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INTEGRATING CORPORATE SOCIAL RE-SPONSIBILITY INTO BUSINESS IN FINNISH CONSUMER GOODS COMPANIES

Master´s Thesis
in International Business

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1   INTRODUCTION

1.1   Background of corporate social responsibility

Corporate social responsibility (CSR) has been one of the most controversial, multidimensional and complex concepts in business since its introduction in the 1960s (Carroll 1991). Today under the concept of CSR all sort of activities are practiced by various companies in different industries across the world. The organizational, national, cultural and societal context is likely to affect the definition, role and content of CSR. Furthermore, what often causes confusion with the concept of corporate social responsibility is the wide variety of terms and codes used instead or alongside it. Examples of these are corporate sustainability, corporate citizenship, sustainable business, sustainability, sustainable development, stakeholder engagement and dialogue, environmental policy, environmental responsibility and environmental management (Rohweder 2004, 77; Laasonen 2012, 15). Basically all these deal at least partly with the same issues. CSR aims to integrate the economic, social and environmental aspects of business. The most interesting question behind these closely linked dimensions is whether socially and environmentally responsible behavior can lead to increased economic performance and improve the competitiveness of a company. (Rohweder 2004, 77.)

Corporate social responsibility has run up against criticism with regularity. But also the advocates of CSR recognize the challenges associated with the concept. According to both the theory and business, the challenges often relate to the measurement, practice and communications of CSR. Despite the amount of CSR activities taking place in the organizations, the measurement and quantification of CSR performance is often inadequate. Consistent measurement system would help to evaluate the company-specific impacts and the value of the CSR activities as well as potentially strengthen the CSR involvement (Weber 2008, 247). The measurement problems concern both the implementation of CSR and responsibility reporting. As a result, voluntary commitments, standards and guidelines have been developed to meet the requirements for more standardized metrics, accurate information and comparable reporting (Benn & Bolton 2011, 54–55). In recent years, especially large public companies have been gradually adopting standard reporting practices, such as the GRI Responsibility Reporting Guidelines. It is reasonable to expect the number of companies publishing a GRI-based responsibility report to grow in future.

Surprisingly little academic literature is found on actually managing and putting CSR into practice, in comparison with the definitions and frameworks of the concept itself. One proposal for the implementation of CSR is divided into three phases; planning, implementation, and assessment. More precisely the phases include firstly *setting goals for*

CSR or expressing mission statements and values, setting broader targets and planning measurement system for these. Secondly, *designing CSR strategies* requires knowing how to achieve the targets, set directions and move to the desired future position. Thirdly, *implementing CSR tools* is the practical phase of the process. CSR actually becomes a part of the management process for instance in the form of codes of conduct, cause-related marketing or stakeholder management. Finally, *assessing the outcomes of CSR* is essential in order for the company to really benefit from the implementation. Therefore tools to audit the social and environmental performance and report them further need to be adopted. (Crane, Matten & Spence 2008, 417.)

As regards the fundamental reasons for corporate responsibility, the motives of the companies should be carefully assessed. Both internal and external drivers are possible. Are the companies improving their operations voluntarily, before there is a risk of losing their reputation? Or are the companies basically just trying to avoid losing their reputation and call this responsibility? (Moilala 2013, 75–76.) Concern about corporate social responsibility is very different to actually exhibiting this concern. In order to succeed, CSR demands a favorable management attitude. The managers are responsible for identifying impacts, developing strategies, measuring and analyzing the performance, and communicating the outcomes.

Most importantly, however, the companies must take concrete actions and the managers to ensure that CSR is put into practice. The gap between the stated intentions and the actual behavior of the company must be closed. The companies should engage with their stakeholders and let people know about their operations. At the same time it should be kept in mind that corporate responsibility merely as a communicational trick and the over-promotion of CSR might lead to doubts about the integrity of the company causing their CSR activities to be regarded only as greenwashing or window dressing.

1.2   Positioning the study

The great number of studies published over the years could be used as an indicator of the importance of CSR in an ever more global business environment. The studies cover various aspects to CSR and have generated multiple theoretical frameworks. However, the previous research has mainly focused on US companies whereas studies with a European viewpoint, let alone Nordic, are mostly lacking. Despite the fact that CSR is an extremely global phenomenon and it cannot be limited inside a nation, the cultural, political, social and economic differences between the operational environments of the companies undoubtedly have an effect on the content of CSR and responsible business in general.

According to a recent Finnish corporate responsibility research, the integration of corporate responsibility into business has been identified as the greatest challenge in CSR management. It has passed over the control of supply chain and the measuring of the impacts which have topped in the same research earlier. (FIBSin yritysvastuututkimus 2014, 11.) As already noted, there is notably less research on the more practical side of corporate responsibility compared to the definitions and frameworks of CSR. Therefore the integration of CSR provides an interesting, topical and somewhat obscure subject for this study. Integration is a multifaceted concept like corporate social responsibility. This does not make the study any easier. But instead of suggesting a new theory, making precise definitions or giving explanations, the goal of this study is to map the phenomenon and explore both the existing theories and businesses in order to discover and understand unstructured problems.

Multi-stakeholder orientation as compared to conventional customer-focused orientation has been demonstrated to improve financial performance in earlier marketing studies. Therefore acknowledging all the relevant stakeholders instead of just a few should be regarded as a means to strengthen the competitiveness of the companies in future. Similarly, assessing the CSR impacts on different stakeholder groups should be integrated into strategic management. Only then the CSR strategies are really put into practice within companies. (Weber 2008, 247, 259.) Including the stakeholder theory in this study too was a natural choice. There has been quite a lot studies on the stakeholders over the years but similar issues seem to bother them as the research on CSR. Apart from defining the stakeholder groups, there is no much more concrete advice on stakeholder engagement available for the companies.

The topicality of this study can be further validated with the development of corporate social responsibility. The constant development of CSR was also mentioned as a motive for working within it by one of the interviewees. The regulation, initiatives, frameworks and reporting guidelines have evolved and will be evolving even more in the coming years. Witnessing this from a vantage point is rewarding, according to the same interviewee. If more and more companies begin to pay greater attention to corporate responsibility it can be expected to become rather common part of everyday business. On no account would this be an unfavorable situation. Quite the contrary; with the established practices and general codes of behavior, CSR would be finally truly integrated into business.

1.3   Purpose and structure of the study

The focus of this study is on how Finnish consumer goods companies practice corporate social responsibility (CSR) and how it appears as a part of their business processes. The

study is not restricted to any particular field of business but business-to-consumers viewpoint is emphasized since all the interviewed companies operate with consumer goods. Along with the businesses, opinions from a non-profit organization are also included in the study. The aim is to gain a general view on the present state of responsible business in Finland in the 2010s.

To be precise, *the purpose of the study is to describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies*. This is further divided into the following research questions:

1) Why are the companies engaging in CSR?
2) What is the role of the stakeholders like in the integration of CSR?
3) How is CSR practiced in the companies?

This study goes on with the presentation of the theoretical framework which is divided into three chapters. Chapter 2 covers the fundamentals of corporate social responsibility, Chapter 3 is about the stakeholder theory and Chapter 4 provides information on the voluntary CSR initiatives and responsibility reporting. This division seemed the most appropriate and natural since the content of each chapter was so different but together they form a coherent whole. The summarization of the theoretical framework is illustrated at the end of Chapter 4.

Next, the empirical research design is presented in Chapter 5. Qualitative research approach and case study design were adopted in this study. Moreover, semi-structured theme interviews were used in data collection. Altogether four Finnish managers were interviewed of which three presented companies and one non-profit organization. The interviews as primary data were complemented with secondary data such as websites, responsibility reports and another recent CSR study. Data analysis and the quality of the study are also discussed in this chapter.

The results of the study are presented in Chapter 6 case by case and according to the interview framework. The cross-case analysis in the same chapter contrasts the results with the theory and the above research questions. The findings are summarized and generalizations made based on both the theory and empirical data in order to fulfill the purpose of the study. The theoretical contribution and managerial implications, the limitations of the study and some ideas for future research are discussed in Chapter 7. Finally, the study ends with a summary in Chapter 8.

2 CORPORATE SOCIAL RESPONSIBILITY

2.1 Defining corporate social responsibility

Although researchers, authors, companies and experts seem to have endlessly views on CSR as well as its content and might disagree on the details, they all usually recognize the presence of the economic, social and economic dimensions in some form. However, there is more uncertainty about the limits of responsible and irresponsible behavior and the required minimum level of corporate responsibility. Is responsible business equivalent to obeying the law or is it required to exceed the level of legislation? (Rohweder 2004, 77.) Triple bottom line is another concept often used in the CSR discussion and is closely linked to the three above mentioned dimensions. The objective behind the development work of triple bottom line is to generate means to quantify environmental and social performance and review these along with the established financial key ratios, which are based on the law and the reporting obligation of the companies. (Rohweder 2004, 98.)

European Commission has presented the following definition of CSR:

> *Corporate social responsibility is essentially a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*
> (Green paper 2001, 6)

Later, the Commission presented this significantly broader definition of CSR:

> *The responsibility of enterprises for their impacts on society.*
> (A renewed EU strategy 2011–14 for corporate social responsibility 2011, 6)

Both definitions are still used and cited with regularity. Most other definitions of corporate responsibility too are concerned with the relationship between a company and its stakeholders and society. Carroll's (1991) pyramid of CSR is simple but one of the most borrowed frameworks of corporate social responsibility also featuring society. It suggests that CSR as a whole is comprised of four different social responsibilities, namely economic, legal, ethical and philanthropic and these can be illustrated on top of each other in the form of a pyramid as in Figure 1.
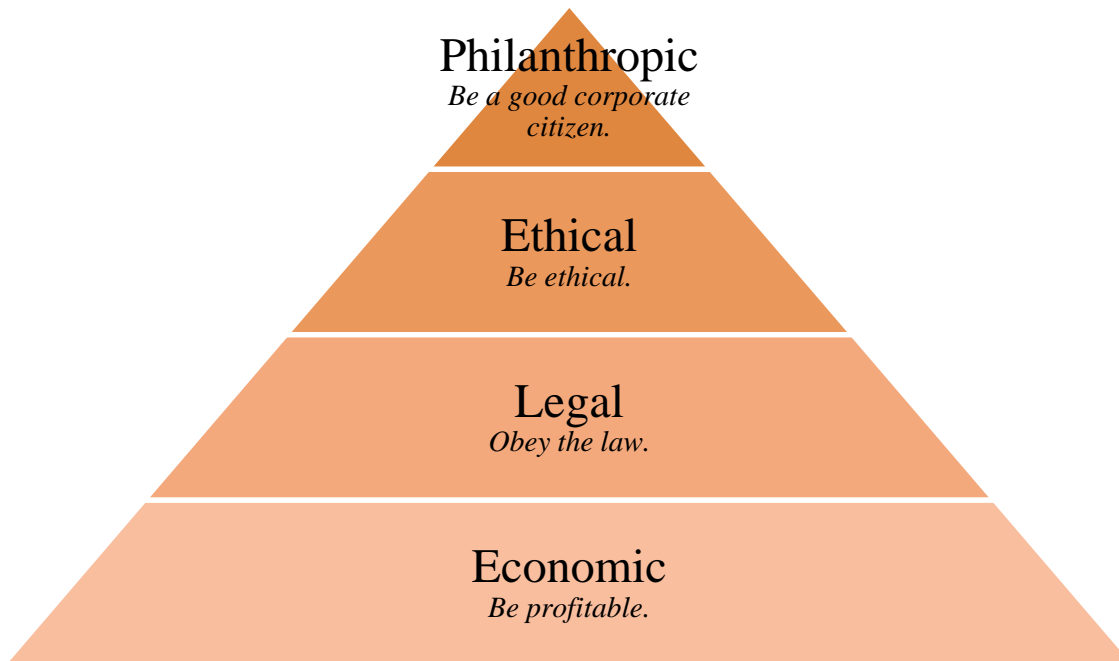
Figure 1   The pyramid of corporate social responsibility (adapted from Carroll 1991, 42)

Maximizing profits at the bottom level but also complying with the laws and regulations establish the foundation of the model. Ethical and philanthropic responsibilities go beyond the legal minimum, the former being expected and the latter desired by society. There is interplay between the different components of the pyramid but they should not be seen only as conflicting with each other. Instead, the framework proposes that the simultaneously fulfillment of all the responsibilities is possible by focusing on the pyramid as a whole. (Carroll 1991.)

The contents of corporate responsibility can be divided according to the three dimensions and they can all be further split up into direct and indirect responsibility. Some of the identified contents of CSR are presented in Table 1.

Table 1   The contents of corporate social responsibility (adapted from Rohweder 2004, 96–105; Niskala, Pajunen & Tarna-Mani 2013, 17–18)

CORPORATE SOCIAL RESPONSIBILITY		
ECONOMIC	ENVIRONMENTAL	SOCIAL
• profitability, competitiveness, efficiency • meeting the profit expectations of the owners • payments for the employees • purchases from the suppliers • taxes for society • effect on the national and international economy • societal importance of the innovations	• effective use of natural resources • conservation of the water system, air and the soil • safeguarding the natural diversity • prevention of the climate change • responsibility for the environmental impacts of the product life cycle and the value chain	• well-being, knowledge and education of the personnel • responsible lay-off practices • respecting human rights • product liability and consumer protection • operating respectably with other businesses, local community and society • supporting operations for the public good (sports, art, etc.) • cooperation with schools

Economic responsibility is to do with how the economic value added is spread between the company and its different stakeholders (Niskala, Pajunen & Tarna-Mani 2013, 17). Moreover, profitable business, the control of the risks and corporate governance are at the root of economic responsibility (Rohweder 2004, 97). The targets of *environmental responsibility* apply to the whole chain; from raw material acquisition, production, product development, design, transportation and consumption all the way to recycling and waste management. Outsourcing has only grown the importance of environmental responsibility. (Rohweder 2004, 99.) *Social responsibility* encompasses the questions about the employees, products, services and society. In addition, the courses of action in business such as relations with partners, good communication, refusal of bribery and respecting immaterial rights fall into social responsibility. The rise of the multinational corporations in recent years has underlined many of these aspects. (Rohweder 2004, 103–105.)

2.2   Motives for corporate social responsibility

Rohweder (2004) has discovered that responsible business can be based on economic incentives, governmental control, stakeholder approach, or ethical incentives (Rohweder 2004, 81). Since profitability is the goal of any business, *economic incentives* always

have an effect on the decision making of the companies. The consideration of sustainable development in business can potentially raise demand, improve the company image, thus increase their sales and attract labor, build up material and energy efficiency as well as reduce the inconvenience of the products and the number of accidents on work places. All these lead to improved profitability which should encourage companies to develop their CSR practices. But when analyzing how the profitability is realized and sustainable development advanced, the role of other than economic incentives becomes more visible. The incentives for corporate social responsibility therefore reflect the moral principles and values of a company. (Rohweder 2004, 81–82.)

Second, *governmental responsibility* is based on the view that moral and ethical values are separate from business. The company creates value for its shareholders in the first place and complies with the laws and regulations and pays taxes only in order to avoid sanctions. The law still continues to be the basis of CSR but in recent years, however, voluntary informational control has become an important supplement to the governmental and economic control especially on environmental issues. Perhaps the most famous voluntary management instrument is the EU Eco-Management and Audit Scheme (EMAS). Voluntary control is thought to have a better motivational effect on responsible behavior in companies than the laws, regulation and taxation. (Rohweder 2004, 83–84.)

Third, incentives based on the *stakeholder approach* relate to corporate citizenship. A company is truly a member of society with certain obligations. Thus acting according to the general moral principles secures the continuity of the operations and improves the competitive position of the company. The essential incentives are the control of the reputational risk and the development of the company and the product image. (Rohweder 2004, 87.)

Fourth, if the company has based its operations on *ethical values*, it has other meaningful goals along with profitable business. These values and goals guide its operations and the company invests not only in economic activity but also adding the welfare of people, society and environment. The stakeholders are engaged in a dialogue not only because of the profitability and competitiveness issues but also because they have value on their own. (Rohweder 2004, 87–88.)

Several other researchers have also identified somewhat similar business benefits that can generally be expected from CSR involvement and accordingly urge companies into responsible behavior. The list collected by Weber (2008) is not comprehensive, but it gives an overview on the results of both empirical and theoretical research in the field. According to her paper, the business benefits from CSR can be divided into *monetary* and *non-monetary* benefits. Monetary benefits are either direct financial effects or other benefits that can be measured in monetary terms. These include revenue increases from higher sales and market share, cost savings, risk reduction and increase in brand value.

Non-monetary benefits such as improved access to capital and secured license to operate can be measured qualitatively while improved customer attraction and retention, improved company image and reputation and improved employee recruitment, motivation and retention can be measured quantitatively. It is noteworthy that improved stakeholder relations cannot generally be measured by using quantitative indicators. Nevertheless, good relations with the stakeholder groups and societal acceptance are often the prerequisite for the company's license to operate. Moreover, non-monetary benefits often lead to monetary benefits and in any case they seem to be closely tied together. Eventually, both monetary and non-monetary benefits influence the company competitiveness and the resultant economic success. (Weber 2008, 248–250.)

Teivainen (2013) has written on corporate social responsibility as a political phenomenon. He argues that the political nature of economy has become more evident over the last decades. Consequently the criticism towards the power structures of economy has gained visibility e.g. in the form of protests and civil movement. This grown criticism has heightened attention and interest in CSR. (Teivainen 2013 18.) Furthermore, one of the greatest controversies within the field of corporate social responsibility relates to the voluntary nature of the CSR initiatives. The critics have demanded regulation based on the law to complement or substitute the voluntary initiatives and to limit the power of the companies. (Teivainen 2013, 40.)

Additionally, by the slogan "Personal is political" Teivainen (2013) refers to other power relations in society which have formerly been regarded as non-political but have later proved to embody political meanings. This has often led to new type of regulation. He explains this by rather horrendous analogy; how rape in a marriage was not penalized in Finland before 1994. Instead it was regarded as a personal issue and not a crime to be condemned for. It is justified to ask whether the same is now happening within the politicization of the companies' power relations. (Teivainen 2013, 37, 38–39, 44.)

2.3   Criticism of corporate social responsibility

One of the earliest critics of CSR is the economist Milton Friedman who already in the 1970s argued that the only social responsibility of business is to increase its profits and engage in open and free competition within the rules of free society. He resisted the ideas about business being concerned with promoting social ends and having a social conscience. He also questioned the social responsibilities of business stating that only people can have responsibilities and compared these responsibilities to socialism. Friedman further argued that the corporate executive is acting against the interest of the employer i.e. the owners of the business and using someone else's money for a general social interest when corporate responsibility is practiced. (Friedman 1970.)

The current criticism focuses mainly on brand companies and the conflicts between their promises and actions especially in the furthest sourcing countries. The brand companies often manufacture their products far from the markets where they are finally being sold and too often this causes a huge gap between the planned CSR activities and the implementation of the CSR practices. Despite the company's good intentions the intended responsible behavior might turn out to be more or less questionable from the point of view of the workers and the local community. Furthermore, companies often use storytelling as a means of strengthening their brands, maintaining their reputation, improving their image with consumers, gaining legitimacy for their labor practices and assisting them in acquiring required resources. However, especially stories about CSR not only brand their products but also actually brand their Third World labor. (Boje & Khan 2009, 9.) This branding has been linked with post-colonialism and the above behavior said to be the imperial face of branding. The entrepreneurs are branded as heroes who rescue others from suffering. (Boje & Khan 2009, 10, 20.)

