

Master thesis within the major profile of International Business  
Thesis supervisor: Professor Knut Johannessen Ims

# A DEMAND FOR GENUINE CSR

## A CASE STUDY OF TWO SCANDINAVIAN COMPANIES

By  
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"This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Neither the institution, the advisor, nor the sensors are - through the approval of this thesis - responsible for neither the theories and methods used, nor results and conclusions drawn in this work."

## **Abstract**

This study aims to shed new light on Corporate Social Responsibility (CSR) by developing tools and concepts that can be fruitful in analysing a company's CSR practice by distinguishing between different dimensions of CSR. Of particular interest is the distinction between instrumental and genuine CSR. Four dichotomous concepts, or dimensions, will be identified: weak - strong, strategic - genuine, narrow - broad and PR profile - No PR profile. In order to demonstrate the practical relevance of these concepts, they will be applied to two illustrative cases; TrygVesta and Rieber & Søn. The CSR practice of these two cases will be analysed and evaluated in relation to the four dimensions. However, the tools and concepts developed in this study are also applicable on a general level and may be fruitful for other companies that wish to evaluate or improve their CSR practices.

## **Foreword**

I have always been of the opinion that corporations have a responsibility to behave decently and to care for the environment and community in which they operate. However, a serious interest in CSR was aroused during a Master's course at NHH in spring 2009. Already then, I decided to write my Master's degree thesis on this important topic.

The decision to do a case study on two Scandinavian companies was taken partly based on a suggestion from a friend who works in one of the companies and partly in cooperation with my supervisor. I would therefore like to thank my friend Ann-Sophie Daryapeyma for helping me to establish contact with TrygVesta. I also wish to thank the two case companies in particular, TrygVesta and Rieber & Søn, for their valuable time and cooperation. Without their assistance this study would not have been possible.

Last but not least, I would like to thank my supervisor, Knut Johannessen Ims, for his constructive advice, support and encouragement during the process. Thanks also to Elisabeth Fossum for her assistance in proofreading my work. It has been of great help.

Bergen, 8 June 2010

Malin Austrheim Dahle

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# 1. INTRODUCTION

A 2005 poll revealed that eighty-one per cent of executives view corporate social responsibility as vital to their business (Blowfield and Murray, 2008). The high number is an indication of the status that the concept of Corporate Social Responsibility (CSR) has gained in modern business. CSR has become the new trend. In order to be considered a legitimate player, acting as a good corporate citizen has become a necessity for most companies – not least for large multinational corporations. Furthermore, the poll indicates that executives recognise the significant economic benefits their corporations can reap by engaging in CSR.

CSR can briefly be explained as a company's efforts to take account of the society and environment in which it operates by reducing its negative impact and strengthening its positive impact. CSR is generally thought of as a concept that combines a business perspective with a social one. It is also a complex concept, including a variety of issues and activities with different levels of involvement and control. For some companies, engaging in CSR has become a competitive factor and many see it as a way of marketing themselves as good corporate citizens. Parts of the textbook literature see CSR as a management tool – a tool that can be used to promote the interests of the corporation.

The increased focus on the social responsibilities of business can partly be explained by demands from different groups in society. Customers, authorities, civil society, and NGO's expect business to acknowledge its responsibilities and actively work to respond to society's challenges. Expectations have been raised largely due to the vast socio-economic changes that have taken place over the last couple of decades. Most importantly, the power of business has increased dramatically. Modern corporations possess large resources, in terms of financial and physical assets, human expertise and knowledge. Modern world economy is dominated by large multinational corporations that on an aggregated level possess vast economic power. According to Velasquez, of the worlds' 190 nations, few have government revenues larger than the sales revenues of any of these corporations. In the USA, about 100 large corporations make up about 50% of the total industrial profit (Velasquez, 2006: 13). Globalisation of the world's economic and financial markets has been a driving force for the increased power of multinational corporations. However, globalisation has not only affected large corporations; even small companies seek new markets abroad, in terms of labour, customers and suppliers. The entire supply chain has been globalised. At the same time globalisation has put new

social, environmental, cultural and economic challenges on the agenda, resulting in a society that is far more complex than it was only twenty years ago. The World Bank claims that globalization has led to increased inequalities both within and between nations (Velasquez, 2006: 18).

To emphasise the importance of balancing corporate power with increased responsibilities, I want to conduct a case study of CSR. I have selected two Scandinavian companies as illustrative cases, TrygVesta and Rieber & Søn. Since CSR above all is a practical concept – dealing with the behaviour of corporations – I believe that new knowledge of and insight into CSR best can be gained by studying real-life cases. TrygVesta and Rieber & Søn are both companies that acknowledge their responsibility as corporate citizens. In Chapter four - on method - I argue further for the selection of the cases for my study.

I have chosen a Scandinavian approach to my study partly because CSR is not a homogeneous field. In a global perspective, there are great variations in terms of practices, research and regulation. According to Crane and Matten (2007), there are noticeable differences in approach between Europe, the USA and Asia, which can be explained by variations in cultural and historical context. A primary difference between Europe and the USA relates to the degree of regulation and the role of the state. The American approach is influenced by its individualistic culture and a strong belief in the free market. Hence, a great deal of responsibility is placed upon the individual and the corporation. American business practice and CSR are therefore to a large extent based on voluntary efforts and ethical code. In Europe, the collectivistic spirit is stronger and the state plays a far greater role – also in the field of business ethics and CSR. This can be seen from the vast network of regulations covering many issues relating to business ethics. In other words, European CSR in general and Scandinavian business practice in particular has been institutionalised. However, variations do not only exist on a global scale; there are also differences in Europe. Although institutionalisation of CSR is common in Europe, it takes different forms. Crane and Matten (2007) refer to the strong position of the trade unions in France and the welfare state in Scandinavia as examples. Because of the heterogeneity of the CSR domain, I considered it fruitful to narrow the scope from a global to a more national and local approach. Scandinavian countries share many similarities in culture and social structure and they all have a particularly strong reliance on state regulation through the complex systems of the welfare state. A Scandinavian approach will therefore ensure a more homogeneous context for the



study. This in turn may strengthen its practical relevance and applicability. Moreover, as part of the Scandinavian culture, I have a deeper understanding of this context than I have of a global or a European context. However, when studying one's own context, one must be aware of the risk of overlooking important aspects of that culture. It is a trade-off between understanding either from the outside or from the inside. My choice is clear. Since I am a Norwegian, I choose Scandinavian companies in order to be able to understand business managers' mindset, culture and actions in an appropriate manner.

## **1.1 Research question**

Much emphasis in the literature has been placed on the positive benefits of CSR for business. This focus has to some extent overshadowed the genuine aspect of CSR and the importance of promoting the good for good's own sake. In my view, creating benefits for society through CSR should be seen as an end in itself, not as a means for companies to increase their profits. An instrumental use of CSR has considerable down-sides. Managers who place more emphasis on the business perspective with a slight inclination to think that the business of business is business, risk misinterpreting and underestimating the needs and interests of society. Moreover, a CSR approach that is not based on a genuine wish to promote the common good runs the risk of being revealed as hypocrisy. My study therefore aims to put genuine CSR on the agenda.

The main purpose of the study is to develop new tools that can be used in a general and comparative perspective to illuminate different aspects of the CSR concept. In particular, I want to draw attention to the important distinction between genuine and instrumental CSR. In order to illustrate the practical relevance of the tools, I will apply them on two real-life cases, TrygVesta and Rieber & Søn. Through my analysis, I seek to answer the following question:

*(1) Which concepts and tools can be fruitful to differentiate between various aspects of CSR and between genuine and instrumental CSR in particular?*

*(2) How can the CSR practice of the two selected cases be characterised?*

Of particular interest is the degree of genuineness in a company's CSR approach. Therefore, as a third question I would like to investigate:

*(3) How genuine are the two cases in their approach to CSR?*

Hopefully, my study will not only provide new insight into the CSR domain, but also contribute to increasing awareness of genuine CSR and inspire companies to take a genuine approach to their social commitment. I also hope that the new framework will be fruitful for those companies that want to evaluate and improve their CSR practices.

The study will start with a presentation of relevant literature on CSR, followed by a frame of reference that includes the tools that will be applied in my analysis. Chapter four will provide a brief discussion on case study as a methodological choice. The two cases will be presented in Chapter five, while Chapter six provides an analysis of the cases in relation to the frame of reference. Finally, the main findings of the study with recommendations for the two cases will be summarised in Chapter seven, and suggestions for future research will be presented in Chapter eight.

## **1.2 Limitations**

This study represents a multiple approach to CSR. It has methodological purposes as well as purposes of insight. In some sense, the study may be seen as a holistic approach, seeking to gain an understanding of the two companies' overall CSR performance. However, some limitations are needed. The focus will be on describing the companies' own thoughts on CSR, their main activities and the organization of CSR. To obtain this information, I considered it sufficient to conduct interviews with those responsible for CSR in the two companies.

Conducting more interviews with people in different parts of the organisation could have provided useful perspectives on aspects such as CSR implementation and employee involvement. Using the method of triangulation, for example by interviewing beneficiaries and stakeholders in addition to representatives from the companies, would have provided different perspectives on the company's CSR and might have been useful in order to evaluate the success of the company's CSR. More information, for example about important measurement aspects of CSR such as budget figures and the comparison of these figures with achieved effects in real life, could also have made the study more comprehensive. Such additional approaches should be investigated in future research, which I will come back to at the end of this thesis.

## **2. LITERATURE REVIEW**

This chapter will present some of the main thoughts within the literature on Corporate Social Responsibility (CSR) and will provide a basis for the frame of reference in the next chapter. A particular focus is given to the two main arguments for CSR – the moral argument and the business argument, which is important in order to understand the development of CSR and its status within business management.

The chapter has two main parts; the first part will start with a description of CSR; definition, historical background and content, followed by a presentation of some of the main arguments for and against CSR. In the second part, I will present some ethical perspectives that may shed new light on the concept of CSR.

### **2.1 Definition of CSR**

There are numerous definitions of CSR in the literature. Most of them suggest that CSR implies something more than merely abiding by the law and maximising profit to owners. McWilliams, Siegal and Wright provide the following definition of CSR: “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (Pettigrew, 2009:12).

Furthermore, there is a focus on the relationship between business and society. Terms such as CSR, corporate sustainability, corporate citizenship, triple bottom line and socially responsible behaviour are all used to describe this relationship (Perrini, Pogutz and Tencati, 2006). Sustainability is an important aspect of CSR, emphasised by Perrini et al. (2006). According to AccountAbility, sustainability refers to: “the capability of an organization to continue its activities over time while taking into account the impact of these activities on natural, social and human capitals” (Perrini et al., 2006: 25). By integrating social and environmental concerns into business through CSR practices, companies contribute to sustainable development. In other words; a sustainable company is a responsible company (Perrini et al., 2006).

Other definitions emphasise the social and environmental impact of business and the importance of stakeholder management (see section 2.6). The 2001 Green Paper of the

European Commission “Promoting a European Framework for Corporate Social Responsibility” defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Bouckaert, 2006: 200). Moreover, the Green Paper definition consists of three main principles:

1. The need to integrate the economic, social and environmental impact in all business operations to create sustainable economic growth
2. A focus on stakeholder management and manager’s accountability to all the stakeholders
3. A commitment to go over and above explicit legal requirements to respect the implicit social contract between business and society so that the firm’s license to operate goes with social responsibility to create sustainable value for all its stakeholders (Bouckaert, 2006: 200).

## **2.2 Historical background**

CSR is not a new phenomenon, although its status as an academic field was confirmed as late as in the 1950s (Vurro, 2006). However, society’s expectations towards corporations have changed over the years, as have companies’ own motivations for taking on social responsibilities. According to Carson and Kosberg (2003), the most noticeable difference between today’s perspective on CSR and that of the 1970s relates to the degree of voluntariness. What used to be considered charity and voluntary efforts is today often considered a necessity (Carson and Kosberg, 2003).

In the 1950s and 1960s, the corporation’s moral responsibility was primarily directed at the local society and philanthropy and charity was in focus (Carson and Kosberg, 2003). From the 1970s, movements such as consumerism, environmentalism, feminism and anti-racism combined with society’s increased welfare led to a greater focus on issues such as environmental protection, consumer safety and minority- and civil rights (Vallance, 1995). Furthermore, the political shift to the right that occurred throughout Europe in the 1980s reduced state intervention in business life, and therefore strengthened expectations of the business sector to take more responsibility for society. The yuppie culture and the various business scandals that followed in its wake generated new pressure from different parts of society for businesses to behave more responsibly. With the introduction of the European

single market in 1992, common standards were introduced in areas such as working practices and the environment that applied to all companies throughout the European Community (Vallance, 1995).

From the late 1990s, the idea of corporate responsibility has gained new force. The increased power of business, both in terms of economic resources, knowledge and technology has raised expectations that this power be balanced with increased responsibility. Several authors, among them Velasquez (2006), emphasise the effect of globalisation on CSR as this to a large extent has shifted power away from national governments towards business. Decent working conditions, child labour, corruption and economic development are some of the new issues that have emerged in the wake of globalisation (Velasquez, 2006).

## **2.3 The content of CSR**

The Austrian-American writer and professor of management Peter Drucker distinguished between two types of social responsibilities: those relating to the social impacts of business or what business does TO society, and those relating to social problems or what business can do FOR society (Smith, 2009). Nyeng (2007) makes the same distinction. He sees a clear difference between not causing harm to society versus doing something good for society. As he puts it: “Social responsibility is responsibility for society and not only for keeping business clean” (Nyeng, 2007:171).

### **2.3.1 The components of CSR**

Archie Carroll (1998) introduced a four-part definition of CSR embracing all responsibilities of a corporation. According to his definition:

“Total Corporate Social Responsibility = Economic Responsibility + Legal Responsibility + Ethical Responsibility + Discretionary (philanthropic) Responsibility” (Carroll, 1998: 141).

All these components are seen as vital to the concept of CSR. Corporations have an *economic responsibility* to create profit. Although this may seem to be in conflict with social responsibility, profit making is an essential part of a free economy (Carroll, 1998). Some of the corporations’ economic responsibilities include providing a reasonable return to shareholders, fair pay to employees and good quality products at a fair price to customers.

Next, business has a *legal responsibility* to play by the rules of the game. In other words, business is responsible for complying with the laws and regulations set by the authorities. Such laws include environmental laws, consumer laws and employee laws (Carroll, 1998). Furthermore, business has obligations that go beyond its economic and legal responsibilities. Companies have an *ethical responsibility* to behave decently and to do what is right, just and fair, even when not obliged by the legal framework to do so (Matten and Moon, 2005). The ethical responsibilities embrace those activities and behaviours that are expected – or prohibited – by social norms, standards or behavioural expectations, even if they are not codified in law. *Discretionary or philanthropic responsibilities* include behaviour that goes beyond economic and legal requirements and ethical expectations. The difference between ethical and discretionary responsibility relates to the strength of societal expectations; while ethical responsibility is *expected*, discretionary responsibility is only *desired* by society. Discretionary responsibility includes a great variety of issues, such as donations to charity, community/education programmes and employee volunteerism (Carroll, 1998). Matten and Moon mention sponsoring of art/sports events and support for local schools as other examples of discretionary responsibilities (Matten and Moon, 2005: 339).

### **2.3.2 Types of CSR activities**

Bhattacharya & Sen point out seven broad domains within which companies undertake CSR activities: (1) Community (e.g. charitable giving, volunteer programs), (2) Diversity (e.g. gay/lesbian policies), (3) Employee relations (e.g. health and safety, retirement benefits), (4) Environment (e.g. clean energy, recycling), (5) Corporate Governance (e.g. compensation, ownership, transparency), (6) Product (e.g. quality, safety), (7) Human rights (e.g. labour rights, relations with indigenous people) (Bhattacharya and Sen, 2009: 357).

### **2.3.3 CSR versus business ethics**

CSR is sometimes confused with business ethics. CSR is, however, not necessarily equivalent to business ethics. Velasquez (2006:12) sees business ethics simply as the application of moral standards and ethical theories in the business sector. Moral standards can be defined as “the norms about the kinds of actions believed to be morally right and wrong as well as the values placed on the kinds of objects believed to be morally good and morally bad” such as “honesty is good” or “injustice is bad” (Velasquez, 2006:9). According to Nyeng (2007), business ethics is about what we can

accept as relevant measures for value creation, about promoting freedom, value and welfare through fair and just business. CSR, on the other hand, is about generating additional value for society; it includes efforts that go beyond fair and just business behaviour to promote social and environmental welfare. Vallance (1995) sees business ethics as a tool to help managers to make difficult choices. It involves a set of values that should be the basis for a company's decision making. Business is all about making priorities, and ethics is helpful in making such priorities. Without ethics, the company has no direction (Vallance, 1995).

### **2.3.4 Genuine versus instrumental ethics**

A distinction between genuine and instrumental ethics is made by Bouckaert (2006) in his theory on the paradox of ethics management. He argues that if ethics is used as an instrument for managers to promote the interest of the company, this will create new opportunities for companies to behave opportunistically. As soon as companies have an economic incentive to behave ethically, genuine moral feelings will be crowded out. The paradox of ethics management will be discussed in more detail in Chapter 3.

Other voices, such as Rossouw (2006), argue against the paradox that business ethics has to deal with both the self-interest of business and the interest of others. Ethical behaviour is not merely altruistic behaviour, but a balance of doing what is good for oneself and what is good for others. Not taking account of business' self-interest will result in unrealistic moral demands on business. Rossouw finds the ethics management paradox problematic because of the difficulties in tracing the underlying motives of companies. The motives for people's behaviour are often subconscious and therefore difficult to access, even for themselves. Finally, he questions whether actions can only be considered moral if based on a genuine moral motivation. Rossouw argues that actions that promote one's own well-being should not be excluded from the ethical domain (Rossouw, 2006).

## **2.4 Arguments for CSR**

The interrelationship between business and society is often used as an argument by proponents of CSR. Successful companies need a healthy society. Social welfare benefits such as education and health care are basic requirements for a productive workforce; safe products and working conditions not only attract customers and employees, but also lower the

company's internal costs (Porter and Kramer, 2006). As Porter and Kramer (2006) argue, a company that pursues its ends at the expense of society will only enjoy temporary success. Ultimately, a healthy society creates more demand for business as welfare increases and more human needs are met. At the same time, a healthy society requires successful companies. The business sector creates jobs, wealth and innovation; it improves the standards of living and social conditions and generates income to the state (Porter and Kramer, 2006).

Porter and Kramer (2006) identify four other commonly used arguments for CSR: moral obligation, sustainability, license to operate and reputation. The first argument implies that a company has a moral duty to act as good citizens. Second, the sustainability argument emphasises the importance of avoiding business activities that harm society or the environment. Third, the notion of license to operate implies that a company's existence is dependent on the approval of authorities, communities and other stakeholders. This argument is related to the stakeholder view; for the company to maintain its license to operate, it needs to take care of its stakeholders and maintain a constructive dialogue with them. Finally, the reputation argument refers to a company's image, and the belief that engaging in CSR will improve this image or strengthen a company's brand name. Companies in stigmatised industries may pursue CSR initiatives in order to divert attention away from their more "shady" activities, and to prevent public criticism in the event of a crisis. The risk is that CSR is reduced to a matter of public relations (Porter and Kramer, 2006).

