies Implement CSR

Firms implement corporate social responsibility in a variety of ways. As described in the literature review, there seem to be some major differences between the American and European models. One difference is the American view that CSR equals corporate philanthropy, the donation or granting of money to various worthy charitable causes, while the European model seems to involve implementing CSR more thoroughly in every aspect of the company. However, Norwegian companies have tended to lag behind their international counterparts when it comes to implementing CSR. The three case companies can be seen as pioneers in implementing CSR in Norway, i.e. not laggards.

In performing the course of the cross-case analysis, the data revealed some common characteristics, or basic components, of how organizations implement CSR. Therefore the first part of this section will focus on the fundamental components of a CSR strategy. From the data, I have garnered four components: company values, CSR initiatives, organizational membership, and fit to core business. Finally, the characteristics of implementing CSR in Norway will be discussed.

6.1.1 Basic CSR Components

Company Values

The three companies have somewhat similar corporate values, as their values focus on various aspects of Corporate Social Responsibility. All three companies express, explicitly or implicitly, values concerning the environment, human rights and humanitarian causes. In addition, the firms have in different ways expressed the value of the employees or inclusive

workplace. Because the Body Shop emphasises activating self esteem, this could be seen as a tool directed at both their customers and employees. In boosting employees self esteem, one can link the Body Shop's value to Stormberg's notion of an inclusive workplace, as well as Friele's value concerning conditions at the workplace. Stormberg's inclusive workplace value is especially important to Stormberg, perhaps due to their company characteristics of being a young and growing company and employing untraditional labour. Having an inclusive workplace can foster the enthusiasm and daring needed to grow quickly and capture market shares.

In addition to these similar values, the firms also differ in some of the values. By being against animal testing and in supporting community trade, The Body Shop's values differ the most from the other companies. Stormberg and Friele have not explicitly expressed values concerning these issues. Animal testing is perhaps more of an issue in the cosmetics industry than in the textile and coffee industries. Friele has a principle about ensuring implementation of their principles, as well as controlling that they are followed throughout their value chain. This point is perhaps more relevant in the coffee industry, where the value chain includes the individual coffee farmer. Therefore Friele's traceability studies are an important aspect of being a socially responsible coffee roaster.

The corporate values of the three companies are consistent with some of the international CSR trends¹⁵ described in the literature review. The companies focus on increased stakeholder activism and accountability through the value chain. In addition, the companies have to varying degrees implemented standards and increased transparency. The Body Shop seems to have come the farthest on the last two aspects, perhaps due to the fact that they are an international company. However, the three companies do not (yet?) seem to be faced with growing investor pressure and market-based incentives, or pressure to quantify CSR "Return on Investment."¹⁶ Norway lags behind on some aspects of CSR, so perhaps one could expect that Norwegian companies will face these pressures in the future.

Companies use corporate values to define the standards in the organization. The values guide product and service quality, advertising content, pricing policies, treatment of employees, and relationships with customers, suppliers, community and environment (Hunt, Wood, &

¹⁵ See pg. 15 for International CSR trends

¹⁶ For further information, see report in literature review, pg. 10

Chonko 1989). For many socially responsible firms, the company values are centred on the environment, human rights, and humanitarian causes. These values are in line with *the triple-bottom line* thinking¹⁷, that companies are responsible for corporate sustainability through their environmental, social and economic impact. Further, corporate values can differ between companies due to various industry, company and value chain characteristics. The process of formulating and implementing socially responsible corporate values is one of the fundamental CSR components.

CSR Initiatives towards Stakeholders

The three case companies have various ways of initiating activities both internally and externally. Externally it is clear that the companies, with their CEOs at the helm, are active participants in the national CSR debate. Andersen, Vanvik, and Olsen all participate in national and local debates, conferences, and media discussions concerning the social responsibilities of firms¹⁸. This active participation is part of how they implement their CSR strategies. In discussing, conferring, and arguing about the social responsibility of firms, they add to the debate, while exploring new and improved ways of implementing CSR.

Another area, in which the three firms carry out CSR initiatives, is through their focus on the entire value chain. While the case companies have very different supply chains, they all strive to ensure that everyone in the chain from raw material suppliers, to customers, are happy and satisfied with the way they are treated by the firm (as stated in Friele's company values above). This is part of being stakeholder oriented. The Body Shop has initiatives such as Community Trade to create long term, sustainable relationships with marginalized communities around the world. Kaffehuset Friele is a member of Utz Kapeh which implements the global standard for socially and environmentally responsible coffee growing and sourcing. Likewise, Stormberg has been the initiator behind new regulations in their Chinese textile factories.

At the downstream end of the value chain one finds the consumers, who can be seen as the main focus of all three companies, in a general perspective. However, the companies' value to consumers can also be seen as CSR initiatives - taking the entire value chain into account. Friele endeavours to offer consumers the ultimate coffee quality, Stormberg offers consumers

¹⁷ See Literature Review for definitions of corporate values and triple bottom line

¹⁸ See Appendix 3

the “right clothes at the right price”, while The Body Shop offers consumers natural and healthy beauty enhancers in order to activate their self esteem. Thus, all three case firms believe behaving responsibly includes taking the entire value chain, and all its stakeholders, into account.

In addition to these similarities, the case companies have also pioneered different CSR initiatives. Stormberg’s initiative of creating an inclusive workplace that focuses on caring for each other, and includes drug addicts and inmates has no parallel in other companies. Friele has an educational centre in Brazil and is involved with Utz Kapeh. In addition, the firm emphasizes that CSR is part of their greater quality definition. The Body Shop has spent the past 30 years pioneering various CSR initiatives. The Body Shop’s Foundation, their Values Report, and the Community Trade program are CSR initiatives not found in the other two firms.

A socially responsible firm realizes that they are responsible for a variety of stakeholders,¹⁹ from employees, to suppliers, customers, government and the local community. Socially responsible firms must address the issues facing each of its stakeholders. The data shows that one of the fundamental components of implementing a CSR strategy involves CSR initiatives, which includes participation in the national CSR debate and implementing initiatives for ensuring a satisfactory value chain. On the other hand, CSR initiatives can vary from company to company, for instance due to differences in industry or in company leadership.

Organizational Membership

The three case firms are all members of a variety of organizations, as well as major donors to a number of charities. The companies are all members of Initiative for Ethical Trade (IEH). Most Norwegian coffee producers are members, but Stormberg is the only sports clothing firm on the list. IEH, in addition to providing guidance to firms wanting to implement a CSR strategy, is recognized by the three companies as an important contributor to the Norwegian debate on CSR.

The three companies all support charities. However, they differ in which charities they support, industry related charities, country specific charities, or local charities. For instance,

¹⁹ For more information on stakeholders, see pg. 12

Stormberg uses 5% of their annual profit on charities such as SOS Children's Villages in China (country specific), where Stormberg has the majority of their production, and the local crisis centres in Kristiansand (local). Kaffehuset Friele supports charities such as the Norwegian Church Aid (industry related and country specific) which was instrumental in helping Friele deal with the plight of coffee growers in Kenya in 2002. The Body Shop is perhaps the most organized on this aspect, having created a separate foundation to consolidate all the charitable donations made by The Body Shop. Because The Body Shop's business model encompasses so many social responsibility aspects, one can say, generally, that the foundation supports projects concerning human and civil rights as well as animal and environmental protection.

The data shows that it is difficult for companies to implement CSR strategies without the mutual assistance and cooperation with other organizations, making organizational membership a third basic component of CSR. Companies can learn from and extend their social responsibility to organizations such as Initiative for Ethical Trade. According to Andersen, when companies wish to support humanitarian causes and disaster relief, charities and non-profit organizations are often better suited than the companies themselves. The strategic interaction and mutual learning that goes on between companies and various organizations is an important component of being socially responsible.

CSR Fit to Core Business

Depending on how one classifies and categorizes the three companies' CSR initiatives, it seems clear that all three companies practice CSR in a way that is consistent with their core business. Examples of how the CSR initiatives are consistent with their core business are how The Body Shop sources from small, remote communities, how Stormberg designs safer children's clothing, and how Friele works towards increased quality of life for the coffee farmers. However, the companies vary in how they *define* their business related responsibilities. Friele focuses on coffee related projects, and includes in this a variety of measures from hurricane relief in Guatemala to the creation of an educational centre in Brazil, both major coffee exporting nations. However, Friele also sees their social responsibilities to include aspects beyond their core business, such as their local community (Bergen), their employees, and their customers.

The Body Shop has the widest variety of CSR projects and initiatives of the three firms. Spanning from the Body Shop Foundation, to their Community Trade, to various campaigns and the Values Report, the Body Shop's CSR initiatives can be viewed as a foundation in their ethical business model. Yet the initiatives are not industry- or company-specific, as they go beyond their realm to include all stakeholders. Stormberg seems to practice a blend of company specific and non-specific CSR, ranging from charitable donations to an inclusive workplace. The three companies all perceive their CSR initiatives as important parts of their business, whether or not they are business-specific. In reviewing the strategic philanthropy theory of Porter and Kramer (2002), in which firms use their charity (here viewed as CSR, more than charity) to improve their competitive context, it seems that Friele's narrow, coffee related focus is the CSR strategy that creates the most value for the company and for society. Another way to interpret this is that firms view their strategy more broadly than Porter and Kramer would suggest, so that all the firms' CSR initiatives are consistent. Additionally, as the Body Shop's business has ethics as its focal point, one could venture that CSR *is* their core business.