Moreover, it is important to remember that the CSR projects are mostly top-down affairs. Often there is no participation of the local community, instead the projects are designed by the brand company and implemented without consulting the local community too much either. This is risky since the workers lack access to legal, political, cultural and economic resources and they are in general left voiceless. In some instances when the companies have defined their communication policy on the CSR project, the workers have also been demonstrated to be absent from the list of the stakeholders in both internal and public documents. However, it would have been essential to hear the workers because they might have had an entirely different view on their work experience and whether the CSR project really improved their working conditions or not. Consequently, the entrepreneurs and companies are demanded to be responsible for the stories of Third World labor being branded, their voices and priorities ignored and dignity injured. (Boje & Khan 2009, 10, 16, 17, 20, 23.)

One more controversial issue is the question about how to measure the business impacts of CSR activities. In research, a positive relation is often found between the implementation of the CSR practices and financial performance but the frameworks to measure and assess the company-specific value of corporate responsibility are mostly lacking. Examples of the business benefits from CSR were introduced in the previous chapter. But since the whole concept of CSR is rather disorganized, evaluating the actual success of the responsible business practices and comparing the contribution of one CSR activity to the achievement of responsibility targets and the economic outcome with another is often problematic. (Weber 2008, 247, 259.) The measurement problems are discussed later in the same chapter covering the challenges of responsibility reporting.

Companies are also facing troubles because of the fact that CSR is often closely linked with marketing and advertising. There is one relatively recently happened failure in carrying out a responsibility campaign in Finland. This concerns the leading confectionery producer in Finland, Fazer, which was later forced to admit that its campaign was not in good taste and apologize the public. Like any other chocolate producer, the greatest challenge Fazer is facing is to do with the working conditions of the cocoa-growing communities and especially the use of child slaves. Therefore the company launched a campaign in 2012 stating that five cent of every chocolate bar sold in August will be donated to a school building project in Ivory Coast, West Africa. However, Fazer forgot to mention that advertising the campaign in the front page of the major Finnish newspaper Helsingin Sanomat cost almost the same as the donation in total. (Teivainen 2013, 21–22.)

The Fazer case serves as a good example on how responsibility campaigns seem often to be actually about managing the reputation of the brand company. The companies are rather reluctant to publish information on the relation of spending between charity and advertising charity. (Teivainen 2013, 21–22.) It has also been pointed out that the building of the school was certainly not the issue there. According to more radical opinions, the campaign was underestimating people and it is enough for the companies to solely comply with the laws and pay taxes. As for the inventor of corporate social responsibility, he or she should be ashamed of since nothing good has resulted from it. (Kaarenoja 2012.)

3 STAKEHOLDER THEORY

3.1 From shareholders to stakeholders

The creation of economic value and the maximization of profits for the shareholders have traditionally been the primary objectives of the management and the main measures of corporate success. However, the purpose of the company is today to create and distribute value to a wider range of stakeholders, without favoring one group over another. This value cannot be measured only in terms of a share price, dividends or profits and that fact has resulted in the development and the adoption of the alternative measurement systems and disclosure practices. (Clarkson 1995, 112; Prado-Lorenzo et al. 2009, 95.)

Perhaps the most cited definition of a stakeholder is the following:

> *Stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives.*
> (Freeman 1984, 46)

In other words, stakeholders are persons or groups that have or claim to have needs, demands, interests, rights or ownership in a corporation and its past, present or future activities (Clarkson 1995, 106). Consequently, the organization has responsibilities towards the affected stakeholders. This definition is again very broad and the concepts of the stakeholder, stakeholder model, stakeholder management and stakeholder theory have therefore been used and explained widely in a variety of contexts and supported with diverse and often contradictory arguments (Donaldson & Preston 1995, 66).

Stakeholder theory has more or less replaced the conventional input-output model or a production view of a company which is presented in Figure 2 (Donaldson & Preston 1995, 66; Benn & Bolton 2011 198).
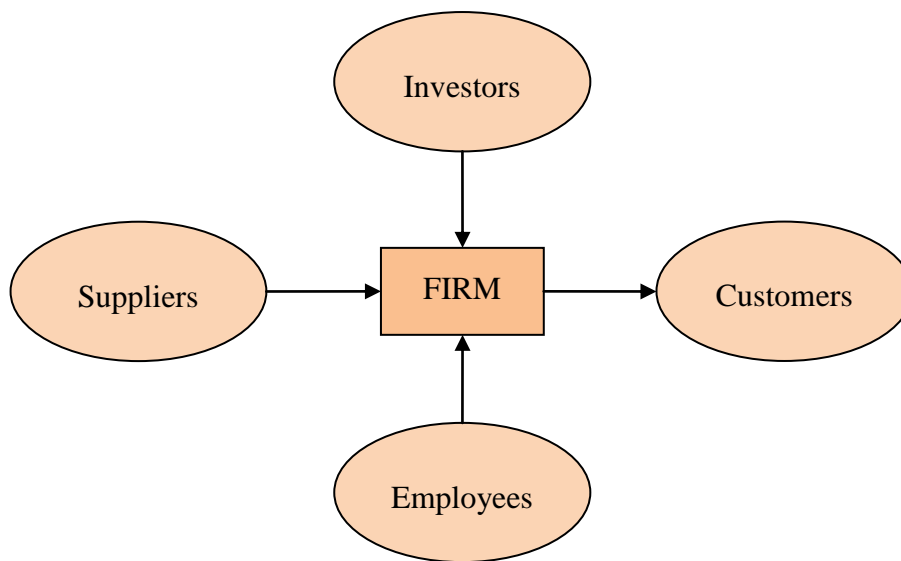
Figure 2   The input-output model (Donaldson & Preston 1995, 68)

According to the earliest models, suppliers, owners or investors and employees were the only inputs which the company or the "black box" then transformed into outputs for the customers. Each contributor received a fair compensation for their resources and time but the customers received the most benefits which explains the directions of the arrows in the figure. (Donaldson & Preston 1995, 68.) The model has since then developed to include more players with more complex and realistic multilateral relationships in an ever more dynamic environment as can be seen in Figure 3 (Benn & Bolton 2011, 198).
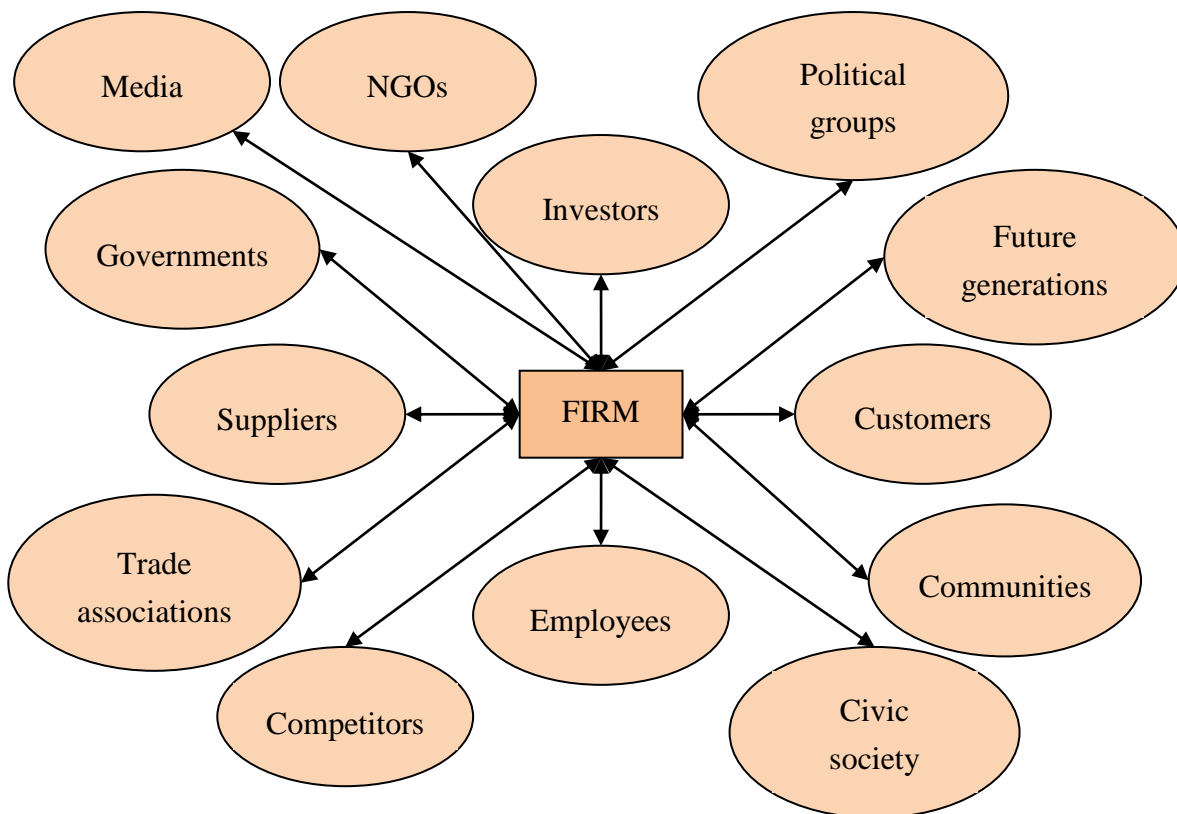
Figure 3   The stakeholder model (adapted from Donaldson & Preston 1995, 69; Benn & Bolton 2011, 199)

In the stakeholder model the arrows between the company and its various stakeholders point to both directions presenting the mutual benefits from the participation. Some authors present the groups of stakeholders equidistant from the company while others illustrate the groups at different distances depending on their relative importance and power relations with the company. (Donaldson & Preston 1995, 68; Benn & Bolton 2011, 199.) Here the latter alternative is opted.

The criticism of the stakeholder theory concerns mainly the same issues as the criticism of CSR in general. The broad concept causes confusion about the content, purpose, boundaries and relevance of the definition. (Benn & Bolton 2011, 196, 202.) Furthermore, despite the current view of the stakeholder theory as an established framework in business and research, the existence other stakeholders than shareholders is still questioned at times. The advocates of Friedman carry on claiming that the only purpose of any company is to increase its profits and maximize the wealth of its owners. The social objectives are not valued high in business, instead meeting them is left to the responsibility of the government. (Friedman 1970; Benn & Bolton 2011, 202.)

3.2 Defining the stakeholder groups

Different criteria have been used in categorizing and dividing stakeholders into smaller groups. Primary stakeholders and the company are highly interdependent on each other because they have a formal relationship based on an agreement. Primary stakeholders are essential for the survival of the company. If any of these groups is dissatisfied this will result as a serious damage for the company. Typically the primary stakeholders are comprised of the shareholders and investors, employees, customers, suppliers and distributors, and public stakeholders; the governments and local communities that provide the infrastructure, markets, laws and regulations. Most authors have found these five stakeholder groups to be the most important. (Clarkson 1995, 106; Friedman & Miles 2006, 13; Benn & Bolton 2011, 200; Niskala et al. 2013, 72.) On the other hand, secondary stakeholders influence or affect, or are influenced or affected, by the company. Even though the company is not dependent on the secondary stakeholders such as the media and a range of special interest groups, they can really damage the company by mobilizing public opinion. (Clarkson 1995, 107.)

The stakeholders can also be divided into internal and external stakeholders from the organization's perspective or into direct and indirect stakeholders (Niskala et al. 2013, 72). Direct stakeholders are usually regarded to be the same as primary stakeholder groups but indirect stakeholders are more like representative stakeholder groups. These include non-governmental organizations (NGOs), local authorities, labor organizations, the media, universities, trade unions or associations of suppliers, competitors, governments, the public in general, society, the future and past generations and the natural environment. (Friedman & Miles 2006, 13; Niskala et al. 2013, 72.) One more alternative is to divide the stakeholders into the voluntary ones who have chosen to enter into a relationship with the organization and the involuntary ones who have not chosen to deal with it but have no other choice (Crowther & Capaldi 2008, 47–48).

Rohweder (2004) has used a slightly different approach and formed seven different groups of stakeholders. According to her classification, *internal stakeholders* are the owners, managers and employees. *Product chain stakeholders* are the subcontractors, distributors and trade, consumers and waste management organizations. *Other stakeholders providing inputs* are the investors and companies selling technical, business administrative or market information. These three groups are somewhat distinct but they all are based on the business. The rest of the stakeholder groups are based on the operational environment instead. Competitors, industry associations, labor market organizations and consumer organizations belong to *economic environment,* authorities and political organizations to *political environment* and local residents, societal organizations and researchers to *societal environment*. Besides, *the mass media* are a stakeholder

group and a communicational channel used by other stakeholder groups alike. (Rohweder 2004, 195–197.)

It is rather naïve to assume that all the stakeholder groups are equal. Since it is impossible to balance the often conflicting needs, demands, interests, claims and rights of the different stakeholder groups, the companies generally acknowledge only a part of all the stakeholders in their business. (Niskala et al. 2013, 73.) Therefore it is worthwhile for the management to carefully identify the most important and powerful stakeholder groups as well as the nature of the preferred interaction (Rohweder 2004, 194).

3.3   Stakeholder engagement

Stakeholder engagement requires an active dialogue between the company and its stakeholders. By that way it is possible to understand the stakeholders' expectations which have an effect on the success of the company. The reasons for managing the stakeholder relations thus relate to reputation and risk management. (Rohweder 2004, 200.) Additionally, in exploring the responsibilities for the stakeholders, the companies have at least two ways of approaching the subject; duty to account or license to operate. The two possibilities are, however, not mutually exclusive. The morally right way to act might similarly be in the interests of the company. (Niskala et al. 2013, 75.) Stakeholder engagement is also a part of the Standard Disclosures in the GRI Reporting Guidelines. The object is to give an overview of the organization's stakeholder engagement by providing a list of stakeholder groups and their identification criteria, reporting the organization's approach to stakeholder engagement and reporting the key topics and concerns as well as the organization's responses to those (G4 Sustainability Reporting Guidelines, 29–30). The interaction between the company and its stakeholders is demonstrated as a process in Figure 4.

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┌─────────────────────────────┐
│ Clarifying the basis for the interac- │
│ tion                        │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│ Defining the stakeholders and map- │
│ ping the channels of the interaction │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│ Choosing the level and methods of │
│ the interaction             │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│ Giving feedback and assessing the │
│ quality of the process      │
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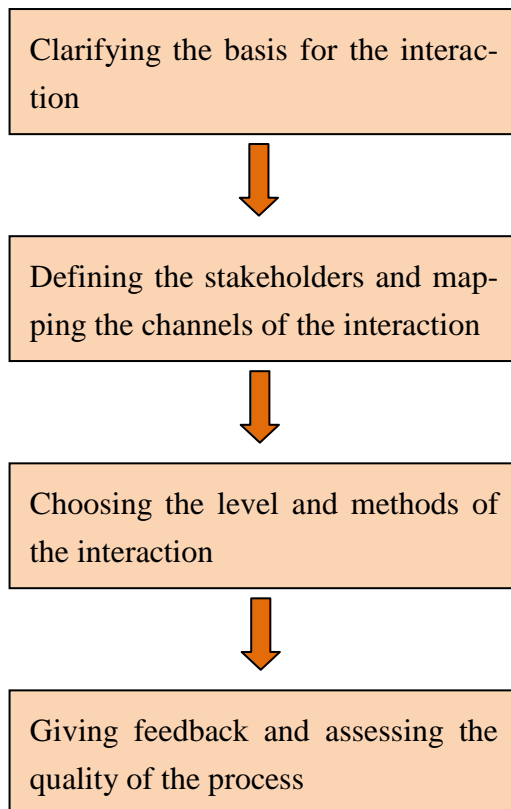
Figure 4   The interaction process between a company and its stakeholders (adapted from Rohweder 2004, 205; Niskala, Pajunen & Tarna-Mani 2013, 92)

The process begins with *clarifying the basis for the interaction.* It is important to know the reasons, motives, resources and potential limitations for the interaction in addition to determining the role of the stakeholders and contemplating the continuity of the interaction. Then, the process goes on with *defining the stakeholders and mapping the channels of the interaction*. This includes the identification of both strong and weak stakeholder groups as well as the formal and informal channels of the interaction. It is also possible that these preliminary definitions have to be reassessed later. Based on the previous decisions, *choosing the level and methods of the interaction* is the next step. The level of interaction can alternate from one-way informing, consulting, limited or open dialogue and close cooperation to strategic partnership. The tools of the interaction are targeted at either direct interaction and limited stakeholder groups or broader masses but openness is required in any case. Finally, *giving feedback and assessing the quality of the process* is the last phase. The stakeholders should be informed about the use of their views in the decision making and whether these have caused any changes. Often this information is given in the responsibility report. (Rohweder 2004, 205–207; Niskala et al. 2013, 87–92.)

Responsibility reporting is a strategic plan and a crucial part of the dialogue between the company and its stakeholders. It is the principal medium for the stakeholders to evaluate the social and environmental performance of a company. (Prado-Lorenzo et al. 2009, 96.) Therefore it is essential to take notice of both the content and the communication of the report. Stakeholders expect to read not only about good news and improvements but also targets for development and how these will be taken into account. Again, in order for responsibility reporting to be a part of the interaction and not just informing the stakeholders, there should always be a chance of giving feedback for the reporting company. (Rohweder 2004, 231.)

The use of materiality analyses in identifying the most important themes and questions in corporate responsibility has become more frequent in recent years. The company evaluates the importance of every theme both for their own business and for their stakeholders. The results are often presented in a materiality matrix, where it is easy to discover which themes the company should be focusing on in their daily business and responsibility reporting. (Niskala et al. 2013, 78.)

The views of the stakeholders are also extremely important when corporate responsibility is integrated into different business processes. As it has already been found, it is useful to know the opinions and expectations of the stakeholders in question. This is emphasized when conflicts arise or new projects are taking place in the company. Nevertheless, the level of the organization should always be taken into consideration. For example in retail trade, the stakeholder dialogue in the group level is naturally different to that in a certain store on some occasion. (Niskala et al. 2013, 78, 81.)

4   IMPLEMENTATION OF CORPORATE SOCIAL RESPONSI-BILITY

4.1   Voluntary CSR initiatives

One of the key characteristics of corporate social responsibility from the companies' perspective has always been the fact that it is a question of voluntary regulation (Teivainen 2013, 66). These regulations which provide businesses with an ethical and a moral framework and help companies to discover challenges in their operational environment have been developed since the 1990s. They demonstrate issues which companies should take a stand on when they are about to put corporate social responsibility into practice. However, the more detailed instructions on concrete action are mostly left aside. (Rohweder 2004, 121.) In the international politics, corporate social responsibility is said to be promoted by three different means: the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. As noted, they are entirely voluntary and there are no binding rules for the use of them. (Moilala 2013, 133.) Additionally, there are a number of other voluntary initiatives which aim to standardize the current CSR practices and develop common principles on sustainable and responsible business. The voluntary CSR initiatives can roughly be divided into three different classes: commitments, standards and regulation concerning operating systems and reporting guidelines (Niskala et al. 2013, 52). Some of the most common initiatives are presented in the following subchapters.