In the following, I will go deeper into two of the main arguments for CSR: the moral argument and the business argument, which can be seen as an extended version of the reputation argument. First, however, it is necessary to present a brief account of an important discussion within CSR and business ethics: can a corporation be held morally responsible for its actions?

#### **2.4.1 The moral status of the corporation**

A key question within business ethics and CSR is whether moral notions such as responsibility and obligations can be applied to corporations, or whether individuals are the only real moral agents. There are two main answers to this question:

- (1) An organisation can be held morally responsible because, as for human beings, their actions are based on intentions to reach certain objectives.



- (2) Organisations cannot be held morally responsible or have moral duties. Organisations are like machines, where its members must conform to formal rules that are morally irrelevant (Velasquez, 2006, particularly pp 15-16).

The problem with the first answer is that organisations differ from human beings in morally important ways and can only act through individuals (Velasquez, 2006). According to Vallance (1995), decisions are made and carried out by individuals; viewing the corporation as a moral agent may therefore encourage personal irresponsibility. The problem with the second view is that members of an organisation are people and not robots who follow any rule blindly. As human beings, they are free to choose whether they want to follow rules that go against their moral standards (Velasquez, 2006).

A main problem in discussing the moral status of an organisation is that our moral categories are designed to deal with human beings; individuals who feel and think, and who act on the basis of their emotions and reflections. Organisations are not human beings and do not possess human qualities, and hence, the same moral categories cannot be applied to them (Velasquez, 2006). However, corporate decisions are made by individuals who act in corporate capacity (Vallance, 1995). Ims (2006, particularly pp 220 - 222) argues that each individual has a personal responsibility, which implies showing consideration for other people and the moral community of which one is a member. This also involves a critical reflection of the limits of one's professional role in relation to common morality. Although an individual's professional role gives him/her a set of rights and duties, this does not give the role-taker an excuse to act against the common morality. An employee cannot therefore reject his/her personal responsibility by reducing it to a professional role or a task. Velasquez (2006) takes a similar approach when arguing that individuals are the primary carriers of moral responsibility. Hence, only if we realise that organisations are made up of human individuals who have moral duties to act on behalf of the organisation, and who can be held responsible for their actions, we can say that an organisation has moral responsibilities (Velasquez, 2006).

#### **2.4.2 The moral argument for CSR**

Velasquez (2006) argues that because ethics govern all human activities and behaviour, business, as a human activity, should also be governed by ethics. Furthermore, ethics is the foundation for a stable society, which is required to carry out business. A society without ethics would create "a war of every man against every man" according to Hobbes (Velasquez,

2006: 38). As business cannot survive without ethics, it is in business' self-interest to adhere to and promote ethical behaviour.

Proponents of CSR also argue that the increased power of business should entail increased responsibility (Carson and Kosberg, 2003). Corporations have increased tremendously in size since the 1970s, and many of the world's largest corporations today have a budget larger than the GDP of some poor countries<sup>1</sup>. According to Korten, globalisation has shifted power away from governments towards an elite of corporations and financial institutions driven by other goals than increased welfare for all (Zsolnai, 2002). Moreover, these corporations are not democratic institutions (Marsden, 2006). Because modern businesses have become so powerful and possess such large resources, many will claim that they have a moral responsibility to take both social and environmental concerns into account.

Finally, modern society has become much more complex and its challenges are of such an increasingly global nature that the government cannot be expected to meet these challenges alone. Peter Drucker argues in his discussion on CSR: “[Managers] command the resources of society. But they also command the competence. It is, therefore, only logical that they are expected to take the leadership role and take responsibility for major social problems and major social issues” (Smith, 2009:367). Like other proponents of CSR, Drucker saw the government as incapable of taking the entire responsibility for the common good. Marsden (2006) argues that the unrealistic assumptions of economic theory and the experience of market failures show that social welfare cannot be achieved merely by the private pursuit of self-interest. Furthermore, he claims that governments today lack the ability to effectively regulate for the public interest and to adequately tax and regulate large companies. In fact, a vast majority of countries have little or no regulation of the business sector. Marsden (2006) further refers to the fact that many of today's most pressing social and environmental issues are of a global nature and therefore need to be dealt with globally. The lack of an effective global government system calls for corporations – and multinational corporations in particular – to actively address these issues (Marsden, 2006). Globalisation has led Western companies to move their operations abroad, often to less developed countries. Velasquez (2006) argues that this causes a race to the bottom, where multinational companies are free to relocate to countries with cheaper labour and more lenient laws. In turn, this will lead to a decline in

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<sup>1</sup> Ivar Kolstad: CSR in national and international contexts, NHH 20 January 2009.

labour, environmental and wage standards. There are therefore important moral issues relating to globalisation and to multinationals operating in other countries.

Zsolnai (2002) supports these moral arguments for CSR by claiming that the conventional justification for profit-making is no longer valid because of the environmental damage and human deprivation caused by modern business. He calls for an ethical and social justification of profit-making and a new business practice based on responsibility.

### **2.4.3 The business argument for CSR**

Several authors have underlined the financial benefits of CSR to the company, arguing that taking responsibility for society pays off and therefore is in a company's self-interest. Some even see CSR as a requirement for a company to remain competitive. Bouckaert argues that CSR has become a "necessary condition to remaining a trustworthy company for investors, for highly skilled and competent employees, for potential partners in a joint venture and so on. It is part of good reputation and communication" (Bouckaert, 2006: 201). Several studies show a positive correlation between CSR and profitability, while no studies so far have found a negative relationship (Velasquez, 2006).

Much of the literature focuses on the positive effect of CSR on a company's reputation. A survey conducted by McKinsey & Company suggests that companies engage in CSR largely because they believe that such activities will result in favourable responses from important stakeholder groups (Bhattacharya and Sen, 2009).

CSR may improve a company's reputation among its employees and affect the retention and motivation of employees. Several authors find support for the hypothesis that CSR can have a positive impact on a company's attractiveness as an employer (Perrini et al., 2006). Results from a survey conducted by Kotler and Lee in 2001 show that employees working in companies with CSR programmes were more likely to say they were proud of their company than employees in companies not engaging in CSR. The same survey revealed that 48% of respondents emphasised a company's social commitment when deciding to work for a company (Perrini et al., 2006: 76). Velasquez (2006) argues that employees who consider their company to be fair and just will exhibit lower absence rates, lower employee turnover, higher productivity, and even demand lower wages. Furthermore, research shows that monetary incentives risk undermining the intrinsic motivation of people (Zsolnai, 2003). An

implication of this is that intrinsic moral motivation is likely to provide a stronger basis for people's behaviour than economic motivation. Employees may be more motivated by having a meaningful job in which they feel they contribute to the welfare of others, than by a job that offers a high salary but has weak ethical standards.

Perrini et al. (2006) particularly emphasise the impact of CSR on a company's reputation among its customers. Committing to a socially responsible behaviour may affect trust and brand loyalty and create long-lasting relationships with consumers that ultimately increases brand value. In addition, CSR may have a positive effect on consumers' willingness to pay a premium price (Perrini et al., 2006). Velasquez (2006) argues that customers will reward ethical companies with loyalty and commitment and turn against companies that behave unethically (Velasquez, 2006). The effect on customers is also emphasised by Bhattacharya and Sen (2009). They refer to a study from 2007 that showed that 87% of American consumers are likely to switch from one brand to another if the other brand is associated with a good cause. In 1993, the number was 66% (Bhattacharya and Sen, 2009:355). Their research suggests that CSR can be a means to create deep and meaningful connections with customers. They argue that "a firm's CSR activities can create immense value for its customers, yielding enviable long-term returns to the company as well as benefits to society at large" (Bhattacharya and Sen, 2009:354). Empirical research suggests three conditions that are important in order for CSR to have a positive effect on consumers: (i) a strong reputation for the company, (ii) a high company to issue/cause fit and (iii) a strong identification with the good cause among consumers (van de Ven, 2008: 347).

In addition to enhanced reputation among groups such as customers and employees, engaging in CSR may create significant goodwill from government and civil society (Perrini et al., 2006). It can also be a means to manage or eliminate risk at different levels. CSR can reduce environmental risk, risk of customer dissatisfaction and legal expenses as well as the risk of damaging the corporate image. In turn, this will make investors more willing to invest in socially responsible companies, because they are perceived as less risky than others (Perrini et al. 2006).

Some authors refer to the term *strategic CSR* when discussing the potential benefits of CSR for a company. Porter and Kramer (2006) are among those who argue that strategic CSR is the best way for a company to benefit from its social and environmental efforts. In brief, strategic CSR implies that a company focuses on social issues that are linked to their overall strategy

and business area and from which they can gain the greatest competitive benefit (Porter and Kramer, 2006). However, strategic CSR also emphasises a win-win perspective. Porter and Kramer argue that strategic CSR promotes good causes more effectively than CSR that is not integrated with the overall business strategy. In fact, they claim that a lack of strategic integration of CSR will result in “a hodgepodge of uncoordinated CSR and philanthropic activities disconnected from the company’s strategy that neither make any meaningful social impact nor strengthen the firm’s long-term competitiveness” (van de Ven, 2008: 340). Strategic CSR will be discussed more thoroughly in Chapter 3 – frame of reference. Other authors also emphasise the mutual benefits of CSR. Stoll argues that because companies benefit from doing good deeds, the value created for society will be greater as more companies will be encouraged to follow suit (van de Ven, 2008: 341).

It is important to notice, however, that it is difficult to study the economic effect of CSR, because of the many factors that affect profitability. Many authors consider the business case for CSR to have a limit. At some point, there will be a trade-off between CSR and profits. It is, however, not obvious where this point is (Gabel, 2009).

## **2.5 Arguments against CSR**

### **2.5.1 The shareholder argument**

One of the strongest arguments against CSR has probably come from Milton Friedman, who argued that the only responsibility of business is to increase the return to its shareholders (Friedman, 1970). All other responsibilities should be taken on by the state. Milton Friedman considered profit maximisation to be the primary interest of the owners of a corporation. By accepting responsibilities that reduce profitability, a corporation would act against the interests of the owners and violate its responsibility. CSR initiatives that create no value for the corporation and the shareholders are therefore morally problematic and, according to Friedman, companies that use CSR to advance their own interest at the expense of shareholders cannot be classified as socially responsible. Friedman saw CSR as a way of imposing taxes on the owners; a task which is already taken on by the state and should be no one else’s responsibility (Friedman, 1970). Others have expressed similar views. According to *the Economist*, the private pursuit of profit advances the public interest through the invisible hand of the market. Corporations therefore promote the common good most efficiently by

focusing on maximising profit and return to shareholders. Hence, there is no need for corporations to engage in social initiatives; rather, these should be taken care of by the government (Marsden, 2006).

These views provide a strong argument for an instrumental use of CSR, as they imply that CSR is acceptable only if it is used to promote the interests of the owners.

### **2.5.2 CSR and socio-economic development**

Some critics argue that CSR policies often fail to benefit society and may even harm both society and the company. An example is the initiatives taken by corporations to promote economic development and justice in developing countries. Frynas (2005) argues that corporations often lack the capacity to deliver development. Although corporations have a genuine desire to deliver aid and support to the local community, they often lack the skills and knowledge to do so. As a result, they may fail to achieve the desired result.

Frynas (2005) points out several explanatory factors. First, corporations often lack the expertise that is required to promote social and economic development in such countries. Few corporations have sufficient knowledge of the political and cultural context of the societies in which they operate and many fail to see what the community really needs. Furthermore, many corporations fail to see their projects as part of a broader development plan for the area. Finally, there is often little contact between the corporation and the target group. According to Frynas (2005), the lack of involvement from the beneficiaries of the project risks creating a dependency mentality in the local community. These factors not only result in projects being inadequately executed, but often also cause corporations to make the wrong choice of projects.

## **2.6 Stakeholder theory**

The stakeholder theory is an important theory in the area of CSR. Stakeholders represent the context in which a company operates; a context that is constituted by a network of relationships between the company and groups or individuals in its internal and external environment. These relationships both affect and are affected by the company's behaviour (Tencati and Perrini, 2006). The main point of stakeholder theory is that all those who have an interest in or are affected by decisions taken by a company should benefit from its CSR

initiatives (Nyeng, 2007). According to Freeman and Velamuri (2006), the main goal of CSR is to create value for key stakeholders. Being a socially responsible company therefore includes taking into consideration the different stakeholders of the company. Gabel (2009) argues that according to traditional economic theory, different stakeholders will get different shares of the value created by a company, shares that are decided by the market and not by a company's management. Consumers will get consumer surplus and suppliers will get producer surplus. The stakeholder model, on the contrary, allows the firm to consciously allocate income to competing stakeholders: employees, customers, suppliers, the local community and the shareholders (Gabel, 2009). Stakeholders become a part of the extended organisation (Tencati and Perrini, 2006).

Edward R. Freeman distinguishes between primary and secondary stakeholders (Carson & Kosberg, 2003). Primary stakeholders include owners/shareholders, employees, customers, suppliers and the local community. These are groups that are either directly affected by a company's decision or directly involved in the company's value creation. As such, they have a direct interest in the company. Secondary stakeholders include civil society, such as non-profit organisations and activists, authorities and news media. These groups are only indirectly influenced by a company's decisions and often put considerable pressure on business to take more responsibility (Carson & Kosberg, 2003).

Involving the stakeholders in the process of developing a CSR strategy is important for many reasons. First, it provides a solid basis for the strategy. Through dialogues with stakeholders, the company will learn about their expectations and demands towards the company. If all relevant parties are heard, it is easier to gain widespread support for the CSR strategy and prevent criticism at a later stage in the process (Carson & Kosberg, 2003). Furthermore, active stakeholder engagement may create an atmosphere of trust and cooperation that can reduce transaction costs. This requires, however, that the company has a *genuine moral commitment* towards its stakeholders (Bouckaert, 2002).

Some critics argue that the stakeholder model has limitations because it risks turning every relationship with stakeholders into contracts. According to Nyeng (2007), not all responsibilities of a company can, or should, be defined within a contractual framework. Vetlesen argues that "as soon as we are requested to think in the terms of a contract, we are brought, not closer to the core of moral obligations, but further away from it" (Nyeng, 2007:131).

Another criticism of the stakeholder theory is presented by Porter and Kramer (2006), who point to the risk of transferring too much control over a company's CSR agenda to outsiders. Although the views of stakeholders are important, they are unable to understand a company's capabilities, its competitive position or the trade-offs it must make in the decision-making process. A company that places too much emphasis on the views of its stakeholders, risks developing an ad-hoc based CSR approach where the company reacts to the needs and requirements of different stakeholder groups. According to Porter and Kramer (2006), such an approach will provide minimal benefit both in relation to society and to the company itself.

## 2.7 Social reporting

Social accountability is a key concept within CSR. It implies that a socially responsible company must be held accountable for its social or environmental initiatives and the outcomes of these actions (Tencati and Perrini, 2006). To achieve this, the company must have systems in place to measure and control its own behaviour both in order to assess whether it is responding to stakeholder concerns effectively and in order to communicate the results of its efforts. A number of social and environmental standards have emerged during the last decades. However, the multiplicity of different standards and the lack of a clear framework have led to confusion among both companies and stakeholders regarding social reporting (Tencati and Perrini, 2006).

The Sustainability Evaluation and Reporting System (SERS) introduced by SPACE, a research centre of Bocconi University, is an attempt to create an integrated framework for social reporting (Tencati and Perrini, 2006). The model aims to combine social and environmental reporting with key performance indicators. SERS consists of three elements (Perrini et al., 2006, particularly pp 117 – 125):

(1) *The overall reporting system*, including (a) the annual report, (b) the social report, (c) the environmental report, and (d) a set of integrated performance indicators. *The annual report* includes the profit/loss account, the balance sheet and the cash flow statement. *The social report* measures the impact of the company's activities on different stakeholder groups. It includes the company's ethical policy, the value-added statement (i.e. the financial value created and distributed to stakeholders) and an analysis of stakeholder relationships. *The environmental report* should include energy and materials accounting – such as energy and material consumption and related emissions – and monetary environmental accounting (i.e.



financial costs/benefits relating to environmental activities). Finally, the overall reporting system should include integrated performance indicators that relate physical/technical quantities to financial ones (Perrini et al., 2006).

(2) *The Integrated Information System*, which enables the company to collect, process and share technical and financial data (Perrini et al., 2006).

(3) *The key performance indicators for corporate sustainability* are indicators which can be used to monitor an organisation's performance trends and that are suitable for supporting management's decision-making processes. Indicators such as those proposed by the Global Reporting Initiative or the World Business Council for Sustainable Development can all be used. In addition, the company should create its own indicators, providing the necessary information (Tencati and Perrini, 2006: 104-105).

The SERS reporting system enables a company to manage stakeholder relationships and address stakeholders' need for information as well as their economic, social and environmental concerns (Perrini et al., 2006: 130).

## **2.8 Ethical theories**

### **2.8.1 Aristotle and the ethics of virtue**

In virtue ethics the focus is placed on the individual rather than on his or her actions. What virtues or character traits make a person a morally good human being? This is the basic question virtue ethicists seek to answer (Velasquez, 2006). According to Aristotle, a moral virtue is:

“...a habit that enables a human being to live according to reason. A person lives according to reason (...) when the person knows and chooses the reasonable middle ground between going too far and not going far enough in his actions, emotions, and desires. (...) Moral virtue is...a mean between two vices, one of excess and the other of deficiency, and...it aims at hitting the mean in feelings, [desires], and actions” (Velasquez, 2006:110).

Aristotle distinguished between three forms of knowledge: theoretical knowledge (*episteme*), knowledge about production (*techne*) and practical knowledge (*phronesis*) (Vetlesen, 2007).

The latter is the kind of knowledge that is required in order to know how to act in different situations – it is particular and based on experience, contrary to theoretical knowledge which is universal and consists of formal principles (Vetlesen, 2007 and Ims, 2007). Our moral actions are based on practical knowledge or wisdom, according to Aristotle (Ims, 2007). There are no universal rules that can be applied to all situations in which moral action is required. Each situation is unique and has to be evaluated separately (Vetlesen, 2007). *Prudence* is the virtue that enables a person to know what is reasonable in any given situation (Velasquez, 2006:110). A morally good human being, therefore, acts out of *phronesis*, i.e. knowledge about what is right in a given situation.

In a virtue ethical perspective the “rightness” of an action depends on its motive. Actions that are merely motivated by the self-interest of a company should not be considered virtuous. Such actions are ethically “inferior” to those that are based on a proper motive, such as the desire to do good (van de Ven, 2008).

### **2.8.2 Kant and deontological ethics**

Duty ethics uses rules and duties to explain our moral behaviour. In duty ethics, the morality of an action depends on the action’s adherence to certain rules or principles. Such rules can be given by authorities such as the State or God, or they can come from within (Velasquez, 2006).

Duties arise from rights. A right can be viewed as an individual’s entitlement to something and it entails duties on others. “A person has a right when that person is entitled to act in a certain way or is entitled to have others act in a certain way toward him or her” (Velasquez, 2006:73). It is common to distinguish between negative and positive rights. A negative right is a duty that others have not to do harm to or interfere with the activities of the person holding the right. A positive right is a duty that others have “to provide the holder of the right with whatever he or she needs to freely pursue his or her interests” (Velasquez, 2006: 76).