Corporate social responsibility seems to be most effective when it is consistent with the company's core business. Porter and Kramer pointed this out: "true strategic giving (...) addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise" (Porter and Kramer, 2002: 6). Thus, a fourth fundamental CSR component is having the CSR-strategy relate to and fit the company's core business.

In summary, through the analysis of the data, I have identified four fundamental components of implementing a CSR strategy. The first component is *corporate values*, where the common values were related to the environment, human rights, humanitarian causes, and employee satisfaction. The second fundamental component is *CSR initiatives towards stakeholders*. This means that the companies focus on all the stakeholders in the entire value chain, and are active in the CSR debate. The third component is *organizational membership*, both in organizations such as IEH and in charities. The charity effort can be divided into industry related, country related or local charities. The final component of implementing a CSR strategy is *fit to core business*. This means that companies' CSR initiatives are consistent with and related to their core business.

6.2 Value of CSR: Dimensions from the Model

One of the two research questions of this paper concerns whether or not corporate social responsibility adds value to the company, beyond the bottom line. This section of the analysis shows that CSR does add value along certain dimensions, although the dimensions are somewhat different than expected from the literature review.

In reviewing the literature on corporate social responsibility, certain value creating dimensions were identified. The dimensions were organizational, human resources, operations, markets, customers, and reputation/advertising. These dimensions formed the basis for the model²⁰ and for the interview guide used in this paper. When analysing the data, it is clear that the three case companies have varying views on the value-dimensions from the model. The purpose of the investigation is to find whether the dimensions of the model resonate with the companies – whether they find that their CSR strategies created value through the identified dimensions. The following section of the analysis will present, the various value creating dimensions in the same order as used in the case descriptions. Finally, a revised model will be presented.

6.2.1 Value of CSR

Before being asked directly about specific dimensions, the interviewees were asked to list the values and benefits they thought their CSR strategy provided the firm. Many of the aspects mentioned were already dimensions in the model, yet it is interesting to see what their initial responses were.

When asked about the *value* of CSR, the Body Shop and Stormberg quickly pointed to organizational dimensions such as HR, citing high employee motivation and low sick leave as direct value-adding consequences of their CSR strategies. Vanvik at the Body Shop also pointed to value in production, stating that CSR created value by ensuring high quality products. Andersen reiterated that CSR cannot be analyzed separately; it is one of the dimensions making up the quality brand of Friele. However, Andersen sees clear value to the consumer, the coffee drinker, who expects to enjoy a cup of quality coffee without unethical ingredients.

²⁰ Presented in Ch. 3

When asked directly about the benefits of a clear CSR strategy, the three companies have different views. While the Body Shop considers their unidirectional ethical profile and stream of new applicants a clear advantage, Stormberg believes there are several benefits including a positive working environment with good employees which create an exiting, diverse and loyal culture. In addition, Stormberg believes their CSR initiatives to be a positive influence on their reputation. Friele considers CSR as a part of their overall vision, in addition to giving the company a strong sense of awareness of the north-south issues and a structured way of handling their responsibilities. From these general introductory comments, how they responded to specific values while questioned is introduced.

Organizational

The three companies agreed that their CSR strategies created organizational value, yet they differed on the various aspects of the dimension. The Body Shop and Stormberg both see a direct correlation between their CSR strategies and the level of efficiency in the companies. They illustrate this by citing low levels of sick leave. Friele also has low absenteeism, but attribute this to the overall level of satisfaction among the employees. This satisfaction is due to a variety of factors, one of which is their social responsibility. However, Andersen does state that the efficiency would be reduced if there was a dearth of CSR, suggesting that he does see a correlation between CSR and efficiency. Further, the three companies all have a low level of turnover, which the Body Shop and Stormberg attribute to CSR, while Friele believes is a result of being a proper company.

The three companies all believe that their CSR strategies have some effect on the development of new products. While the Body Shop uses their Community Trade program to develop the Aloe Vera line, Stormberg has shown social responsibility through creating safer children's clothing. Friele's CSR strategies have led to the development of the firm, in that they have contributed to structuring decision making, as well as pioneering a new certification processes, such as Utz Kapeh. The analysis shows that a company's CSR strategy adds value along the organizational dimension in a variety of ways. The findings are that a company's social responsibility leads to increases in efficiency through increased employee satisfaction and motivation, one consequence of which is reduced sick leave. Further, having a CSR strategy influences product development and innovation when the companies search for new ways to ensure a satisfied value chain.

Human Resources

The Body Shop and Stormberg both see a direct correlation between their CSR strategies and a steady stream of new applicants. Stormberg and The Body Shop believe that they are able to retain employees because of their social responsibility programs. Olsen in Stormberg states that the high level of satisfaction among the employees is not simply due to CSR, but also due to their diverse workforce and that their rapid growth is a great motivator. Friele is less willing to suggest that CSR directly influences their HR dimension. The ability to attract new employees is an advantage in the strained job market in Norway. Andersen believes that Friele is a popular employer because of their overall profile, which includes CSR. He believes that they are able to recruit and retain employees because they act as a proper member of society as part of their CSR.. While Andersen warns that CSR is not as important to employees as it is to students and journalists, he does see it as a part of creating a happy and motivating workplace. Therefore, one can suggest a connection between CSR and employee recruitment and retention in Friele. Employee satisfaction and motivation are mentioned by all three companies as important dimensions related to CSR.

The analysis shows that having an active CSR strategy affects human resources. A company's CSR strategy often includes being a fair and respectable employer that focuses on its employees. Therefore, employees are more (or are expected to be more) motivated and satisfied when working for a company that incorporates social responsibility into the way it does business. Further, companies with an implemented CSR strategy are expected to reap benefits through experiencing a high level of new employee attraction and a high level of employee retention. This could be due to the fact that people enjoy working for exemplary and admirable companies.

Operations

Both The Body Shop and Stormberg agree that CSR helps lower their costs and increase efficiency in the long run. When discussing innovation, the Body Shop and Stormberg see innovation as driven by CSR. Examples are the new aloe vera products at the Body Shop, and safe children's clothing at Stormberg. Vanvik does admit that doing having their values as the focal point of doing business increases costs in the short-term, for instance higher costs of production and unreliable delivery.

Friele does not see a direct correlation between being socially responsible and cost or efficiency advantages, or innovation. Andersen says that their high level of productivity is driven by a variety of factors including spirit, drive, leadership, and ownership.

One explanation for these differences of opinion regarding the value of CSR in operations could be found in the different perspectives²¹ the firms have in regards to CSR. Because Friele has an overall view, they see innovation and efficiency as results of a variety of factors. Stormberg focuses on caring, and thus views cost advantages and efficiency as a result of dedicated and motivated employees. The Body Shop does not conduct any business without CSR, which makes it easier to find direct correlations between how their results and their ethics.

The analysis shows that the three case firms differ in their views of the value creating aspects of CSR in regards to their efficiency, innovation, and costs in operations. However, the analysis suggests that there is some link between having a CSR strategy and positive effects along some operational dimensions. Being socially responsible may entail short term cost increases, due to factors such as being unable to source from some low-cost countries, spending more time on product development, experiencing delivery delays and so on. However, CSR can also lead to long-term cost advantages through innovation. The innovation could come as a result of increased environmental thinking, using fewer and safer materials or more efficient means of production, or as a result of searching for new ways to improve various links in the value chain.

Markets

The three firms differ regarding how they perceive the degree to which CSR influences their choice of markets for both sourcing and selling products. Only The Body Shop sees a direct correlation between the markets they are active in and their social responsibility. Their values and guidelines influence both what markets they sell in, and from what markets they source their raw materials (example: Burma). In this regard, the market dimension, although theoretically viewed as a value adding dimension, may instead be an aspect of how the companies *implement* their CSR strategies.

²¹ The three perspectives are discussed in the next section of the analysis.

In regards to capital markets, the three companies have not directly experienced a CSR related benefit. However, The Body Shop and Stormberg are of the opinion that CSR gives increased access to the capital markets, for instance through the increasing popularity of social responsible investing (SRI). On the other hand, Friele believes there are no benefits or drawbacks of being a socially responsible company when accessing capital markets; instead it is important for a firm to behave well.

In discussing markets, it seems necessary to divide the dimension into markets one does business in, and access to capital markets. The analysis shows that CSR can have some effect on which markets one does business in, for instance companies can avoid countries that show evidence of corruption. However, CSR seems to play a small role in *which* markets companies are active in, as opposed to *how* they are active in markets. How companies are active in markets is to a large extent determined by their CSR strategy and their ways of taking all stakeholders into account. In regards to access to capital markets, there seems to be a positive trend for socially responsible firms. There has been an increase in socially responsible investing (SRI), which could benefit socially responsible companies by making capital more accessible.