4.1.1   UN Global Compact

The Global Compact was presented for the first time in 1999 by the then Secretary General of the United Nations (UN) Kofi Annan (Teivainen 2013, 67). Nowadays it has over 12 000 participants from over 145 countries, making it the largest and one of the best known voluntary corporate responsibility initiatives in the world. As a result of the increased need to respond to social, political and economic challenges affecting business globally, the Global Compact is a means for companies to partner with governments, civic society, labor and the UN. (Overview of the UN Global Compact.) International Chamber of Commerce (ICC) has been collaborating closely with the initiative from the beginning. From their point of view one of the advantages of the Global Compact was the fact that no civic society, NGOs or other non-business organizations were allowed to participate the initiative as a member which makes the nature of the initiative quite distinct from others. There are, however, alternative engagement mechanisms for

the non-business participants available. (Frequently asked questions; Teivainen 2013, 67.)

The Global Compact seeks to mainstream the ten principles concerning human rights, labor, environment and anti-corruption. These principles are derived from the Universal Declaration of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and the United Nations Convention Against Corruption (Rohweder 2004; 122–124; The ten principles.) In addition, the Global Compact is urging actions in support of the broader UN goals and issues. The objective is to ensure that markets, commerce, technology and finance would generate equal benefits for economies and societies everywhere. (Overview of the UN Global Compact.)

There are at least two problems associated with the Global Compact. Firstly, it is basically just a framework for corporate responsibility without any practical instructions on how to approach environmental and social responsibility in the company (Rohweder 2004, 122). Secondly, the UN does not monitor the participants of the Global Compact. Nevertheless, the companies are required to report annually to the UN about their initiatives on promoting sustainable development. Moreover, they are expected to communicate to their stakeholders on progress (Communicate on Progress, COP) made in internalizing the ten principles within their daily business as well as the partnership projects supporting the broader UN goals. The COP-reporting can be published as a part of the annual report or in a separate sustainability report. If the company fails to communicate on progress, its participant status will be downgraded from active to non-communicating. After two years of failing in a row the company is removed from the list of participants. (Frequently asked questions; Rohweder 2004, 122.) Furthermore, the initiative has been accused of being a medium of "blue-washing" operations that advance the power of companies or potentially harm society. These operations are turned into socially acceptable by linking them to the blue UN flag and logos. (Frequently asked questions; Teivainen 2013, 68.)

4.1.2   OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development (OECD) is an intergovernmental organization seeking to foster economic growth, the rise of the living standard and world trade. The OECD is active in the areas including economy, trade, social development, environment, sustainable development and corporate governance among others. Besides the Guidelines for Multinational Enterprises, the OECD has composed the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions as well as the Principles on Corporate Governance. The

OECD Guidelines for Multinational Enterprises were first published in 1976 and have been reviewed several times since then, the latest update being from the year 2011. The guidelines deal with issues such as employment and industrial relations, human rights, environmental protection, information disclosure, combating bribery, consumer protection, science and technology, competition, and taxation. Currently, there are 46 countries adhered to the guidelines. (OECD Guidelines for Multinational Enterprises 3, 10–11; Niskala et al. 2013, 45.)

Finland has also committed to the observance and promotion of the guidelines. The National Contact Point (NCP) in Finland is the Ministry of Employment and the Economy together with the Committee on Corporate Social Responsibility which is an advisory body supporting decision-making. The efficiency of the NCPs varies between countries. Although NGOs are willing to strengthen the power of the NCPs, they are not meant to be substitutes for court proceedings. (Ministry of Employment and the Economy – Corporate social responsibility; Moilala 2013, 133–134; Niskala et al. 2013, 45–46.) The Finnish NCP did not handle their first complaint until in 2013. The complaint which concerned a dam project of the consulting company Pöyry and its Swiss subsidiary in Laos was made by 15 NGOs. All the parties involved were heard and eventually the Finnish NCP stated that Pöyry had not acted against the OECD guidelines, but they should have been better aware of their position in the project. In future the Finnish NCP recommends greater care in assessing especially the environmental and human rights related risks and acknowledging the stakeholders' views on similar, large scale projects. (Moilala 2013, 133–134; Lausunto 2013, 1, 11–12.)

4.1.3   ICC Business Charter for Sustainable Development

International Chamber of Commerce (ICC) published the first edition of the Business Charter for Sustainable Development in 1991 and it was revised five years later. The 16 original and still operative principles cover various themes; environmental management as a corporate priority, integrated management, process of improvement, employee education, prior assessment, environmental impacts of products and services, customer advice, facilities and operations, research, precautionary approach, contractors and suppliers, emergency preparedness, transfer of technology, contributing to the common effort, openness to concerns and compliance and reporting. (The Business Charter for Sustainable Development.) ICC does not monitor whether the committed companies actually comply with the principles or not. Therefore the Business Charter for Sustainable Development clearly is a more voluntary code of conduct by nature and the principles can be interpreted rather broadly. (Rohweder 2004, 127.)

The Business Charter for Sustainable Development has formerly been a basis for environmental management in many companies (Niskala et al. 2013, 54). Afterwards ICC has published several other tools to further responsible business that also take into account the social and economic dimensions along with the environmental impacts of business. These publications include ICC Guide to Responsible Sourcing, ICC Business in Society – Making a positive and responsible contribution, ICC 9 Steps to Responsible Business, ICC Rules on Combating Corruption and ICC Advertising and Marketing Codes (Yritysvastuuohjeet).

4.1.4   *UN Guiding Principles on Business and Human Rights*

The Global Compact, which has been accused of being too loose for the participating companies, has diminished the credibility of the UN especially in the eyes of the nongovernmental organizations (Moilala 2013, 134; Teivainen 2013, 68). Since 2011 the UN has nevertheless managed to improve their reputation as a result of accepting the United Nations Guiding Principles on Business and Human Rights (UNGP) prepared by John Gerard Ruggie. By consulting businesses, governments and NGOs Ruggie with his working group constructed the following general principles:

- States' existing obligations to respect, protect and fulfill human rights and fundamental freedoms.
- The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all the applicable laws and to respect human rights.
- The need for rights and obligations to be matched to appropriate and effective remedies when breached.

    (Guiding Principles on Business and Human Rights 1; Moilala 2013, 134–135.)

The states have the greatest responsibility in safeguarding the human rights and regulating the companies with the laws. But also the companies are expected to operate in a way that does not harm or violate the human rights. Trade has gained momentum in becoming more and more global over the last decades which has resulted in the booming of subcontracting. Therefore Ruggie's working group has defined the policy on subcontracting too. Companies are expected to comply with human rights due diligence, thus seek ways to prevent or mitigate the violation of human rights even if the brand company itself was not guilty of the violation. (Moilala 2013, 134–135.)

The most topical issue concerning the principles is the question of how they should be realized. The established practices are still lacking but e.g. European Union has obligated its member countries to draw up a plan for carrying out the principles. Because several companies, governments and NGOs have lent support to the principles it would

be highly desirable that the development work and cooperation continued. (Moilala 2013, 135; Teivainen 2013, 69.)

4.1.5 Multi-stakeholder and business-driven initiatives

Clean Clothes Campaign (CCC) is a Europe-based alliance of autonomous national coalitions, one also in Finland (Puhtaat vaatteet?). It cooperates with NGOs, trade unions, individuals and institutions globally. Since 1989 CCC has strived to improve the employees' working conditions in the garment and sportswear industry. The problems and reasons behind them are often similar to other industries such as toys or electronics. (How is the Clean Clothes Campaign structured; Puhtaat vaatteet?; Why do you focus on clothing and sportswear?) Garment industry has been pioneering in setting up monitoring systems. There are five cooperating multi-stakeholder initiatives which are all recommended by Clean Clothes Campaign namely SA8000-standard, Fair Wear Foundation, Ethical Trading Initiative, Fair Labor Association and Worker Rights Consortium. However, not all the initiatives are only restricted to monitor garment factories. From the five above mentioned, Ethical Trading Initiative is also used within the food production and SA8000 certification is possible to obtain in many industries, e.g. building. (Moilala 2013, 93, 103.)

At the same time the most important business-driven CSR initiatives are the Business Social Compliance Initiative (BSCI) and Worldwide Responsible Accredited Production (WRAP) which both are used in Finland too, unlike any of the multi-stakeholder initiatives. (Moilala 2013, 93–94). Generally, it seems that in monitoring workplace conditions Finnish companies have three alternatives: BSCI, own audits or hiring an external consultant for audits. Instead, multi-stakeholder initiatives are rather poorly known compared to for example Sweden. (Moilala 2013, 82.) By multi-stakeholder it is meant that decisions are made together with companies but more importantly with governments, trade unions, NGOs or universities whereas business-driven initiatives have solely companies as members and other stakeholder groups are mainly in an advisory role. Multi-stakeholder initiatives also monitor the actions of their members or brand companies, especially their buying practices along with the factory audits. (Moilala 2013, 93, 96.)

Foreign Trade Association (FTA) launched Business Social Compliance Initiative (BSCI) for companies in 2003 in response to the increasing demand for transparent and improved working conditions in the global supply chain. Sourcing from developing countries has led many companies to create their own codes of conduct and monitoring systems in safeguarding working conditions. BSCI aims to unite these codes and audit procedures in order to improve efficiency, transparency, accountability and reduce

costs. According to the latest information, there are over 1300 participating brand, retail, importing and manufacturing companies committed to implement the BSCI code in their supply chain and the number is expected to grow. (About BSCI; Business Social Compliance Initiative.)

The 2014 version of BSCI Code of Conduct involves eleven principles of labor protection:

- The rights to freedom of association and collective bargaining.
- No discrimination.
- Fair remuneration.
- Decent working hours.
- Occupational health and safety.
- No child labor.
- Protection of young workers.
- No precarious employment.
- No bonded labor.
- Protection of the environment.
- Ethical business behavior.
  (The BSCI Code of Conduct.)

The improvements of the working conditions in the supply chain are monitored with BSCI audits. This process begins when the company has decided to implement BSCI code of conduct and communicates and raises awareness of the code to its suppliers and factories. Followed by, there is a self-assessment of the potential defects together with an internal audit and an internal correction plan. After these it is time for the External Initial Audit, which can only be performed by an independent external auditing company accredited by the international organization Social Accountability Accreditation Services (SAAS). If necessary, the factories then follow the Corrective Actions Plan (CAP) and inform the buying company on their improvements. The objective is to achieve the BSCI complaint level at least after the External Re-Audit following the corrective actions. The external audit must be renewed in every three years. (Business Social Compliance Initiative; Niskala et al. 2013, 57, 59–60.)

BSCI compliant companies are encouraged to apply for SA8000 certification, which is actually an example of a multi-stakeholder initiative as it was mentioned in the beginning of this subchapter and only available for factories. This requires, however, also the building of a management system in accordance of with the SA8000 standard. The information on the suppliers which have reached the BSCI compliant level is collected to a shared database in order to help avoid multiple audits and unnecessary money and work e.g. when a company is searching for a new supplier. The collaboration of companies is an undeniable strength of BSCI. (Business Social Compliance Initiative; Niskala et al. 2013, 57, 59–60.)

The external audits have become more frequent but merely the involvement with BSCI is not a solution to every problem since so much depends also on the activity of the member company (Moilala 2013, 73). BSCI has been criticized especially for being only a medium of control for the brand companies, whereas the multi-stakeholder initiatives are more about helping supplier companies and people working in the factories. BSCI focuses on the factory audits but does not monitor the buying practices of the brand company such as decent remuneration for the manufacturing. Some of the multi-stakeholder initiatives, on the other hand, do not even monitor the factories. Instead of failing factories and encouraging brand companies to switch to another supplier, they aim to consistently promote responsible business, improve working conditions when needed and build trust between the factory and the auditors. (Moilala 2013, 98–100.)

4.2 Responsibility reporting

Despite the gradual progress of the voluntary CSR initiatives, actual breakthroughs in fostering sustainable business and regulating company power have been conspicuous by their absence. Therefore the most important measures in verifying the implementation of corporate social responsibility are still the responsibility reports published by the companies. (Teivainen 2013, 69.) Even if more and more countries now require public disclosure of environmental and social issues, responsibility reporting is still largely voluntary action and several challenges remain (Benn & Bolton 2011, 53). Publishing a responsibility report is always a strategic decision and also a valuable management tool. Over the reporting process the company figures out what especially the stakeholders wish to know about corporate responsibility and in what extent. Overall, CSR reporting is meant to give an adequate and balanced image of the effects, activities and results of corporate responsibility. (Niskala et al. 2013, 98.) After the general discussion on responsibility reporting, the most used reporting framework, the Global Reporting Initiative (GRI), is presented in its own subchapter and a glance at integrated reporting concludes the chapter.

4.2.1 Present state of responsibility reporting

Again, there is a forest of interchangeable terms used when discussing responsibility reporting such as CSR reporting, sustainability reporting, non-financial disclosure and triple bottom line reporting. The history of responsibility reporting is relatively short: the first environmental reports were published in the late 1980s and corporate social responsibility in its broader form has been incorporated into reporting after 2000s

(Niskala et al. 2013, 14). By way of reporting the company demonstrates transparency and accountability while giving an account of how it has influenced and promoted sustainable development and taken responsibility issues into consideration; thus how socially or environmentally relevant behavior is identified, measured and reported during a certain reporting period. The future actions on handling the effects on sustainable development should also be discussed. Reporting is meant both for internal use and external communication and often the responsibility report resembles the annual report by appearance. (Rohweder 2004, 211; Benn & Bolton 2011, 51.)

A reassessment of the content and the scale of the information disclosure is needed assuming that the responsibilities of companies stretch further today. Responsibility reporting can be viewed as a step in the process which aims to measure the value of a company in a new and broader manner in future (Niskala et al. 2013, 14–15). This process is illustrated in Figure 5.
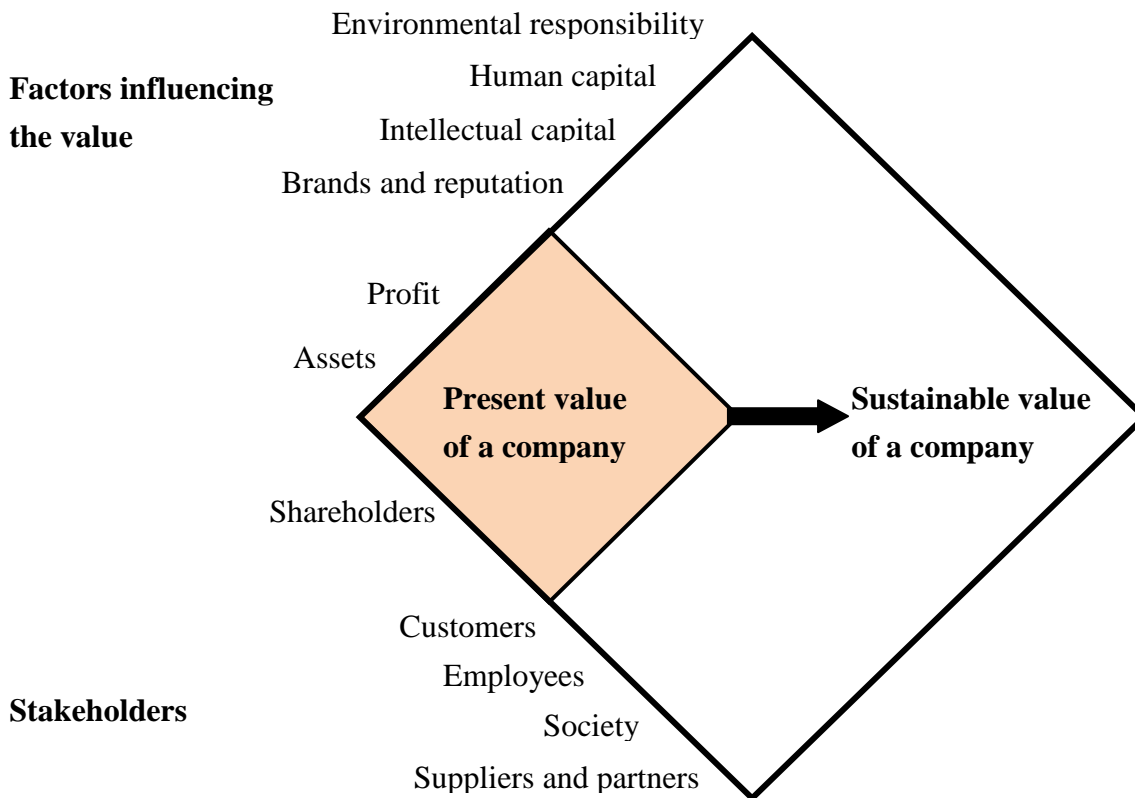
Figure 5   Measuring and reporting the value of a company (adapted from Niskala, Pajunen & Tarna-Mani 2013, 15)

Traditionally the value of a company is measured in terms of its financial value and solely from the viewpoint of the shareholders. However, responsibility reporting seeks to attain a broader view on measuring the value, adding other stakeholders to the picture together with economic values, intellectual capital and long-term success. (Niskala et al.

2013, 14–15.) Besides, measuring non-financial performance can add corporate value while being a means of improving overall performance (Benn & Bolton 2011, 52).

The broader approach to measuring the value of a company also leads to strategic changes inside the organization. CSR reporting often combines different functions and requires close cooperation with the persons responsible for investor relations, finance, human resources, environmental management, research and development and CSR. This might expose to new perspectives and even contribute to the development of overall corporate strategy and management. (Niskala et al. 2013, 99.)

A recent survey backs up the view that responsibility reporting has truly become a custom in businesses all over the world, providing financial value and driving innovation. As a result, the companies not yet reporting encounter significant pressure to start. 95 % of the 250 largest companies in the world (G250 companies from the Fortune Global 500 List) reported on their corporate responsibility in 2011. The majority of the non-reporting G250 companies are from the USA but they are believed to start reporting in the near future. Reporting is currently most prevalent in Europe and also in Japan, yet many emerging economies are quickly catching up while the Asia Pacific is still lagging behind. The trend in reporting has been towards more integrated reports. Special-purpose CSR websites have also increased their popularity. The focus of the reporting has at the same time shifted from environmental issues towards giving a more comprehensive image of the business as a part of society. (KPMG International survey of corporate responsibility reporting 2011, 2–4, 6, 22.)

The size of the firm and the scale of the responsibility reporting content appear to correlate positively. Large public companies tend to disclose more information. This might result from the fact that they are more politically visible and thus they attempt to reduce the political costs. They often carry out economic activities linked to the environment which further draws government attention. Therefore governments act as agents for change and have an impact on the CSR reporting practices. (Prado-Lorenzo, Gallego-Alvarez & Garcia-Sanchez 2009, 104–105.) In general, industries which have a greater influence over society and the environment tend to be more committed to reporting. These include forestry, pulp and paper, mining, and other natural resources and energy industries. On the other hand, two key industries; trade and retail along with transportation are still found surprisingly low at the industry level listing of CSR reporting. (KPMG International survey of corporate responsibility reporting 2011, 12–13.)