Kant is perhaps the most influential proponent of duty ethics. He argued that there are certain moral rights and duties that are universal and possessed by all human beings. Contrary to Aristotle, Kant saw morality as based on rules. Kant introduced a moral principle that he called the categorical imperative. This can be formulated in two different ways: (1) “I ought never to act except in such a way that I can also will that my maxim should become a

universal law.” (Velasquez, 2006: 78). A maxim is the reason that a person has for his/her actions. This formulation implies that an action is morally right only insofar as the person performing that action is willing to have other behave in the same way for the same reason, or as the golden rule postulates: Do unto others as you would have them do unto you. (2) “Act in such a way that you always treat humanity, whether in your own person or in the person of any other, never simply as a means, but always at the same time as an end” (Velasquez, 2006: 80). The second formulation implies that human beings have an intrinsic moral value that sets them apart from animals and other beings, and that manipulating or exploiting others to advance one’s self-interest is a violation of their moral value as human beings. Every human being has a rational autonomy and should therefore be able to choose freely for themselves. Using others as means or instruments to advance your self-interests without respecting and developing their rational autonomy is immoral (Velasquez, 2006).

To Kant, the genuine moral motivation is based on reason rather than on emotions. A moral individual acts out of duty (Vetlesen, 2007).

### **2.8.3 Consequentialism/Utilitarianism**

Consequentialist theories emphasise the consequences of an action, and judge its morality based on the goodness of its consequences (Velasquez, 2006). In utilitarianism, one of the most influential theories within consequence ethics, the morality of an action is evaluated by weighing its social costs and benefits. Jeremy Bentham is considered the founder of utilitarianism. He sought to find an objective basis for making value judgments that could serve as the norm for politicians and law-makers. The utilitarian principle holds that: “An action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place” (Velasquez, 2006: 62).

In other words, utilitarianism advocates the maximisation of utility. According to utilitarianism, it is possible to find the one right action; the action whose net benefits are greater than the net benefits of all other possible alternatives. Furthermore, the theory assumes that it is possible to make exact measures of all immediate and foreseeable future benefits and costs that an action will produce for each individual affected by that action. This poses an obvious problem; how to measure objectively the utility of any action for all individuals affected by it? What about benefits and costs that cannot be measured on a numerical scale,

such as the value of life and health and feelings such as satisfaction, happiness or sadness? Another problem with this theory is that actions can be judged as morally right even when they are unjust or violate people's rights (Velasquez, 2006).

#### **2.8.4 Løgstrup and the ethics of proximity**

Whereas the ethical theories described so far focus on the action or the individual performing the action, the ethics of proximity focuses on our responsibility as individuals to care for other human beings. Two influential philosophers within this ethical theory are Emmanuel Levinas and Knut Løgstrup. Levinas used the term *the Other* when referring to the fellow human being. Every individual has a responsibility for the life of the Other and for treating the Other as a subject, not as an object or an instrument. To Levinas, the responsibility for the Other included not only people close to the Self, such as family and friends, but all fellow human beings (Ims and Zsolnai, 2006). Løgstrup argued further that trust – and meeting each other with trust – is a natural part of human life. However, meeting someone with trust implies exposing our Self to the Other. Trust therefore entails power on behalf of the trusted. Løgstrup argued that when we are met with trust, we have a responsibility to care for the Other (Vetlesen and Nortvedt, 1994). An individual cannot freely choose whether or not to take responsibility for the Other; this responsibility is placed upon us by the mere existence of the other (Vetlesen, 2007).

Løgstrup introduced another concept that he saw as the basis for our ethical responsibilities: *the sovereign expressions of life*. These expressions include feelings such as trust, compassion, love, sincerity, loyalty and sympathy. He considered moral standards as substitutes for the sovereign expressions of life, which are useful only when these natural expressions are lost. Furthermore, Løgstrup rejected the idea that our ethical responsibilities should be based on some mutual rights and duties. He argued that this would turn the moral relation between the Self and the Other into a contract and the genuine moral feelings would be lost (Vetlesen, 2007).

#### **2.8.5 Ethics and the environment**

William T. Blackstone argued that the possession of a liveable environment is something to which every human being has a right. Hence, others have a duty to allow us a liveable environment (Velasquez, 2006). According to Blackstone “a person has a moral right to a

thing when possession of that thing is essential in permitting him to live a human life.” (Velasquez, 2006:229). Clearly, a liveable environment is a prerequisite for human beings to fulfil their capacities and prosper. It should therefore be viewed as a moral right.

### **2.8.6 Ethics, sustainability and distributive justice**

John Rawls argued that: “Although it is unjust to impose disproportionately heavy burdens on present generations for the sake of future generations, it is also unjust for present generations to leave nothing for future generations” (Velasquez, 2006: 244). Rawls introduced the principle of the “original position” as a way to distribute resources. In order to agree on a social contract that defines the basic rights and duties of all human beings, members of society should put themselves in the “original position” without knowing where they would end up, i.e. what resources they would have and which generation they would belong to. According to Rawls’ principle, justice demands that we hand the world over to the next generation in no worse condition than we received it from the generation before us (Velasquez, 2006). The views of John Rawls are supported by Hans Jonas who postulates that every human individual should “act so that the effects of your action are compatible with the permanence of genuine human life” (Zsolnai 2002: 138). These ethical principles correspond to the concept of *sustainable development*, which was first introduced by former Norwegian Prime Minister Gro Harlem Brundtland and defined as: “Meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Porter and Kramer, 2006: 81). This concept has become central to the discussion on CSR and the responsibility of corporations (see section 2.1).

## 2.9 Criticism

After having studied parts of the CSR literature, I find that certain topics reappear. Much of the literature seeks to define CSR, often by attempting to categorise different types of responsibilities as well as different types of CSR activities. Another recurring topic is the debate between the shareholder and the stakeholder view. The most recent literature is dominated by writings on instrumental CSR – how a company can use CSR to promote its own interests – and the possible benefits a company can achieve by engaging in CSR.

I will argue that the great focus on instrumental CSR must be balanced by a greater focus on genuine CSR – on promoting the good for goods own sake. CSR is seen primarily as a question of good business, rather than a question of ethics or morality. A few voices have raised questions about the ethical challenges of CSR; one example is Bouckaert (2006), whose theory on the ethical management paradox states that the use of ethics (or CSR) to promote the interest of the company will crowd out genuine moral commitment. However, a vast majority seems to support and applaud the business perspective and place little emphasis on the genuine or ethical aspect. Greater attention should therefore be given to the meaning and the importance of genuine CSR as opposed to instrumental or business-driven CSR.

I also see the need for better descriptions of CSR in order to understand differences and similarities between companies. To do this, we need to develop tools that can be used to characterise different aspects of CSR. Moreover, CSR is a complex and heterogenic field. Due to variations in social, historical and cultural context, we may expect important differences particularly between European and American companies. This perspective is hardly present in the literature.

Finally, large parts of the literature uncritically embrace CSR as a positive phenomenon. But is this really the case? Most authors seem to attach more importance to the effects of CSR on the bottom line and less on the potential benefits for society. In my opinion it is necessary to also measure the effects CSR has on the local community and on society in general, both positive and negative. Is CSR effective in promoting welfare in society? Are there only positive effects of CSR on society, or also negative ones? Some studies question the corporation's ability and capacity to deliver socio-economic development in less developed countries. However, I see the need for focusing more on the effects of CSR on society also in developed countries.

### **3. FRAME OF REFERENCE**

The purpose of this chapter is to present the perspectives that my study will build on and to develop the tools and concepts that will be applied to my analysis. By combining ideas from different traditions, I hope to shed new light on CSR and create a new mind map that can be fruitful for analysing CSR.

#### **3.1 The responsibilities of the corporation**

CSR imposes certain responsibilities on a corporation that go beyond mere value creation and obedience to the law. By applying the ethical concepts of rights and responsibilities, I will argue that the concept of CSR implies a moral obligation for the corporation to take both *negative* and *positive responsibilities*.

In a CSR perspective, it is commonly accepted that corporations have *negative* responsibilities, i.e. a responsibility not to cause harm. Primarily, this implies not causing harm to any member of society, whether it is employees, customers, members of the local community or others. However, because every human being has the right to a liveable environment, the corporation has a negative responsibility not to violate this right and, hence, not cause harm to the environment. Negative responsibilities can be seen as nothing more – or less – than doing fair and just business. As such, fulfilling a company's negative responsibility can be seen to fall within the domain of business ethics.

A key question in the CSR debate is whether corporations also have a *positive* responsibility to promote the common good. The distinction that many authors make between Corporate Social Responsibility and business ethics suggests that there must be something more to CSR than merely fulfilling a company's negative responsibilities. CSR is not simply about doing business in a fair and just manner, with no harm done to neither society nor the environment. Does this mean that corporations also have a positive responsibility to ensure that other human beings have what they need to freely pursue their interests; in other words, the duty to promote the good in society?

There is a qualitative difference between behaving decently and actively doing something good to society. This is true for individuals as well as for corporations. An individual who goes through life without causing harm to others must of course be considered a good person.

But a person who works actively to improve the welfare of others – or of the environment – either on his/her own initiative or through an organisation, is he/she a better person? This is a difficult question to answer. However, it illustrates my point: there is an important difference between not causing harm and doing good. CSR must include both.

### **3.2 A strategic approach to CSR**

The concept *strategic CSR* is frequently used in the literature. It can be seen as a part of instrumental CSR which refers to how corporations can use CSR to their own benefit, i.e. the efforts that companies make to combine their social responsibilities with the achievement of company goals.

In order for strategic CSR to be successful, it must effectively promote both the welfare of society and the environment, while at the same time providing considerable benefits for the company. Strategic CSR is therefore far more selective in its choice of activities than other approaches to CSR. Strategic CSR implies that *each company must choose the issues that it is best capable of resolving and from which it can gain the greatest competitive benefit*. In other words, *issues that fall within its area of business* (Porter and Kramer, 2006). This enables the company to use its resources and expertise in the most effective manner and presents an opportunity to create shared value for both society and the company. In fact, the more closely linked a social issue is to the company's business, the greater the opportunity to benefit from the company's resources and capabilities, and the greater the shared value to society and the company will be (Porter and Kramer, 2006). Furthermore, for a company to be perceived as trustworthy, its CSR initiatives must be rooted in the company's values, vision and competence. According to Carson & Kosberg (2003), a company that engages in CSR activities that are not linked to the company's values, vision and core competences may be perceived as opportunistic and risks losing credibility.

The most strategic CSR integrates social impact into the overall strategy of the company (Porter and Kramer, 2006). Only then can the CSR initiatives achieve the strength needed to generate significant results for both society and the company. By integrating CSR into the strategy of the corporation, "the success of the company and the success of the community become mutually reinforcing" (Porter and Kramer, 2006:89).



Here we arrive at the core of strategic CSR; by building a focused and integrated CSR strategy that is linked to the company's core strategies, a company will be able to differentiate itself from its competitors and gain a competitive advantage. At the same time, applying the resources and expertise of business to activities that benefit society can contribute to tremendous social progress. As Porter and Kramer puts it: "It is through strategic CSR that the company will make the most significant social impact and reap the greatest business benefits" (Porter and Kramer, 2006: 85).

However, according to Smith and Lenssen (2009) and Porter and Kramer (2006), few companies have achieved deep organisational and strategic integration of their CSR efforts. For many companies, CSR has been a peripheral issue they have engaged in as a result of external pressure. For others, CSR is a public relations tool, which is visible in that it is often left to a specific department whose task it is to communicate the company's CSR efforts and improve its reputation.

### **3.3 An ethical perspective on strategic CSR**

Strategic CSR raises some ethical questions. First, is it ethical to use others as a means to promote one's self-interests? Kant argues that for an action to be ethical, one should never use another person simply as a means, but always at the same time as an end. Using others as an instrument implies a breach to their moral value as a human being (see section 2.8.2).

Therefore, using CSR merely as a strategic tool to promote the interests of the corporation, whether it is to strengthen its reputation, increase its profit or increase its competitiveness, is unethical according to Kant. Society's welfare must be seen as an end in itself. Løgstrup and other proximity ethicists promote a similar view: the Other must be seen as a subject and never as an object (see section 2.8.4). In a CSR perspective, seeing the Other as a subject would mean putting the welfare of others above the interests of the company. This is contrary to strategic CSR which implies using others (i.e. society) as objects to promote the interests of the company. Hence, according to both Kant and Løgstrup's views, CSR is only ethical if based on a genuine interest in increasing the welfare of others.

One can also find support for this view in virtue ethics. From a virtue ethical perspective, an action should be based on proper motives and not on mere self-interest in order to be considered virtuous and moral (see section 2.8.1). Although the action is right, as long as it is based on self-interest, it is ethically inferior to those actions that are genuinely motivated.

Strategic CSR can therefore be seen as less ethical than genuine CSR, which is not motivated by self-interest. However, this view is only justifiable if self-interest is the only motivation. If, on the contrary, a company engages in strategic CSR based on a belief that it is the best way of producing value for all parties involved – business as well as society – it should not be considered immoral (van de Ven, 2008).

### **3.4 The paradox of ethics management**

Widespread use of strategic CSR risks depriving the concept of its ethical content. The ethics management paradox introduced by Bouckaert (2006) questions the increasingly widespread use of CSR as a management tool. The potential benefits of CSR, ranging from improved reputation to reduced risk and transaction costs, ultimately leading to increased profit, have made CSR a rational choice for managers rather than a question of genuine ethics. This development is reinforced by the introduction of economic incentives by the authorities, such as premiums or tax relief, in order to encourage companies to comply with new regulations in the field of CSR.

Bouckaert (2006) argues that as soon as companies have an economic incentive to behave ethically, moral feelings are replaced by rational, economic calculations. *If the economic rational argument is the source of ethical commitment, ethics will be completely instrumentalised and genuine moral feelings and commitment will be crowded out* (Bouckaert, 2002). In other words, the space for ethics is reduced. This effect is similar to the crowding-out effect in economic theory. Research shows that external motivation, including monetary incentives, undermines the intrinsic motivation of people and therefore is likely to decrease the quality of the output (Zsolnai, 2003).

Herein lays the ethical paradox: Instead of solving the problem of opportunism, as ethics is supposed to do, *it creates new opportunities for disguised opportunism* (Bouckaert, 2002). As Bouckaert puts it:

“Preaching moral concepts such as trust, responsibility or democracy on the basis of calculative self-interest or as conditions of systemic functionality is not wrong but ambiguous. It opens the door for suspicion and distrust because calculations and systemic conditions can easily be manipulated”

(Bouckaert, 2006:201).

Nyeng expresses similar views when questioning the motivations for engaging in CSR. Are companies doing good in order to do well or are they doing good for good’s own sake? He is critical of the use of CSR as a means to give companies extra credibility in an economy where social responsibility is required in order to stay competitive. As he puts it: “If the society is the means and the company is the goal, the situation is turned upside down and the ethical content is really lost” (Nyeng 2007:10).

CSR initiatives that are not based on a genuinely ethical motivation will often prove counter-productive. If business executives rely on ethics merely to promote their own interests, they run a great risk of being perceived as cheaters by stakeholders who will react negatively (Zsolnai, 2003). Research suggests that companies whose CSR efforts are perceived as insincere will be punished by customers (van de Ven, 2008). According to Smith and Lenssen (2009), the instrumental use of CSR may be perceived by stakeholders as efforts to cover up other parts of the business that may have negative impact on the environment or society. The way a company choose to communicate its CSR efforts also affects how it is perceived among stakeholders. According to van de Ven (2008), a high-profile approach, where the company relies heavily on the use of marketing communication instruments, such as public relations, sponsorships and promotions, adds a strong commercial dimension to the company’s CSR initiatives. This may arouse public scepticism and make it difficult to distinguish a genuine commitment to CSR from a superficial marketing effort. On the other hand, a low-profile approach would imply restricting the communication of a company’s CSR efforts to social and environmental reporting and the website. Balmer and Greyser argue that there has to be a match between the promises the company makes in relation to CSR and the company identity. If not, it may be perceived as hypocrisy and deception of the public (van de Ven, 2008:344).

In other words, the more a company promotes itself as being ethical, the greater the risk of punishment from customers if the ethical initiatives fail or are seen as a mere play to the gallery. Corporations that pursue such a strategy walk a thin line.

## 3.5 A framework for analysing CSR

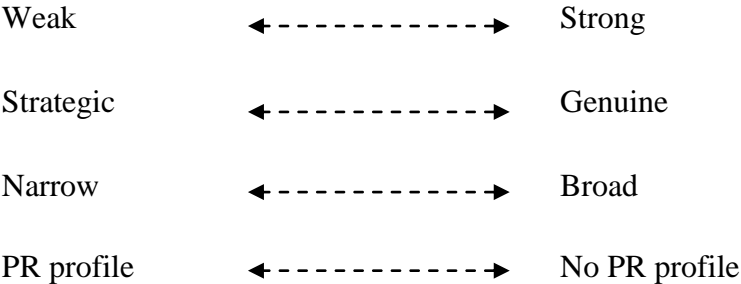
### *Four dimensions of CSR*

The purpose of this section is to develop tools and concepts that can be fruitful for my analysis. There is great variation within the field of CSR. CSR can be performed at different levels, with different means and for various reasons. The intention of the framework is not to find one optimal way of performing CSR. Rather, it can be seen as an attempt to gain new insight into the CSR domain by distinguishing between different aspects of CSR, focusing on the distinction between genuine and instrumental CSR in particular. The framework will be applied to two illustrative cases. Hopefully the framework can be fruitful with respect to analysing the CSR performance of companies in general.

I will specify four main dimension along which a corporation's CSR performance may differ. First, the *level of involvement* varies between corporations. Some have a strong commitment to their CSR projects and choose to be actively involved in them, while others have a weaker commitment and limit their support to monetary donations or sponsorships. Some spend large amounts on CSR projects while others spend much less. Some have a well organised CSR function with many people involved, while others leave CSR in the hands of only one person. Second, the reasons for engaging in CSR differ between companies. While some use CSR as an instrument to promote the company's own interests, others perform CSR out of a genuine wish to give something back to society; they promote the good for good's own sake. We can therefore make a distinction between *instrumental and genuine CSR*. Instrumental CSR is a broad concept. A narrower concept is strategic CSR which can be subsumed under instrumental CSR and be defined as CSR that is linked to the company's overall strategy. More specifically, we can therefore distinguish between *strategic and genuine CSR*. Third, the *scope of CSR* differs between companies. While some companies have a broad perspective on CSR and engage in a variety of different CSR activities, others think of CSR in more narrow terms and limit their involvement to only a few projects. As a final aspect, I will argue that corporations differ with respect to the PR profile of their CSR practice. Some companies place much emphasis on the positive effect that CSR may have on their reputation and use CSR as a marketing tool to promote themselves as good citizens among customers, investors, authorities as well as existing and potential employees. Others focus less on this aspect of

CSR and see CSR as something more than merely a marketing tool. We can therefore make a fourth distinction between those CSR practices that have a *PR profile* and those that do not.