In conclusion, the three companies vary as to the degree to which CSR influences what markets in which they participate. In regards to accessing capital markets, they all see some advantages to being a socially responsible company (which Friele calls behaving well).

Customers

The three companies agree in their opinion that CSR has little effect on consumers' purchases and customer loyalty. Both the Body Shop and Stormberg say they have a small, very small, loyal customer group who are often both demanding and critical. Yet all three companies refer to a paradox - while most consumers state that they are ethical consumers when asked, they do not actually base their purchasing decisions on the social responsibility of the firms. While the Body Shop's customers are mostly aware of the firm's values, it seems to have little relevance at the moment of purchase. The interesting exception here was during gift-giving occasions, where consumers wish to portray themselves as ethical to the gift receivers. Olsen at Stormberg says that while consumers feel that community spirit is important, it is not relevant to the purchase. Instead the customers focus on the right product at the right price.

Friele agrees, and explains that consumers focus on the brand, not the social responsibility, but that CSR is part of the brand. To illustrate the lack of correlation between CSR and customers, Andersen describes how Friele's sales did not decline during the negative media.

Contrary to the views found in the literature review, the analysis shows little effect of a company's CSR strategy on sales and customer loyalty. The paradox is that while consumers wish to be portrayed as ethical consumers, they prioritize other product dimensions when choosing what to purchase.

Reputation/Advertising

The three case companies agree that their CSR strategies are not featured in advertising campaigns. While the Body Shop does not pay for any advertising, they hope for positive reviews in magazines. As Vanvik stated, consumers are more interested in the cosmetic effects of their products, than where they come from. Stormberg does not use their social responsibility in their advertising, but it is featured on their websites. Similarly, Kaffehuset Friele would never use CSR in advertising, as their marketing focus is quality. So while not in advertising, it does appear that the focus of much of the PR is on CSR aspects. Examples: Andersen admits that the company's reputation suffered when the articles on coffee farmers in Kenya were published. Yet, their handling of this crisis actually improved their reputation. Stormberg's reputation is also facilitated by media attention, which has to a great extent been focused on their non-traditional, inclusive recruiting philosophy. Vanvik at the Body Shop agrees that CSR has a positive influence on their reputation, perhaps to a greater extent than in the two other companies, as the Body Shop is a proactive promoter of social responsibility.

There could be several explanations for the fact that the companies do not use CSR in their marketing campaigns. One reason could be that it is not seen as "proper" to do so. The companies all see social responsibility as a natural and fundamental part of doing business, not a PR tool. A second reason could be that using CSR in advertising would build peoples expectations of the companies, thus increasing the risk of falling short of these expectations. However, an increasing trend in Norway is co-marketing,²² so perhaps the companies' attitudes towards advertising will change. Another explanation could be found in the consumers. As described above, while customers wish to be seen as ethical consumers, very

²² For definition of co-marketing, see pg.12. Examples of co-marketing in Norway today are IKEA and UNICEF, SAS Braathens and Save the Children.

few base their purchases on the social responsibility of the producers. This could mean that using CSR in advertising would have little effect on sales.

While having a CSR strategy has a notable positive effect on a company's reputation, most companies do not focus on CSR in their advertising. It seems that consumers are more concerned about the qualities of the product, as opposed to the ethics of the companies. In addition, featuring CSR in advertising could set high expectations of the company, and increase a company's risk of falling short of these high expectations.

Disadvantages of CSR

While all three companies perceive varying organizational benefits of their CSR strategies, they are all aware of disadvantages of their social responsibility. All of the three CEOs explain that the greatest drawback of their profiled CSR strategies is the level of expectation it sets. Having a CSR strategy raises people's expectations of the companies, both internally with their employees and externally with customers, media and other stakeholders. These high expectations make the companies a target for criticism, as there may be a gap between the companies articulated standards and the actual conditions. According to the Body Shop, this necessitates an extreme attention to details, which can be quite time consuming. Stormberg points out that these expectations cannot always be met, thus a company must simply strive to do its best on an everyday basis. Yet, the three CEOs all believe that the high level of expectations allow their firms to be better corporate citizens. These drawbacks mentioned by the CEOs are consistent with Dentchev's²³ findings of negative effects of CSR, including risk of reputation damage and wrong perceptions.

²³ To review Dentchev's findings, see pg. 23

6.2.2 Summary of Findings

The following table gives an overview of the main findings, organized by the dimensions of the model, and provides a basis for the revised model. The table shows whether or not each company experienced value creation from CSR along the dimensions in the model.

Dimensions	The Body Shop	Stormberg	Kaffehuset Friele
Organizational	✓	✓	✓
Human Resources	✓	✓	✓
Operations	✓	✓	NO
Markets	✓	NO	NO
Customers	NO	NO	NO
Reputation, Advertising	SOME	SOME	SOME

Table 6: Summary of Values Found

Does CSR Pay Off?

The table presented above gives an overview of how the three case companies view the organizational value of their social responsibility strategies – how their CSR strategies pay off. How do these findings correspond to the literature? To determine whether the value creation of the firms' CSR strategies corresponds to the literature, I analyze the dimensions using the five criteria from Burke and Logsdon (1996). The criteria for CSR to be a success and pay off were centrality, specificity, proactivity, volunteerism, and visibility²⁴.

The Body Shop's, Stormberg's, and Friele's CSR strategies all fulfil the criteria of *centrality*; there is a closeness of fit between the firms' mission and objectives. Further, their strategies give them the ability to capture benefits, making them *specific*. Regarding the *proactivity* of the strategies, the firms vary. While The Body Shop and Stormberg have been very proactive, Friele's formalized CSR strategy could seem more reactive (after the media storm). All three firms fulfil the *volunteerism* criteria – they do more than what is necessary by law. The three firms all have good *internal visibility* of their CSR strategies, but only The Body Shop has full *external visibility*. In Norway, Stormberg and Friele are most often thought of, respectively, as

²⁴ See pg. 26 for more details on Burke and Logsdon's criteria

a clothing and a coffee producer; where as The Body Shop’s cosmetics and ethics are undividable in the mind of consumers.

In conclusion, it seems that The Body Shop has come the farthest in regard to Burke and Logdon's criteria, where as Stormberg and Friele are nearly there. The two companies would have to increase their external visibility of CSR to complete the criteria, which is perhaps unlikely, as the firms chose not to use their CSR in advertising.

6.3 Revised model

As stated in the methodology chapter, the purpose of this type of research is not to test the theory described in the literature review, but it does allow for further theory development. The following model is a modification of the model developed on pg. 22 on the basis of the literature review. The revised model takes into account the analysis of the data, to create a more accurate view of the value dimensions of CSR.

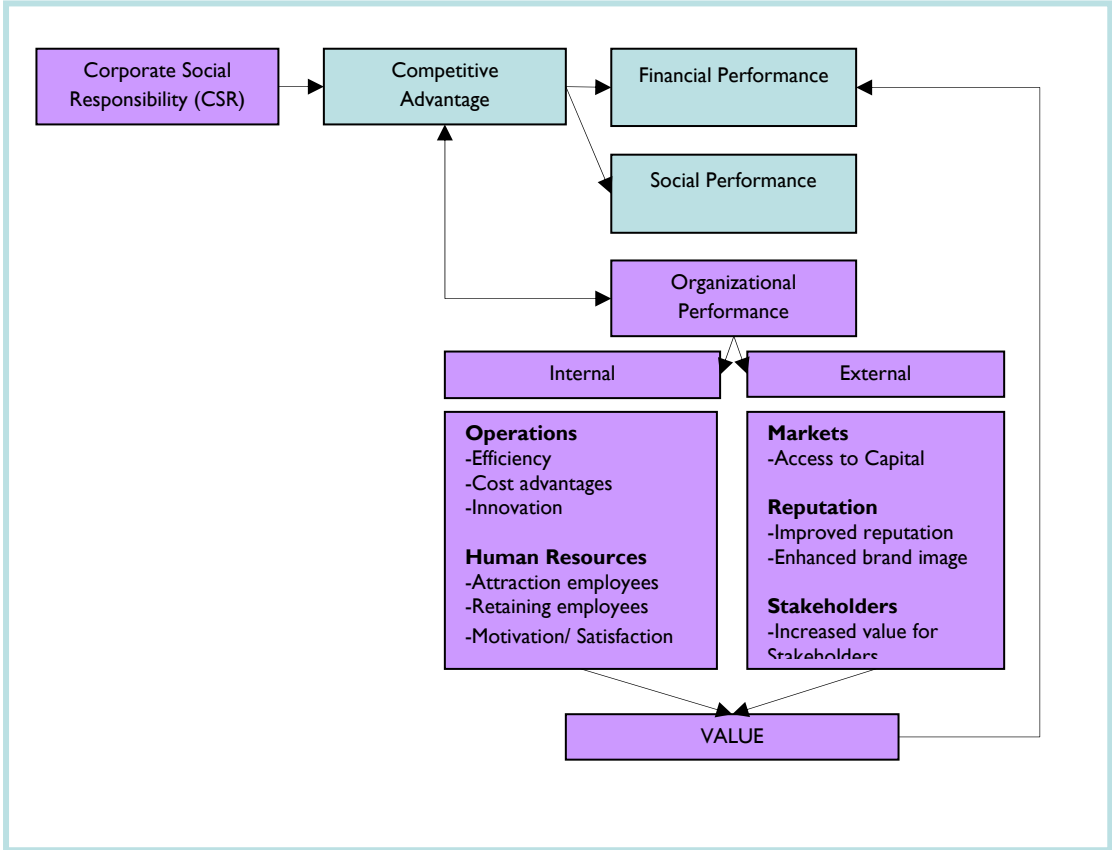


Figure 8: Revised Model

The changes in the model are in the dimensions of internal and external organizational performance. In the internal box, organizational and operational have been simplified to *operations*. This is because there was a bit of redundancy in the two former dimensions, and the aspects are aptly covered by the new term. The elements of operations are consistent with the findings; efficiency, cost advantages, and innovation. *Human resources* remain as a dimension in the internal box, because this is, according to the case firms, the most notable dimension regarding the effects of CSR.