In April 2014 an important step forward in strengthening corporate accountability and transparency in Europe was taken as European Parliament agreed on the legislation concerning information disclosure on e.g. environmental and human rights related risks and impacts of companies arising from their supply chain. The non-financial disclosure will be a part of the company's annual report. The official guidelines on reporting are to

be published in two years and within the same time frame the EU member states should ensure their national legislation is up-to-date. The reform was immediately greeted with satisfaction by the NGOs but disappointing was however the number of affected companies which was lowered from the original proposal. Instead of all large European companies, which there have been estimated at being 42 000 the legislation will only apply to about 6 000 European public companies, credit institutions and insurance companies of more than 500 employees. Among other loopholes of the reform is the fact that the legislation is based on the model of comply or explain. Therefore the companies can avoid reporting on certain issues as long as they explain it reasonably. Also the current lack of monitoring and sanctioning system weakens the credibility of the reform. Despite the challenges and flaws the trend towards transparency and greater openness in business is desired and it is expected to pave the way for other improvements in the coming years. (European parliament votes for rules on corporate accountability and business transparency; Pakollinen yritysvastuuraportointi eteni EU:ssa.)

4.2.2   *Putting responsibility reporting into action*

The carrying out of responsibility reporting is a complex process and always incorporates questions unique to the company which is about to draw up a responsibility report. Both external pressures and internal needs affect the reporting process. (Niskala et al. 2013, 100–101.) The realization process comprises five phases. At first, *the targets of reporting* should be defined. This includes the identification of the stakeholders and the measured entity as well as the decision about the compliance with certain reporting guidelines. It is likely that a more responsible company has also more challenging reporting targets. This is followed by *the planning of reporting* which means scheduling and decisions about the persons responsible for the report, data collection and possible external verification. Next, *the preparation of the report* requires collecting and editing the data. The relevant questions concern for example the structure of the report and the integration, analysis and presentation of the information. The final step is *the publication of the report*. The decisions about to whom to deliver the report and time and place for the publication need to be done. Furthermore, *the collection and the analysis of feedback* from the stakeholders are useful in evaluating the substance of the reported matters and developing the upcoming reports. (Rohweder 2004, 217; Niskala et al. 2013, 103–105.)

The identification of the target audience for reporting has gained remarkably less attention in research than the motivations for reporting. The actual audience is generally regarded to consist of investors who are interested in risk management issues and employees who are informed about the organization's own activities. Again the confusion

with the concept of CSR and the large number of different stakeholder groups make the evaluation of suitable reporting procedures rather challenging. (Benn & Bolton 2011, 54.)

The evaluation criteria for responsibility reporting include evidence of external verification, the comprehensiveness of any coverage of social and environmental issues, the existence of an environmental management system as well as the specification, measurement and verification of any beforehand set environmental or social performance targets, and the accessibility of such reporting to the public (Benn & Bolton 2011, 54–55). Measuring and evaluating CSR performance is essential taken into account the shareholders' concerns about whether the company operations affecting other stakeholder groups lead to economic value creation or destruction. CSR benefits were discussed earlier together with the motives for CSR. However, even more importantly the positive impacts need to be measured and communicated explicitly in order to convince the shareholders of the benefits associated with CSR. A wide range of indicators is required to enable satisfactory and reliable measurement of financial and non-financial performance. Often both quantitative and qualitative indicators can be used in measuring non-financial performance. Furthermore, the indicators can be either lagging or leading; thus recording past actions or more predictive and future-oriented. (Benn & Bolton 2011, 139–140.)

4.2.3 Challenges of responsibility reporting

What often causes challenges for the companies is the fact that the traditional measurement and reporting systems were not designed to catch the intangible nature of social and environmental costs and benefits let alone the need to combine these with financial metrics. Financial information has long been regarded as the core of corporate accountability and targeted at a very limited group of stakeholders, mainly shareholders and governments for tax purposes. (Crane et al. 2008, 353; Benn & Bolton 2011, 51.) In consequence of the new information requirements it is possible that extra expenses arise. These are due to the development of the measuring and management systems and the preparation of the report itself. A thorough report requires extensive and reliable information which has not been available before. Besides, the potential use of external assurance in verifying the report adds to the costs. On the other hand, by quantifying the impacts of the environmental and social issues it is possible to rationalize operations and attain savings in total expenses in the long run. (Rohweder 2004, 212–213.)

Due to the voluntary nature of CSR reporting there have been considerable differences in the information disclosed. The lack of an established framework and confusion about the concept of CSR makes it even harder to decide what information should be

reported. Since the company itself decides the contents of the report, this often leads to reporting only on issues which are worthwhile for the company or possible to report. A firm might not disclose unfavorable information or use the most appropriate expressions in their reporting. (Rohweder 2004, 233–234; Crane et al. 2008, 355.) Relevant topics in reporting for most companies have been discovered dealing with the employees, local community, environment, society, corporate governance and accountability, business strategy and the measurement of the CSR initiatives. Companies, however, have various CSR reporting strategies and they stress different issues. In addition to the topics chosen, dissimilarities are found in relation to perspectives, stakeholder priorities, contextual information and the ambition levels of reporting. (Nielsen & Thomsen 2007, 25, 38–39.)

There is neither binding regulation on how responsibility is measured and how the information in the report is presented and verified (Rohweder 2004, 233–234; Crane et al. 2008, 355). Therefore it is notably more challenging to compare companies based on their responsibility reports than their annual reports and in some cases the comparisons are impossible (Rohweder 2004, 233). Stakeholders stand a little chance to evaluate the quality of the data and reporting as well as to compare the success of different companies in fulfilling their responsibility promises. Moreover, companies have been surprisingly slow in designing and implementing assurance activities on their responsibility reporting. Less than half of the G250 companies used assurance in order to enhance the credibility and improve the quality of their CSR information in 2011. (KPMG International survey of corporate responsibility reporting 2011, 28.) Because of these problems, general initiatives and guidelines have been developed in order to standardize sustainability metrics, reporting rules and third-party verification procedures and the development work needs to go on (Benn & Bolton 2011, 54–55).

The companies' good intentions and sincerity concerning responsibility reporting have been questioned at times. It has been alleged that companies report on their non-financial performance only in order to legitimize their actions in the eyes of the stakeholders. It has been demonstrated that in response to unfavorable media attention the management tends to release positive information. Greater media attention has also found to lead to greater corporate disclosure. In addition, in some earlier studies media attention has been used as a measurement of society concern. When these concerns are arisen, the levels of disclosure were higher. (Deegan, Rankin and Tobin 2002, 333–334.)

4.2.4   *Global Reporting Initiative (GRI)*

The Global Reporting Initiative (GRI) was founded in 1997 and is today the leading organization in promoting responsibility reporting. Their mission is to standardize responsibility or sustainability reporting in all companies and organizations despite their size, industry or location. GRI cooperates with thousands of experts and organizations from both business and society, including partners like the UN Global Compact, the OECD and International Organization for Standardization. In collaboration with various stakeholders this non-profit network has developed potentially the most widely adopted sustainability reporting framework which already has thousands of users. The framework consists of the Reporting Guidelines, Sector Guidance and other resources. The core element of the framework, the Guidelines, was first published in 2000. It has been revised a few times over the years and the latest edition of the Guidelines (G4) was launched in May 2013. (What is GRI?)

The main objective of the GRI Reporting Guidelines is to improve the comparability of the responsibility reports. The comparisons can be done in relation to legislation, norms, regulations, standards, voluntary initiatives, the previous actions of the reporting organization and the actions of other organizations. GRI aims to construct generally accepted instructions and measurement principles for reporting on economic, social and environmental actions (triple bottom line) so that one day responsibility reporting would be as established and comparable as financial reporting. With the help of GRI it is possible to give an adequate and well-balanced image of the operations and performance of the company. The Guidelines take into consideration the characteristics of the different organizations because the material issues on CSR may vary greatly between the companies. With some modification, GRI can be applied to both small enterprises and large MNCs in different industries in different operational cultures. However, GRI should be considered primarily as a model of developing responsibility reporting, giving only rough guidance. Most companies can benefit from GRI when they are assessing their targets of responsibility reporting and identifying the central aspects of corporate responsibility. GRI also strives for improving stakeholder engagement and the interaction between the company and its stakeholders. (Niskala et al. 2013, 106–107, 110.)

The GRI Guidelines are made up of Reporting Principles for defining report content and quality, Standard Disclosures divided into general and specific, and an Implementation Manual which should be consulted in the beginning of the reporting process. The format of the report is not defined and it can be either electronic, web-based, paper report or a combination of both web and paper-based report. GRI should be notified when the company is about to release their responsibility report by providing a copy of the report or registering it in GRI Sustainability Disclosure Database. (G4 Sustainability Reporting Guidelines, 5, 7, 9, 13, 16, 20.) Corporate responsibility network FIBS is the

GRI Data Partner in Finland and the Finnish companies can register their responsibility reports on the GRI's Database on the FIBS website free of charge. This is a way to gain international coverage for the report and build reputation as a responsible actor. (GRI Raporttitietokanta.)

The organizations have two options to prepare their responsibility reports *in accordance* with the Guidelines: core and comprehensive. These do not relate to quality or performance but the compliance of the report with the Guidelines. Both options emphasize the importance of identifying and reporting on the Material Aspects reflecting best the economic, environmental and social impacts of the organization or being the main concerns of the stakeholders. (G4 Sustainability Reporting Guidelines, 11.) GRI recommends the use of external assurance although this is not required in order for the report to be in accordance with the Guidelines. If the report is not in accordance with either options this should be clearly stated. Also, if the report has been externally assured, there should be a reference to the External Assurance Report. (G4 Sustainability Reporting Guidelines, 13–14.)

The use of external assurance and the compliance with generally accepted reporting principles such as GRI are means of ensuring the report quality. Moreover, stakeholder engagement and internal processes and systems are regarded to enhance the quality too. Reliability is a central characteristic of credible responsibility reporting. Therefore it is extremely important to provide the users of the reports with accurate and truthful information presented without room for interpretations. The GRI Reporting Guidelines feature detailed enough descriptions and advice on the indicators of economic, environmental and social performance and impacts. This further allows the generation of more comparable responsibility reports. (Niskala et al. 2013, 274–278.)

4.2.5 *Integrated reporting*

The simplest form of integrated reporting (IR) is to include a separate CSR section in the annual report. But instead of integrated reporting this merging of information could actually be termed combined reporting. It can also help companies to understand the connections between CSR and financial performance but it is possible to gain more value if both financial and non-financial information are regarded as important and communicated equally to the stakeholders. (KPMG International survey of corporate responsibility reporting 2011, 3, 23.)

The development of integrated reporting was initiated in 2010 when The International Integrated Reporting Council (IIRC) was founded (Niskala et al. 2013, 265). The IIRC is a global coalition comprised of regulators, investors, companies, standard setters, the accounting profession and NGOs. They promote the long term vision of inte-

grated thinking as a mainstream business practice and integrated reporting as a corporate reporting norm. The IIRC published The International Integrated Reporting Framework or <IR> in December 2013. The more cohesive approach to corporate reporting is believed to improve the quality of the information available to the investors which further allows more efficient and productive capital allocation and builds up financial stability and sustainability. (The International <IR> Framework, 1–2, 4.)

The purpose of the integrated report is to inform stakeholders about the value creation of the company and the factors affecting the value creation process over time. This is especially important for the owners and investors but all the stakeholder groups can benefit from the information in the integrated report. (The International <IR> Framework, 4.) The economic, social, technical and environmental circumstances, the interaction with the stakeholders and the external resources affect the value creation similarly. Therefore integrated reporting describes the operational environment and the role of the company in it along with their own operations. (Niskala et al. 2013, 265–266.)

The basis of the <IR> Framework is that the operations of the companies are dependent on different capitals. These stocks of value are used as inputs in the business and in consequence they are increased, decreased or transformed. There are six categories of capitals; financial, manufactured, intellectual, human, social and relationship, and natural. The capitals have an influence on the value creation. Nevertheless, the company is not expected to report on all the categories of capitals but only on their impact on the different capitals as well as the availability, price, quality, possession, dependencies and alternatives of the capitals if necessary. (Niskala et al. 2013, 267–268; The International <IR> Framework, 33.)

The International <IR> Framework is principles-based and therefore does not prescribe key performance indicators or measurement methods but leaves room for flexibility and the own judgment of the company. As regards the more detailed measurement and disclosure practices, the framework refers to other established initiatives such as the GRI Guidelines. There are, however, two major items in the framework which aim to facilitate the task the companies are facing when outlining the content of the reporting. (Niskala et al. 2013, 265; The International <IR> Framework, 4.) Firstly, Guiding Principles feature strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and consistency and comparability. Secondly, Content Elements define the issues presented in the integrated report. These are closely connected with each other and include organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and basis of presentation. (The International <IR> Framework, 5.)

The desire to integrate CSR into the core business has been found to be the greatest driver behind integrated reporting. Many companies have realized that the integration of

CSR into business requires also the integration of annual reporting and responsibility reporting. Other motivations for integrated reporting are somewhat similar to the previously mentioned business benefits that can be expected from CSR involvement; reputation or brand, innovation and learning, leadership considerations, access to capital or increased shareholder value, cost savings and following the wider trend in reporting. (KPMG International survey of corporate responsibility reporting 2011, 25.) Moreover, integrated reporting should reduce the workload compared to traditional corporate reporting. As a result, shorter but more accurate and future-oriented reports with up-to-date information can be expected in the coming years. (Remes 2014, 9.)

The integrated reporting is evolving quickly but is still at an experimental stage. The number of the companies claiming to integrate responsibility reporting is growing, but often it is more a question of combining information. (KPMG International survey of corporate responsibility reporting 2011, 24.) The trend in corporate reporting and the companies' grown interest in IR seem promising anyway. The IIRC pilot project has 120 large companies which are about to move to integrated reporting this year. Among the participants there are leading companies like Coca Cola, Deutsche Bank and Unilever. It has been estimated that also a few companies in Finland will start out integrated reporting in 2014. (Remes 2014, 8.)

4.3   Theoretical framework of the study

The theoretical framework is shaped keeping in mind that *the purpose of the study is to describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies.* This is further divided into the following research questions:

1) Why are the companies engaging in CSR?
2) What is the role of the stakeholders like in the integration of CSR?
3) How is CSR practiced in the companies?

The previous chapters covered various themes related to the current corporate responsibility research and practices. The fundamentals of corporate social responsibility, the stakeholder theory and the voluntary CSR initiatives and responsibility reporting form the basis for the theoretical framework of this study. The framework is illustrated in Figure 6.

internal   external   monetary

non-monetary

CSR strategy

tools

CSR professionals

integrated

GRI

BSCI

UN, OECD, ICC…   Global Compact

standards

Incentives

Advantages

CSR management

Disadvantages

Integrating CSR into business

Reporting

Challenges

Initiatives

Stakeholders

primary

secondary

interaction
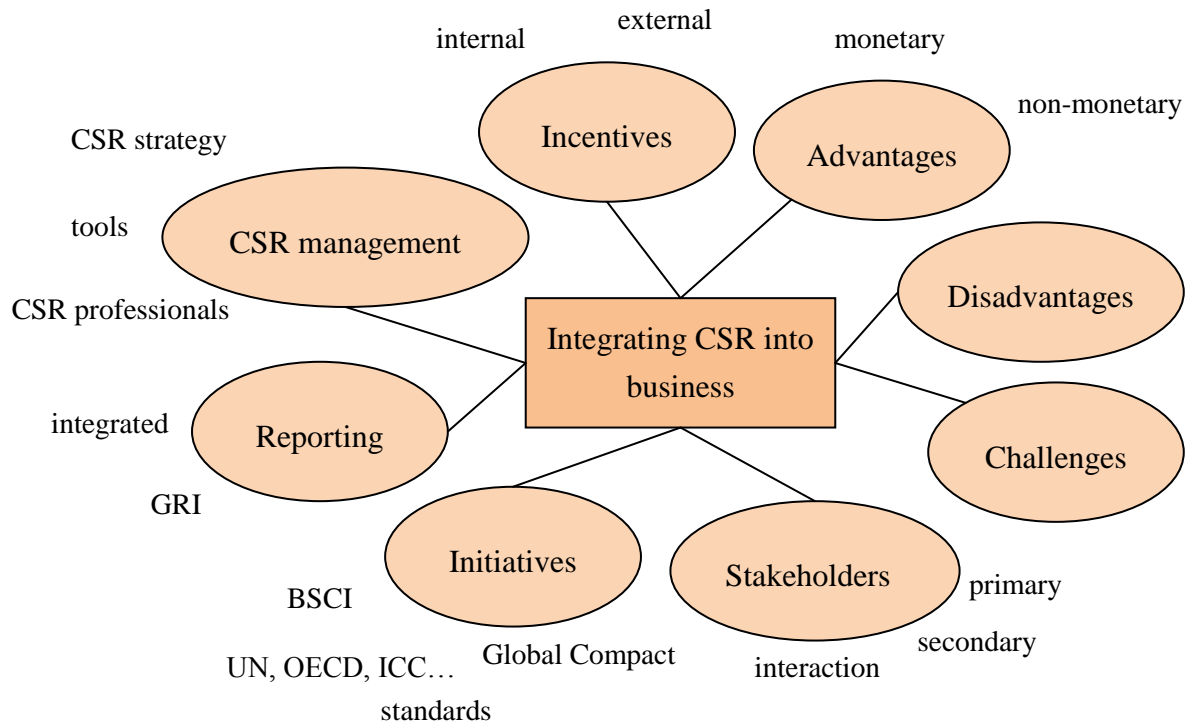
Figure 6   Theoretical framework of the study

This framework summarizes some of the most important aspects of the theory for the purposes of this study. The integration of CSR into business is in the middle of the figure and surrounded by the themes related to the integration. This illustration is not exhaustive and there are a lot more interesting aspects and valuable information available. However, this study is limited to cover the above themes which seemed to be the most essential ones this time. The theoretical framework is guides the data collection, the construction of the interview framework and the discussion of the results. More information on research design is given in the next chapter.

5 RESEARCH DESIGN

5.1 Research strategy and approach

Neither quantitative nor qualitative research is superior or better than another (Silverman 2005, 6). However, there are several reasons for the choice of qualitative approach to this study. To start off, the research problem or the purpose of the study steers the appropriate research strategic choices. The study may e.g. map, explain, describe or predict the phenomenon, event or problem in focus. But often there are multiple purposes which might also change over the research process. (Hirsjärvi, Remes & Sajavaara 2007, 134–135.) The focus and purpose of this study were more on understanding, gaining insight and discovering unstructured problems. In other words, instead of testing some predetermined hypotheses the object was to map the phenomenon. This study was more exploratory and flexible by nature as qualitative research in general tends to be. (Ghauri & Grønhaug 2005, 202.)

Qualitative research involves numerous meanings and different approaches but certain common characteristics have been identified in addition to the above emphasized ones (Silverman 2005, 15; Hirsjärvi et al. 2007, 158). These involve the following features. First, comprehensive data collection in the real world is a part of the research. Second, the values of the researcher affect the results in some extent and complete objectivity is never achieved. Third, people and qualitative methods supported by the observations of the researcher are used in data collection instead of measurement instruments. Fourth, the target group or case is chosen advisedly and not through the methods of random sampling. Fifth, the research plan is shaped as the research process goes on and the data collection and analysis are continuous. Sixth, the cases are treated and the data interpreted as unique. (Hirsjärvi et al. 2007, 157, 160.)