Hence, I will suggest four dimensions that can be useful in order to analyse a corporation’s CSR performance. These dimensions can be seen as dichotomous or bipolar concepts, implying that they consist of two opposite components that are mutually exclusive: 1) *Weak* versus *Strong*, 2) *Strategic* versus *Genuine*, 3) *Narrow* versus *Broad* 4) *PR profile* versus *No PR profile*. In reality, few CSR practices can be characterised as purely weak, strong, strategic or genuine etc. It can therefore be difficult to place a company strictly in either of these categories. Rather the dimensions represent scales along which a company can be placed and rated. In order to evaluate a company in relation to these dimensions we need certain indicators. Each case – i.e. the CSR practice of a specific company – can then be measured in relation to these indicators and plotted in on each scale (see Ims 1987 for his use of George Kelly’s grid technology in his study of information search). In the following, I will go more systematically into the four concepts and propose indicators that can be used to measure each dimension. It is important to note that the intention is not to provide exact measurements. As the indicators are not quantified, the evaluation of a corporation’s CSR performance along these dimensions will be based on practical and reasonable judgement (or *phronesis* in Aristotle’s sense) rather than on accurate estimates.



**3.5.1 Weak versus Strong CSR**

The distinction between weak and strong CSR indicates the level of commitment to CSR. There is a difference between donating money to a good cause and engaging actively in projects with a social purpose. The first is an example of a passive involvement in CSR where the corporation has little or no control over its chosen projects. The second illustrates an active involvement and a higher degree of control over the CSR projects. Implicit in the weak-strong dimension is therefore a distinction between active and passive CSR. *Weak CSR*

can be seen as a passive approach to CSR, in which the corporation's CSR efforts are limited to financial support of a good cause. *Strong CSR* implies an active commitment to CSR and a higher level of involvement in the chosen projects. The level of commitment is also dependent on the amount of resources assigned to CSR in terms of people and money.

Three indicators can be used to measure the level of commitment to CSR along the weak-strong dimension. The degree of control a corporation has over its CSR projects is one indication. Monetary donations represent the lowest level of control and are an indication of weak CSR. Participation in projects initiated by others indicates medium control, while projects that are wholly owned by the corporation involve a high degree of control, and indicate a strong commitment to CSR. The projects that a company has ownership of are those that are initiated, organised and carried out by the company itself. Next, the level of commitment can be measured by the number of people involved in the work with CSR and the size of the CSR budget. The larger the budget and the more people employed in the CSR function, the more a corporation is committed to CSR and the stronger is its CSR engagement. Support in top management is also a sign of strong commitment to CSR.

### **3.5.2 Strategic versus Genuine CSR**

*Strategic CSR* can be seen as a dimension of instrumental CSR. The idea behind strategic CSR is to combine society's interests with the interest of the corporation. This is an instrumental use of CSR; the corporation engages in CSR to achieve its own goals. CSR is not seen as an end in itself, but as a means to promote the self-interest of the corporation. To be characterised as strategic, a corporation's CSR performance must reflect the interests of the corporation and provide considerable benefits. *Genuine CSR*, on the other hand, means that a corporation engages in CSR to promote the common good; the benefit for society is seen as an end in itself. Genuine CSR is not linked to the corporation's business area or its vision; rather, it is carried out for its own sake.

According to the theory on strategic CSR, to be characterised as strategic CSR, the activities must lie within the business area of the corporation where it can make use of its competences. Hence, an indication that can be used to measure the strategic-genuine dimension is the link between the CSR activities of a company and its business area. Furthermore, the vision can be seen as a brief statement that represents the overall goals of a corporation, and therefore also its self-interests. Another way of evaluating a company in relation to the strategic – genuine

dimension is to consider the extent to which the corporate vision is reflected in the CSR activities of a company. As a third indication one may look at the potential benefits of the corporation's CSR projects. Hence, the stronger the link between the CSR activities and the company's business area, the more they reflect the company's vision and benefit the corporation, the more strategic the corporation's CSR performance.

Conversely, CSR that has little potential of providing benefits to the company and that is not linked to the business area and corporate vision indicates a genuine approach to CSR. Three factors may further indicate a genuine approach to CSR. First, one may consider the extent to which a company engages in projects that provide few or no benefits to the corporation, but potentially significant benefits to society or the environment. Second, the views of the company may provide an indication of genuine CSR. Why is it involved in CSR? Does it recognise the potential benefits of doing so, or does it see it as simply a responsibility towards society? Such questions may be useful to evaluate whether a company has a genuine interest in CSR. Finally, if the company has a long history of engaging in CSR, this may also indicate a genuine approach to CSR.

### **3.5.3 Narrow versus broad CSR**

Clearly, one company cannot solve all of society's problems. Companies therefore need to limit their CSR involvement to a certain range of activities. However, this range can be defined in a broad or a narrow sense. While some companies have a broad focus, i.e. supporting a range of projects within different categories, other companies limit their support to only a few beneficiaries. Some may choose to focus on one single issue or one particular category of projects, such as the climate issue, youth activities or projects aimed at helping disadvantaged children. In other words, the scope of CSR varies. This also applies to the *geographical* scope. While some companies only support local projects, others support projects and organisations of a national or international character. In its strictest sense, a narrow scope may mean that a company chooses to support only one organisation or project, while turning down requests from other organisations.

To evaluate a company according to the narrow – broad dimension, two indicators can be used. First, one may consider the extent to which the CSR practice of a company is spread over a wide range of different activities. The more widespread and dissimilar the activities are, the broader the scope. Another indication may be the extent to which a company engage

in CSR outside its local community. The more limited the geographical centre of attention, the narrower the scope of CSR.

### **3.5.4 PR profile versus No PR profile**

The PR effect of CSR, often called the reputation effect, is a much discussed topic in the literature. A strong PR profile implies that corporations engage in CSR primarily to promote themselves as good citizens and improve their reputation. The PR effect of their CSR activities is considered more important than the effect on society. As a result, these corporations often choose CSR projects with a high profile but few obvious benefits to society. The reputation effect applies externally to customers, investors, authorities as well as potential employees. But it also applies internally by improving the corporation's reputation among its own employees. By engaging in CSR, the corporation may increase its status in the eyes of its employees who may be more motivated to do a good job for a company with a positive reputation.

To measure this dimension, it may be useful to look at how the company communicates its CSR efforts. Companies with a strong PR profile often rely on marketing instruments such as sponsorships and promotions to communicate their CSR efforts. Companies with a weaker PR profile limit communication to the website and social and environmental reporting. As a second indication, one may consider the character of the company's CSR activities. Some activities may have a more obvious PR profile than others. CSR initiatives that require little or no involvement from the company beyond financial support are an easy way of linking the company to a good cause. Such initiatives can therefore be seen as an attempt to use CSR as part of a marketing or PR strategy. Another indication is the organisation of the CSR function. If responsibility for CSR is allocated to the communication or marketing department, this indicates that CSR is seen as a matter of public relations, with an aim to enhance the company's reputation, and not as an objective in itself. Finally, one may consider the corporation's own view on CSR to evaluate the PR profile of the company. Does it emphasise the PR effect and see CSR mainly as a reputation enhancing strategy?

*The four dimensions presented in the framework of this chapter illustrate the heterogeneity of the CSR field and may be useful in order to gain a deeper understanding of the variety of ways in which CSR can be performed. The framework will be applied in Chapter 6 – analysis. I will now turn to a discussion on the methodological choice for my study.*



## 4. METHOD

### 4.1 The case study as a research strategy

Case study research has received much criticism for being a weak research method within the social sciences, for lacking precision, objectivity and rigor (Yin, 1994). Furthermore, it has been criticised for failing to provide a basis for scientific generalisations. However, despite its criticism, case study research is extensively used among researchers, doctoral students and master students in several disciplines within the social sciences (Yin, 1994).

A case study is only one of many strategies for social science research. Yin (1994) lists several other strategies available to researchers within the social sciences, such as experiments, surveys, histories and the analysis of archival information. He further identifies three conditions upon which the choice of research strategy depends: “(a) the type of research question, (b) the control an investigator has over actual behavioural events and (c) the focus on contemporary as opposed to historical phenomena” (Yin, 1994:1). Yin considers the case study strategy to have a particular advantage when “a ‘how’ or ‘why’ question is being asked about a contemporary set of events over which the investigator has little or no control” (Yin, 1994:9). Furthermore, Grønmo (2004) argues that a case study is appropriate when the purpose of the research is to gain a holistic understanding of the unit of analysis. The unit is regarded as unique and scientifically interesting in itself, without being viewed as part of a larger universe. It is also an appropriate method for developing concepts, hypotheses or theories (Grønmo, 2004).

How to define a case study? Yin (1994:13) provides a two-fold definition:

1. “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.
2. The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis”.

Furthermore, case study research does not have to be limited to single-case studies only; it may also include multiple-case studies (Yin, 1994).

One of the strengths of a case study research is the great variety of evidence available to the researcher; a good case study should use as many sources as possible. Yin (1994) lists six sources of evidence on which a case study can rely: documents, archival records, physical artefacts, interviews, direct observations and participant-observation. A case study strategy therefore contains considerable information about the unit of analysis. Although it is most common to use qualitative data, it is possible to combine both qualitative and quantitative data in a case study (Yin, 1994).

Interviews are one of the most important sources of evidence in a case study. Open-ended interviews are most common (Yin, 1994). These take form of conversations between the interviewer and the respondent, and are largely unstructured (Grønmo, 2004). In an informal interview, the researcher should be open to initiatives from the respondent, while ensuring that only relevant topics are dealt with. Respondents can be asked about facts and their own views on a matter or incident. They can also provide insight into a certain matter, and suggest other sources of evidence (Yin, 1994). The interviewer does not need to prepare a list of fixed questions: an interview guide containing the topics to be dealt with during the interview and some general questions may suffice (Grønmo, 2004). While leaving room for flexibility, the interview guide must be sufficiently comprehensive and specific to enable the researcher to retrieve as much and as relevant information as possible for his/her study. The questions should be flexible and open-ended, and follow-up questions will often arise from the respondent's reply to previous questions. The information required for the study needs to be thoroughly assessed before the interview, although the interview may provide new insight that may lead the researcher to revise his/her need for information. The respondents should be informed of the purpose of the study. In order to create a good atmosphere for the interview, it should be held in a quiet place with few interruptions and where the respondents feel comfortable (Grønmo, 2004).

A problem with interviews is that the respondent may be biased, have poor recall (Yin, 1994), or be subject to self-censoring (Grønmo, 2004). Communicative problems, such as misunderstandings, may also occur or the researcher himself may influence the response, for example by asking leading questions (Grønmo, 2004). In order to reduce the effect of such complicating factors, the researcher should corroborate the interview data with information

from other sources (Yin, 1994). One way to increase validity of the data is to have the respondents review and validate it (communicative validity) (Grønmo, 2004).

## 4.2 Methodological choice

This study is both an exploratory, constructive and descriptive study. It is *exploratory* and *constructive* in the sense that it aims to develop new tools that can be used for analysing and evaluating CSR in a general and comparative perspective; and it is *descriptive* in the sense that the study is based on the description and analysis of two companies that serve as illustrative cases, and where the aim is to gain a holistic understanding of CSR.

According to Grønmo (2004), the case study is an appropriate research strategy for such purposes. The three conditions mentioned by Yin (1994) further support my choice of method. Two of my research questions are “how” questions: *How can the CSR practice of the two selected cases be characterized?* and *how genuine are the two cases in their approach to CSR?* There is no doubt that the CSR practice of a company is beyond my control. Furthermore, it is a contemporary rather than historical phenomenon although the study will also include some historical information on CSR. As mentioned, Yin (1994) also points out that case study research may be applied to multiple cases, as in my study, and not only to single-case studies.

Despite being criticised for lacking precision and objectivity and for failing to provide a basis for scientific generalisations, I will argue that studying real-life cases in-depth is not only interesting in itself as Grønmo (2004) argues, but that it may also shed light on other similar cases – in this case, other companies’ CSR practices – and clarify theoretical concepts. In other words, although unable to provide a basis for scientific generalisation, such unique cases may serve as an inspiration to others.

## 4.3. Choice of cases

When selecting cases I had to consider two factors: (1) *The number of cases* and (2) *Which cases to include*. In the following, I will provide a brief discussion of each of these factors.

A single case can provide a considerable amount of in-depth information. However, as the aim of this study is to develop tools that can be fruitful in evaluating a company’s CSR

practice, including more than one case in a study may be valuable for several reasons. First, the more cases that are included in a study, the greater the potential for generalisation and the easier it is to apply the results of the study to other companies. Second, including more cases in a study provides a broader basis for developing a framework and for evaluating other companies' CSR practices.

Despite these potential benefits, however, due to my resources and the time perspective of the study, I had to limit the number of cases. For the purpose of comparison, I therefore chose to focus on two cases. Although the potential for generalising from only two cases is limited, I believe that highlighting differences in the CSR practices of two companies through comparison provides a more thorough basis for evaluating each single case. I also believe that it will provide deeper insight into the different aspects of CSR, not only for the cases in question but also for other companies that engage in CSR.

When choosing what companies to include in my study, I used location as a first screening criterion. As the study has a Scandinavian perspective, the companies had to be located in Scandinavia. In addition, availability was important in order to facilitate contact in the research phase. I therefore wanted to focus on companies located in Bergen. Furthermore, in order to collect as much information as possible that is relevant to the topic, the companies must have a tradition for social commitment. Finally, as the thesis is written within the major profile of International business, an international perspective was necessary. The choice of cases was therefore based on the following three criteria: (1) Availability 2) Social commitment and (3) International orientation.

TrygVesta and Rieber & Søn are both internationally orientated companies located in Bergen with long traditions for contributing to their local communities. Their social commitment is reflected in a number of social initiatives, such as TrygVesta's partnership with the Night Owls and Rieber & Søn's support to local events and institutions such as Bergen International Festival (Festspillene i Bergen) and the Milde Arboretum. The fact that I had acquaintances in both companies made it easier to establish contact and this was therefore a contributing factor.

### **Category representativeness**

As the two cases are not chosen from a random sample, they are not statistically representative. However, by specifying some of the characteristics of the case, it is

contextualised and a certain degree of categorisation can be achieved. This means that the cases can be viewed as representative of some ideal types in a similar context or category. It may therefore also, to a certain extent, be possible to generalise the results of the study to other companies that are not identical but share some interesting similarities. The two cases can be categorised as follows:

Characteristics of TrygVesta:

- 1) Insurance company
- 2) Scandinavian company with operations in all the Nordic countries
- 3) International orientation
- 4) Long tradition for CSR
- 5) A corporation where the major shareholder holds 60 % of shares

Characteristics of Rieber & Søn:

- 1) Production company
- 2) Norwegian company with European branches
- 3) International orientation
- 4) Long tradition for CSR
- 5) Partly family-owned (50%)

## **4.4 Sources of evidence**

As mentioned, a case study's strength is that it provides the researcher with a large amount of evidence of different categories. I chose to use only qualitative data in my thesis because of the nature of the phenomena I wanted to study. The focus is on the companies' own thoughts and reflections on CSR and on their policies and efforts. What I needed was verbal descriptions; numbers and other quantitative data would be inadequate in this context. Based on Yin's (1994) recommendations, I chose to combine several sources of evidence: interviews, documentation and the websites of the two companies.

Two in-depth interviews were conducted: one with a CRS consultant in TrygVesta, and one with the Communication Director of Rieber & Søn. I considered these interviews to be a vital source of information, and necessary in order to get below the surface and dig into the thoughts and reflections that underlie the companies' CSR practices. I also believed that I

would get the most comprehensive and accurate information from someone in charge of the company's CSR efforts, and considered these two informants to be sufficient for the purpose. The interviews were conducted in an informal manner, more as conversations than as structured interviews, and took place in the respondents' offices. I had prepared an interview guide with the main topics of the interview and a few open-ended questions, which ensured flexibility and gave me an opportunity to react to the replies of the respondents and ask follow-up questions. After the interview, the informants were given an opportunity to read the results of the interview and correct any inaccuracies or misunderstandings.

Furthermore, I used the internet as a source of information. In particular, I relied on information from the websites of the two companies, in addition to other websites that were relevant to the two cases. I also relied on a document provided by the Communication Director of Rieber & Søn, which was intended for their 2010 annual report.

I will argue that the use of these three sources of information gave me a fair view of the CSR performance of the companies in question and that it provided me with relevant insight into their attitudes towards CSR. There is, of course, always a risk that information obtained from the companies themselves will be biased and that only information that put them in a favourable light will be disclosed. I hope to reduce this potential bias by combining several sources of evidence and by using my critical ability.

*As seen in this chapter, case study research has both strengths and weaknesses. However, I have argued that such a research design is the most appropriate for the purpose of this study. In the next chapter I will provide a presentation of the selected cases, based on the three sources of evidence described above.*

## 5. PRESENTATION OF CASES

### 5.1 TrygVesta

TrygVesta<sup>2</sup> is a Nordic insurance group established in 2002 named after its two largest companies, the Danish Tryg and the Norwegian Vesta<sup>3</sup>. TrygVesta has grown to become the second largest general insurer in the Nordic market with activities in Denmark, Norway, Sweden and Finland. The total number of employees amounts to approximately 4.000, with 2.300 employed in Denmark, 1.500 in Norway, 150 in Finland and 61 in Sweden<sup>4</sup>. At present, they serve 2.4 million private customers and 110.000 business customers<sup>5</sup>. Market shares of 21% and 18% in Denmark and Norway respectively make TrygVesta the largest general insurer in Denmark and the third largest in the Norwegian market<sup>6</sup>.

TrygVesta's history goes back to 1731, when Denmark's first insurance company and Tryg's predecessor Kjøbenhavns Brand was founded. The name Tryg emerged in 1911. Throughout the 1990s, Tryg expanded its business in Denmark and abroad<sup>7</sup>. Vesta was established in Bergen in 1880 by local merchants and it subsequently spread its activities to all parts of the country through franchising. In 1999, Vesta was acquired by the Tryg group and it became a fully integrated branch of TrygVesta in 2007<sup>8</sup>. TrygVesta set up branches in Finland in 2001 and in Sweden in 2006<sup>9</sup>. With the acquisition of Moderna Försäkringar in 2009, TrygVesta expanded further into the Swedish market<sup>10</sup>.

#### Vision

TrygVesta's vision is: *We want to be perceived as the leading peace-of-mind provider in the Nordic region.*<sup>11</sup> The company's vision entails more than just providing insurance to people; it reflects a wish to meet people's need for safety before, during and after an incident<sup>12</sup>.