In the external box, *markets* have been reduced to access to capital markets, while advertising has been taken out, leaving *reputation*. According to the analysis, CSR had little effect on advertising, but a large effect on reputation. The *customer* dimension has been removed because the firms saw little effect of their CSR strategies on customer loyalty or sales (with the notable exception of the Body Shop during Christmas). A new dimension has been added, *stakeholders*, as suggested by Vanvik at the Body Shop. This dimension needs to be investigated further, but based on the data collected one could venture that a firm's CSR strategy creates value for all stakeholders.

6.4 Three CSR Perspectives Labels

In the course of the data collection and analysis, it became clear that the three case companies had differing perspectives on CSR, and that their perspectives influenced how they *implement* CSR, which then influenced the *values* they perceived as a result of their CSR strategies.

The three company perspectives will be introduced in this section. These perceptions can be seen as perspectives of how a company acts and feels about CSR. The three different perspectives for implementing CSR have been labelled "black and white," "caring for each other," and "the big picture." However, one must be aware that using broad perspectives gives an oversimplified version of reality, thus the labels provide only an image of how companies implement CSR.

6.4.1 “Black and White”

A *black and white* perspective means that both a company’s corporate leadership and its employees have clear opinions and beliefs of what is right and what is wrong. These beliefs are formalized in clear company values and rules, and are implicit in the way the company conducts its business on an every day basis. The customs of the firm and the behaviour of the employees follow the black and white perception of what is right and wrong. An example of this black and white thinking could be a zero-tolerance policy towards corruption – that a company would rather take a financial loss by pulling out of a country, than participate in corruption. A consequence of having this perspective could be that the company misses out on the nuances, or colours, of certain issues, for instance cultural differences, – nuances that would perhaps be picked up with the *big picture* perspective presented below.

The Body Shop seems to see the issues of CSR in black and white, what is wrong and what is right. Vanvik explains that to the Body Shop, CSR is everything, and it would not be the same company without its emphasis on CSR. This view seems to colour the way in which The Body Shop implements its CSR strategy. In every aspect of their affairs, The Body Shop has defined a correct (white) and an incorrect (black) way of conducting business. For instance, on the subject of corruption, The Body Shop has a “black and white” view – the company tries to avoid situations and countries where corruption flourishes. Similarly, on the issue of animal testing The Body Shop has developed clear codes of conduct to ensure that no animal tested ingredients are to be present in their products. There are no shades of grey when the Body Shop formulates, sources, produces, and sells products, even if this results in a short-term loss, as in the case of sunscreen.

The explanation for the Body Shop’s black and white view of CSR could be found in its history. Anita Roddick founded the Body Shop on the premise of ethical and fair trade to ensure high quality, natural cosmetic products. Thus, through the company’s 30 year history, clear and concise guidelines and values have been formed on every aspect of their social responsibility. These values have been documented in their Values Report, which clearly illustrates the black and white way of doing business, but also takes into account the changes and challenges the Body Shop faces in the future. One could say that the Body Shop’s future challenges are in shades of grey, and the object is to clarify what is black and what is white.

The Body Shop is a substantial company, with 2,100 stores in 55 countries, which further necessitates unambiguous guidelines.

This black and white perspective that characterises The Body Shop can be illustrated by the following figure.

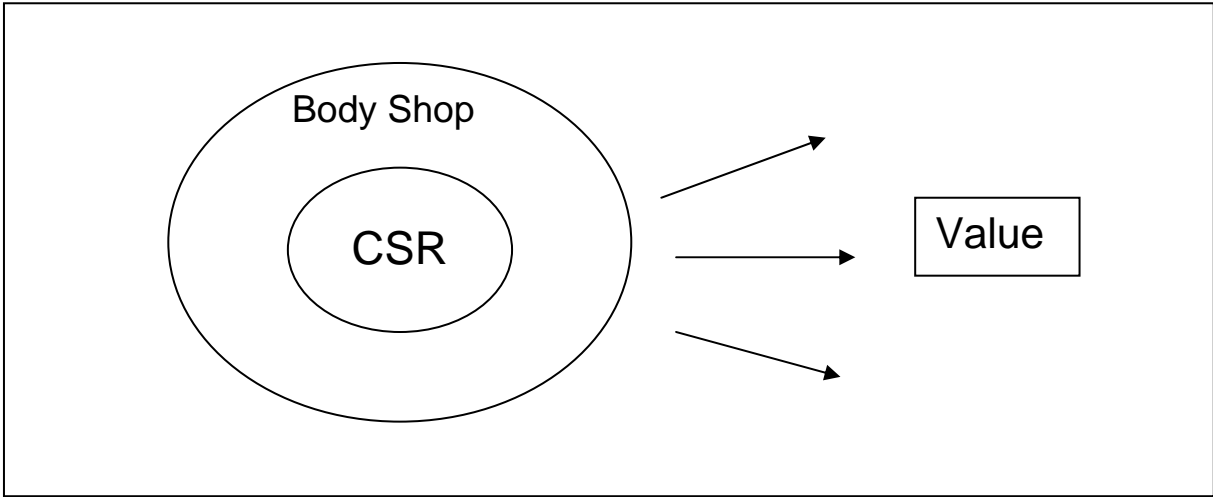


Figure 9: Black and White Figure

The figure above is a mental model of how The Body Shop views its relation to corporate social responsibility. Through the data collection and analysis, one finds that CSR is the centre, or core, of The Body Shop. Vanvik pointed out repeatedly that without CSR there is no Body Shop. Thus their CSR strategies conveyed through their values, actions, foundation, campaigns, recruiting, sourcing, innovation etc. is the foundation for how the company conducts business.

Using Garriga and Mele’s (2004) four classifications of CSR theories, one could say that the black and white perspective is both *integrative*, the integration of social demands in their business models, and *ethical*, focusing on the right thing to achieve a good society, where sustainable development is a key element.

6.4.2 “Caring for Each Other”

A second perspective can be described as *caring for each other*. In this perspective, a firm focuses on caring for the various stakeholders, from employees to customers. The belief is that corporate social responsibility involves caring – caring for the community, for employees, for the environment. This principle then guides how the firm conducts business and how the corporate culture evolves. This could, for instance, have consequences for recruiting and retaining employees – when employees feel they are cared for, they enjoy working for a company.

A drawback of this perspective is that it may be a bit naïve – when believing that one is socially responsible simply by caring, one can neglect the actions necessary for change. This can be illustrated by the old adage that “iniquity prevails more from the inaction of good people than from the actions of others.”

If one were to synthesize Stormberg’s CSR strategies and initiatives, it would be to care for each other. The idea of caring for each other permeates every aspect of how Stormberg conducts its business. Stormberg cares for its employees, valuing a diverse and loyal workforce, for its factory workers, instituting rules and regulations in the Chinese factories, and for its customers, providing the right product at the right price. Olsen repeatedly mentions the importance of caring for each other, especially when describing how to create an inclusive workplace with non-typical employees.

In order to explain why Stormberg has such a focus on caring, one can review the company history. Stormberg is a young, innovative, and rapidly growing company. This necessitates dedicated, loyal, and enthusiastic employees, who will be more committed when working for a company that cares for one another. Stormberg’s simultaneous goals of capturing market shares and conducting business ethically can be better achieved by having a caring environment. In addition, the company is quite small, counting only 24 employees, which could be another factor explaining their caring attitude.