Quantitative research is almost the opposite. Data collection and analysis in quantitative research are generally sequential. The meanings are derived from the data which is numerical and standardized and the analysis is conducted through the use of statistical techniques. (Ghauri & Grønhaug 2005, 204.) The statistical significance of the results is always tested. The focus is on finding causal connections and universal relationships between variables. Previous theories, conclusions, hypotheses and concepts play a major role in quantitative research. The population is clearly defined and the sample of it selected to be researched. (Hirsjärvi et al. 2007, 135–136.) The characteristics and requirements of a qualitative approach definitely seemed to serve a lot better the purpose of this study and the choice is therefore justified.

Nevertheless, the distinction between qualitative and quantitative research should not be drawn too sharp (Ghauri & Grønhaug 2005, 109; Silverman 2005, 14; Hirsjärvi et al.

2007, 131). The difference between them is not just a question of quantification but of the procedures and different perspectives on knowledge and research problems. The qualitative and quantitative methods are not mutually exclusive and they can be combined and used in the same study. The data collected through qualitative methods is sometimes possible to quantify yet the analysis itself is still qualitative. (Ghauri & Grønhaug 2005, 109–110.) In practice the research is seldom purely qualitative or quantitative but lies somewhere on the continuum between the two extremes (Hirsjärvi et al. 2007, 131).

Within international business, qualitative research still remains a minority pursuit, undervalued, holding a low status and seems commonly considered to be the second best methodological alternative or even unscientific (Marschan-Piekkari & Welch 2004, 5–7). At the same time, the use of qualitative methods in international business has been validated with the following arguments. Firstly, exploratory and theory-generating research might actually serve the less mature discipline of international business better than empirical testing. Secondly, deeper cross-cultural understanding and more holistic approach is likely to emerge as a result of using qualitative methods. The quantitative methods would be more likely to expose the research to cultural bias and ethnocentric assumptions. Thirdly, in certain cultures and especially in developing countries the data collection with random samples in quantitative analysis may be impossible or at least challenging. Therefore qualitative methods in research are often the only practical choice. Fourthly, since complex problems and rich data are characteristic of international business, qualitative research provides more thorough results by seeking to understand the meanings and beliefs behind the action instead of measuring behavior. Thus asking "why" and "how" instead of "what". (Marschan-Piekkari & Welch 2004, 7–8.)

The researcher has two ways of establishing what is true or false, drawing conclusions and forming a theory: induction and deduction. Qualitative approach is most useful for inductive research where generalizations are drawn from data, as was the case with this study too. The process goes from observations through findings eventually to theory building, hypotheses and explanations as the outcome of the research. However, sublime certainty can never be achieved since the conclusions are always based only on a limited number of empirical evidence. (Ghauri & Grønhaug 2005, 15, 111.) In deductive research, theory and existing knowledge guide the search of new information and the building of the hypotheses besides influencing the rest of the research process. The conclusions are drawn through logical reasoning thus testing the hypotheses and the conceptual system. As a result, the hypotheses are then accepted or rejected. (Ghauri & Grønhaug 2005, 14–15.)

Research strategies have been divided into three categories: *experimental research* measures the effect of one variable to another and in *survey-research* data is collected from a group of people with a standardized form. These strategies exploit quantitative

research methods while *case study* provides detailed information on a single case or a small group of interrelated cases through qualitative research methods such as observation, interviews and document analysis. (Hirsjärvi et al. 2007, 130–131.) The case study was adopted as a strategy in this study.

Case studies are often associated with explanatory, exploratory or descriptive research and with phenomena which are best understood in their social, real-life context. The concepts and variables might be difficult to quantify and therefore scientific investigation is not possible. Again, always when "how" and "why" questions are asked, the choice of a case study method is validated. But the case study is not a synonym for qualitative research methods. (Ghauri & Grønhaug 2005, 114–116.) In order to fulfill the purpose of this study, an extensive description of the complex social and organizational phenomenon was required. The case study method enabled this research to pass the holistic and meaningful characteristics of the interviewed companies and their CSR practices to the readers. (Yin 2009, 4.) Generally, the cases are often cited as "decisions" but they can also be e.g. "individuals", "processes", "programs", "events" or like in this study "organizations" (Yin 2009, 17).

Case studies can be divided into single- and multiple-case studies. Single-case study uses only one single case to address the research questions. The reasons for conducting a single-case study require the case to be critical, extreme, unique, representative, typical, revelatory or longitudinal. It can also be used as a pilot case for a multiple-case study. Single-case study is extremely vulnerable and the case should be carefully chosen. (Yin 2009, 47–50.) Single-case design is not necessarily less reliable but multiple-case study as a variant of case study design was expected to better serve the purpose of this study. Multiple-case design was more likely to improve the reliability of the study and the analytic conclusions (Yin 2009, 60–61).

5.2   Case selection

Practical issues such as time available, financial resources and the limits for travelling often affect the case selection. With very little time, smaller firms are often easier cases to study and provide enough information. On the other hand, the purpose of this study was more complex and bigger firms were supposed to offer more to the study. It was more likely that these companies had relevant CSR experiences and problems along with the people who have knowledge of the field. It is not about interviewing the most important person but about interviewing the right person. (Ghauri & Grønhaug 2005, 118–119.) Considering the titles of the interviewees in this study they seemed the right people. Over the interviews it became evident that they really had the right CSR expertise and enough opinions for the study.

The purpose of the study was to describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies. The cases were chosen bearing this purpose in mind. By investigating three different companies and contrasting the results with the opinions of a CSR expert from a non-profit organization, a single set of cross-case conclusions was finally drawn (Yin 2009, 20). The selection of the cases was not as critical as with single-case study although the cases were thoroughly considered and seen as good representatives for this study. All the cases served the purpose of the study and their selection was justified (Ghauri & Grønhaug 2005, 120). The characteristic of qualitative research became evident when the cases for this study were selected basically on a random basis and because these allowed access (Silverman 2005, 127). However, this did not turn out problematic and instead all the cases met the information requirements of the study and the interviews were highly valuable.

This study was not outlined to apply to any particular field of business but business-to-consumers viewpoint was emphasized since all the interviewed companies operated with consumer goods. Valio is a food producer and Kesko and Amer Sports are listed trading sector companies. Besides, the opinions of the CSR expert from the corporate responsibility network FIBS were regarded as valuable and complementing the company viewpoints. The aim was to interview companies which would be familiar to most Finnish readers of this study and represent the state of affairs in a small country in North Europe. The details of the interviews are presented in Table 2 and more detailed descriptions of the case organizations are given in Chapter 6.

Table 2   Interview details

ORGANIZATION	OPERATIONS	TITLE	DATE AND DURATION OF THE INTERIEW
Kesko Corporation	Food, home and specialty goods, building and home improvement, and car and machinery trades	Corporate Responsibility Manager, Group Corporate Responsibility	16.6.2014, 66 min
Valio Ltd	Dairy products production	Manager, Strategy and Advertising, Corporate Communications, Packaging Development	8.7.2014, 39 min
FIBS	Corporate responsibility network	Executive Manager	13.8.2014, 50 min
Amer Sports Corporation	Sporting goods trade	Manager, Corporate Responsibility and Communications	10.9.2014, 51 min

In total, there were four interviews of which three were company interviews and one expert interview. All the interviews were conducted face to face at the premises of the organizations in Helsinki, Finland between June and September in 2014. Since both the researcher and the interviewees were native speakers of Finnish, also the interviews were conducted in Finnish. This was assumed to reduce the risk of misunderstandings and generate more reliable data. The interview framework was emailed to the inter- viewees about a week before the agreed interview date. The duration of the interviews fluctuated between 39 minutes and a bit over an hour. The interviews were recorded either with a smart phone or a voice recorder and then transcribed. The transcribed text from the interviews resulted in about 45 pages. The analysis was done with the original Finnish transcripts but translations into English were done when direct quotations were needed for demonstrating the results. The interviewees did not want their names to be attached with the quotations and therefore only their titles are used throughout the study.

5.3   Data collection

The data collection in qualitative research has traditionally been done during fieldwork. The researcher may have spent time in the setting under study in order to observe and interview people, their activities and interaction apart from examining relevant docu- ments. However, the participation of the researcher in this extent is neither possible nor necessary in every situation. Accordingly, observation as a main data collection method may be fully replaced by interviews or document analysis. Collecting field notes through actual data collection is often useful regardless of the chosen research method and technique. (Patton 1990, 10.)

Interviews are today probably the most common data collection method related to qualitative research. Along with interviews, participant observation and content analysis the qualitative methods also include discourse analysis, focus groups, narrative inter- views and archival research. (Marschan-Piekkari & Welch 2004, 6.) These qualitative methods rely mostly on qualitative techniques such as conversation and in-depth, un- structured or semi-structured interviews. On the other hand, survey or experiment as more quantitative methods use quantitative techniques like structured observation, structured interview, surveys, attitude scaling and field equipment. (Ghauri & Grønhaug 2005, 112–113.)

Interviews were considered to be the most appropriate data collection technique also in this study. Generally, the use of interviews is expected to bring certain benefits which arise from their flexible nature as a research method. The benefits include the freedom of the interviewee to speak and create meanings and therefore the chance of the inter-

viewer to clarify responses, deepen the information, ask additional questions, alter the order of the interview themes, receive multifaceted results and reach the interviewee also later if needed. But it must be acknowledged that the benefits often similarly include or lead to disadvantages and problems. Interviews are time-consuming and challenging to interpret and analyze, they are more expensive than surveys, bring also a lot of irrelevant information, demand skills, experience and training from the interviewer and often include errors if e.g. the interviewee tries to reply in a socially desirable way. (Hirsjärvi & Hurme 2006, 34–36; Hirsjärvi et al. 2007, 200–202.)

The research interviews have been divided into three groups: a *structured or standardized form interview* is conducted by filling the questions and statements in the form in a predetermined order. The interview is relatively easy to carry out, once the questions have been formulated and arranged. It is typical for a *theme interview* that the topics or themes of the interview are defined beforehand but the exact form and order of the questions is lacking. Closest to discussion is an *open or unstructured interview* which requires plenty of time and even more skills from the interviewer since the topic may alter over the discussion. In addition to these, other rather confusing and often overlapping interview types such as semi-structured interview, in-depth interview, informal interview and qualitative interview have been referred to in literature. (Hirsjärvi & Hurme 2006, 43–44; Hirsjärvi et al. 2007, 203–204.) Research interviews can be done by mail or e-mail, by phone or in person (Ghauri & Grønhaug 2005, 132). Individual interview is the most common form of interviews but in some cases pair or group interview might bring more appropriate data (Hirsjärvi et al. 2007, 205–206).

The benefits of the interviews were presumed to exceed the disadvantages in this study and overall the interviews were expected to suit the purpose of the study better than other qualitative research methods. More precisely semi-structured theme interviews were used in data collection and individual interviews were conducted in person by visiting three companies and one expert organization. The case selection and more information on the interviews were already presented in the previous subchapter.

It is peculiar to semi-structured theme interviews that the topics or themes to be covered and questions to be asked are similar to every interviewee. An interview framework or guide is designed based on the previous knowledge of the researcher and a preliminary analysis of the phenomenon. Even so, the interview questions in the framework may alter during research process or at least they are talked through in a different order or presented in a different form. The focus is on a particular subject but the style of the interview is spontaneous and more conversational. As opposed to the unstructured interviews, sample sizes and people to be interviewed are though determined in advance. (Patton 1990, 283; Ghauri & Grønhaug 2005, 132; Hirsjärvi & Hurme 2006, 47–48.)

The main benefit stemming from the use of the semi-structured interviews and the interview framework has to do with time management. They ensure that the limited time available in an interview situation is used best and the interviews are more systematic. The interviewer is generally expected to develop questions within the interview framework. But although the topics to be explored are decided beforehand, new issues of importance to the interviewee may emerge during the interview. This information can be valuable for the study even if it was not included in the original themes and topics. (Patton 1990, 283–284.) At the same time the flexibility of the semi-structured interviews has also weaknesses. The comparability of the responses might be reduced if the questions are in a different sequence or expressed differently resulting in different responses from different perspectives. Besides, important subject might be omitted unintentionally by one or the other party of the interview. (Patton 1990, 288.)

The characteristics of the semi-structured theme interviews became evident also in this study. The interview framework was comprised of nine themes which were covered in every interview. Before the actual themes the interviewees were asked to briefly tell about their own background. A few questions were formulated under every theme but they were not discussed in the same order or as thoroughly with every interviewee. New topics also emerged in the course of the interviews and different issues were emphasized by the interviewees. Overall, the idea was to allow free conversation and gain different views on the chosen themes. The interview framework was simple enough and seemed to provide relevant data thus it served the purpose of this study.

The sources of data collection can be divided into primary and secondary data. Primary data are original and collected by the researcher especially for the research problem at hand. Secondary data are collected earlier by others for purposes that might be different from ours. This is the fundamental difference between the data sources. Initially the methods of data collection can be similar in both cases, meaning experiment, observations, surveys or interviews. (Ghauri & Grønhaug 2005, 91, 102.)

As already stated, semi-structured theme interviews as a data collection method were expected to best serve the purpose of this study. These four interviews were the primary data produced particularly for this research. However, it soon became clear that some information published by the interviewed organizations should be exploited too. Case studies often involve multiple data sources and this research also includes secondary data such as websites, responsibility reports and another recent CSR study (Ghauri & Grønhaug 2005, 114). The most common disadvantages of secondary data include the different original purpose and potential inaccuracies of the data in addition to the differences in measures and variables (Ghauri & Grønhaug 2005, 97–98). In this study the secondary data was used to complement the primary data and back up the results from the interviews only in certain extent with the emphasis being on the interviews. The use of different data sources can also be termed data triangulation which is a means of en-

suring the validity of the study (Hirsjärvi et al. 2007, 228). The evaluation of the study is discussed at the end of this chapter.

5.4   Data analysis

A replication approach which was used in this multiple-case study requires the selected cases to predict either similar results or contrasting results for anticipatable reasons. The research process begins with theory development. Each case is then separately analyzed and if major discoveries occur, the theoretical framework or the case study design will be redesigned for the remaining cases accordingly. Both the individual cases and the cross-case conclusions create the research report. Based on them, the theory is also modified and policy implications developed. (Yin 2009, 54–58.) This demonstrates the flexibility of case study design and how it can and sometimes has to be changed, modified or revised over the research process (Ghauri & Grønhaug 2005, 120).

As it has been mentioned, data collection and analysis in qualitative research are usually conducted simultaneously in an interactive process. The data collected initiates new questions and affects further data collection. (Mäkelä 1990, 45; Ghauri & Grønhaug 2005, 202, 204.) The continuous data collection and analysis became clear in this study too. The interview framework was slightly modified after the first interviews. This did not mean any major changes, but more defining the questions and also removing a few points that turned out unimportant. The most recent versions of the interview frameworks are found as appendices. The same applied to the theoretical framework and the case selection criteria which were only partly ready when the first interviews were carried out. This was not a problem and did not interfere the data collection, quite the contrary. The fundamentals of the theory had already been explored and written down but there were still a lot of unfocused information and ideas remaining. Based on the data already collected, it was easier to decide what would be included in and what omitted from the final report.

Since the theory development was not entirely ready before the interviews, the creation of the interview framework appeared challenging in the beginning. In order to ease this, the purpose of the study was operationalized as demonstrated in Table 3.

Table 3   The operationalization table

PURPOSE OF THE STUDY	RESEARCH QUESTIONS	THEORY	THEMES
To describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies.	Why are the companies engaging in CSR?	Definition of corporate social responsibility	1. CSR 2. Incentives 3. Advantages 4. Disadvantages
	What is the role of the stakeholders like in the integration of CSR?	Stakeholder theory	5. Stakeholders
	How is CSR practiced in the companies?	Implementation of CSR	6. Initiatives 7. Reporting 8. Implementation

The purpose of the study was already presented in the introduction. The purpose was divided into three research questions based on the theoretical framework which was discussed in three chapters covering different issues. The theory was further operationalized under eight themes which also formed the interview framework. The results in the next chapter are presented according to the themes similarly and the focus also gets back to the purpose of the study with the help of the research questions.

Qualitative data can also be referred to as unstructured data although the latter is a wider term. This study used unstructured data which was originally not coded according to any categories. More precisely, the transcripts of the audio recordings were used as primary data along with secondary data consisting of websites, responsibility reports and another recent CSR study. But unstructured data is not lacking all structure. With published documents, the intended audience and the concerns and intentions of the publishing company have affected the outcome. On the other hand, with interviews the questions asked have an effect on the answers given. (Sapsford & Jupp 2006, 243–244.)

Data analysis in both quantitative and qualitative research consists of categorization, reasoning and interpretation. As noted, the phases are more closely interconnected and harder to distinguish in qualitative than quantitative research. (Mäkelä 1990, 45.) Unstructured qualitative data also requires some preparation before the analysis can actually take place. Most obviously this concerns the interviews; the analysis in this study also began with transcribing the audio recordings. (Sapsford & Jupp 2006, 246–247.) The transcriptions for this study were done in a rather detailed way. This was quite easy, since the recordings were of good quality, there was no background noise, there was only one interviewee speaking in each interview and the interviewees talked freely without notable breaks. Some notes were also done in the printed interview frameworks during the interviews. They were not shared with the interviewees and did not prove especially useful afterwards. However, the progress of the interview was easier to fol-

low on a paper and the notes could have been used as backup if the voice recorder did not function for some reason.

The interviewees of this study often referred to their website and how the details and more information should be checked there. This additional information was used when the original answer did not seem to provide enough information or was unclear. The different data sources complemented the transcriptions quite well and combining data was easier than it was initially expected to be. The published documents require less preparation than interviews but often e.g. translations are needed before the analysis (Sapsford & Jupp 2006, 249). For the purpose of this study, the English versions of the company websites and responsibility reports were used and the CRS research was translated from Finnish to English when needed. These supported the Finnish transcriptions from the interviews and no major problems arose.

Unlike with structured data, the analysis of unstructured data has no set of appropriate rules to be followed which automatically leads to good results. Fitting categories are developed from scratch which requires creativity from the researcher and allows individual analysis. However, certain general steps in the qualitative data analysis have been detected. Firstly, data is carefully read and the most significant aspects identified. Secondly, the segments of data are gathered together and compared. Finally, data that is assigned to the same category is compared and contrasted. (Sapsford & Jupp 2006, 250–253.)

As said, the interview framework was based on the theory with the help of the operationalization table. The interview framework was slightly different for the companies and the CSR expert representing the non-profit party. The eight themes and one concluding set of questions in it served as a basis for the categories in data analysis with both frameworks. The themes were not discussed in the same order in every interview, but were still easy to distinguish from the transcriptions. This primary data from every interview was organized according to the themes and the results then drafted with complementing secondary data. Chapter 6 presents the multifaceted answers and viewpoints on the different themes case by case and also contrasts the results with the theory and the research questions.