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<sup>2</sup> In August 2010 TrygVesta will change their name to Tryg. See

[http://www.trygvesta.no/omvesta/trygvesta\\_bli\\_tryg/index.html](http://www.trygvesta.no/omvesta/trygvesta_bli_tryg/index.html)

<sup>3</sup> [http://www.trygvesta.no/omvesta/faktaomtrygvesta/trygvesta\\_konsernet/index.html](http://www.trygvesta.no/omvesta/faktaomtrygvesta/trygvesta_konsernet/index.html)

<sup>4</sup> <http://www.trygvesta.com/uk/Menu/Our+business>

<sup>5</sup> <http://www.trygvesta.com/uk/Menu/CSR>

<sup>6</sup> <http://www.trygvesta.com/uk/Menu/About+us/Profile/TrygVesta+in+brief>

<sup>7</sup> <http://www.trygvesta.com/uk/Menu/About+us/Our+history+%232>

<sup>8</sup> [http://www.trygvesta.no/omvesta/vaar\\_profil/historien\\_om\\_trygvesta/index.html](http://www.trygvesta.no/omvesta/vaar_profil/historien_om_trygvesta/index.html)

<sup>9</sup> <http://www.trygvesta.com/uk/Menu/About+us/Profile>

<sup>10</sup> [http://www.trygvesta.no/omvesta/vaar\\_profil/historien\\_om\\_trygvesta/index.html](http://www.trygvesta.no/omvesta/vaar_profil/historien_om_trygvesta/index.html)

<sup>11</sup> <http://www.trygvesta.com/uk/Menu/About+us/Profile/Mission+and+vision>

<sup>12</sup> [http://www.trygvesta.no/omvesta/vaar\\_profil/visjon/index.html](http://www.trygvesta.no/omvesta/vaar_profil/visjon/index.html)

## 5.2 Corporate Social Responsibility in TrygVesta

“Behaving decently always pays off in the long run and also yields the best financial results. For that reason alone, there is every reason to take a positive view of CSR”<sup>13</sup>.

This quote from Stine Bosse, CEO of the TrygVesta group, briefly sums up TrygVesta’s position in the field of CSR. A similar view is expressed by Kjerstin Fyllingen, Group Executive Vice President, in her blog. She refers to the term sustainable business, and argues that CSR is necessary for a business to survive in the long run. To express her view, she quotes Bjørn Stigson, head of World Business Council for Sustainable Development, according to whom “a company cannot succeed in a malfunctioning society”<sup>14</sup>.

TrygVesta has a long tradition of engaging in activities that promote safety and welfare. However, today’s approach to CSR started 15 years ago, when the group chose to replace many of its sponsorships with CSR initiatives. Since then, TrygVesta’s CSR profile has developed gradually.

### 5.2.1 Definition

TrygVesta understands CSR as “a social commitment that contributes to enhancing peace of mind and a sustainable development in society. Moreover, it contributes to long-term growth and sustainable results for TrygVesta”<sup>15</sup>.

Furthermore, TrygVesta’s CSR consultant identifies three criteria for a project to be considered as CSR: (1) *It has to be business driven*. For a CSR project to be effective and benefit society, it has to be linked to the company’s business, its competence and expertise. CSR is really about doing business in a fair and just manner. Only when CSR is truly integrated into the market is it possible to make positive changes to society. (2) *It has to go beyond what is required by law*. (3) *It has to go beyond any minimum requirement, i.e. standards that most companies have integrated into their business practices*. TrygVesta consider the welfare and safety of employees to be examples of such minimum requirements today. Furthermore, what is considered to be a CSR initiative today may become a minimum

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<sup>13</sup> <http://www.trygvesta.com/uk/Menu/CSR>

<sup>14</sup> <http://kjerstinfyllingen.wordpress.com/>

<sup>15</sup> <http://www.trygvesta.com/uk/Menu/CSR/CSR>



requirement in the future. An example is the efforts that companies make to reduce the effect of climate change.

### **5.2.2 Why CSR?**

TrygVesta puts forward several reasons for focusing on CSR. The basic idea is that a company needs to take care of and adapt to the society in which it operates in order to prosper. CSR can provide long-term and sustainable solutions for both society and business. As a significant part of society, the business community has a responsibility to influence society's development in a positive direction. As one of the Nordic region's leading companies in the industry, TrygVesta feels a special obligation to do so. Furthermore, its vision of being a leading peace-of-mind provider implies more than just selling insurances. TrygVesta and its customers share a common objective: they want to minimise risk. Taking responsibility for society is one way of minimising risk. Finally, TrygVesta has a long history of caring for society in general, and the local community in particular. Projects with long traditions such as The Lifebuoy and the Night Owls illustrate this point. In other words, CSR is a part of the TrygVesta culture. As they say on their website: "CSR has always existed in TrygVesta. It is inherent to the way we think and act"<sup>16</sup>.

TrygVesta recognises the possible benefits that CSR can generate to the company. On their website they state that they "consider CSR an opportunity to develop new products and processes, and to attract and retain customers and employees". Furthermore, they recognise the effect that CSR may have on a company's reputation. However, this is never a starting point for any of TrygVesta's CSR projects. What matters is the relevance of the project. The main questions to be asked in relation to any CSR project are: What are we capable of doing? Is this relevant to us and our business? Do we have the competence and expertise to carry this through?

### **5.2.3 Organisation**

The CSR function in TrygVesta is integrated into the organisation and anchored in the top executive management. The group has established a CSR board led by group CEO Stine Bosse which in addition to the CEO consists of four group executive vice presidents, the group's Marketing Director and the Communication Director. The board is a separate forum

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<sup>16</sup> <http://www.trygvesta.com/uk/Menu/CSR/CSR>

focusing only on CSR, and each department in the group can present ideas and proposals to the quarterly meetings of the board. In addition, TrygVesta has established a CSR secretariat, consisting of two consultants whose task it is to support and give advice to the CSR board<sup>17</sup>, to structure and organise the CSR initiatives and to integrate them into the organisation.

TrygVesta also has one person dedicated to the Night Owls project.

TrygVesta considers this organisational structure to be efficient and to give the CSR function significant authority. Of particular importance to TrygVesta is the fronting of the CSR policy by top management. This gives the CSR function greater impact than a structure where the CSR effort is left to a separate CSR department or to the communications department.

According to TrygVesta's CSR consultant, the latter solution runs the risk of placing more emphasis on the story-making effect of a given CSR initiative than on other considerations, such as the project's relevance to the company or its feasibility. So far, the CSR function is limited to Denmark and Norway. In the future, however, TrygVesta wants to extend the CSR function to also include Sweden and Finland.

## **5.2.4 Scope**

TrygVesta seeks to make CSR an integral part of their day-to-day operations, such as in the development of new products and services and human relations. Its CSR practices are divided into four different focus areas: (1) *Climate*, (2) *Integration/Diversity*, (3) *Prevention* and (4) *Worker's welfare*. In the following, some of the initiatives taken within these areas will be described.

### **(1) Climate**

TrygVesta particularly emphasises the climate and other environmental issues. The main reason for this is the direct effect that climate issues and climate changes have for TrygVesta as an insurance company. Climate changes cause more windstorms and flooding, which affect the amounts TrygVesta has to pay out as well as the price of reinsurance<sup>18</sup>. TrygVesta was ranked number one in a Nordic Insurance Survey carried out in spring 2009, the purpose of which was to prepare Nordic Best Practice guidelines for insurers within the climate area. The

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<sup>17</sup> <http://www.trygvesta.com/uk/Menu/CSR/CSR+Governance>

<sup>18</sup> <http://www.trygvesta.com/uk/Menu/CSR/CSR+feeds+through+to+the+bottom+line>

survey showed the current status of the insurance industry and implemented measures relating to climate change.

As a service provider, TrygVesta's impact on climate and the environment is mainly limited to electricity, heating and transport. An environmental screening in 2007 showed that a total of 7.700 tonnes of CO<sub>2</sub> was emitted by TrygVesta that same year<sup>19</sup>. Subsequently, TrygVesta put forward a goal of reducing its emissions by 10% by the end of 2010. In order to reach this goal and to combat climate change, TrygVesta has taken a number of initiatives and is engaged in a number of campaigns and climate forums both in the industry and across industries:

*The Climate Commitment (Klimaløftet)* is a campaign initiated by the Norwegian Ministry of the Environment that commits companies to take action to deal with the climate challenges<sup>20</sup>. It is a forum in which 46 different corporations participate, exchange knowledge and best practice on climate issues<sup>21</sup>. TrygVesta was the first company to sign the campaign<sup>22</sup>.

*ClimateWise* is a “collaborative insurance initiative working to respond to the risks and opportunities of climate change.”<sup>23</sup> TrygVesta is the first Nordic insurance company who has signed up to the initiative. *Climate Cut (Klimakutt)* is a web solution developed by TrygVesta in cooperation with Friends of the Earth Norway. The goal is to make it easier for individuals and companies to reduce their greenhouse gas emissions<sup>24</sup>. The *Carbon Disclosure Project* is an independent non-profit organisation holding the largest database of primary corporate climate change information in the world, to which TrygVesta has committed to report about the group's strategy, initiatives and performance in relation to climate issues<sup>25</sup>. *The Geneva Association* is a research project on climate change and the financial consequences for the insurance business. TrygVesta is the only Nordic company to participate in the project where it meets with a number of international insurance companies to share knowledge and experience<sup>26</sup>.

*Green products & services:* TrygVesta has adjusted its product range to include more green products and services, where the aim is to give the customers incentives to choose

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<sup>19</sup> <http://www.trygvesta.com/uk/Menu/CSR/Climate+and+environment/Climate+and+environmental+impact>

<sup>20</sup> <http://www.klimalofket.no/Klimalofket/Bedrift/>

<sup>21</sup> <http://www.trygvesta.com/uk/Menu/CSR/Partnerships+and+collaborations>

<sup>22</sup> <http://www.trygvesta.no/omvesta/faktaomtrygvesta/klimalofket/index.html>

<sup>23</sup> <http://www.trygvesta.com/uk/Menu/CSR/Partnerships+and+collaborations>

<sup>24</sup> <http://klimakutt.no/>

<sup>25</sup> <https://www.cdproject.net/en-US/Pages/HomePage.aspx>

<sup>26</sup> <http://www.trygvesta.com/uk/Menu/CSR/Partnerships+and+collaborations>

environmentally friendly solutions. The company has lowered the insurance premium for electric cars to 75% of the premium for ordinary cars with the purpose of speeding up the process of replacing the current car park with electric cars. However, this initiative also has an economic basis; the risk relating to electric cars is considered to be lower than the risk relating to ordinary cars<sup>27</sup>. Furthermore, TrygVesta has increased the disbursement relating to housing damages by NOK 50.000 NOK, in order to finance a more climate-friendly energy solution, leaving the insurance premium unchanged. From 2007, TrygVesta has also offered customers free bus cards as an alternative to car rental during car repair<sup>28</sup>. As climate change is a factor in the risk assessment process, it is of the greatest importance that TrygVesta is able to provide adequate products before any damage caused by climate changes occurs. A constant focus on innovation and R&D is therefore necessary.

Other efforts that have been made in order to reduce CO<sub>2</sub> emissions are implementation of more energy-efficient heating systems at the group's headquarters in Denmark and Norway, and improved videoconferencing capacity throughout the group. The latter initiative reduced CO<sub>2</sub> emissions relating to air transport by 550 tonnes in 2007 alone.

## **(2) Integration/diversity**

TrygVesta has launched several projects and is involved in a number of partnerships that have as a common objective to increase diversity in the workplace and improve integration of minorities and maladjusted individuals into society in general and into the labour market in particular. On its website, TrygVesta makes the following statement:

“TrygVesta realizes the business potential and innovation opportunities in embracing diversity and therefore actively works with integration and diversity in the organization. (...) We believe diversity and variation are prerequisites for a dynamic business and we consider diversity an opportunity for innovative development and results”<sup>29</sup>.

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<sup>27</sup> [http://www.trygvesta.no/omvesta/aktuelt/klimavennlig\\_pris\\_pa\\_elbil/index.html](http://www.trygvesta.no/omvesta/aktuelt/klimavennlig_pris_pa_elbil/index.html)

<sup>28</sup> <http://www.trygvesta.no/omvesta/faktaomtrygvesta/klimaloftet/index.html>

<sup>29</sup> <http://www.trygvesta.com/uk/Menu/CSR/Employees/Diversity>

Some of the partnerships and projects TrygVesta is involved in include:

*The Danish Disability Sports Union (DHIF)* which receives financial support. In addition, TrygVesta organises training and offer job opportunities to the disabled. In return, the company benefits from the Union's competence and receives information and advice on claims handling relating to disability and injuries<sup>30</sup>. The cooperation aims to strengthen the peace-of-mind delivery by improving TrygVesta's general insurance services.

*High:five* is a project dedicated to finding jobs for young people, including criminal adolescents who want to change their path. TrygVesta has supported this project financially and has got two new employees from the project.

*The association Non-ethnic Danes (Foreningen Nydansker)* is an association dedicated to removing barriers between non-ethnic Danes and the labour market. TrygVesta is one of its members<sup>31</sup>.

*El Camino* is a project initiated by TrygVesta that aims to prevent troubled youth from starting a criminal career and give them a chance to develop into resourceful people. The idea emerged in the wake of the social unrest in Copenhagen in 2008, which led to a great deal of negative publicity about minority youth. TrygVesta planned a program in cooperation with the social services in Copenhagen, which selected five young men from different ethnic backgrounds to take part in the program. They were first invited to take part in a hike along the Pilgrimage route to Santiago de Compostela in Spain. A few carefully selected managers from TrygVesta also took part in the excursion, among them CEO Stine Bosse. The purpose of the trip was to give the young men an opportunity to reflect upon their wishes and ambitions for the future and to give them a chance to start fresh. All the participants were challenged as individuals and as teams and experienced a strong bonding. After the end of the trip, the five teenagers were offered a permanent position within the organisation, combined with an opportunity to finish school. TrygVesta intends to organise two more trips, one in Denmark and one in Norway.

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<sup>30</sup><http://www.trygvesta.com/uk/Menu/CSR/Society/Social+commitment/Engagements/Our+engagements+in+the+surrounding+communities>

<sup>31</sup><http://www.trygvesta.com/uk/Menu/CSR/Partnerships+and+collaborations>

In addition to these projects, TrygVesta promotes an active recruitment of ethnic minorities, and women in particular, and encourages more women to seek management positions. Furthermore, they seek to diversify their brand portfolio to include more products designed to meet the needs of different ethnic minorities. Many of these groups do not have adequate insurance, if any.

### **(3) Prevention**

*The Night Owls (Natteravnene)* is one of the most important projects in Norway working to prevent violence and vandalism. The members of the Night Owls are adults in the local community whose objective is to increase safety in the local community and indirectly prevent violence and vandalism by patrolling the streets where children and young people spend time in the evening<sup>32</sup>. The Night Owls are voluntary groups organised locally that form part of a national network. TrygVesta became the principal partner of the Night Owls in Norway in 1995 and currently sponsors 500 groups; most of them have been co-founded by TrygVesta. The partnerships are based on three-year contracts, in which the groups are offered financial support, jackets, office supplies and free insurance during patrolling. Secretariat facilities are also made available to them. As mentioned, TrygVesta has one employee dedicated to the Night Owls project. Despite its long traditions and a strong awareness among the general public of the Night Owls, not everyone is aware of the Night Owls' partnership with TrygVesta. One of TrygVesta's objectives is to increase this awareness and to strengthen the company's identity as a Night Owls partner.

*Youth and insurance* is an initiative targeting local community youth with the purpose of teaching them about risk, insurance and the role of the banking and insurance system in modern society. In Bergen, TrygVesta organises an event for seventh-grade children, inviting them to meet with TrygVesta employees and learn about their background and work as well as about insurance in general. Besides teaching kids about insurance, TrygVesta wants to increase the local community's knowledge about the company.

*Security conference:* TrygVesta has a long tradition of cooperating with public authorities and civil society. The Security Conference is a cooperative project between TrygVesta, the Ministry of Justice and the Police, the National Police Directorate and the Norwegian

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<sup>32</sup><http://www.trygvesta.com/uk/Menu/CSR/Society/Social+commitment/Engagements/Our+engagements+in+the+surrounding+communities>

Association of Local and Regional Authorities (KS). The conference is organised in five different regions and is an arena where people working with crime prevention meet and share knowledge and expertise, be it in the area of health care, drug prevention, the school system or the research community. The project is financed partly by TrygVesta and partly by the state and the municipalities.

*The Lifebuoy:* In Norway, TrygVesta has distributed lifebuoys since 1952 and today about 30.000 TrygVesta lifebuoys are available close to lakes and on the beach. This initiative is a part of the company's strategy to be a peace-of-mind provider<sup>33</sup>. TrygVesta has a tradition of honouring those who have performed life-saving acts.

#### **(4) Worker's welfare**

*Employee involvement:* Every six months, TrygVesta offers a "theme package" to their employees, which can be seen as an internal forum that deals with a specific topic relevant to the company that all employees are asked to attend to. The package includes an information campaign, followed by an opportunity for all employees to propose actions that TrygVesta can take within the field in question. A previous forum dealt with the climate issue, in relation to which over 200 suggestions were made, for example in areas such as waste management and recycling. The next forum will most likely deal with the issue of diversity/integration. Other initiatives taken by TrygVesta in the area of worker's welfare include offering fitness facilities and areas for relaxation as well as providing stress management workshops and seminars<sup>34</sup>.

#### **Other Commitments and partnerships**

TrygVesta joined the *UN Global Compact* in October 2008 and has also signed the *Charter for Sustainable Business Development*, which is an extension of the principles of the Global Compact. The Global Compact is "a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption"<sup>35</sup>. Furthermore,

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<sup>33</sup><http://www.trygvesta.com/uk/Menu/CSR/Society/Social+commitment/Engagements/Our+engagements+in+the+surrounding+communities>

<sup>34</sup> <http://www.trygvesta.com/uk/Menu/CSR/Employees/Health+initiatives+and+absenteeism>

<sup>35</sup> <http://www.unglobalcompact.org/>

TrygVesta has signed the *UN's Principles for Responsible Investment (PRI)* which commit the company to take part in PRI's annual Reporting and Assessment<sup>36</sup>.

### **5.2.5 Benefits of CSR**

TrygVesta sees CSR as a necessary requirement for business to survive in the long run, and considers CSR and profitability to go hand in hand. The initiatives taken to prevent climate change are those that are most likely to have a direct effect on the bottom line. Lower CO<sub>2</sub> emissions have significantly reduced energy costs, taxes and travel expenses. One specific example is the reduction of travel expenses by NOK 20 million in 2007 due to increased use of video conferencing<sup>37</sup>. Other initiatives have more long-term effects, such as those relating to promoting diversity. TrygVesta considers a diverse workforce to be a necessity in a society that is becoming increasingly diverse. For a company to understand and be able to satisfy the needs of an increasingly heterogeneous population, it needs to have a diverse workforce. Otherwise, it will end up serving only a small segment of the market. The Night Owls are also expected to have long-term effects on profitability. The Police claim that the preventive effect of this initiative in relation to violence and vandalism is real and therefore reduces the risk of damages and injuries. In turn, this has a positive effect on profitability through lower insurance payments. CSR also benefits the company by increasing their credibility in the eyes of potential future employees. TrygVesta's CSR consultant believes that young people seek to the company partly because of its identity as a responsible company, something that adds meaning to the work they do. He further believes that TrygVesta's history of CSR, with the Night Owls project going as far back as 1995, and the lifebuoy scheme back to 1952, adds to the company's credibility and makes it more likely that its projects are perceived as long-term commitments rather than PR-stunts.