The caring for each other perspective that characterizes Stormberg can be illustrated in the following figure:

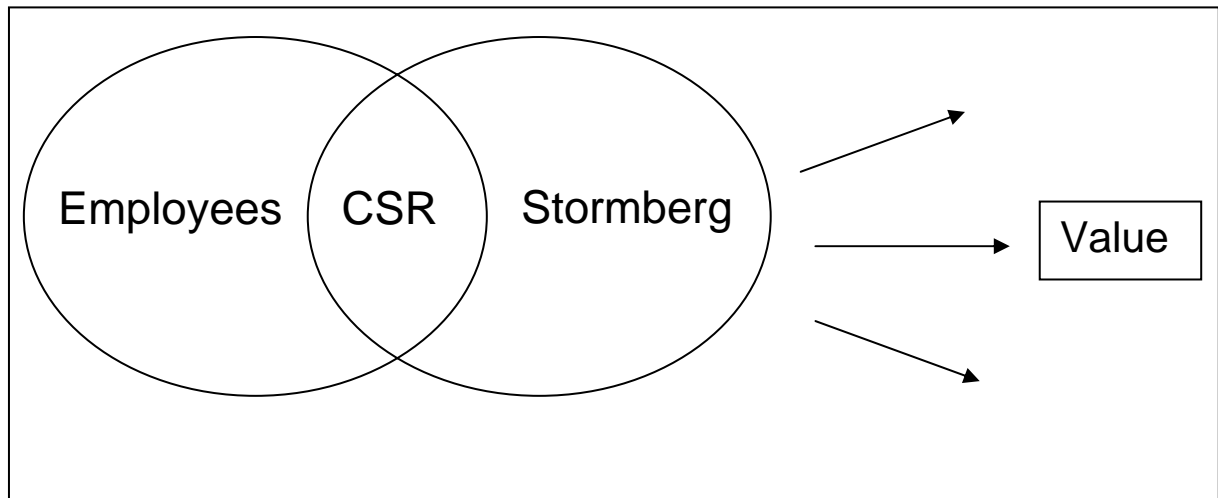


Figure 10: Caring for Each Other Figure

The figure above is a form of mental model for how Stormberg views its relation to corporate social responsibility. To Stormberg, CSR means *caring for each other*. This is represented in the figure by having CSR be the cross-section between the company and its employees. Stormberg creates value based on their dedicated, diverse, and loyal employees, and much of their CSR is directed towards their employees – whether domestic, or in the factories in China.

Using Garriga and Mele’s (2004) four classifications of CSR theories, one could say that the caring for each other perspective is instrumental, integrative, and ethical. That is, it focuses on achieving economic objectives through social activities; it integrates social demands in their business models; and focuses on the right thing to achieve a good society.

6.4.3 “The Big Picture”

A third perspective for implementing CSR can be described as the big picture. This label signifies that a company sees itself as part of a bigger picture, and that being socially responsible means to have an overview of the larger environment in which the company does business. This perspective can be illustrated by John Dunne’s infamous words: “no man is an island, entire of itself” (<http://www.phrases.org.uk/meanings/257100.html>). Or in this case, no firm is an island. In having the big picture, a company is able to see how the raw material supplier’s conditions affect the experience of the end user, how the packaging affects the

environment, how a firm's local involvement affects the perception of quality etc. However, this perspective is also an over simplification, and one must be aware that having the big picture can result in overlooking important details.

Andersen at Friele emphasises the fact that their CSR strategy cannot be analyzed as a separate dimension; it is part of the whole that generates the company's focal point – quality. One could say that in the Body Shop, CSR is the strategy, but in Friele is part of the strategy. CSR is part of the quality dimension, and without it, Friele would not be able to offer its consumers a quality experience. Thus Friele focuses on the big picture – how to achieve quality in every element of its business, from sourcing raw coffee, to finding the perfect composition of coffee types, to teaching consumers the best method to brew coffee. In seeing the big picture, Friele can better shape its actions and make decisions. For instance, keeping in mind the big picture, Friele built the educational centre in Brazil – acknowledging that having educated and satisfied children increased the parents' motivation when working on the coffee farms, thus increasing the quality of the coffee beans. Another aspect of having the big picture is illustrated through Friele's launching of an instant coffee and an organic coffee this fall. Andersen explained that in order to have happy customers (grocery chains) and end users, they must produce what the market wants, while always making sure that the new products are of the high quality that Friele's consumers expect.

The reason Friele's CSR view has been labelled the big picture, is the way in which Friele sees the entirety of its operations. From coffee farmer to coffee enjoyer, Friele makes sure that *quality* permeates all aspects. Because of the media attention Friele received in 2002, it became essential for the company to review all aspects of its business from a social responsibility angle. In addition, Friele is part of the international coffee industry, which has started to address the ethical issues of the industry, making a big picture outlook necessary. Andersen's conclusions regarding sustainable trade and development as the most important perspective, is another demonstration of Friele's ability to view CSR as part of the big picture.

The big picture perspective that characterizes Friele can be illustrated in the following figure:

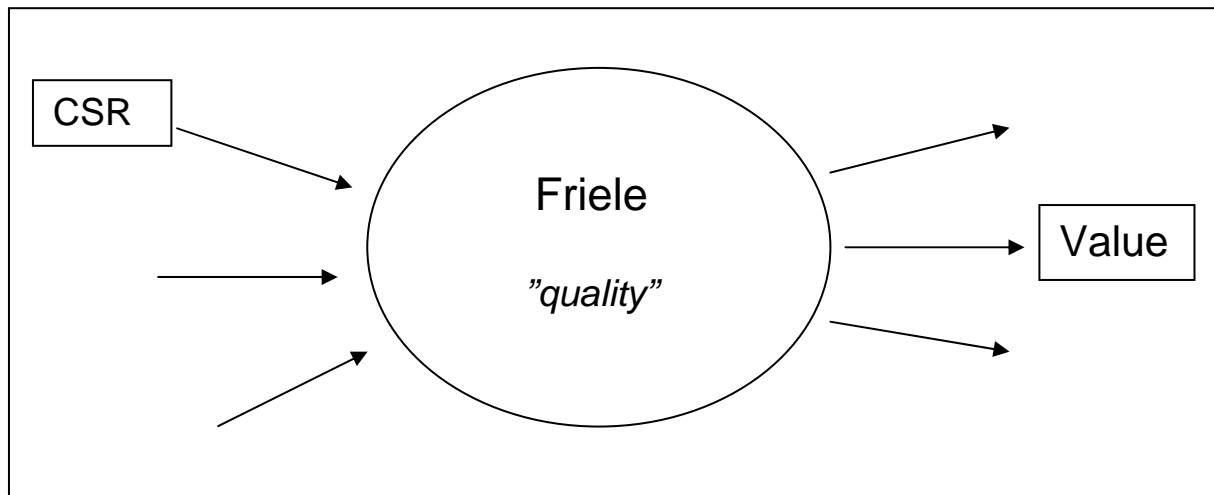


Figure 11: The Big Picture Figure

The figure above is a form of mental model for how Kaffehuset Friele views its relation to corporate social responsibility. As described earlier, Friele has *the big picture*, illustrated in the figure by several dimensions leading to the company. Friele cannot isolate CSR to explain their value creation, but sees it as one of many necessary elements that lead to Friele’s quality. Friele is most concerned about quality, quality in every aspect of their business, from sourcing the finest raw coffee, to creating the best blend, to being a good employer and good member of society. For Friele, CSR is a necessary and natural element of their quality philosophy.

Using Garriga and Mele’s (2004) four classifications of CSR theories, one could say that the big picture perspective is instrumental, integrative, and ethical. That is, it focuses on achieving economic objectives through social activities; it integrates social demands in their business models; and focuses on the right thing to achieve a good society.

To summarize the classifications, In “Mapping the Territory”²⁵, Garriga and Mele (2004) provide four classifications of CSR theories. The three case companies’ CSR initiatives and strategies can be organized using these classifications. Friele and Stormberg's strategies, their perspectives being the big picture and caring for each other, can to some extent be classified as *instrumental*; they focus on achieving economic objectives through social activities. However, this classification is too narrow, and all three companies could be viewed as having *integrative* strategies. That is, the integration of social demands in their business models. The three case firms have to varying extents integrated CSR in their business models, from

²⁵ See pg. 14 for more on Garriga and Mele’s four CSR classifications

completely integrated in The Body Shop, with the black and white perspective, to somewhat integrated in Friele. In addition to having integrative CSR strategies, the firms' strategies can to some extent be seen as *ethical*. The ethical theories focus on the right thing to achieve a good society, where sustainable development is a key element. Garriga and Mele's (2004) classifications are originally independent and separate. However, here I suggest that the reality is more complex, that firm's CSR strategies can be a combination of more than one classification. Therefore, I conclude that the classifications are useful, but that more significantly I found that several or a combination of classifications was important.

6.4.4 Relation to CSR Literature

The three perspectives can also be seen as three different ways of reaching the highest tier of Carroll's (1991) *CSR Pyramid*²⁶, the philanthropic level. The three firms all fulfil the obligations of the lower tiers, the economic, legal, and ethical. Further, in their different ways – black and white, caring for one another, and the big picture - the three firms are philanthropic; they act as good corporate citizens, they contribute resources to the community, while trying to improve the quality of life of the stakeholders around them.

After determining that the three companies' strategies are philanthropic in Carroll's pyramid, one can use Galbreath's (2006) definitions to determine which type of strategy the firms exhibit. The *shareholder* strategy seems to be a thing of the past, while the *altruistic* strategy is perhaps the most common among firms in Norway. The three firms have elements of the *reciprocal* strategy, where CSR is seen as necessary to the firm's survival, and the goal is mutual benefits, also described as "enlightened self-interest." However, of Galbreath's four strategies, the most fitting for the three firms is probably the *citizenship* strategy. This strategy, based on Freeman's stakeholder view, has a goal of building up responsibility, transparency, sustainability, and accountability. The three firms seem to emphasize these four dimensions, although to varying degrees and in different ways.