5.5   Evaluation of the study

Three distinct but interrelated key issues have been identified to do with the credibility of a qualitative study. First, rigorous techniques and methods for data collection and analysis need to be applied to in order to ensure the integrity, validity, reliability and accuracy of the results of the study. Second, the personal and professional credibility of the researcher is required; meaning adequate training, qualifications, experience and

perspective. Third, philosophical belief in the phenomenological paradigm and appreciation of qualitative methods and inductive analysis in general are prerequisites. (Patton 1990, 461.) The fundamental reasons for the choice of qualitative approach to this study were already presented. The credibility of the researcher is harder to prove and this research process was undoubtedly a question of learning in the first place. However, that does not inevitably dilute the quality of the study. Instead, a budding researcher paid great attention to not only explore the theory but also adopt the appropriate research methods. The techniques for enhancing the credibility of the actual research process are discussed next.

Validity refers to the question whether the results of the study are *true*. Valid measures capture what they are supposed to do; thus the observed measurement score should reflect the true score and not some other factors. But the fact is that measurements often contain errors. In order for the measure to be valid, random error and systematic bias should be modest. (Ghauri & Grønhaug 2005, 80–81.) *Construct validity* is one of the four widely used tests concerning particularly the quality of a case study. It was basically presented as validity above; it is about identifying the correct operational measures for the concepts in data collection. By using multiple sources and establishing a chain of evidence it is possible to increase construct validity. In this study, the central terms were defined unambiguously and the supporting operational measures identified logically from the theory. (Ghauri & Grønhaug 2005, 83; Yin 2009, 40–42.)

Internal and *external validity* have probably caught the greatest attention as tests about the research quality but their importance is emphasized in quantitative research along with statistical conclusion validity which is about calculating correlations behind the causal relationships. Internal validity concerns the data analysis and whether the results of the study are true. A key requirement is the causal variation between the variables to really exist. External validity relates to research design and the question whether the results can be generalized to e.g. other populations, settings or periods than the ones in this study. Internal validity is actually not applicable to this study. Instead of focusing on causal situations and explanations, the nature of this study was more explorative. Therefore the often listed validity threats did not concern this study either. As regards external validity, the four interviews in this study offered a decent basis for generalizations. Multiple-case design was already told to improve the reliability of the study and the analytic conclusions. However, it should be highlighted that while surveys rely on statistical generalization, case studies use analytic generalization of the results to a theory. This is different from the more traditional situation of generalizing a sample to a population and was taken into account in the analysis and writing of the results and conclusions of this study too. (Ghauri & Grønhaug 2005, 65, 85–86; Yin 2009, 40–44.)

As a fourth test type, valid measures also call for *reliability* which is about the stability of the measure if the measurement is repeated. It is important to remember that a

valid measure is always reliable but a reliable measure may not be valid. (Ghauri & Grønhaug 2005, 81.) Reliability concerns especially data collection and demonstrates that if the case study was conducted again according to the same research procedures, the results and conclusions would be the same (Yin 2009, 40–41, 45). In this study, the research procedures were made as clear as possible for the reader. Throughout the research process certain simplicity was the goal and the chosen research methods were explained carefully. The original recordings of the interviews and their transcriptions were also stored, in case they are needed later.

Furthermore, some other forms of validity emphasized in qualitative research are useful in evaluating this study too. First, validity was always demonstrated. The key concepts used in this study were defined once they were presented in the text for the first time. Also their occurrence in the collected data was reported when necessary. Second, *descriptive validity* was ensured by using a wide variety of sources and authors representing different viewpoints in developing the theoretical framework. Third, *interpretative validity* refers most importantly to the interviews. Of course there is never complete certainty whether the interpretations are correct. But extreme interpretations were avoided and the interviews were compared with each other in order for the convergent opinions to be construed similarly in the results of the study. Fourth, *theoretical validity* concerns basically the conclusions; the summarizing of the results and the answering of the research questions. This study does not suggest a new theory but it gives recommendations based on the existing theory, the interviews and selected secondary data sources instead of relying on just one data type. Fifth, *generalizable validity* is discussed in the conclusions where the issues potentially limiting the study and the generalization of the results are collected. These limitations were taken into account but they were, however, not substantially reducing the quality of this study. (Ghauri & Grønhaug 2005, 216, 218.)

Ensuring the accuracy of the interpretations is essential in qualitative research and always when it is possible the interpretations should be checked by using also some other data sources or methods (Silverman 2005, 154). The use of interviews as primary data in this study was also supported with secondary data from websites, responsibility reports and another recent CSR study. This verification and validation of the qualitative analysis can be referred to as triangulation of data sources. The other types of triangulation are method triangulation which is the use of both qualitative and quantitative research methods, analyst or investigator triangulation and theory or perspective triangulation. (Patton 1990, 464; Marschan-Piekkari & Welch 2004, 15–16; Hirsjärvi et al. 2007, 228.) However, only the triangulation of qualitative data sources was perceived useful in this study and thus the information obtained through interviews was partly validated by checking a few secondary sources (Patton 1990, 467). The differences be-

tween data sources were not great since the secondary data was most often published by the interviewed company but still they provided support for the interpretations.

It has already become evident that the statistical techniques used in quantitative analysis cannot be compared to the interpretations of a qualitative study. Therefore researchers have developed various measures to assess the credibility of qualitative research especially. One framework has proposed the following four issues to be taken into account regardless of the type of qualitative data*: the significance and societal or cultural position of data, the sufficiency of data, the coverage of the analysis* and *the possibility to assess and repeat the analysis*. Giving reasons for the significance of qualitative data is often as challenging as contemplating whether the population is worth of studying in quantitative research. (Mäkelä 1990, 47–48.) The importance and topicality of this study were discussed in the introduction chapter and the reasons for the case selection were given earlier in this chapter. The data consisted of four interviews and previously published secondary data sources in order to avoid a biased view.

In quantitative research, it is possible to calculate the amount of data required for a credible study beforehand. However, qualitative research is lacking similar measures and therefore data saturation is used in determining the sufficiency of data. Data collection can be finished when there is no new information arising from the investigation of new cases. It should be noted that contrary to quantitative research, the inconvenience caused by data analysis is often greater than by data collection and that the costs associated with both collection and analysis grow in relation to the scope of data in qualitative research. A satisfactory coverage of the analysis requires the avoidance of random picking in interpreting data. Trusting only impressions and appearances is unprofessional and often the outcome of using data that is too broad and difficult to handle. (Mäkelä 1990, 53–54.)

Neither in this study the final number of the cases was clear after the first interview. The interviews took place roughly once a month. At first this seemed challenging but actually turned out to benefit the research process. There was enough time to prepare for each interview and transcribe the recording afterwards along with collecting some main points from the interview. As noted, the interview framework also went through some minor revisions between the interviews. The looser interview schedule allowed the redefinition of some questions and removal of unimportant points at a later stage. All the interviews provided valuable information and some new aspects but eventually signs of data saturation were clearly at sight. It is more likely that additional cases would have only caused data overload and therefore no new potential interviewees were contacted after the fourth interview. The coverage of the analysis is an area where improvements in this study could have potentially been done. But the interview framework also had its limits and the aim to make the most of the results provided by the current framework

was achieved. There was basically no spare information but all the transcriptions were used and also complemented with secondary data.

The possibility to assess and repeat the analysis relate to reliability of a study which was discussed above. In order for the reader to assess the analysis, the study has to be organized so that the reasoning of the researcher can be followed. By applying the same research methods as the researcher, the reader should be able to approve or contest the interpretations with fair arguments. The possibility to repeat the analysis requires a detailed description of all the phases in a research process which has led to the results and conclusions. The data collection circumstances should be described clearly and truthfully. Since categorization is an essential part of qualitative data analysis, the logic behind it should be explained. Additionally, the bases for the interpretations of the results require plausible explanations. These requirements stem from the fact that qualitative analysis is naturally more individual and less standardized than quantitative analysis. But they also demonstrate that there are means to improve the credibility of a qualitative study. (Mäkelä 1990, 53, 59; Hirsjärvi et al. 2007, 227–228.)

In this study, the ultimate reasons for the chosen data collection methods and the use of both primary and secondary data were given earlier in this chapter. The interviewees were also presented with all the important details such as the durations, dates and places of the interviews. Also the use of Finnish as an interview language was validated. The interviews were carried out without any distractions and the quality of the recording was good in every interview which was likely to prevent misinterpretations. The operationalization table concerning data analysis illustrated the categorization. This table served first as a basis for the interview framework and later guided the shaping of the results. It also demonstrated the relations between the research questions, the theory and the themes or categories. It was already noted that extreme interpretations were avoided in this study. Conclusions were not based on only one source if possible and direct quotations were also used to confirm the key points.

6 RESULTS OF THE STUDY

The results of this study are based on both the interviews as primary data and websites, responsibility reports and another recent CSR study as secondary data. All secondary sources and interview details are presented at the end of this paper, after the original reference list. Moreover, the translated versions of the interview frameworks are found as appendices. The results are discussed in this chapter case by case and the cross-case analysis finishes off the chapter. Every subchapter begins with a short case organization description. This followed by the presentation of the results according to the interview framework and the themes in it; the definition of corporate social responsibility, the incentives, advantages and disadvantages of CSR, the stakeholders, the CSR initiatives, responsibility reporting and CSR implementation. The concluding questions about the present state and the future of corporate responsibility are discussed in the cross-case analysis after the research questions.

6.1 Kesko

Kesko is a Finnish listed trading sector company operating in the food, home and specialty goods, building and home improvement, and car and machinery trades. Besides managing retail store chains, Kesko produces services for retail store chains' purchasing, logistics, network development and data management. In 2013, Kesko had about 20 000 employees and the K-Group which also includes the independent chain entrepreneurs (K-retailers) had in total around 45 000 employees. Kesko has about 2 000 stores in eight countries including Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. In 2013, the net sales of the K-Group totaled about 11.6 billion € and Finland contributed to the revenue over 80 %. Kesko has around 20 000 suppliers and 200 000 different products which explains the importance of responsible sourcing for the company. However, about 70 % of the purchases of Kesko's Finnish companies are from Finland and the purchases are concentrated in the EU countries. In 2013, Kesko's direct purchases from high-risk areas, such as most African and Asian countries, totaled only 1.6 % of all purchases.

Kesko is considered to be one of the leading sustainable companies in Finland and it has been rewarded several times for their efforts to corporate responsibility. Their latest updated responsibility program was published in February 2013. In the same year the company was included in the most important sustainability indices, such as the DJSI World and the DJSI Europe, the FTSE4Good Index and the Nordic Climate Disclosure Leadership Index. Kesko has also been listed among "The Global 100 Most Sustainable Corporations in the World" every year since the establishment of the list in 2005. It is

noteworthy too, that Kesko was the first Finnish company to publish a responsibility report based on the GRI Guidelines in 2000 (Niskala et al. 2013, 108).

Kesko has given up the common division of CSR a few years ago and as a part of their responsibility program they rely on six themes:

- Responsible operator
- For the benefit of the community
- Working community
- Responsible purchasing and sales
- Wellbeing for customers
- Mitigation of climate change

The three dimensions are not used in their management anymore but from practical reasons caused mainly by the GRI Reporting Guidelines, responsibility reporting is still done according to the three pillars.

> *Corporate responsibility is the control of economic, social and environmental impacts.*
> (Corporate Responsibility Manager)

Kesko has done materiality assessment in order to find out the most and less important themes in CSR. This is probably due to the adoption of The Global Reporting Initiative (GRI) which emphasizes the importance of identifying and reporting on the Material Aspects, either having an impact on the company or being of importance for the stakeholders. As a listed company, *financial profitability* was the number one responsibility aspect for Kesko. This was followed by *good corporate governance and risk management, product safety and quality* and *accessibility and multi-channel approach.*

According to the interviewee, CSR usually tells something about the corporate culture. Responsible operations are one of the four strategic themes of Kesko. Investors and customers expect responsibility from the company. *Building reputation* is closely tied together with *the desirability of the company as an employer* and they both are major indirect benefits of corporate responsibility. Often the advantages and benefits associated with CSR from the company perspective are somewhat similar to the incentives for responsible business. Very importantly, the reputation of the separate brands such as Pirkka is more important for the consumers than the reputation of Kesko itself. Pirkka brand is also highly valuable for the company. Customers are generally not expected to read the responsibility reports or familiarize themselves with the CSR management. But customers assume responsibility issues such as climate impacts or child labor to be already taken into account once they enter the store and they are more willing to buy responsible than irresponsible products. Kesko's incentives for CSR also included *the*

control of risks e.g. in the supply chain, *cost savings* especially within the environmental issues such as energy conversation which directly has an effect on profit and *analyzing the investment risk*. Kesko also tries to achieve advantages by leading the way in corporate responsibility in Finland. Within the context of incentives the previous negative responsibility cases were also discussed.

> *But in responsible sourcing, there are the risks. The (supply) chains are long, we don't always have the chance to impact on the whole chain, there has been something. One case had to do with cotton and child labor and then in recent years this pineapple juice, Thai pineapple juice case. – – this is just this sort of a problem which lies further in the supply chain and is hard to intervene from here, but we have tried.*
> (Corporate Responsibility Manager)

For Kesko, the group level numeric responsibility targets would not actually tell much anything. Therefore they have set several qualitative targets for the different operations. Kesko has one of the clearest presentations of the responsibility targets on their website. There are more general targets but also had many extremely detailed targets for their products and business particularly. The annual progress of the set targets was also presented appropriately.

> *– – I can't identify any concrete disadvantage. – –. Of course the management or development of these issues is not always easy at all, but it is not equivalent to disadvantage, it is another viewpoint.*
> (Corporate Responsibility Manager)

The above quotation of the interviewee from Kesko basically summarizes the opinions of all the interviewed managers on the disadvantages of CSR. The benefits resulting from the investments in energy efficiency or more environmentally friendly technology have been greater than the initial costs and effort associated with these. Energy and the production of waste for example are highly expensive and their reduction is always profitable. Therefore greater expenses would be expected if the company did not control the risks and act responsibly. The administrative costs such as compiling the responsibility report or taking part in the voluntary CSR initiatives were neither perceived significant. What might cause extra costs is the use of certified raw materials such as MSC-labeled seafood. These standards and certificates promoting sustainable production add to the purchase prices and some but not all of the higher costs can be subsumed into the consumer prices.

The *incoherence* in their own organization as well as in sourcing was seen as the greatest challenge in Kesko. The control of the furthest partners in the supply chain is a real challenge and the general expectations for the corporations are rather high. The operating environment of the corporation also varies greatly between the countries and the fields of business. The responsibility climate is different in Russia than in Sweden, even though the interest in responsibility is growing everywhere. Furthermore, the great number of employees brings on challenges for the internal communication.

Kesko was one of the interviewed companies which has published information on the stakeholder analysis on their website and Figure 7 demonstrates their key stakeholder groups.
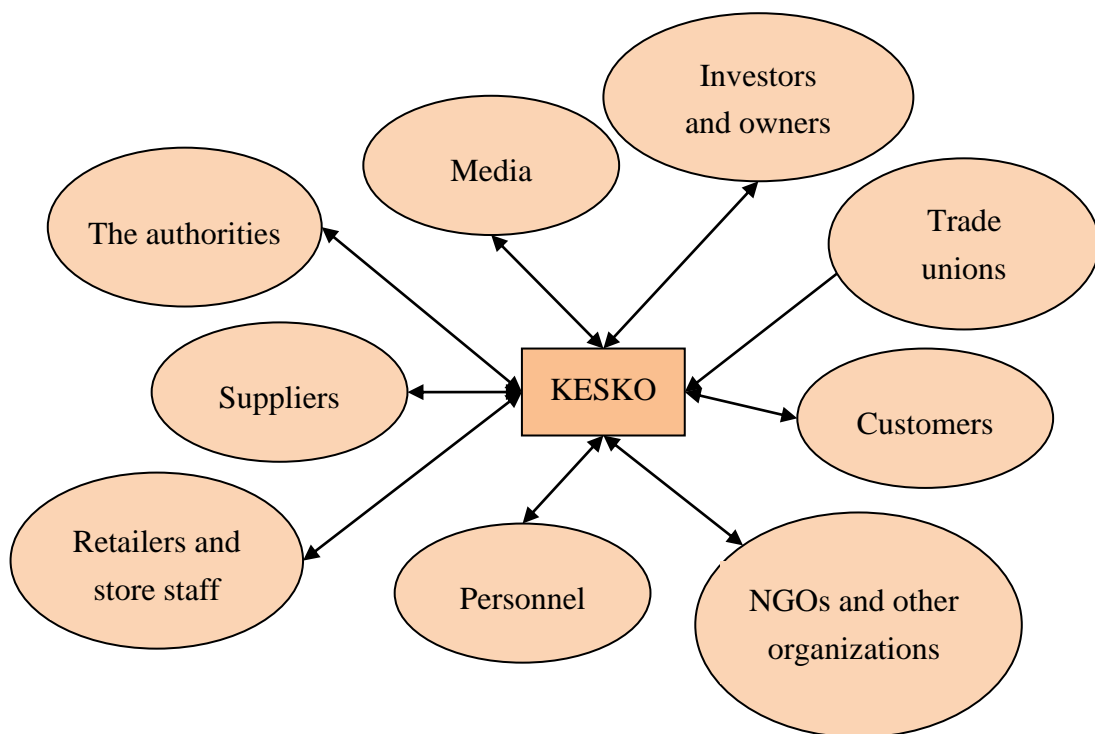

Figure 7   Key stakeholders of Kesko (adapted from the interview)

Kesko has not identified any especially weak stakeholder groups. For instance decent working conditions in the furthest parts of the supply chain are ensured by maintaining responsible sourcing practices and factory audits. Therefore it is not a part of stakeholder management but more practical action. If there is a great risk or impact, then there is usually a stakeholder group requiring attention and actions from the company.

Exploiting the views of the stakeholders is important for Kesko. They follow certain public corporate responsibility studies, they have organized interviews and discussion panels and they also receive feedback from their customers both face to face and on the web all the time. The ranking of the stakeholder groups themselves is not necessary. However, the ranking of their differing views is sometimes unavoidable when the col-

liding opinions need to be balanced. The interviewee emphasized the challenge of the corporation in finding the right people that are representing some broader viewpoint and not just pushing a single, trivial matter through.

Kesko has illustrated stakeholder interaction on their website. Their interaction process starts with planning, is followed by data collection and finished with actions and feedback. The process resembled the figure presented in Chapter 3 on stakeholder engagement which was comprised of four phases; clarifying the basis for the interaction, defining the stakeholders and mapping the channels of the interaction, choosing the level and methods of the interaction and giving feedback and assessing the quality of the process (Rohweder 2004, 205–207; Niskala et al. 2013, 87–92).

Kesko was clearly ahead of the other interviewed companies as regards the voluntary CSR initiatives and commitments. It is a participant of the UN Global Compact and they are committed to the UN Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the ICC Business Charter for Sustainable Development and the ICC Guidelines on Bribery and Corruption. Kesko is also a member of BSCI, Roundtable on Sustainable Palm Oil (RSPO) and FIBS Diversity Charter Finland, in addition they have acquired several ecolabels and responsibility symbols for their products and they operate in accordance with many ISO standards. In general, international, widely accepted responsibility initiatives requiring public commitment and providing concrete benefits are met with pleasure at Kesko.