### **5.2.6 Challenges and success factors**

The main challenge for TrygVesta when it comes to CSR is to succeed in involving employees. It is crucial to make processes in which employees are heard and have an opportunity to influence CSR performance. The employees need to feel ownership to the CSR strategy. One step in achieving employee involvement is the use of the theme packages described in the section on workers welfare above. Another challenge is to maintain the

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<sup>36</sup> <http://www.trygvesta.com/uk/Menu/CSR/Commitments%2c+principles+and+policies>

<sup>37</sup> <http://www.trygvesta.no/omvesta/faktaomtrygvesta/klimaloftet/index.html>



company's leading position in the industry in the area of CSR. TrygVesta's CSR ambitions are therefore high, particularly in the climate area. Some of the projects that have been initiated in order to maintain a leading position are the introduction of green products and the cooperation with municipalities to prevent damage to public infrastructure such as sewage.

For a CSR strategy to be successful, TrygVesta considers the support from top management and employee involvement to be the most important factors. A strategy that is rooted in top management and involves the entire organisation shows a significant commitment to CSR and adds considerably to the credibility of a CSR strategy. In other words: a successful CSR strategy needs to be rooted in the corporate culture. This is what distinguishes it from a pure marketing project. Although a necessary requirement, TrygVesta considers financial resources to be less important for a strategy's success.

### **5.3 Rieber & Søn**

Rieber & Søn is one of Norway's leading food companies, with revenues of NOK 5 billion in 2008. The main markets are the Nordic countries and Eastern Europe, where the company has considerable market shares<sup>38</sup>. In Norway, the market share is close to 100% in some product categories. In the Czech Republic and Poland, respectively, Rieber & Søn has a market share of 48% and 43% in the soup and cake mix category<sup>39</sup>. In Norway, Rieber & Søn carries leading brands such as Toro, Denja, Mr.Lee and King Oscar. Delecta, Vitana and Chaka are the company's main brands in the Polish, the Czech/Slovak and the Russian markets respectively<sup>40</sup>. The group has production units in Norway, Sweden, Denmark, the Netherlands, Poland, the Czech Republic and Russia. In addition the group has sales organisations in Germany, the UK, Slovakia, Belgium and the USA. In 2009, Rieber & Søn had a workforce of 3.834 of whom 1.207 were employed in Norway<sup>41</sup>. Rieber & Søn's history started in 1839 when Paul Gottlieb Rieber set up a trading company and vinegar factory in Bergen. In 1933 Rieber & Søn ventured further into the food industry with substitute coffee and in 1946 stock cubes was the first product to be launched under the Toro brand. Today, Toro has grown to be one of Norway's best known brand names, with 750 products in its product portfolio<sup>42</sup>. Further acquisitions followed during the 1980s and the 1990s, including

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<sup>38</sup> <http://www.rieberson.no/en/about/facts/>

<sup>39</sup> [http://www.rieberson.no/multimedia/archive/00000/1Q09\\_presentasjon\\_244a.pdf](http://www.rieberson.no/multimedia/archive/00000/1Q09_presentasjon_244a.pdf)

<sup>40</sup> <http://www.rieberson.no/en/about/facts/>

<sup>41</sup> <http://www.rieberson.no/en/about/facts/>

<sup>42</sup> <http://www.toro.no/index.php?mapping=18>

the salad producer Denja in 1985, the brand *Vestlandslefsa* in 1989 and *Vossafår* in 1990. Rieber & Søn expanded to Central and Eastern Europe through the acquisition of Vitana in the Czech Republic in 1992 and the Polish food company Delecta in 1996. The same year, Mr. Lee and King Oscar<sup>43</sup> were acquired. In 2000 Rieber & Søn decided to abandon the conglomerate model and focus solely on food<sup>44</sup>.

## **Vision**

*We shall be the Local Taste Champion and leading Brand Builder, and will develop attractive food based on consumer needs*<sup>45</sup>. By Local Taste Champion Rieber & Søn means that it has a thorough knowledge of local and national taste preferences, and is familiar with trends and ethnic tastes in the company's markets. Its expertise enables the company to adapt to local and national taste preferences.

## **5.4 Corporate Social Responsibility in Rieber & Søn**

“Rieber & Søn is fully conscious of its responsibilities to its employees, customers and suppliers, and also to our shareholders and society around us”<sup>46</sup>.

This quote is from Rieber & Søn's website and reflects the company's attitude towards CSR. It sees itself as having a responsibility not only to its shareholders and employees, but to all groups that may have an interest in the company as well as society at large. Rieber & Søn's focus on CSR has developed gradually. In Norway, the company has a long tradition for social commitment. Fritz Rieber, one of the previous owners, contributed to the building of the Grieg hall, a major concert arena and landmark in Bergen that opened in 1978. He was also the founder of a botanical garden in Bergen, the Milde Arboretum, which opened in 1971. In 1989, 150 year after its foundation, Rieber & Søn donated 10.000 rhododendrons to the City of Bergen<sup>47</sup>.

Since 2001 however, when the company abandoned the conglomerate model, its CSR approach has become more focused. In connection with the organisational changes that the company underwent, a group was appointed with the task of taking a closer look at the

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<sup>43</sup> Rieber & Søn sold the majority of its shares in King Oscar in May 2010, but maintains its sales organisations in Norway, Poland, the Czech Republic and Slovakia. See <http://www.rieberson.no/presseogkontaktinformasjon/aktuelt/article510.ece>

<sup>44</sup> <http://www.rieberson.no/en/about/history/>

<sup>45</sup> <http://www.rieberson.no/en/finance/strategy/vision/>

<sup>46</sup> <http://www.rieberson.no/en/responsibility/environment/>

<sup>47</sup> [http://www.sn1.no/nbl\\_biografi/Fritz\\_Carl\\_Rieber/utdypning](http://www.sn1.no/nbl_biografi/Fritz_Carl_Rieber/utdypning)

corporate culture and to propose a direction for its development, including the company's social profile. In other words, CSR was put on the agenda as a result of a growing trend in the market. Having become an international company that currently operates in countries and communities with far greater challenges than in Norway in terms of socio-economic development, Rieber & Søn has started to engage in CSR activities also outside Norway. Support and donations aimed at helping disadvantaged children in the communities in which they operate have become a major part of the company's CSR programme, in addition to supporting local sports activities and cultural events. Nevertheless, the Communication Director emphasises that CSR is not a priority area for Rieber & Søn.

#### **5.4.1 Definition**

To Rieber & Søn, CSR is primarily about doing business in a sound and decent manner. Business should be conducted in a manner that does minimal harm to its stakeholders, be it employees, the environment or society at large. Any CSR strategy that goes beyond this should be rooted in the company's vision and values.

#### **5.4.2 Why CSR?**

In addition to behaving decently, Rieber & Søn feels an obligation to give something back to the communities in which it operates, through sponsorships and donations.

#### **5.4.3 Organisation**

CSR is a relatively new domain in Rieber & Søn's organisation that involves a combination of central and local responsibility. The responsibility for the overall strategy lies with the Communication Director, who is also responsible for coordinating the various CSR initiatives. Local responsibility is mainly limited to sponsorships/donations and the environment and lies within the various business units. A new management position has been established with overall responsibility for environmental issues. An outline of Rieber & Søn's CSR organisation can serve to illustrate the distribution of responsibility:



Rieber & Søn's Communication Director is of the opinion that there is no best way of organising a CSR function; it varies from one company to the next. Because Rieber & Søn sees reputation building as an important part of CSR, a structure in which the overall responsibility is assigned to the Communication Department was considered the most solution.

#### **5.4.4 Scope**

Rieber & Søn's CSR initiatives are split into five focus areas: (1) *Ethics and suppliers*, (2) *Food Safety*, (3) *Environment*, (4) *Employees and work environment* and (5) *Sponsorships and donations*. In the following, some of the initiatives taken in these different focus areas will be presented.

##### **(1) Ethics and suppliers**

Rieber & Søn's business units are all located in Europe, and as such, matters relating to UNICEF and the International Labour Organization's Conventions on child labour and other human rights issues, are regulated by working environment legislation. The main challenges in this area are primarily related to suppliers of raw material. As a food producer, Rieber & Søn has suppliers all over the world, including countries where human rights may not be as well protected as in Europe.

Rieber & Søn works hard to ensure that its suppliers comply with UNICEF's and ILO's conventions and that human rights are respected. All suppliers have to fill in forms confirming that they operate in compliance with relevant conventions. The forms cover areas such as child labour, food safety, the working environment and minimum wages. Furthermore, Rieber & Søn conducts annual inspections and audits of a random sample of suppliers. Based on these inspections Rieber & Søn concludes that there are no severe violations of human rights in its base of suppliers, and that there are few challenges relating to the ethical behaviour of suppliers. Some of the initiatives taken within different categories of raw material include:

*Cocoa suppliers:* Rieber & Søn's cocoa supplier is deeply involved in ILO's work and inspections in West Africa. New studies from the Child Labour Survey of the Cocoa Sector in West Africa show that 99% of the farms in the Côte d'Ivoire do not make use of child labour on a full-time basis.

*Dried vegetables:* The suppliers must provide documentation of their compliance with the ILO Convention. Rieber & Søn controls their documentation and carries out inspections. However, it does not have the resources to control each individual farmer.

*Oils and animal fat:* The production of palm oil threatens the life of wild animals and plants and causes damage to the rainforest. For this reason, Rieber & Søn has decided to replace palm oil with rapeseed oil from February 2010.

*Rice, spices and sugar:* Rieber & Søn buys these raw materials from multinational companies that operate far from the farms where the raw materials are produced. As a consequence, Rieber & Søn does not have an opportunity to control every farmer, but trusts international trade organisations and suppliers to do so.

## **(2) Food safety**

As a food producer, food safety is of the utmost importance to Rieber & Søn. The quality requirements are therefore strict. The company's initiatives include:

*Approved suppliers:* Suppliers of raw material must fulfil basic quality requirements, and audits that include a thorough inspection of their quality systems will be conducted. Production, environment, ethics, legislation and products are subject to inspection.

*Approved raw materials:* All raw materials must satisfy a number of requirements relating to taste, appearance, hygiene, environmental toxins, gene modification, allergens and additives. All materials are subject to inspection at arrival and approved by Rieber & Søn's laboratory.

*Approved factories:* All factories follow quality regulations issued by the government. These regulations apply to buildings, machines, staff, visitors, sanitation and hygiene. In addition, Rieber & Søn has developed its own guidelines that go beyond the minimum requirements. These guidelines are based on the ISO standard 22000.

*Communication and customer support:* All product information has to be correct, protective and instructive. The product specification should provide consumers with appropriate information, also for customers with particular needs, whether those needs arise from medical, ideological or religious reasons. Furthermore, Rieber & Søn has developed systems for customer support, compensation and withdrawal of products.

*Competence:* Rieber & Søn is involved in a continuous dialogue with local authorities and participates in national and international food and drink associations, in order to be updated on regulations and new knowledge in their business segment. When it comes to food safety, competition is not an issue. The focus is on strengthening each other's competence and knowledge.

### **(3) The environment**

Rieber & Søn follows international environmental standards. In a three-year perspective, all factories should apply the ISO 22000 standards. Rieber & Søn works continuously to improve systems and procedures in order to achieve environmental gains, with a particular focus on energy-saving. Some of the initiatives taken in this area include:

- Publication of an environmental report for the first time in 2008.
- The establishment of a new management position with overall responsibility for environmental issues.
- Renovated headquarters in Bergen. This will be carbon neutral as soon as the City of Bergen has completed its district heating plant.
- 95 % of waste is recycled.
- Extended use of video conferencing equipment.

- An agreement with Enova that grants Rieber & Søn an investment support of NOK 6 million if it carries out energy saving projects and meet the targets set for energy reduction.
- Renovated and more energy-efficient factories in Arna and Elverum. Rieber & Søn expects a total reduction of 4 GWh from these renovations.
- A new water cooling and recycling system installed in Gniewino, Poland.

In the other countries, Rieber & Søn has a constant focus on reducing the use of oil, electricity and water as well as on recycling. Unlike TrygVesta, Rieber & Søn does not participate in any national or international climate forums.

#### **(4) Employees and the working environment**

Since autumn 2008, Rieber & Søn has strengthened its focus on human resource development headed by a newly-appointed corporate director.

#### **(5) Sponsorships and donations**

Rieber & Søn feels a particular attachment to its local communities and therefore focuses primarily on local projects and activities. Support is primarily limited to charity organisations, sports associations and cultural events. The support is given both in the form of financial support and food products. Most of the projects that receive support are chosen on a random basis, with no particular relevance to Rieber & Søn's business strategy. Some of the receivers in 2009 include The Church City Mission, the street project *Gatebarnas Far* in Oslo and orphanages in Murmansk and Lithuania. The Red Cross also received food products. The support can be divided in two main categories: support to disadvantaged children and support to local sports activities and cultural events.

*Support to disadvantaged children* has in recent years replaced the company's traditional Christmas gifts to employees and customers. In 2008, NOK 211.000 was spent on such projects in Poland, Russia, the Czech Republic and Denmark. In the Czech Republic, support is mainly given to schools and kindergartens in the regions of Bysice and Varnsdorf where Rieber & Søn has production units. In 2008, a donation was given to an orphanage near Varnsdorf. In 2009, a school in Bysice received support. Furthermore, in 2008, a centre for newborn children and their mothers received NOK 24.000, which was used to purchase a special dishwasher and other kitchen supplies. In Poland Rieber & Søn provides food

products to several institutions, most often schools and family centres. In addition, King Oscar provides financial support to local housing initiatives in Poland. In 2008 a donation of NOK 50.000 was given to a training and crisis centre for children between the ages of 3 and 18 years old, in Brzezine, near Rieber & Søn's plant in Wloclawek. Other projects that receive support are "Single Mothers", a support network for single mothers, and the Polish Committee of Social Welfare which assists poor families, orphanages and schools. In 2008, Rieber & Søn donated NOK 50.000 to an orphanage in Electrostal in Russia where they have a production unit. In 2009 an orphanage in Murmansk received support. A donation has also been given to a home for maladjusted teenagers in Skælskør, Denmark. In Sweden, Rieber & Søn supports organisations such as *Children's rights in society (Barnens Rätt i Samhället)* and *Parents against drugs (Föräldrar mot Narkotika)* through membership and advertising on their website. An organisation called *Vimmerby against bullying* is also supported through advertisements in their membership magazine. Vimmerby is where Frödinge Mejeri is located, which is owned by Rieber & Søn.

*Support to local sports activities and cultural events:* Rieber & Søn supports sports clubs, cultural events and food events in Norway, Sweden, Poland and the Czech Republic through sponsorships. In Norway events such as the Bergen Christmas Cup in handball, Oslo Ski Festival and the Birkebeinerritt cycling race are sponsored, as are local events in Svolvær where King Oscar is located. Activities targeting children and youth, such as youth clubs, choirs and brass bands also receive support. In Sweden Rieber & Søn provides financial support to local sports activities for youth, such as gymnastics, sailing, golf and various ball games. In the Czech Republic, support is given to various local sports events and summer activities for children. In Bysice, where one of the company's factories is located, Rieber & Søn supports the organisation of a voluntary fire brigade. In Poland, a volleyball team in the Polish top division is sponsored, and in 2008 a donation was given to a football team at junior level in Gniewino, where King Oscar is located. Other cultural events also received support.

#### **5.4.5 Benefits of CSR**

To Rieber & Søn, behaving decently and responsibly is a basic requirement for business to survive in the long run. Although in the short term CSR may have a negative effect on profitability, the Communication Director recognises that CSR may have positive effects on



profitability in the long run. At the same time he acknowledges that some CSR activities are purely philanthropic with no potential of generating profit, such as donations.

Rieber & Søn recognises two specific benefits from having a CSR strategy. First, it may improve the company's reputation in the public, particularly among its customers. According to the Communication Director, several studies have been conducted that support this view. A second benefit of a CSR strategy is that it may strengthen a company's status as an attractive workplace, something that current employees can take pride in and that will attract potential future employees.

There is, however, a thin line between activities that can be considered as CSR and those that have a pure marketing objective. Sponsorships are examples of activities that are in a grey area between CSR and marketing. Clearly, the main purpose of a sponsorship agreement is to increase brand awareness, and it must therefore primarily be viewed as a marketing activity. However, some sponsorship agreements may also be considered as CSR, depending on the sponsorship object. Sponsoring non-profit or charity organisations such as Amnesty may fall within CSR, while sponsoring the local football club Brann is considered a marketing activity.

#### **5.4.6 Challenges and success factors**

The major challenge is to ensure that the CSR strategy is rooted in the organisation. A CSR strategy may look good on paper but it may be hard to carry out in practice. Another challenge is to find the right area and level of commitment, in terms of resource spending. Weighing the costs and benefits of a given CSR initiative is crucial in order to avoid negative effects on profitability. Sometimes a project may cost more than the company is willing to invest.

*In this chapter I have sought to provide a comprehensive presentation of the two illustrative cases. A particular focus has been given to the CSR activities and projects initiated by the two companies. In the next chapter the cases will be analysed in depth using the framework developed in Chapter 3.*

## **6. ANALYSIS**

The aim of this chapter is to demonstrate the practical relevance of the tools and concepts developed in the frame of reference by applying them to the cases presented in Chapter 5. The following analysis will provide a systematic discussion of the CSR practice of the two selected cases with respect to the following dichotomous concepts: Weak – Strong; Strategic – Genuine; Narrow – Broad and PR-profile – No PR-profile. All four concepts represent scales and both cases will be evaluated in relation to certain defined indicators and plotted in along each scale.

### **6.1 Weak versus strong CSR**

This dimension relates to the level of commitment to CSR, reflected in the degree of control a corporation has over its CSR projects and the amount of resources dedicated to CSR in the organisation. As such, it is relevant to all companies that engage in CSR, irrespective of the size of their CSR organisation and irrespective of the type of involvement; whether they donate money (little/no control), participate in projects initiated by others (medium control) or initiate and organise their own activities (full control). The study of TrygVesta and Rieber & Søn has revealed clear differences in their choice of activities and in the way CSR is organised. The weak – strong dimension may be fruitful in order to gain a deeper understanding of these differences.

To evaluate the two companies' CSR performance along the weak-strong dimension, I will first look at the resources they have assigned to the CSR function, in terms of manpower. Anchoring in top management is also relevant in this respect. As I do not have sufficient information about the two companies' CSR budget, this indicator will not be included in the analysis. Next, I will consider the level of control the companies have over their CSR activities. I will not go into detail on all of their activities, but use some of their activities as illustrative examples.

#### **6.1.1 Organisation of CSR function**

TrygVesta's CSR function is relatively large, involving a total of ten people. CSR is not assigned to a separate department, but divided between a CSR board, consisting of 7 people, and a CSR secretariat, consisting of two people (see section 5.2.3). While the board consists

of people who have CSR as only one among several responsibilities, the secretariat and the Night Owls, a total of three people, are dedicated to work only with CSR. The amount of people working with CSR and the anchoring in top management indicate a strong commitment to CSR. However, considering the size of the corporation which employs over 4.000 people and serves some 2.5 million customers, the number of people working with CSR on a daily basis could have been even higher.

In Rieber & Søn, the main responsibility for the organisation's CSR work is assigned to one person; the Communication Director, whose responsibilities include a number of other issues. The Director of Food Safety and the Director of Human Relations are also involved in the CSR work in the organisation, with issues related to suppliers/food safety and employees/the working environment, respectively. In addition, one manager is dedicated to work on environmental issues. This amounts to a total of four people in an organisation that employs almost 4.000 people. CSR is to some degree anchored in top management, involving three directors, although not to the same extent as in TrygVesta. The number of people involved with CSR indicates a weaker commitment to CSR in Rieber & Søn than in TrygVesta.