To a certain extent, all three companies are pioneers in the CSR field in Norway. The CEOs agree that there is little tradition for CSR in Norway, and that companies have lagged behind their counterparts in the United States and Great Britain. They offer varying explanations for the lag; Olsen thinks there is a Norwegian tendency towards leaving social issues to the public

²⁶ For more on Carroll's CSR Pyramid, see pg. 17

sector, while Andersen believes that a lot of social responsibility has already been put into practice behind the scenes of Norwegian companies. Andersen warns that the Norwegian CSR debate is quite shallow, and that journalists have quite limited knowledge on the subject, while Olsen points out how few CSR driven Norwegian companies there are. However, Vanvik at the Body Shop sees a special advantage of CSR in Norway – CSR becomes a strength and advantage in recruiting new employees, which is crucial in the tight Norwegian labour market.

These findings match the Norwegian CSR trends described in the literature review²⁷. The sentiments found in the reports of Norwegian executives; regarding CSR as a prerequisite for a competitive advantage and the increasing importance of CSR as a competitive factor, are confirmed by the three companies in this paper. Further, the attitude found among Norwegian executives that firms receive a “licence to operate” from their communities, is heavily supported by Olsen at Stormberg and Andersen at Kaffehuset Friele.

6.4.5 The Three Perspectives: Explaining Differences

The different labels/perspectives can be explained by variances in the companies’ histories, sizes, and industries. Further, the companies’ perspectives can also explain some of the different answers to the question of whether all companies have a social responsibility. The three labels or perspectives given to the companies are not representative for the companies’ entire CSR strategies. They are meant as an illustration of the way in which the companies view their social responsibilities. The three case companies concur regarding whether or not all companies have a social responsibility. However, their opinions on the scope of their responsibilities seem to vary. Vanvik at the Body Shop believes that corporations have a global responsibility to institute change purely because they often have more power than some national governments. Further, she holds that companies must not change their CSR strategies, even if they result in short-term losses, and she emphasises the importance of companies to fight corruption. While the Body Shop seems to have a global perspective on the importance of CSR in all companies, Stormberg and Friele have a more local perspective on this issue.

²⁷ See pg. 10 for the Norwegian CSR trends.

Olsen at Stormberg states that we are all, including businesses, dependent on a well functioning community and society, and illustrates this by saying that even a drop in the sea can be instrumental in changing things. Further, Olsen states that businesses are well suited to institute change, but must be aware of their limitations and instead support organizations where they do not have competencies (in line with Porter and Kramer’s theory of strategic philanthropy). Andersen at Friele views businesses as a natural part of a social cluster, and stated that businesses have a natural responsibility to their local communities to behave as a good community institution. Yet Andersen also sees the necessity of a global perspective, especially concerning the first steps in the value chain – which, for Friele, are in third-world countries. One explanation for the variation in scope could be that the three companies differ greatly in size and degree of internationalization. While the Body Shop is a large global player in many markets, Stormberg and Friele are smaller Norwegian firms that cater to the Norwegian market

6.5 Perspectives Influence Value Perceptions

The revised model (pg. 92) gives the overall view of how corporate social responsibility creates value through enhanced organizational performance. However, this model does not incorporate how the various ways of implementing CSR, as discussed in the first section of the analysis, affects how the companies experience the value created. One can ask whether there is a connection between the implementation perspectives and the extent to which they see CSR driven organizational value.

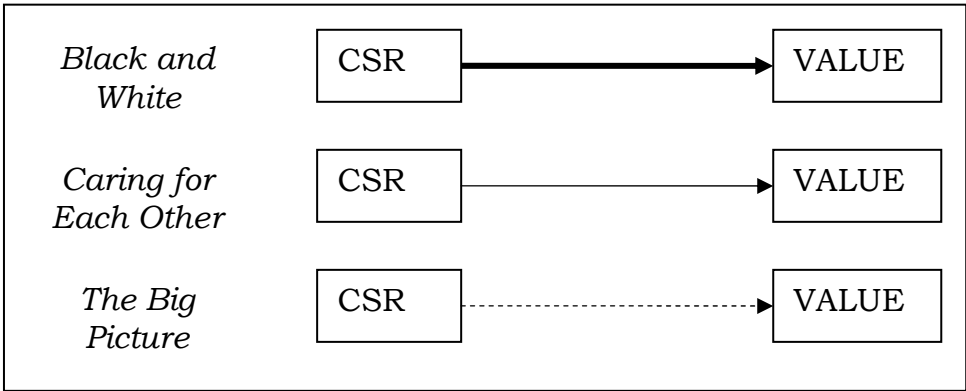


Figure 12: Strength of Link between CSR and Perceived Value

The figure above is an attempt to illustrate how the various implementation perspectives affect the extent to which the companies see a direct relation between their CSR strategy and added value to the company. The thickness of the arrows illustrates the strength of the link.

For the *black and white* perspective, the linkage between social responsibility and added value to the firm is clear. This is illustrated with a heavy arrow. From the analysis on the various dimensions it seems that having a black and white perspective enables the company to see more direct linkages between CSR and several value dimensions. This can be seen in the summary table (see pg. 91), where The Body Shop has the most checks. One reason for why this perspective leads to the perception of more value creation than the other perspectives, could be that in having CSR as the foundation and cornerstone of the firm, nearly every value in the firm can be attributed to CSR. The CSR strategy offers clear guidelines on the correct way of doing business, helping steer the company away from less ethical choices. Thus nearly every aspect of the company, including dimensions that add value, can be attributed to CSR.

For the *caring for each other* perspective, the link between CSR and value is strong, but not as strong as for the black and white perspective. This is illustrated by a less thick arrow. This perspective on implementation describes CSR as caring for every stakeholder. This perspective seems to foster the opinion that CSR has an effect on several dimensions (see the summary table), but that the value is created by mostly through motivated employees, who are motivated by the CSR, or caring philosophy. Another aspect to consider is that Stormberg was founded as a CSR company, similarly to The Body Shop, making it easier for them to see direct links between CSR and value.

For the *big picture* perspective, the direct linkages between the CSR strategy and the value created are weaker than in the other two cases. This is illustrated by a dashed arrow. In this perspective, the company sees fewer direct links, but instead has an overall view of how the various components of the company fit together, including CSR. When applying this perspective on Kaffehuset Friele, one can note that Friele is an older, more traditional company that sees CSR as one determinant, among many, for their value creation. This makes it more difficult for Friele to isolate CSR, and see specific linkages. The big picture perspective offers a variety of explanations for value creation; a necessary but not sufficient element is CSR. An interesting observation is that the big picture perspective has more narrow perceptions about value, while the precise black and white perspective has a broad perception of value. This seem inconsistent with the labels, however represents how the firms think about CSR.

Chapter 7: Conclusion and Implications

The purpose of this paper was to discover whether or not a company's corporate social responsibility strategy added value to the company beyond the financial perspective. In addition, to find out if different perspectives and implementations of CSR gave different perceptions of what value CSR adds to the firm.

The contributions of this paper are the four fundamental components of how firms implement CSR, that CSR does add organizational value to firms, and that the value added differs according to what perspective the firm has on its social responsibility.

7.1 How Firms Implement CSR

Firms implement their corporate social responsibility strategies in a variety of ways. This paper has added to the theory by identifying four fundamental components of how firms implement CSR. The first component is *corporate values*, related to the environment, human rights, humanitarian causes, and employee satisfaction. The second fundamental component is *CSR initiatives towards stakeholders*, companies focus on all the stakeholders in the entire value chain, and are active in the CSR debate. The third component is *organizational membership*, where the charity effort can be divided into industry related, country related or local charities. The final component of implementing a CSR strategy is *fit to core business*, that companies' CSR initiatives are consistent with and related to their core business.

7.2 CSR Adds Value

CSR adds value to the firm through a number of dimensions, as illustrated in the revised model.

1. The most prominent dimension is *human resources*, where CSR directly affects the firm's ability to attract new employees, retain employees, and the employee's level of motivation and satisfaction.

2. A second dimension for which CSR clearly adds value to the firm is *operations*. A social responsibility strategy positively affects the level of efficiency in the firm, the innovation, and gives certain long-term cost advantages.
3. A third important dimension affected by a firm's CSR strategy is *reputation*. A well-implemented and executed CSR strategy improves the company's reputation, and gives an enhanced brand image.
4. A fourth dimension for which CSR adds value is through the involvement and emphasis on the firm's *stakeholders*.
5. A fifth dimension is that CSR can increase access to *capital markets*.

7.3 Three Perspectives on CSR

The perception each firm has on corporate social responsibility, as exemplified by the three CSR perspectives in the analysis, to a great extent governs the perception the firm has on what value is linked to their CSR strategy. The three perspectives are *black and white*, *caring for each other*, and *the big picture*. The firm's perspective is influenced by a variety of factors, such as corporate history, its unique value chain, and its leadership. The firm's perspective on CSR influences how they formulate their corporate values, which CSR activities they initiate, and which organizations they cooperate with.