> *– – often it is actually on the background, we are so small on the world scale. It is not worth drawing up any own principles but always when it's possible to use some generally used (principles), they are used.*
> (Corporate Responsibility Manager)

Kesko also stood out from the others when the interviewees were asked about responsibility reporting. As it was noted, Kesko has published their responsibility report based on the GRI Guidelines since 2000. Currently the core option in preparing the report is applied but actually they almost meet the requirements of comprehensive in providing information. According to the interviewee, Kesko has no plans to disclose more information in future since their reporting is already rather extensive. The trend in reporting is towards providing more meaningful information and covering the material aspects, the interviewee further explained. Reporting on everything is absolutely not necessary.

Investors and *personnel* were identified as the target audience for responsibility reporting at Kesko. The interviewee reminded that the responsibility report can give employees a lot more concrete information on the company than the financial statement or

the annual report and that it is often an important means for employees to understand the entirety of CSR and their own roles in it. *Customers* were also mentioned as audience but they were not expected to be interested in actually reading the reports. The information in the responsibility reports is, however, utilized in answering the questions of the customers and communicating on them through other channels. The interviewee also mentioned videos on their website which as less formal communicational tools are mostly targeted at consumers. Furthermore, Kesko has already established an internal working group on integrated reporting whereas the other interviewed companies for this study did not see IR that topical yet. It was reminded that integrated reporting is not merely combining financial and non-financial information but also creating new reporting and therefore the preparation requires time.

Kesko had their first development manager and the environmental report in the 1990s. Nowadays their corporate responsibility team is a well-organized unit of the company. The annual work of the team consists of the compilation of the responsibility report, coordination and guidance of the responsibility program and responding to the sustainability indices. Kesko's vision of corporate responsibility forms the basis for their CSR management. Even more important is the responsibility program, which applies to all their divisions and is a means to implement corporate responsibility throughout the corporation by defining the relevant themes and appropriate objectives.

6.2   Valio

Valio is the market leader in the dairy products in Finland with a 2 billion € annual revenue and 4 600 employees globally in 2013. The company is owned by 17 cooperatives comprised of Finnish milk producers. In addition to Finland, Valio consumer products are sold in Russia, Sweden, Estonia, Latvia and Lithuania and they also have subsidiaries in the USA and China. Moreover, Valio industrial products and some licensed technologies are sold across the globe. In the interview it was stated that one third of the annual sales comes from outside Finland and Russia is the most important export country to Valio with a 400 million € (20 %) revenue. Sweden and the Baltic States each account for almost 100 million € annually. However, soon after the interview in August 2014, Russia announced the import restrictions for e.g. all dairy products from the EU countries for one year. Valio seemed to be the single biggest sufferer of the Russia's food import embargo and this has led to co-operation negotiations concerning staff at the Finnish production plants and Helsinki headquarters as well as the gradual run-down of the operations of the Russian subsidiary. At the time of writing this, the eventual outcome of the import restrictions was still unclear and Valio was looking for alternative markets for the milk of their owner-producers.

Valio has not defined corporate responsibility on their website but their responsibility is said to be a part of the day-to-day work and based on the company's value "We Make the Best".

> *Responsible business is meeting the expectations of the key stakeholders.* (Manager, Strategy and Advertising, Corporate Communications, Packaging Development)

Valio has not yet done a proper materiality assessment since they are not reporting according to the GRI Guidelines but they have listed certain requirements for corporate responsibility. Valio is committed to pay stable and Europe's highest price for their raw material for the cooperatives, thus instead of maximizing profit they are *maximizing the price of their raw material*. This is their most important objective but there are other material aspects too, e.g. *product safety, dairy cattle care* and *consumer viewpoint.*

The most important reasons for investing in corporate responsibility for Valio were partly the same as the material aspects, including *product safety and quality, building reputation* and *securing the future operational preconditions*. Most customers would rather buy responsible products and they want to make certain that the companies attend the required matters properly. As a food producer, especially the importance of product safety was emphasized throughout the interview.

The targets for corporate responsibility seemed to be extremely important for Valio. They had a detailed listing of the targets on their website and the annual follow-up was an integral part of the process. Valio has some more general targets e.g. for employees, profitability and society together with many particularly industry-specific targets. The company strategy is above the principles of responsible operations and ethical principles, these along with the targets and responsibility reporting compose the whole corporate responsibility at Valio.

Responsibility was reassured to be a logical part of the business at Valio insomuch that is impossible to see it causing any disadvantages or extra costs. The company would do the same actions which are currently a part or their corporate responsibility anyway. The interviewee further validated this by stating that they do not have an organization or bureaucracy around it. One could argue whether this was a valid reasoning or not. The electronic communication channels have also eased the publication of the responsibility report and decreased the costs associated with it.

Valio too has done stakeholder research and published information on the analysis on their website. The key stakeholder groups of Valio are illustrated in Figure 8.
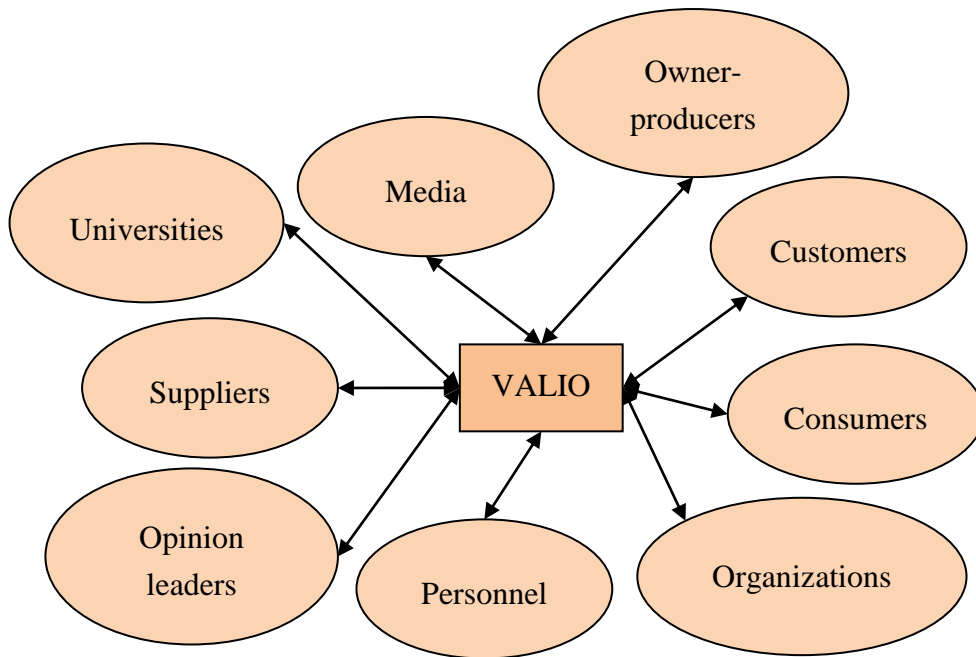
Figure 8   Key stakeholders of Valio (adapted from the interview)

Valio has plans to soon use an external research institute in order to find out the expectations of their stakeholders and whether these have been met. *Sponsorship* is another important part of the social responsibility for Valio and this has focused on supporting physical exercise and nutrition for young people by sponsoring youth sporting events and some Finnish top athletes.

The interviewee from Valio stressed the importance of responsibility in their everyday business and the work their company is doing for it. The principles of responsible operations and the ethical principles seemed to be the most important CSR management tools for Valio. Besides, they operate in accordance with e.g. several certifications and ISO standards, Ethical Trading Initiative and SA 8000 with respect to labor although their operations have not been certified.

Responsibility reporting of Valio partly complies with the GRI Guidelines but the company does not have plans to move completely into GRI-based reporting. Their reporting is supplemented with information on their field of business specifically. The focus of the responsibility reporting is on Finland, and overall corporate responsibility at Valio basically encompasses Finland and Estonia where the company has manufacturing facilities. Responsibility reporting appears to be targeted at *customers* and the viewpoints of reporting were chosen bearing that in mind.

According to the interviewee, corporate responsibility at Valio has developed from down to up but the more concrete examples were mostly lacking. The interviewee seemed to be lulled into the earlier research results that the consumers consider their

company responsible. But like the other companies interviewed for this study, they do not still market themselves particularly responsible. Valio did neither have a corporate responsibility department in their organization and it was the duty of the communication manager and partly the interviewed manager to compile the responsibility report. Of course their business processes, such as HR or quality organization, had managers too but the interviewee emphasized how all their employees participate in responsibility and it is a logical and natural part of their business.

6.3 Amer Sports

Amer Sports is today one of the leading sporting goods companies globally and it is established, listed and headquartered in Finland. The company was founded with the name Amer Tobacco in the 1950s and since then they have been involved in different business and acquired and sold various companies, including ship-owning, Weilin+Göös publishing and printing, paper merchanting, Koho ice hockey equipment, plastic products, car importing and Marimekko design and textiles. In 2001, they launched the new marketing name Amer Sports and in 2004 Amer withdrew from tobacco business. The business of Amer Sports is currently divided into three segments; winter and outdoor, ball sports and fitness with the brands Salomon, Wilson, Atomic, Arc'teryx, Mavic, Suunto, Precor, Bonfire, Nikita and DeMarini. In 2013, Amer Sports had 2.1 billion € net sales of which the winter and outdoor segment accounted for over 60 % and EMEA geographically for almost 50 %. In 2013, they had 7 100 employees and sales companies in 34 countries. The primary market areas are the USA, Germany, France and the UK but also Russia and China are expected to grow their importance in the long run. Amer Sports manufactures 26 % of their products itself and about 14% of them are produced by partially outsourced vendors. The company has 12 manufacturing sites and the most important ones are located in Austria, Bulgaria, France, Finland, Canada and the USA. The rest, about 60 % of the total production value is outsourced.

> *Responsible company is responsible for certain sectors. And corporate responsibility is going beyond the legal minimum.*
> (Manager, Corporate Responsibility and Communications)

Amer Sports was the only one of the interviewed companies stating that their organization really uses the three dimensions as a basis for their responsibility work, emphasizing the social and environmental responsibilities. For a listed company, *shareholder* profit is, however, the most important objective and responsibility should never risk the economic obligations of the business. Equally important it is to pay taxes and wages as

required. Corporate responsibility work at Amer Sports began with *the monitoring of the supply chain and subcontractors.* The company has only recently drafted their first materiality assessment and found aspects such as *product compliance, liability, health and safety, minimizing environmental impact* and *developing employee competence* as the most material ones. The ambition level of the companies in relation to pioneering in corporate responsibility varied. Unlike Kesko, Amer Sports is satisfied with being good average; neither ahead of nor lagging behind other companies.

The reputation of the brands instead of the Amer group, *the control of risks* and *cost savings* in the long run were listed as the most important incentives for CSR. The interviewee from Amer Sports reminded that lost reputation is not easy if even possible to regain and therefore it is necessary to offer safe and quality products for the customers. The grown interest in responsible products among customers has also been noticed at Amer Sports and LOHAS-consumers (Lifestyles of Health and Sustainability) were quoted as an example. Besides, the customers expect answers to their questions about responsibility. However, responsibility does not yet seem to be the determining factor in purchasing decisions for most people. Interest in responsibility is in the background without a doubt but so far other features of the products have been more important in guiding the decision which alternative to choose. The representative of Amer Sports also admitted that they have witnessed some sort of responsibility crises in the past.

> *– – in the beginning of the 21st century we had importation, or in fact was it a sales representative, in Myanmar or Burma. And international, not International Labour Organization, but another labor organization published an annual list of companies operating there. – –. But later it has been closed down. – –. So they construed that it is cooperation with the sitting military junta.*
> (Manager, Corporate Responsibility and Communications)

Trust was a word used to describe the requirement that companies should act professionally, be able to answer the questions of the stakeholders, educate their sales personnel and have procedures for the responsibility enquiries. This readiness and consistency further allows the development of corporate responsibility in the organization and improves the overall controllability. At Amer Sports, a few categories or brands have already started to formulate their own corporate responsibility strategies. Thus CSR seems to be spreading from the group level to other parts of the organization. The interviewee agreed on that it is hard to construct group-wide targets for their various companies and products. Currently their greatest targets relate to the better organization of communication and preparations of the GRI-based responsibility reporting.

When asked about the potential disadvantages the interviewee reminded that anything new takes time and causes expenses in the beginning but may lead to cost savings and improved efficiency or reputation in the long run. The greatest challenge for the corporation is the *incoherence* in their organization as it was with Kesko too. They have also previously lacked the people dedicated full-time to corporate responsibility which is actually regarded as an advantage since the people working within CSR are at the same time responsible for other functions in the corporation. However, it might have prevented these people to absorb in corporate responsibility and made everything happen a bit slowlier.

The role of the stakeholders has only recently been assessed at Amer Sports, so the interview provided the most information on their stakeholders. The results of the interview are presented in Figure 9.
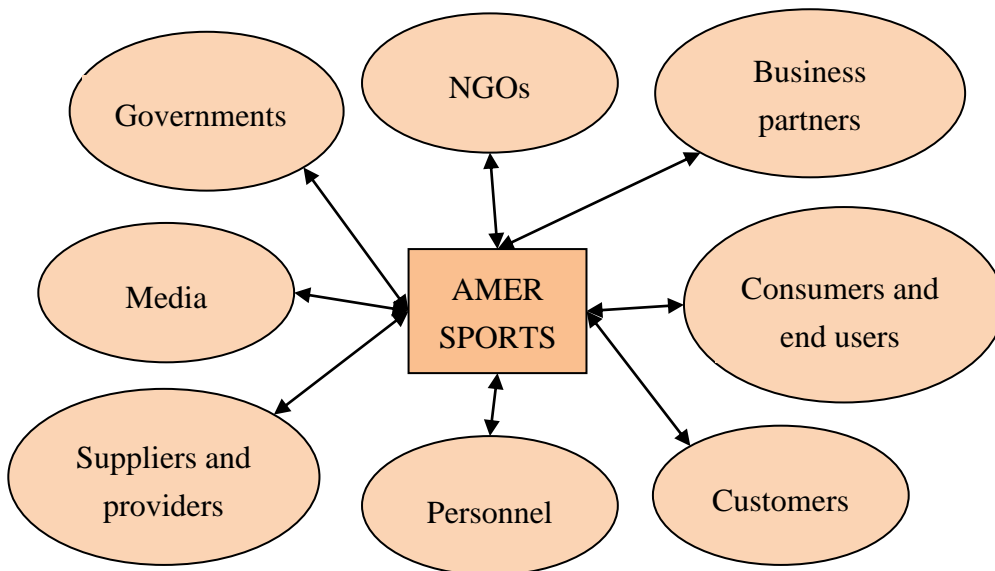
Figure 9   Key stakeholders of Amer Sports (adapted from the interview)

The stakeholders do not have an order of importance but the size of the stakeholder group may be significant when the corporation is assessing the most material aspects of corporate responsibility. It is also more likely that they alter the operations if there is more than one group of stakeholders demanding action from the corporation.

Amer Sports expect their sourcing partners to respect human rights by committing to the ILO's Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration on Human Rights, and the corporation provides training for them. Their code of conduct or ethical policy is based on SA 8000 and they also participate in the Carbon Disclosure Project (CDP). The interviewee expressed her support to the UN Global Compact and believed it to be excellent framework for any company. Therefore Amer Sports can be expected to join it in the coming years.

The interviewee also revealed that Amer Sports is about to publish their first GRI-based responsibility report next year. It will not be as extensive as the test report this year but they have plans to widen it gradually and they have pledged to show the annual progress in the coming reports. Previously the corporation has only reported with separate case examples and presented some key ratios on environment on their website. They have also considered integrated reporting, but the interviewee was honest and admitted that the corporation might not be ready for responsibility to be the determining factor throughout annual reporting.

At Amer Sports, the role of responsibility varies even with the brands and processes. In the mutual processes, such as sourcing or monitoring the supply chain, responsibility has a stronger presence whereas in marketing they use less responsibility as an argument. The incoherence of the organization is a challenge again and in spite of the spirit "Do the right thing" the interviewee could not guarantee the detailed implementation of responsibility in every part of the company. However, the responsibility work was led by a network comprised of the CSR manager and production and sourcing specialists, besides the company had quite clear future goals and development plans for corporate responsibility and reporting. Currently the code of conduct and the ethical policy are the key CSR management tools for Amer Sports in implementing corporate responsibility in the corporation.

6.4   FIBS

The last case of this study is a bit different to the three interviewed companies. FIBS is the leading non-profit corporate responsibility network in Finland bringing together over 230 companies but also NGOs, researches, public sector organizations, universities and other players. Most of the members are large companies but all kind of organizations have been able to join the network since its establishment in 2000. The members are encouraged to exchange information and experiences and learn from each other, besides the membership provides information, support, contacts and visibility. FIBS also localizes international responsibility standards and sustainability practices, imports innovative solutions and impacts the concrete CSR work on a national level. Furthermore, FIBS represents Finland in the international CSR co-operation networks such as CSR Europe, Global Reporting Initiative (GRI) and CSR 360 Global Partner Network. In order to promote responsible business in the Finnish companies, FIBS has organized its initiatives and projects under three strategic themes; environment, labor and social responsibility covering e.g. human rights, and economic responsibility, communication and reporting.

FIBS applies the newer definition of corporate responsibility written by EU which concerns the positive and negative impacts of the companies on society. It was reminded in the interview that this short definition is rather narrow and should not be used alone; instead the complementing definition below the short one includes some central themes for responsibility. The representative of FIBS emphasized that the companies themselves know best what are the most material themes and issues for them to integrate into their business. It is extremely hard for an outsider to dictate the contents of CSR in different companies. It is neither appropriate e.g. to report cursorily on everything but to find out the most relevant themes. The different stakeholder groups such as the governments, employees, customers and NGOs, however, have the right to ask certain questions and companies should take these questions seriously.

According to FIBS, *the control of risks*, *compliance with the laws* and *the identification of the central themes of CSR* are generally the first steps of corporate responsibility for most Finnish companies. *Reputation* among the employees and customers is also especially important for the companies within trade. However, many FIBS member companies are pioneers in corporate responsibility and have already gone a lot further. They have CSR issues incorporated into the strategy and CSR thematics encourage them to develop new products and services. Moreover, different stakeholders are naturally seeing corporate responsibility from their own viewpoints and they are expecting it to bring different benefits. Therefore it is impossible to generalize the advantages all the stakeholder groups are looking for.

An example of a typical challenge for the companies is that the thematics of CSR is not recognized at all. Taking the interests of the owners into account, increasing revenue and complying with the laws is a good starting point but not necessarily enough. Especially if the company gives the impression that they are doing a lot more in the name of corporate responsibility. This could be referred to *hygiene level responsibility* according to the division of responsibility by the interviewee. In the hygiene level, responsibility is mostly the control of the risks. Depending on the size of the organization, there is a person or a process collecting corporate responsibility information and compiling the responsibility report. This can be complemented with the purchase of expert services. On the other hand, *strategic responsibility* is the development of this process and the production of more responsible products and services. The indirect costs have no limits but also the benefits are greater. Moreover, the costs of corporate responsibility can also include money spent on charity.