### **6.1.2 Degree of control over CSR activities**

TrygVesta often combines financial support with active involvement and the company's initiatives therefore take the form of partnerships rather than sponsorships. In addition to supporting projects initiated by others, the company organises and carries out CSR activities on its own initiative. The Night Owls and the Danish Disability Sports Union (DHIF) are examples that show how financial support is combined with an active involvement in the organisations. The support to the Danish Disability Sports Union is followed by training and job opportunities to the disabled. The support to the Night Owls also takes the form of a partnership. TrygVesta has initiated the establishment of several Night Owls groups and has one person dedicated to this project. The Security Conference and the Climate Commitment are examples of other projects that take the form of partnerships and involve more than financial support. Such partnerships, where financial support is combined with active involvement, leave TrygVesta with significant control. Ownership implies control, also in relation to CSR. The projects that a company has ownership of are fully controlled by the company. TrygVesta owns several CSR projects. The Lifebuoy, El Camino, Youth & Insurance and the development of green/ethnic products are examples of projects that are

initiated, organised and carried out by TrygVesta. These initiatives also often involve large parts of the organisation. Employees as high up as top management participate in the El Camino project and Youth & Insurance requires employees from different parts of the organisation to participate. The use of partnerships and fully-owned CSR projects indicate that TrygVesta has a high degree of control over its CSR activities.

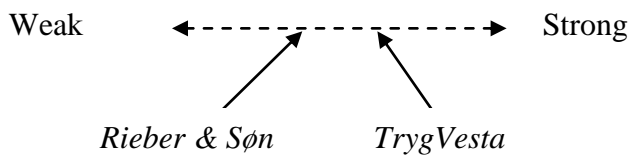
Rieber & Søn supports a range of activities in the local community through charity donations and sponsorships. This is a significant part of the company's CSR commitment. Sports activities are often supported through sponsorships, meaning that an organisation receives support on a regular basis. Other activities and organisations are supported by one-off donations and the beneficiaries often vary from one year to the next. This is often the case in relation to the support given to charity organisations. Monetary donations represent the lowest level of control a company has over its CSR initiatives. Rieber & Søn decides which causes or organisations to support but beyond that, the company has no control over the projects. The extensive use of donations and sponsorships is therefore an indication of weak CSR.

Nevertheless, there are also initiatives that are partly or fully controlled by Rieber & Søn. The conduction of annual audits and inspections of suppliers are examples of such initiatives. However, due to the large amount of suppliers in the supply chain, Rieber & Søn does not have the capacity to control each individual farmer. Hence some of the control is left to other suppliers and international trade organisations. Other examples of projects that are only partly under the company's control include the investment project it carries out in cooperation with Enova regarding energy saving projects, and the participation in international trade associations aimed at increasing competence and knowledge relating to food safety. The renovated headquarter is also only partly under the control of Rieber & Søn, as it depends on the completion of a municipal project to be effective. Finally, some projects have been initiated and carried out by Rieber & Søn alone. In addition to conducting audits and inspections of suppliers' quality systems, the company inspects all material at arrival. Furthermore, it has developed its own quality guidelines as well as systems for customer support, compensation and withdrawal of products. In the environment area, the company has renovated factories, established a new management position and increased the use of video conference equipment. These are activities over which Rieber & Søn has full control. Combined, all these examples indicate a medium-strong commitment to CSR.

### 6.1.3 Conclusion

Because of the high degree of control and the number of people employed in the CSR function, I consider TrygVesta to have a strong commitment to CSR. I do, however, see the possibility of involving more people in the work with CSR due to the size of the corporation. All factors taken into consideration, I will place the company near the right end of the weak-strong dimension.

Rieber & Søn's CSR performance is a combination of low and high control activities. Although the company engages in several CSR projects that are wholly or partly under its control, the use of donations and sponsorships is such a significant part of Rieber & Søn's CSR profile that it must be emphasised in the conclusion. Combined with the relatively low number of people working with CSR, I consider Rieber & Søn's CSR commitment to be significantly weaker than that of TrygVesta. I will therefore place the company in the middle of the weak-strong axis.



## 6.2 Strategic versus genuine CSR

The strategic – genuine dimension represents the distinction between instrumental and genuine CSR. Strategic CSR reflects a company's vision and business area and focuses on providing benefits to the company. Genuine CSR, on the other hand, is carried out for its own sake, and primarily provides benefits to society. The interviews revealed that both TrygVesta and Rieber & Søn feel an obligation to give something back to society, indicating a genuine wish to promote the common good. However, they both also see CSR as business-driven; emphasising the potential benefits of CSR and the importance of linking a CSR strategy to the company's business area and vision. This indicates a more strategic approach to CSR.

However, the study has revealed real differences in the way TrygVesta and Rieber & Søn perform CSR and the extent to which their CSR activities are linked to their business areas.

The strategic – genuine dimension can therefore be applied to shed light on these differences.

First, I will look at the factors that characterise strategic CSR. Is there a link between the two companies' CSR activities, their business area and vision? Furthermore, what benefits do they have from engaging in CSR, if any? Next, I will consider factors that indicate a genuine approach. Do the companies engage in CSR activities that do not benefit themselves? How do TrygVesta and Rieber & Søn view CSR and what are their reasons for engaging in CSR? Do their views reflect a genuine commitment to CSR?

### **6.2.1 Business area**

TrygVesta operates within the general insurance industry. The study shows a clear link between the company's CSR activities and business area. Several examples illustrate how TrygVesta chooses projects that are relevant to the company and where it can make use of its competences. The cooperation with the *Danish Disability Sports Union (DHIF)* is one example. This project is closely linked to TrygVesta's business area, as it provides the company with competence relevant to its claims handling and thereby improves its general insurance services. The development of green products and products designed specifically for ethnic minorities are other examples of projects that are closely linked to TrygVesta's business. In these projects TrygVesta clearly uses its expertise to combine a social and environmental purpose with a business opportunity.

Rieber & Søn's business area is food production. The initiatives taken in the areas of food safety and supplier relations are those that are most closely linked to the business area, as they are directly related to the product and production process. However, it may be argued that for a food producer, food safety should be considered a minimum requirement rather than a CSR initiative. It is necessary to be seen as a legitimate player within the food industry. Aside from food safety and ethical screening of suppliers, the link between Rieber & Søn's CSR activities and its business area is weak. The beneficiaries of sponsorships and donations range from sports clubs to orphanages, schools and family centres and have no clear connection with Rieber & Søn's business area. The recipients are chosen out of a wish to contribute to the local community, not because they are particularly relevant to Rieber & Søn's business. However, the provision of food products falls within the company's business area and is a way of using its competence and expertise to benefit a good cause. Nevertheless, compared with TrygVesta, the overall picture shows a weaker link between Rieber & Søn's business area and its CSR activities.

## 6.2.2 Vision

Enhancing peace of mind by improving safety is at the core of TrygVesta's vision (see section 5.1). This is also its business idea: people take out insurance to feel safe and to minimise economic risk. Minimising risk is also in TrygVesta's interest, as it reduces the amount of claims and pay-outs as well as the price of reinsurance. Several projects reflect TrygVesta's vision. Preventive work is an important risk minimising factor and one of their focus areas within CSR. The Night Owls, the Lifebuoy and the Security Conference are projects initiated by TrygVesta that aim to enhance peace of mind by preventing crime and accidents and by protecting life and health. Moreover, projects that focus on integration and diversity also have a potential preventive effect for example by preventing young people from committing crimes by way of offering them job opportunities via projects such as the El Camino and High Five. Furthermore climate change increases the risk of hurricanes, floods, and other natural disasters that have a significant impact on people's safety. Fighting climate change is therefore a way of reducing risk, and it is clearly linked to the TrygVesta vision. The company shows a strong commitment to the climate issue by participating in forums aimed at exchanging knowledge and encouraging companies to take action against the climate crisis. The Climate Commitment, ClimateWise and Climate Cut are examples of this. Providing green products and services and reducing CO<sub>2</sub> emissions are other examples that show commitment to the climate issue and reflect the company's vision. All these examples show that there is quite a strong link between TrygVesta's vision and its CSR activities.

Rieber & Søn's vision contains two key elements: building a strong brand and possessing deep and extensive market knowledge (see section 5.3). The relationship between Rieber & Søn's CSR activities and its vision is not as clear as in the case of TrygVesta. The initiatives that most clearly reflect its vision of being a leading brand are those that focus on food safety. To achieve this goal, product quality – and hence safety – is a prerequisite. However, as argued above, food safety is precisely this – a basic requirement for companies operating in this industry. Furthermore, sponsorships are usually thought of as a marketing activity rather than a CSR initiative in that it increases awareness of the brand. Rieber & Søn's sponsorships can therefore be seen as a part of its brand-building strategy. However, a significant part of Rieber & Søn's CSR programme consists of one-off charity donations with no obvious marketing purpose. In total, I would therefore argue that the link between Rieber & Søn's CSR activities and its vision is relatively weak.

### **6.2.3 Potential benefits**

Engaging in CSR has clear benefits for TrygVesta. The most obvious benefit is perhaps the cost reduction that comes from implementing climate-friendly solutions. By installing a more energy-efficient heating system and improving its videoconferencing capacity, the company not only reduces CO<sub>2</sub> emissions, but also benefits financially by significantly reducing taxes and travel- and electricity expenses. Furthermore, projects such as The Night Owls, the Security Conference and climate initiatives are all initiatives that may minimise risk for the company – and for society. The Night Owls in particular are expected to have long-term effects on profitability through lower compensation payments. Linking the company to a good cause also has an effect on its reputation as will be seen in section 6.4. TrygVesta also has a clear economic interest in offering green and ethnic products. While ethnic products provide a new business opportunity, products that are adjusted to the new climate challenges may reduce risk for the company. The reduced insurance premium for electric cars is an example of a climate initiative which benefits TrygVesta by reducing risk.

Rieber & Søn also benefits from CSR. The initiatives taken in the area of food safety clearly affect the quality of Rieber & Søn's products which may in turn increase customer satisfaction and boost sales. Improving product safety also reduces costs relating to product defects. Furthermore, the initiatives taken to ensure that ethical standards are met by suppliers can be seen as an effort to maintain a good reputation. Respecting human rights and ensuring decent working conditions are now practically mandatory in order for companies to be seen as respectable and serious players. Companies that violate this norm risk being punished by customers. As will be further elaborated on in section 6.4, sponsorships can have positive marketing effects by way of increasing the awareness of Rieber & Søn in the public. Finally, cost reductions due to energy saving and investment support from Enova illustrate some of the benefits in the environmental area.

### **6.2.4 Projects with no potential benefit**

As we have seen, TrygVesta and Rieber & Søn benefit from engaging in CSR in several ways. But are there any CSR activities that do not entail any such benefits, projects that only benefit society and that may indicate a genuine approach to CSR?



It is difficult to find examples of CSR activities without any potential benefits for the companies. Engaging in CSR always has a potential marketing or reputational effect, even when unintended. However, both companies engage in CSR activities where the benefits to society are far more obvious than the benefits to the company.

El Camino is an example of a project initiated by TrygVesta that clearly benefits society by improving the life of troubled youth, but where TrygVesta's economic interest is less obvious. Of course, as for all CSR activities, the project has a potential reputational effect. One may also argue that TrygVesta promotes its own interests by recruiting new employees from the project. However, I would argue that there are other recruitment strategies that require less involvement and resources and that are more likely to attract people with adequate qualifications. The amount of resources invested in terms of people, time and money into a social project with few economic returns such as El Camino indicate a genuine interest in doing the good.

Donations are often purely philanthropic and do not require anything in return. The donations that Rieber & Søn makes can therefore be considered as genuine CSR, where the social benefit is greater than the benefit to the company. Rieber & Søn considers this to be an initiative with no potential of generating profit to the company. However, donating money to a good cause also has a reputation enhancing effect, which weakens the genuine aspect.

### **6.2.5 The companies' views on CSR and their reasons for engaging in CSR**

CSR has a long history in TrygVesta and it is therefore seen as an inherent part of its culture. The company's history of CSR, starting with the Lifebuoy in 1952 and continuing with the Night Owls in 1995, is a signal of a long-term commitment. This gives it credibility as a company with a genuine interest in CSR. In addition, as a major player in its industry, TrygVesta feels a special obligation towards society and sees CSR as a way of combining sustainability and long-term growth for both society and the company. It emphasises the importance of providing effective and positive change to society by choosing CSR activities that are relevant to its business and where it can use its competence. The focus on providing real benefit to society further indicates a genuine wish to promote social welfare. However, CSR is also seen as a necessity for the company to prosper and TrygVesta recognises the financial benefits of engaging in CSR. It is seen as both a way of attracting and retaining customers and employees and

as an opportunity to develop new products. The statement made by TrygVesta that they work to promote integration and diversity partly because of its business potential and innovation opportunities, illustrate how the company views CSR as good business. This, combined with the emphasis on linking the CSR activities to the company's business weakens the genuine aspect.

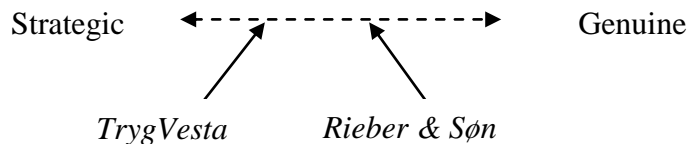
Like TrygVesta, Rieber & Søn has a tradition for getting involved in the local community. This is illustrated by the work of Fritz Rieber in the 1960s and 1970s. Rieber & Søn points out that it sees CSR primarily as doing business without causing harm to society or the environment. In addition the company feels an obligation to give something back to society through CSR. These factors indicate a genuine interest in CSR. However, the statement made by the Communication Director that CSR is not a high-priority issue weakens this argument. Furthermore, the company emphasises the financial benefits of CSR, particularly the effect that CSR can have on a company's reputation – among customers and current as well as future employees. When asked about the challenges of CRS, Rieber & Søn emphasises the cost perspective of CSR and the importance of avoiding negative effects on profitability. A CSR project may cost more than the company is willing to invest. Such statements signal a less genuine interest in CSR.

## **6.2.6 Conclusion**

The preceding analysis has shown that there is a clear link between the CSR activities of TrygVesta and its business area and vision. Moreover, the company enjoys considerable benefits from engaging in CSR. However, TrygVesta conveys a genuine wish to promote sustainability and social welfare, indicated also by its long-standing tradition of CSR and the resources invested in projects with little obvious return. It is therefore difficult to place TrygVesta in either of the two categories. However, because of the great focus on business relevance and on combining social benefits with benefits to the company, I will argue that TrygVesta's CSR practice tends towards strategic CSR.

Rieber & Søn differs from TrygVesta in several aspects along this dimension. First, there is a much weaker link between its CSR activities, business area and vision. I will therefore not characterise Rieber & Søn's CSR practice as strategic CSR. Second, its CSR efforts have a clear philanthropic character due to the extensive use of charity donations, which indicates a genuine approach to CSR. However, as the company enjoys clear benefits from engaging in

CSR – benefits that it also emphasises and recognises as important to its CSR involvement – its CSR commitment is not of a truly genuine character. Hence, I will argue that Rieber & Søn's CSR practice can be characterised as neither strategic nor genuine and therefore must be placed in the middle of the genuine – strategic axis.



### 6.3 Narrow versus broad CSR

For practical reasons, a company has to limit its response to society's needs and challenges, as these seem indefinite. However, most CSR practices encompass more than one activity. A logical assumption would be that most companies fall somewhere in the middle of the narrow – broad dimension of CSR. Intuitively, this assumption also seems to apply to TrygVesta and Rieber & Søn. They are both involved in a variety of activities, albeit within a few specified areas. However, Rieber & Søn seems to have a stronger community perspective than TrygVesta. Furthermore, although the latter supports a number of different organisations and projects, its focus is somewhat different. While Rieber & Søn mainly limits its support to charity organisations and local cultural events and sports activities, TrygVesta focuses on security and integration. It is therefore interesting to apply the narrow – broad dimension to the two companies to further evaluate these differences.

To evaluate this dimension, I will consider the extent to which the CSR activities are spread over a wide range of different categories. Thereafter, I will look at the geographical boundaries for their CSR involvement.

#### 6.3.1 The spreading of CSR activities

TrygVesta engages in a great number of CSR activities in different categories ranging from climate change to crime prevention and integration of the disabled, ethnic minorities as well as criminal youth. It organises security conferences, partners with the Night Owls, participates in climate forums, helps troubled youth, focus on innovation of green products etc. In other

words, its CSR programme reflects great diversity. The range of different activities indicates a broad scope of CSR.

However, TrygVesta limits its CSR involvement to four main issues (see section 5.2.4). Although the activities in each group are not of a similar nature, they share a common purpose and are all linked to TrygVesta's business area, either by reducing risk, enhancing safety or providing new business opportunities. As an example, the area of integration includes CSR activities as varied as membership in the association Non-ethnic Danes and social programmes such as El Camino. However, all projects focus on promoting integration by supporting different minority groups. Within the climate area, activities range from product innovation to climate reporting and participation in climate forums. All activities share a common purpose; to reduce the impact of climate change. These examples illustrate that TrygVesta is selective in its choice of support. It focuses on projects that are relevant to the company and its business and does not support just any kind of charity organisation or social project. This narrows its scope for CSR.

Rieber & Søn also engages in a number of CSR activities within different categories, such as reducing energy consumption, promoting decent working conditions internally and among suppliers, sponsoring sports events and donating money to charity organisations. These examples illustrate that Rieber & Søn has a wide span for its CSR activities. However, like TrygVesta, it has limited its scope to include a few defined areas. For Rieber & Søn, five areas are in focus (see section 5.4.4). In the area of sponsorships and donations, the company has chosen to support three main categories of beneficiaries; disadvantaged children and sports activities and cultural events in the local communities. This illustrates that Rieber & Søn has a well-defined scope for its CSR involvement. However, a general interest in charity and support of organisations that focus on other issues than children's rights only, such as the Red Cross and the Church City Mission, indicates a broader scope.

### **6.3.2 Geographical scope**

TrygVesta performs CSR at local, national and international level. El Camino is an example of a project that is initiated locally, as it originally focused on young people from Copenhagen. Youth and Insurance is a project that takes place locally in Bergen. The Night Owls is an example of an initiative with a national scope, as it includes more than 500 local groups throughout Norway. Another national project is the security conference, which is

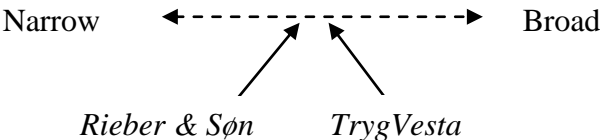
organised in five different regions. Climate is the area in which TrygVesta most clearly combines a local, national and an international scope. While having implemented a number of initiatives locally, such as more energy-efficient heating systems, as well as improved videoconferencing, it engages in several forums at both national (Climate Commitment and Climate Cut) and international level (ClimateWise and the Carbon Disclosure Project). The number of initiatives on all three levels indicates a broad geographical scope for CSR.