Therefore, a contribution of this paper is the *integration* of organizational values and CSR implementation. By looking at the two aspects together, we learn more than by separating them. From the data there appears to be a reinforcing effect – the companies' CSR driven values reinforce their CSR strategy and implementation, which again reinforces the values and so forth. It is the integration of the two research questions that have resulted in the three CSR perspectives.

The firm's CSR perspective affects the extent to which the companies see a direct linkage between their CSR strategy and added value to the company. This can be illustrated as a continuum, from seeing a clear and broad linkage between CSR and value, to seeing a more unclear and narrow linkage between CSR and value.

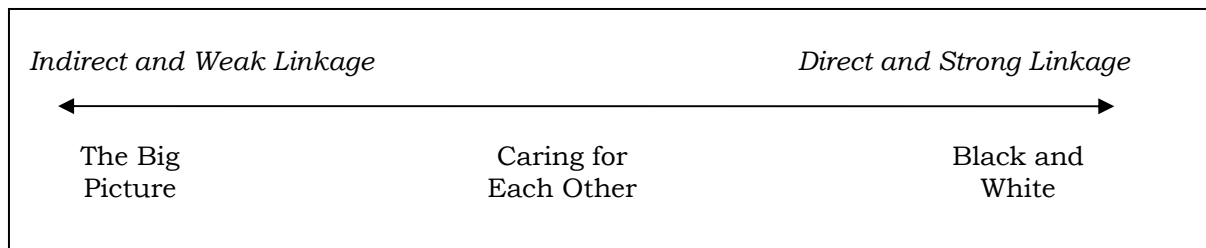


Figure 13: Continuum of Linkages to Value

This paper has found that corporate social responsibility does add value to the firm in other ways than financial, yet the degree of direct linkage between CSR and value varies depending on the firm's CSR perspective.

7.4 Implications for Companies

While some argue that the term CSR is a temporary phenomenon, the underlying principle – that the business of business is *more* than business – is not temporary; it is a lasting and important aspect of conducting business today. This paper has attempted investigate whether companies can do well by doing good, and whether the ways of implementing CSR influences what values they see.

The findings are that CSR does contribute to value in the company, beyond the bottom line. This finding could perhaps induce more firms to implement CSR strategies. However, the extents to which companies see their values as CSR driven vary according to what perspective they have on CSR.

Therefore, firms wanting to focus on CSR should decide on a perspective that suits the unique characteristics of the company, implement the CSR strategy fully, and be aware of both the value and risks that being socially responsible brings. Further, the company will experience more value by making sure there is a fit between their CSR strategy and their core business. The three case companies in this paper can be seen as pioneers in the Norwegian CSR arena, and other firms can learn from their successes and mistakes.

7.5 Directions of Future Research

Now that I have investigated successful CSR firms in order to find the organizational value driven by CSR, it would be useful to test whether the findings are found in firms without a CSR focus. For instance, one could examine Stormberg at one end of the scale, and one of Stormberg's close competitors, perhaps Bergans, without a publicised CSR strategy, at the other end of the scale. These two companies are in the same industry, with similar value chains and similar product development, making the differentiating effect of Stormberg's CSR strategy more visible and easier to isolate. However, when approaching companies without a clear CSR strategy, it seems they were unwilling to take part in this study as a case company. Yet, in conducting further research in this field, it would be interesting to pursue this type of research design – comparing two very similar firms, where the most notable difference is CSR.

The results found in this paper are based on three socially responsible companies. It would be interesting to see if the three CSR perspectives could be found in more companies, across industries and countries. Further, it would be interesting to investigate the reinforcing effect (that the companies' CSR driven values reinforce their CSR strategy and implementation, which again reinforces the values) which was observed in the three case companies.

In order to better make the case that corporate social responsibility adds value to the firm, it would be interesting to conduct research that could link the organizational values found in this paper, to financial values. The challenge is in quantifying and measuring such variables. Another interesting research aspect would be to fill the gap in the literature on ways of implementing CSR. It would be interesting to investigate further differences, and perhaps find an explanation for the connection between implementation and experienced values.

Future research in the area of CSR could support the main findings of this paper; that the four fundamental components of CSR are company values, CSR initiatives, organizational membership, and fit to core business; that CSR adds organizational value to the firm through operations, human resources, markets, reputation, and stakeholders; and most importantly, the integration, that the firm's CSR perspective influences the values they see and the extent to which they see a direct link between their CSR strategy and values created.

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Chapter 9: Appendices

Appendix 1: The Interview Guide

Del 1 - CSR generelt

1. Kjenner du uttrykket CSR (Corporate Social Responsibility)? Hva legger du i det?

(definisjon: Kort sagt er bedrifters samfunnsansvar et uttrykk for at bedrifter erkjenner et ansvar som strekker seg ut over grensene for egen virksomhet og egne økonomiske resultater.)

2. Hvordan uttøver din bedrift samfunnsansvar? Hvorfor?
3. Tror du det er fordeler eller ulemper for bedriften med hensyn på CSR?
 - a. Hva er fordelene?
 - b. Hva kan være de negative effektene (forventninger)?
4. Synes du bedrifter generelt har et samfunnsansvar?
 - a. Hvorfor?
 - b. På hvilke måter?
 - c. Er bedriften egnet til å ta på seg et slikt ansvar (i motsetning til frivillige organisasjoner)?
 - d. Hva er beste måte for bedriften å ta på seg et slikt ansvar?
5. Hva ser du som spesielt ved CSR i Norge?
6. Hvilken **verdi** tilfører en CSR-strategi bedriften?

Del 2 – Dimensjoner

Organisasjonsmessig

7. Hvordan vil du beskrive effektiviteten i bedriften? Synes du CSR påvirker effektiviteten – hvordan?
8. Synes du CSR bidrar til utvikling i bedriften – nye produkter, nye strategier etc.?
9. Hvem er de viktigste beslutningstakerne i bedriften? Hvem taes hensyn til ved beslutningene? (hvilke stakeholders, tar dere hensyn til hele verdikjeden)

HR

10. Hvordan er deres evne til å tiltrekke dere nye medarbeidere? Hvilke faktorer ved bedriften er viktig for nye medarbeidere? Hvorfor velger ansatte nettopp dere bedrift? Vektlegges deres CSR-strategi når nye medarbeidere søker jobb? Hva med sykefraværet?
11. Hvorfor blir ansatte værende i bedriften? Hvilke verdier i bedriften vektlegges av de ansatte?

12. Hva er bedriftens største kilder til motivasjon blant de ansatte?

Drift

13. Ser dere sammenheng mellom bedriftens verdier (CSR) – ansattes motivasjon – og kostnadsfordeler/produktivitet/innovasjon?

- a. Hva er de største produktivitetsdriverne?
- b. Hva driver kvaliteten?
- c. Hva driver innovasjon i bedriften? Hvorfor? (internt, eksternt)
- d. Hva har vært de største kostnadsinnovasjonene de siste årene?

14. Hvordan tilpasser dere den internasjonale trenden mot mer miljøvennlig drift? Hva er fordelene/ulempene ved dette?

Markedet

15. Har deres CSR strategi påvirkning på hvilke markeder dere er aktive i? Nye markeder?

16. Ser dere fordeler/ulempene ved å ha en innarbeidet CSR strategi når det gjelder adgang til kapitalmarkeder? Socially Responsible Investing?

Kunder

17. Tror du deres CSR strategi vektlegges av kunder? At det er en medvirkende grunn til at de velger deres produkter?

18. Ser dere sammenheng mellom CSR/samfunnsansvar og kundelojalitet?

19. Ser dere et økt kundesegment som fokuserer på deres samfunnsansvar? Trend?

PR/Renommé

20. Hvordan vil du beskrive bedriftens renommé/omdømme?

- a. Hvilke faktorer påvirker bedriftens renommé?
- b. Ser dere sammenheng mellom deres samfunnsansvar – nye kunder/kundelojalitet – og økt salg?

21. Hvordan utformerer dere markedsføringskampanjer? Hva vektlegges? Hvorfor?

22. Ville dere fortsatt deres samfunnsansvar dersom ingen visste om det – det ikke ble publisert?

Del 3 - Avslutningsvis

23. Kan en bedrift i dag overleve uten en klar CSR strategi? Hvorfor/hvorfor ikke?

24. Er det faktorer eller dimensjoner når det gjelder organisasjonsmessig verdi av CSR jeg ikke har vært borti som du synes er viktige?

Appendix 2: Letter to Potential Case Companies

Til FIRMA ved ADMINISTRERENDE DIREKTØR,

Mitt navn er Janicke Falkenberg og jeg fullfører nå mastergraden ved NHH. I den forbindelse holder jeg på å skrive masterutredning innenfor fagområdet strategi med hovedfokus på bedrifters samfunnsansvar, CSR (Corporate Social Responsibility).