Rieber & Søn explicitly states that it wants to focus on supporting projects or organisations in the local communities. There are numerous examples of this; The Handball Christmas Cup in Bergen, *Vimmerby against bullying* in Sweden, a local football team in Gniewino in Poland, an orphanage in Elektrostal in Russia and a voluntary fire brigade in Bysice in the Czech Republic. At the same time, Rieber and Søn supports some projects on a national level, such as the Church City Mission and the Red Cross. Finally, the ethical screening of suppliers in less developed countries is an example of a CSR initiative with an international scope. The company also participates in international food associations in order to improve food safety. In other words, Rieber & Søn's performs CSR on a local, national and an international level. However, the emphasis is on the local level, where the majority of activities are carried out. This indicates that Rieber & Søn has a somewhat narrower geographical scope than TrygVesta.

### 6.3.3 Conclusion

The combination of a great number of activities and a focus on certain areas indicates that TrygVesta has a limited but not narrow scope for its CSR activities. Combined with the broad geographical scope, this suggests that TrygVesta should be placed somewhere in the middle of the narrow – broad axis.

Similarly, Rieber & Søn has a limited scope for its CSR activities, although its priority of charity in general indicates a broad scope. However, the geographical scope is narrower than that of TrygVesta. In view of these factors, I will place Rieber & Søn in the middle of the narrow – broad axis, although somewhat to the left of TrygVesta.



## **6.4 PR-profile versus no PR-profile**

As previously discussed, any CSR project has a potential of generating a so-called reputational effect. By promoting itself as a good citizen, a company can improve its reputation among its different stakeholders. Although this effect often arises from CSR, some companies attach more weight to it than others. TrygVesta and Rieber & Søn both recognise that CSR may have a positive effect on their reputation. However, they differ in relation to the emphasis they place on this aspect of CSR. The PR dimension can be a good way of evaluating the extent to which they actually use CSR as a PR instrument.

To evaluate the PR profile of the two companies' CSR programmes, I will first consider whether there are any initiatives with a particularly strong PR profile. In relation to this, I will look at how the companies communicate their CSR efforts and whether they make use of any marketing instruments in their communication. Next, I will look at how the responsibility for CSR is allocated in the organisation. Finally, I will use the companies' own views on CSR to evaluate the PR dimension of their CSR efforts.

### **6.4.1 CSR activities with strong PR profile**

In general, all CSR activities have the potential of promoting the company as a good citizen and improve its reputation accordingly. This is also the case for TrygVesta and Rieber & Søn. However, there are several examples of initiatives that have a stronger PR profile than others.

For TrygVesta, the Lifebuoy is one clear example. By making its brand name and logo visible throughout the country, The Lifebuoy is a way of increasing awareness of the company and the TrygVesta brand in the general public. The same can be said about the project Youth & Insurance, where the public is invited to meet with TrygVesta and learn about the company and the insurance industry in general. This can be seen not only as a social initiative, but also as an opportunity to promote the company. TrygVesta also admits that the purpose is to increase local people's knowledge, not only about risk and insurance, but also about the company. The Night Owls is perhaps one of the CSR initiatives that are best known among the public. The plan to strengthen the association to the Night Owls indicates that TrygVesta recognises the positive effect that this project may have on the company's reputation. However, TrygVesta's active involvement in this project beyond financial support and the mutual benefits that the project represents indicate that the Night Owls is much more than an

easy way of promoting its brand name. The initiatives taken to create a more inclusive working environment where employees are heard, such as the Theme package, have a potential PR effect within the organisation. Involving employees in the decision-making process may improve its internal reputation as an employer who listens to and cares for its employees. It may even make employees more motivated to do a better job.

Although these projects have potential reputational or marketing effects, they all have a clear social purpose and a relevance to TrygVesta as a safety provider. This factor, combined with the amount of resources spent, not only in terms of money but also in terms of time, people and expertise, suggests a weak PR profile. TrygVesta's communication strategy strengthens this view. Its CSR efforts are primarily communicated via its website and financial reports. The use of marketing instruments in the company's CSR communication is minimal, in particular after it abandoned its previous sponsorship strategy to seek a more active involvement.

In the case of Rieber & Søn, the clearest example of a CSR initiative with significant potential of generating a PR effect is the use of sponsorships, which makes up an important part of Rieber & Søn's CSR programme. Sponsoring local sports activities and cultural events, such as the Christmas cup in Bergen, Oslo Ski Festival and a Polish volleyball team, is an opportunity to promote Rieber & Søn as a company and a brand. The company recognises that this has a potential for generating profit. Donating money to charity can also have a PR effect, merely by linking the company to a good cause. Moreover, as it does not require any efforts on part of the company, it is an easy way of creating a reputation of the company as a good citizen. By replacing the traditional Christmas gifts to employees with donations to organisations helping disadvantaged children, Rieber & Søn makes its efforts visible to its own employees – and customers – and can therefore also increase its reputation internally. The CSR efforts are communicated via the company's website as well as annual report, but the extensive use of marketing instruments such as sponsorships indicates a strong PR profile.

#### **6.4.2 Allocation of responsibility**

As mentioned in section 5.2.3, TrygVesta has assigned the overall CSR responsibility to a separate board, consisting of members of top management and assisted by a secretariat. This way of organising CSR suggests that the focus is not primarily on improving the company's reputation.

Rieber & Søn is organised differently. As we have seen in section 5.4.3, the responsibility for CSR is assigned to the Communication Department, with the Communication Director as a coordinator with overall responsibility for the company's CSR initiatives. This organisational choice is explained by Rieber & Søn as an attempt to combine CSR with reputation building. Hence, Rieber & Søn's CSR organisation has a clear PR profile.

### **6.4.3 The companies' views on the PR effect of CSR**

TrygVesta recognises the positive effect that CSR may have on its reputation. The company is particularly aware of the effect on future employees. Engaging in CSR can increase its credibility in the eyes of potential employees, and strengthen its status as an attractive workplace. However, it does not engage in any CSR project because of its potential to enhance the company's reputation; the PR effect is not a factor in the decision-making process. Rather, TrygVesta seems to recognise the PR effect primarily as a positive side-effect. In general, its views indicate that the company attaches little importance to the PR dimension of CSR.

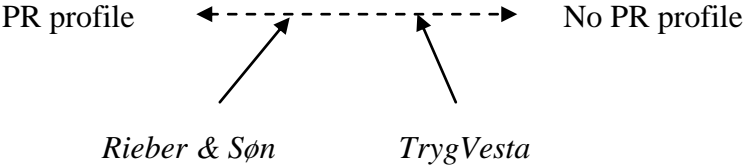
Rieber & Søn conveys a greater focus on the PR dimension of CSR. It sees reputation building as an essential part of CSR. Although profitability may be harmed in the long run, this may be balanced by long-term positive effects on the company's reputation. The company particularly emphasises the reputation among customers, and in the same way as TrygVesta, it focuses on the ability of CSR to increase the company's status as an attractive workplace, for both current and future employees. Furthermore, it views sponsorships as a way of combining a marketing strategy with CSR – depending on the nature of the target group – which strengthens its view on CSR as a PR instrument. These factors indicate a strong PR profile.

### **6.4.4 Conclusion**

Although TrygVesta recognises that the PR effect is real, the organisational structure and the character of its activities indicate that it places little emphasis on the potential of CSR to create a positive reputation. Taking all factors into consideration I will argue that TrygVesta has a weak PR profile and therefore can be positioned close to the right end of the axis.



Rieber & Søn's CSR programme has a stronger PR profile, indicated both by the organisational structure, the widespread use of sponsorships and the emphasis placed on the reputation building effect of CSR. I will therefore place this company closer to the left end of the axis.



## 7. CONCLUSION

Throughout the preceding analysis, I have sought to answer the following three questions: (1) *Which concepts and tools can be fruitful to differentiate between various aspects of CSR and between genuine and instrumental CSR in particular?* (2) *How can the CSR practice of the two selected cases be characterised?* (3) *How genuine are the two cases in their approach to CSR?*

In my study, I have developed new tools that may provide new insights into the CSR domain and that can be used to more precisely characterise CSR activity. Hopefully, the tools may be fruitful for analysing CSR also on a general level. I have identified four dichotomous concepts representing dimensions of CSR that can be useful in order to evaluate and clarify different aspects of a company's CSR performance. A particular focus has been given to the distinction between strategic and genuine CSR. The practical relevance of the tools has been demonstrated through the analysis in which they have been applied to two illustrative cases. In this concluding chapter I will sum up the main findings of my analysis and propose recommendations that can be applied in relation to the two selected cases.

### 7.1 General findings

I have argued that CSR can be characterised along four different dimensions: weak – strong, strategic – genuine, narrow – broad and PR profile – no PR profile. The application of these dimensions to real-life cases may enable us to understand differences in CSR between companies and provide a basis for improvements.

The weak – strong dimension tells us something about the level of commitment that a company has to CSR. A company with a strong commitment to CSR has a high degree of control over its CSR projects and a large CSR function – in terms of personnel as well as financial resources. Distinguishing between weak and strong CSR may be useful in order to understand how CSR can be performed on different levels and with different means.

The strategic – genuine dimension is of particular interest, as it seeks to distinguish between CSR that is genuinely motivated and that which is primarily motivated by self-interest. Strategic CSR is characterised by a strong link between CSR activities and the company's business area and vision as well as by an emphasis on providing benefits to the company.

Genuine CSR has been defined as the opposite of strategic CSR and involves placing society's interests above the interests of the company.

Distinguishing between narrow and broad CSR can be useful in order to understand the geographical aspect of CSR and the span of the CSR concept, including a range of different activities and issues. The fewer activities or projects a company is involved in, the narrower the scope. Similarly, the more limited the physical boundaries of the company's CSR involvement, the narrower its geographical scope.

Finally, the PR dimension illustrates a company's emphasis on the reputation enhancing effect of CSR and can be useful in order to distinguish between CSR practices that are strongly PR oriented and those that have a weak PR profile. Engaging in CSR activities with a particularly strong reputation enhancing potential and assigning responsibility for CSR to the communication or marketing department indicate a strong PR profile.

In the next sections, I will sum up the main findings from the analysis of the two cases, TrygVesta and Rieber & Søn, which have been used to illustrate the application of the framework developed in this study.

## **7.2 TrygVesta**

Based on the preceding analysis, TrygVesta has a strong commitment to CSR. Its effort is not limited to financial support; rather the company is actively involved in CSR. Its strong commitment is indicated by the number of people working with CSR and the high degree of control the company has over its projects. TrygVesta's CSR performance also has clear strategic aspects, being closely linked to the business area and vision. It does, however, also convey a genuine wish to promote the good in society. It is therefore difficult to place TrygVesta strictly within the category of strategic CSR. Moreover, the scope of CSR activities is limited but not narrow, as the company engages in a variety of projects within a few chosen focus areas at the local, national and international level. Finally, TrygVesta's CSR practice has a weak PR profile, indicated by the character of its activities and the organisation of CSR. Hence, the CSR performance of TrygVesta can be characterised as *strong, with clear strategic aspects, a limited scope and a weak PR profile*.

Considering the degree of genuineness in the approach to CSR, my analysis has shown that TrygVesta conveys a genuine interest in promoting the common good. The company feels a particular responsibility to give something back to society because of its leading position in the industry. The importance of CSR is emphasised in the interview as well as on its website. There is no doubt that TrygVesta takes its social responsibilities seriously. This can be seen from the great variety of activities it is involved in and the duration of some of its projects. However, these factors are to a large extent overshadowed by the strategic aspects. TrygVesta limits its CSR activities to areas that are relevant for its business and where it can use its competence. It does not support just any good causes or social projects, but makes a careful selection based on relevance and their potential to provide mutual benefits to society and TrygVesta. The company's approach tends towards strategic CSR but still has several genuine elements.

### **7.3 Rieber & Søn**

Rieber & Søn's commitment to CSR is weaker than that of TrygVesta. This is mainly due to the extensive use of donations and sponsorships that involve little or no control. Rieber & Søn's approach to CSR can be characterised as neither strategic nor truly genuine, although charity donations indicate an altruistic approach. There is no clear link to the business area and vision, as in the case of TrygVesta. At the same time, there are clear benefits from engaging in CSR. Rieber & Søn has a strong PR profile, which is signalled by the use of sponsorships and the fact that CSR is organised under the Communication Department. The CSR performance of Rieber & Søn can be characterised as *medium-strong, with limited scope and a strong PR profile*.

The analysis reveals several genuine aspects in Rieber & Søn's CSR performance. In the same way as TrygVesta, the company considers itself to have a responsibility for giving something back to the local communities through CSR. Second, the philanthropic nature of charity donations that make up a substantial part of Rieber & Søn's CSR practice gives it a genuine character. However, other factors reduce the genuineness of the company's CSR approach, most importantly, the emphasis that is placed on the positive effects of CSR, particularly the reputation effect. Rieber & Søn sees CSR partly as a means to improve the company's reputation, a view which is reflected in the extensive use of sponsorships. At the same time it is careful not to spend too many resources on CSR, as it may have a negative effect on the

company's profitability. Combined with the fact that CSR is not a high-priority area in Rieber & Søn, these factors make it difficult to refer to its CSR approach as truly genuine.

## **7.4 Recommendations for TrygVesta and Rieber & Søn**

The analysis has conveyed two quite different approaches to CSR. What TrygVesta and Rieber & Søn have in common, though, is the emphasis on the benefits of CSR to business. However, placing too much emphasis on the business perspective of CSR entails a risk. If their CSR initiatives are not considered as genuine by the public and others, they may lose credibility and in the worst case, be punished by customers and other stakeholders. If a CSR project fails to deliver benefits to society, or even causes negative effects, the risk of being punished by customers is probably greater for a company with a clear business perspective of CSR. Genuine CSR gives a company leeway; a credible company will be less subject to scrutiny and demands from the public. From an ethical perspective, genuine CSR is also superior to other types of CSR as it treats people as an end in itself and not as a means to achieve a business objective. I would therefore recommend both companies, in particular TrygVesta, which is closest to strategic CSR, to focus more on genuine CSR, for example by placing more emphasis on the benefits to society than on their own benefits.

A genuine approach to CSR also implies less emphasis on the reputation effect of CSR. If a company is too focused on the effect that a CSR project may have on its reputation, there is a risk that the public will perceive the company's CSR efforts as empty PR rather than genuine CSR. It may also cause the company to choose projects that are "inferior" to others in terms of social impact. The projects that give a company good publicity do not necessarily create the greatest social benefits. I would recommend Rieber & Søn, which has a strong PR profile, to place less emphasis on the PR aspect of CSR in order to avoid the risks mentioned above and in order to give their CSR activity a more genuine character.

Furthermore, I believe that what I have defined as strong CSR has a greater potential of bringing positive change to society than weak CSR. Providing financial support to a good cause is by all means a good deed, but in reality, the donors have little or no influence over the way the money is spent once it is donated. A company that is deeply involved in the projects it chooses to support brings change in ways that money alone cannot do. It gives the company an opportunity to ensure that its efforts actually benefit those who really need it, as well as an opportunity to influence the direction of the project. Rieber & Søn has a lower

degree of control over its CSR activities than TrygVesta. Increasing control over the CSR projects is therefore something I would recommend particularly to Rieber & Søn.

CSR would also be strengthened by increasing the number of people working with CSR. Anchoring CSR in the organisation is a concern for both TrygVesta and Rieber & Søn. I believe that including more people in the CSR function will give it more authority, both internally and externally. It would also make CSR more visible within the organisation and facilitate internal support of CSR projects. I believe that at least Rieber & Søn would benefit from including more people in the CSR function. As it is today, CSR is one of the many responsibilities of the Communication Director. I believe that assigning at least one person to work only with CSR will add more strength to the CSR function.

## **FUTURE RESEARCH**

CSR is an immature academic field and I therefore argue that much more research is needed. This study has made a distinction between genuine and strategic CSR, and it would be necessary to apply the tools developed using bi-polar concepts to distinguish between genuine and instrumental CSR using new cases/companies in order to calibrate and validate the tools/instruments. This study has used two companies as illustrative cases. It would be interesting to conduct a study on the public perception of the two companies and compare the conclusions drawn in this study with the views of the public. Does the public – and other stakeholders – perceive these two companies as genuine in their approach to CSR? Such a study would provide a broader basis for a company to evaluate and further improve its CSR practice. I further suggest that more studies be conducted that highlight the importance of genuine CSR while questioning the instrumental use of CSR and the problems relating to the paradox of ethics management.

This study has also aimed to describe some of the aspects of CSR, using TrygVesta and Rieber & Søn as illustrative cases. It has focused on the content and scope of a company's CSR efforts. What has not been measured is the effect of the CSR initiatives on beneficiaries and society. A study should therefore be conducted to measure the social impact of CSR. This could be done by interviewing some of the beneficiaries to see how they have been affected by the CSR initiatives of the two companies. Documenting that CSR actually has an effect on society could encourage more companies to engage in socially responsible behaviour and inspire those that already do so, to continue or even increase their efforts.

Finally, both companies recognise the PR-effect. But is it real? And if it is real – how strong is the effect? A study should be conducted to measure the effect of CSR on the companies' reputation among different stakeholder groups such as customers, employees, investors and civil society.

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# APPENDIX

## Interview guide

1. Hva er din funksjon i selskapets CSR-arbeid?
2. Når begynte dere for alvor å fokusere på CSR?
3. Kan du fortelle litt om hvordan CSR-funksjonen er organisert?
4. Har selskapet en definisjon av CSR? Om dere definert CSR, hvordan ville definisjonen vært?
5. Hvilke områder anser selskapet å høre inn under CSR-funksjonen? Hvilke områder deles CSR funksjonen inn i?
6. Kan du fortelle litt om hva selskapet gjør på de ulike feltene?
7. Hvorfor ønsker dere å satse på CSR? Hva er bakgrunnen for denne satsingen?
8. I hvilken grad er selskapet påvirket av andre selskapers CSR-satsing (både i og utenfor bransjen)?
9. I CSR-litteraturen blir det fokusert på hvorvidt CSR lar seg forene med effektiv og konkurransedyktig drift, eller om selskaper som satser på CSR risikerer å bli utkonkurrert av selskaper som ikke gjør det. Et svært konservativt syn er at en bedrift kun har ansvar overfor sine eiere, og at dens eneste ansvar derfor er å maksimere profitt. Det innebærer at man kan satse på CSR så lenge disse tiltakene bidrar til å maksimere profitt for eierne.
  - a. Hva er din, eller selskapets oppfatning av en slik problemstilling? Lar satsingen på CSR seg forene med selskapets andre målsetninger (f.eks. avkastningskrav)? Kan den endatil bedre selskapets resultater/lønnsomhet?
  - b. Dersom CSR lønner seg (for selskapet), i så måte hvordan?
  - c. Kan dere se konkrete resultater av satsningen på CSR? (Eks. økt kundemasse, økt kundelojalitet, økt betalingsvilje, mer motiverte ansatte (mindre sykefravær?), mer lønnsomme investeringer?)
10. Hva ser du på som de største fordelene (for selskapet) ved å ha en aktiv CSR-politikk?
11. Hva ser du på som den største utfordringen/ulempen for selskapet når det gjelder arbeidet med CSR?
12. Hvilke faktorer tror du er viktig for å lykkes med en CSR satsing, dvs. for at det skal lønne seg? Er det like enkelt for små bedrifter som for store, internasjonale selskaper?