Jeg tar kontakt med deg fordi jeg synes FIRMA kunne vært en interessant bedrift å undersøke i forbindelse med utredningen. Det jeg er spesielt interessert i er å undersøke om og hvordan CSR bidrar til verdi i bedriften. Noen mener at arbeidet med CSR først og fremst bidrar til at bedriften fremstår i et mer positivt lys uten at reelle verdier or resultater skapes for bedriften. Andre mener at CSR på lang sikt bidrar til bedre resultater, delvis basert på de verdiene slikt arbeid kan skape internt i bedriften. Jeg vil spesielt fokusere på organisatoriske verdier som: rekruttering av motiverte ansatte, økt effektivitet, reduserte produksjonskostnader, forbedret merkevare og renommé, økt salg og kundelojalitet osv. Hensikten er å avdekke om et bevisst arbeide med en CSR-strategi kaster av seg ved å skape verdier internt i organisasjonen.

Jeg håper det vil være interessant for dere å være caseobjekt for utredningen min (vennligst se vedlagt dokument). Dersom dere er åpen for denne muligheten, vil det innebære at jeg samler informasjon om dere gjennom intervjuer, årsrapporter og annen relevant litteratur dere har tilgjengelig. Gjennom intervjuene håper jeg å kunne avdekke om og hvordan en CSR-strategi kan bidra til verdiskapning og potensielt et konkurransefortinn. Det er naturligvis muligheter for anonymitet i utredningen.

Dersom dere ønsker at jeg skal undersøke hvilken verdiskapende effekt deres CSR-strategi har, må dere gjerne ta kontakt. Jeg tar kontakt per telefon innen en uke dersom jeg ikke har hørt fra dere. Dersom det er en annen i bedriften med ansvar for deres samfunnsengasjement eller CSR-strategi, ville jeg satt stor pris på om du kunne henvendt meg videre.

På forhånd takk - jeg ser frem til å høre fra dere!

Med vennlig hilsen,
Janicke Falkenberg

Appendix 3: Table for Analysis

	The Body Shop	Stormberg	Friele
Company Values	<ol style="list-style-type: none"> 1. Against animal testing 2. Support Community Trade 3. Activate Self Esteem 4. Defend Human Rights 5. Protect our Planet 	<ol style="list-style-type: none"> 1. Environment 2. Safety 3. Human Rights 4. Inclusive Workplace 5. Humanitarian Causes 	<ol style="list-style-type: none"> 1. Respect for Human Rights 2. Conditions at the Workplace 3. Health, Environment and Safety 4. Implementation and Controls
CSR Initiatives	<ul style="list-style-type: none"> - Active and proactive participation in CSR debate - Entire value chain - Conducting business in and ethical and correct way - IEH - Focus on suppliers, just payments and no slave labor - Own type of fair-trade models - Transparency - Engaging stakeholders - Values Report - Community trade - The Body Shop Foundation - CSR is everything to TBS 	<ul style="list-style-type: none"> - Active participation in CSR debate - Entire value chain - Right clothes at right price - 5% of annual profits for charities - SOS Children's Villages - Crisis Centres - Environment - Inclusive workplace - Europe in Focus - Way Back - Ethical Trade - Conditions in China - IEH 	<ul style="list-style-type: none"> - Active participation in CSR debate - Initiative for traceability studies - CSR Board - IEH - Norwegian Church Aid - Utz Kapeh - Educational Center - Max havelaar - CSR as part of quality
Benefits and drawbacks of CSR	<p>Benefits:</p> <ul style="list-style-type: none"> - Unidirectional ethical profile - Job applicants <p>Drawbacks:</p> <ul style="list-style-type: none"> - High expectations - Pedestal: time consuming - Media attention - Attention to details 	<p>Benefits:</p> <ul style="list-style-type: none"> - Value creating factors: Working environment, finding good employees, exciting, diverse and loyal culture - Employee satisfaction - Positive for reputation <p>Drawbacks:</p> <ul style="list-style-type: none"> - High expectations - Cannot always be met 	<p>Benefits:</p> <ul style="list-style-type: none"> - CSR is part of their vision - Strong sense of awareness, north-south issues - Structured way of handling responsibilities <p>Drawbacks:</p> <ul style="list-style-type: none"> - High expectations – easier to criticize - Media focus
Do all companies have social responsib?	<ul style="list-style-type: none"> - Yes - MNCs can have more power than government, must be active in process towards change - More than a PR stunt - Financial situation must not change CSR strategy (sunscreen) - Responsibility to fight corruption 	<ul style="list-style-type: none"> - Yes - All dependent on well functioning society - Drop in the sea can help change - Business is well suited, but limits - Organizations for some problems - Partner with orgs. 	<ul style="list-style-type: none"> - Yes - Responsibility for their communities - Natural part of social cluster - Natural responsibility - Emphasize first steps in value chain - Local responsibility - Responsibility to behave as a good community institution

CSR in Norway	<ul style="list-style-type: none"> - Need for CSR - Taut labor market – CSR is a strength in recruiting 	<ul style="list-style-type: none"> - CSR in Norway, less tradition for it - Strong public sector - Few CSR driven companies 	<ul style="list-style-type: none"> - Lagged behind other nations - CSR behind the scenes, not formalized - CSR in Norway – somewhat shallow - Limited knowledge
Value of CSR	<ul style="list-style-type: none"> - Valuable - Make quality products - Motivated employees - Little sick leave 	<ul style="list-style-type: none"> - Strong organizational culture - Community pride - Little sick leave - Supply of applicants 	<ul style="list-style-type: none"> - Not analyzed separately, part of quality dimension - Value of CSR to consumers, coffee drinkers
Dimensions from the Model <i>Organizational</i>	<ul style="list-style-type: none"> - Efficiency: little sick leave - Employees enjoy their work - CSR guides development of products 	<ul style="list-style-type: none"> - Efficiency: influenced by CSR - Employee satisfaction, responsibility and loyalty - Democratic decision making (time consuming) - Development of products - Brand value - Conditions in China 	<ul style="list-style-type: none"> - No direct correlation between CSR and efficiency - Difficult to isolate - Motivated employees, due to proper company - Low turnover - Low sick leave - Efficiency reduced if lack of CSR - CSR contributes to development of firm, regulated decision making - Certified coffee
<i>Human Resources</i>	<ul style="list-style-type: none"> - Steady stream of applicants - Emphasize importance of CSR - Strained job market - High rate of employee retention - Motivated and loyal staff - Experienced - Motivation is high, internal recruitment - Put up with more - Low turnover 	<ul style="list-style-type: none"> - Steady stream of applicants - Diverse labour force - Growth is important motivator - Retention because of satisfaction - Low sick leave - Motivation: growth, CSR, happy - Daring and innovation 	<ul style="list-style-type: none"> - Difficult to isolate - Friele’s profile, numerous dimensions, one is CSR - Recruiting and retaining because proper member of society - CSR not as important as students and journalists believe
<i>Operations</i>	<ul style="list-style-type: none"> - Cost advantages in long term - More costly in short term - CSR driven innovation - CSR drives focus on quality 	<ul style="list-style-type: none"> - CSR driven innovation - China – cost advantages - Motivation and satisfaction leads to more efficiency 	<ul style="list-style-type: none"> - No direct correlation between CSR and costs, innovation or productivity - Productivity factors: spirit, drive, leadership, ownership
<i>Markets</i>	<ul style="list-style-type: none"> - Direct correlation between CSR and active markets - Which to sell in, which to source from - Believe there is increased access to capital markets, popularity of SRI 	<ul style="list-style-type: none"> - Norway is only market - CSR influences how they act, not which markets - Believe there is advantages in capital markets 	<ul style="list-style-type: none"> - CSR does not influence which markets active in (expl. National vs international companies) - No benefits or drawbacks when accessing capital markets – must behave well

<i>Customers</i>	<ul style="list-style-type: none"> - Little correlation between CSR and customer loyalty - Small, critical loyal group - High awareness of CSR, little relevance in purchasing decision - Exception: gift giving occasions 	<ul style="list-style-type: none"> - Little correlation between CSR and customer loyalty - Small group chose because of CSR - Consumers feel community spirit important, but not relevant to purchase - Right product, right price 	<ul style="list-style-type: none"> - Customers: grocery chains – meet consumers needs/demands - Consumers emphasize brand, not CSR - But CSR part of brand - Some focus on fair trade - Example: same sales when negative media - Consumers are two-sided, reveal social importance when asked, not when buying - Trend: everyday luxury
<i>PR/Reputation</i>	<ul style="list-style-type: none"> - Not pay for advertising positive media - CSR influences reputation - CSR not in campaigns - Beauty before Guatemala 	<ul style="list-style-type: none"> - CSR not part of marketing campaigns - Reputation helped by media, due to CSR (especially inclusive, non traditional employees) 	<ul style="list-style-type: none"> - Never use CSR in marketing - Focus in marketing is quality - Friele’s reputation suffered with media attack, but handling of crisis has improved it
<i>Surviving without CSR</i>	<ul style="list-style-type: none"> - Yes, companies can - Can keep things hidden from consumers - Difficult to be an ethical consumer - Can do better with CSR 		<ul style="list-style-type: none"> - CSR not necessary, can use common sense - Suggests being confronted with issues, make informed decisions - Firms have obligations to consumers, society to be ethical
<i>Other</i>			<ul style="list-style-type: none"> - Every firm needs an eye opener - CSR is a process - Brand building tools are same as CSR tools - Clarification of terms - Education - CSR