The interviewee from FIBS reminded that the different stakeholders evaluate companies always from their own viewpoint and was rather reluctant to identify the most important stakeholder groups for every company in general. However, *employees* and *non-governmental organizations* are strategic stakeholder groups for most companies. In Finland the role of the employees is rather strictly regulated by the legislation and col-

lective agreements, thus the companies have limited chances to impact on this. *The state is also a stakeholder by enacting the laws and supporting the voluntary regulation.*

> *So basically (stakeholders are) all the people whose action, or life or action or benefits are affected by the company operations – –.*
> (Executive Manager)

Stakeholder dialogue is a key mechanism of corporate responsibility. Stakeholder analysis comes in when the company is planning their responsibility reporting. It is essential to recognize the target audience for reporting and identify the strategic stakeholder groups as well as evaluate their demands, interests and wishes. Equally, or even more important it is to listen to the stakeholders' opinions on separate undertakings and projects already at an early stage. Failures to do so might lead to considerable difficulties later. This is particularly true with projects potentially affecting the environment such as mining or paper mills. Large companies may conduct surveys concerning thousands of people whereas smaller companies are more likely to collect feedback on certain projects or sites. Social media also provides the stakeholders with more options to contact the company and it allows sometimes even fierce discussions.

As regards the voluntary CSR initiatives, ISO 26000 on social responsibility which clarifies the role of CSR, helps companies to translate principles into action and develop responsible business was said to suit the needs of both small and large companies. If the company already has quality systems and other ISO standards in use, it is worth to consider ISO 26000 as the starting point for corporate responsibility. Unlike other well-known ISO-standards it cannot be certified or externally assured. The interviewee also recommended the UN Global Compact for the companies since it is an active and well-functioning network. Different ISO standards and the EU Eco-Management and Audit Scheme (EMAS) are often useful in managing environmental impacts. The field of the CSR initiatives might appear too broad or unfocused. As long as there is no one generally accepted CSR initiative, the companies have the freedom of choice to do the preferred responsibility commitments. The stakeholders then evaluate the reliability of these choices from their viewpoint.

The reliability issues concern also responsibility reporting and the fact that most companies fairly report only on the material aspects. The civic society and NGOs criticize companies for their responsibility reporting with regularity. It is lacking comparability at least in some extent if the companies themselves choose the aspects and themes to report on. GRI Guidelines are recommended for larger companies but also smaller companies can benefit from the standardized reporting practices. In any case, responsibility reporting is an important means for the companies to both assess the role of corporate responsibility in their company and show their progress. But the cause and effect

are not always easy to distinguish from each other. Along with the descriptions of the past, the future targets could be stated in the responsibility report and then monitored in the forthcoming reports.

> *– – in general it should be starting from the development work and then move on to reporting. Of course the report is such a concrete matter so it can be the other way round too. – – the report also guides the action.* (Executive Manager)

FIBS has identified the *personnel* to be the target audience of responsibility reporting for most companies. *Investors* of the public companies especially are a key stakeholder group and also interested in responsibility reports. Also NGOs and civic society often carefully follow responsibility reporting. Moreover, the interviewee considered integrated reporting to be an excellent new development in reporting and thought it to bring certain benefits. Integrated reporting can also be seen as a step towards presenting more information on strategic responsibility instead of hygiene level responsibility, according to the division presented earlier. Eventually the issues presented from the responsibility viewpoint would be the most important ones in the core business at the same time.

Corporate responsibility which is said to be naturally integrated into everyday business without plausible justification could be referred to as "invisible responsibility" or soft discussion by the interviewee from FIBS. More severe discussion on responsibility calls for the incorporation of responsibility into the business processes, the favorable attitude of the management and a decent budget. The interviewee presented this implementation in the form of a pyramid as illustrated in Figure 10.
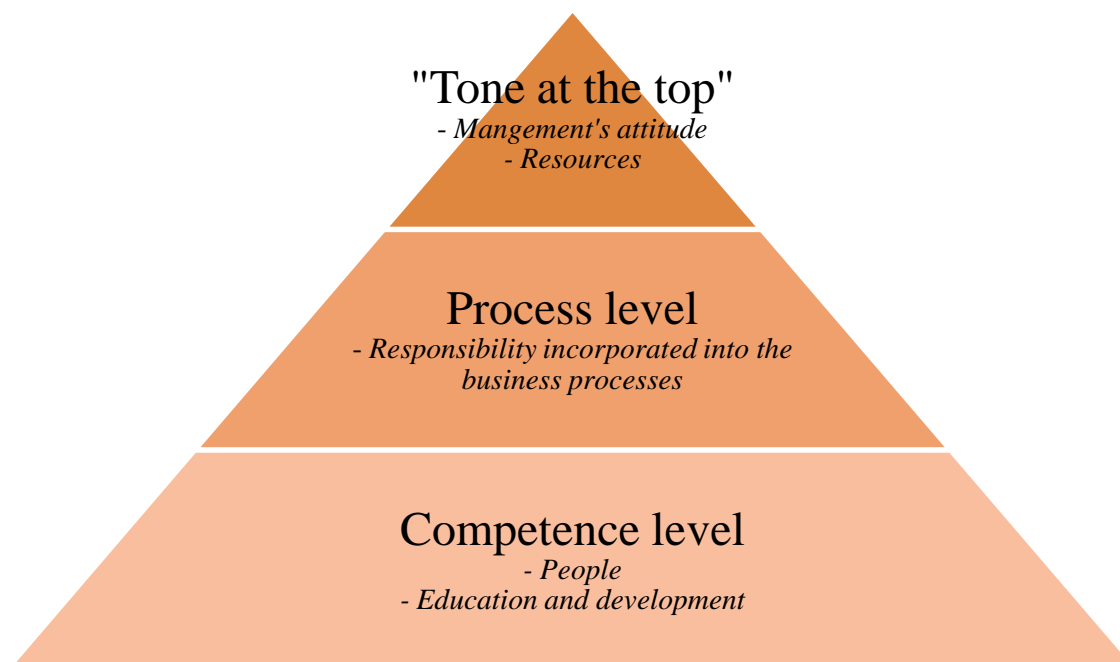
"Tone at the top"
- Mangement's attitude
- Resources

Process level
- Responsibility incorporated into the
business processes

Competence level
- People
- Education and development

Figure 10   The implementation of corporate social responsibility (adapted from the interview)

The "tone at the top" is the *attitude of the management* towards corporate responsibility. They must consider responsibility to be important and bring it out in the management in order for the implementation of responsibility in the organization to truly succeed. The top level also provides *resources* for the other levels. Without money all the responsibility efforts are useless. In the next level it is necessary to make sure that *responsibility is incorporated into the business processes*. The responsibility issues that have to be taken into account are defined in the process descriptions of e.g. product development, sourcing, recruiting or marketing. These are the ethical rules, certificates and other requirements beyond the legal minimum, thus the level is very concrete. The process descriptions should be available for outsiders to review too. Finally, there is a *competence level* meaning the skills and abilities of the employees. Education and continuous development of the personnel are essential. The implementation of responsibility does not require a separate corporate responsibility department but resources and support from the management are necessary. CSR specialists can be situated in different parts of the organization or an external consultant can be used. There are multiple ways to successfully execute the implementation of responsibility in the organization.

Furthermore, Finnish companies were hoped to especially focus on developing the strategic responsibility in future. The hygiene level responsibility, meaning the control of the risks, is already rather well taken care of in many companies. Only strategic responsibility provides more growth opportunities in the form of new product and service development. Cleantech is a recent example of this, but there is more room for innovation. Key questions relate to energy and resource efficiency. This is not the exclusive

right of the Finnish companies but e.g. the climate and high energy costs in Finland force them to operate effectively now and in future.

The interviewee mentioned Kemira and Outotec as examples of the Finnish companies which are already successfully applying the strategic level corporate responsibility. They have had visions of sustainable development as an integral part of their business already for longer. Nokia has also been ranked as the global number one responsible company in their industry, past Apple and the others. On the other hand, there are still a lot of middle-sized Finnish companies which have not really paid attention to corporate responsibility. But the promising examples have been followed by other Finnish companies and the interviewee was optimistic that the trend continues.

6.5   Cross-case analysis

In this chapter, the results of the study are discussed in a broader manner as well as contrasted with the theory on corporate social responsibility and another recent CSR study. The aim is to conclude this paper, make generalizations based on both the theory and empirical data and fulfill the purpose of the study.

As a reminder, *the purpose of the study is to describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies*. This is further divided into the following research questions:

1) Why are the companies engaging in CSR?
2) What is the role of the stakeholders like in the integration of CSR?
3) How is CSR practiced in the companies?

The research questions are discussed in the following subchapters and the interviewees' ideas of the present and the future of corporate responsibility conclude the chapter.

6.5.1   *Why are the companies engaging in CSR?*

Even though all four interviewees in this study had a slightly different approach to corporate responsibility and only one of them clearly referred to the three dimensions, the interviews were supporting the definitions of CSR presented in the theoretical framework. CSR aims to integrate the *economic, social and environmental dimensions of business* and explain whether socially and environmentally responsible behavior leads to increased economic performance and improves the competitiveness of a company or not (Rohweder 2004, 77). The various terms used instead or alongside CSR in literature were mostly lacking in the interviewed companies. The fact that the interviews were carried out in Finnish probably plays a part there. The interviewees basically spoke

about corporate responsibility or simply responsibility. Basically all the interviewees could formulate their own definition of CSR while one of them was willing to apply the EU definition of corporate responsibility.

The *consumer viewpoint* was extremely important for all the interviewed companies as a result of them operating with consumer goods. Whether the company was selling food or sporting goods, their end customer was a consumer. Besides, sourcing was important for the corporations having operations also in the countries far from Finland. This manifested itself in the importance of *products* and *reputation*. Safety, health and quality of the products or product compliance and liability were mentioned in every interview. Still, *financial profitability* and *shareholder profit* were the most important responsibility themes for the listed companies. The interviewees did not emphasize the economic responsibility but made it clear at an early stage of the interview. This supports the earliest theories on CSR. Maximizing profits and complying with the laws and regulations are the basis of corporate responsibility. But the simultaneous fulfillment of other responsibilities is also possible and they should not be seen only as colliding with each other. (Carroll 1991.)

According to the CSR research by the corporate responsibility network FIBS which had 200 respondents from the Finnish large companies earlier this year, *environment* is the most important responsibility theme for the companies. The greatest investments are done in energy efficiency, waste management and recycling. Investments in cleaner production technologies are also growing. On the other hand, human rights and questions related to consumers were regarded as less important themes in the same research. This is surprising, taking into account the amount of discussion about the occupational safety of the subcontractors, the use of child labor and the importance of reputation for the Finnish companies. Amer Sports was the only company which clearly mentioned the minimizing of the environmental impact as one of their most material aspect. The outcome of this study was not conflicting with the FIBS research but giving somewhat different results.

In the theory, economic responsibility firstly was said to do with how the economic value added is spread between the company and its different stakeholders not forgetting risk management and corporate governance (Niskala et al. 2013, 17). Secondly, environmental responsibility should be applied to the whole chain; from raw materials to waste management (Rohweder 2004, 99). Thirdly, social responsibility covers the questions about the stakeholders, products and the courses of action in business. Outsourcing and the rise of the MNCs have only grown the importance of environmental and social responsibilities in recent years. (Rohweder 2004, 99, 103–105.)

Notably, all the interviewees agreed on that the *companies themselves should identify the most material responsibility themes* for them to focus and report on. It is neither necessary nor appropriate to take into account every aspect of corporate responsibility.

Still, different stakeholder groups have the right to ask certain questions and companies should take these questions seriously and answer as best they could. This holds true even though the companies had not initially considered that matter being a part of their corporate responsibility. Over the interviews it became clear that corporate responsibility can truly improve the ability of the companies to answer their stakeholders' questions and inspire confidence in them. Therefore, CSR should not be seen only as something bothering the companies and causing them extra work. Instead, the positive effects on their everyday business should be acknowledged.

All the interviewees treated corporate responsibility rather appreciatively. There should have probably been one skeptical interviewee criticizing CSR more openly and widening the perspective in this study. The level of responsibility in Finnish companies was considered good and expected to rise. Responsibility was also supposed to be integrated quite well into business in the Finnish companies. These statements were, however, not especially well validated. Neither the interviewed companies were evaluating their own responsibility work too critically. It has been suggested in literature that a positive relation is often found between the implementation of the CSR practices and financial performance but the frameworks to measure and assess the company-specific value of corporate responsibility are mostly lacking. Also the comparisons between different CSR activities and their impacts on the achievement of responsibility targets and the economic outcome are challenging. (Weber 2008, 247, 259.)

Several researchers have identified business benefits that can generally be expected from CSR involvement and urge companies into responsible behavior. According to one earlier research, the business benefits from CSR can be divided into *monetary benefits* having a direct financial effect such as revenue increases from higher sales and market share, cost savings, risk reduction and increase in brand value on one hand and *non-monetary benefits* like improved access to capital, secured license to operate, improved customer attraction and retention, improved company image and reputation and improved employee recruitment, motivation and retention on the other hand. Besides, non-monetary benefits were often found to lead to monetary benefits in the longer run. (Weber 2008, 248–250.)

According to another theoretical viewpoint on CSR, responsible business was said to be based on economic incentives, governmental control, stakeholder approach or ethical incentives. The economic incentives of corporate responsibility were comprised of raised demand, improved company image leading to increase in sales and labor attraction, improved material and energy efficiency as well as reduced inconvenience of the products and smaller number of accidents on work places. All these lead to improved profitability which is fundamentally the goal of any business. However, the role of other than economic incentives reflecting the moral principles and values of a company be-

comes more visible when analyzing how the profitability is realized. (Rohweder 2004, 81–82.)

The results of this study concerning the incentives of CSR comply better with the results of the corporate responsibility research by FIBS. According to both, the *economic incentives* seemed to matter the most. *Building reputation* and s*ecuring the future operational preconditions* were the greatest motives for corporate responsibility. Moreover, the interviewees of this study added that reputation is closely connected with the *desirability of the company as an employer* for both the current and the future employees. But similarly investors, customers and other stakeholders appreciate good reputation. *Cost savings* and *risk management* were also regarded as important incentives. Risk management was considered extremely important in monitoring the supply chain and sourcing by the corporate managers. They both had already witnessed responsibility crises in their company and were conscious of their impact on the stakeholders.

From the same theoretical framework, *stakeholder approach* or *ethical values* could not be identified in the same extent in the interviewed companies. On the other hand, *governmental responsibility* was discovered to affect them. In Finland, the administrative burden of the companies is considerable compared to many other countries and there is only limited room for voluntary responsibility. Legislation in Finland determines several issues which can be referred to as corporate responsibility in some other countries. This further makes the contrasting or benchmarking of different countries and companies more difficult and the interviewed companies have contended themselves with merely following the competitors and CSR researches.

Naturally, the advantages the companies were trying to attain by acting responsibly were similar to the original incentives for corporate responsibility. The majority of the respondents in the corporate responsibility research by FIBS said that CSR helps companies to *build reputation* as a responsible operator. *Cost savings, improved sales, product and service development, new and more effective production methods* and *increased share price* were also listed in this order as advantages in the FIBS research. The benefits for the stakeholders have to be assessed separately for every stakeholder group. From the company viewpoint, CSR provides new and different information which is a means of reducing the investment risk of the owners and investors. Also consumers have the opportunity to choose more responsible products, trust that the company operates appropriately home and abroad and receive more accurate information and answers for their questions. Moreover, the personnel can benefit both from the concrete responsible operations and the information responsibility reporting provides. It should be noted that the labor in the sourcing countries and their working conditions were not discussed in the same extent. Responsible sourcing practices and factory audits were mentioned in the interviews, but the interviewees focused mostly on the impacts of the companies in Finland and the neighboring countries.

The *targets* for corporate responsibility were basically regarded as the most concrete means of CSR management and they were thoroughly formulated in every organization. Numeric responsibility targets were not regarded as useful as qualitative targets, especially at the group level. The degree of precision of the targets alternated between more general and extremely detailed and often they were derived from the strategy or the ethical principles of the company. An integral part of the targets was their *annual follow-up* and *reporting* on the progress. A desirable trend was the notion from one interviewed company where a few categories or brands had started to formulate their own corporate responsibility strategies and targets. It appears that CSR is establishing its position in the corporation.

None of the interviewees had identified any true disadvantages resulting from CSR and therefore the discussions focused on the challenges. The corporate managers raised the *incoherence* of their own organization and the sourcing organizations as the number one challenge. This relates to the greatest challenge in CSR management discovered in the FIBS research which was the *integration of CSR into business*. It also further validates the purpose of this study at hand. The integration challenge was followed by *the control of supply chain, responsibility communication and reputation management, satisfaction and well-being in job, the control of the environmental impact, stakeholder engagement, human rights* and *anti-corruption or anti-bribery actions*. It was also pointed out that quite often the thematic of CSR is not recognized at all. This relates to the theory and the limits of corporate responsibility. Is a responsible company solely complying with the law or should they go beyond the legal minimum? (Rohweder 2004, 77.) The interviewee from FIBS stated that legislation provides a good starting point but the companies are expected to do more in the name of corporate responsibility.

All the interviewees told that corporate responsibility is not causing any extra costs for the companies. Quite the contrary, more expenses would result from ignoring risk management and not acting responsibly at all. The investments in more effective production methods using fewer resources can further lead to considerable savings and improved profitability, as it has already been noted several times. Overall, time and money devoted to advancing responsible business was believed to lead to cost savings and improved efficiency and reputation in the long run. These opinions support the current theoretical view on CSR improving profitability and refute the criticism presented by Friedman in the 1970s.

The corporate responsibility practiced in the Finnish companies could be classified as *moderate*. The interviewed companies had not used CSR in promoting their products or marketing in the first place. However, the criticism of CSR should be taken seriously. It was stated in current CSR literature that responsibility campaigns seem often to be actually about managing the reputation of the brand company; at the same time information on the relation of spending between charity and advertising charity is often hard to find.

(Teivainen 2013, 21–22). The interviewees also knew that the retrieval of a lost reputation is hard and expensive, if possible at all. This is probably one of the biggest challenges in future too.

6.5.2   *What is the role of the stakeholders like in the integration of CSR*

In the theory, a stakeholder was defined to be "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, 46). Or, they are persons or groups that have or claim to have needs, demands, interests, rights or ownership in a corporation and its past, present or future activities (Clarkson 1995, 106). The interviewees of this study had somewhat similar definitions.

The stakeholder theory was said to be developed from the input-output model or a production view of a company (Donaldson & Preston 1995, 66; Benn & Bolton 2011 198). Earlier it was believed that suppliers, owners or investors and employees were the only inputs which the company or the "black box" then transformed into outputs for the customers. Each contributor received a fair compensation for their resources and time but the customers received the most benefits. (Donaldson & Preston 1995, 68.) On the other hand, the stakeholder model required multilateral participation and the division of the benefits between the company and its various stakeholders in a more dynamic environment (Donaldson & Preston 1995, 68; Benn & Bolton 2011, 198).

All the interviewed companies had done *stakeholder analysis* as a part of their corporate responsibility work and especially the responsibility reporting process. The key stakeholders of each interviewed company were presented earlier in this chapter. Figure 11 summarizes the results of the interviews.
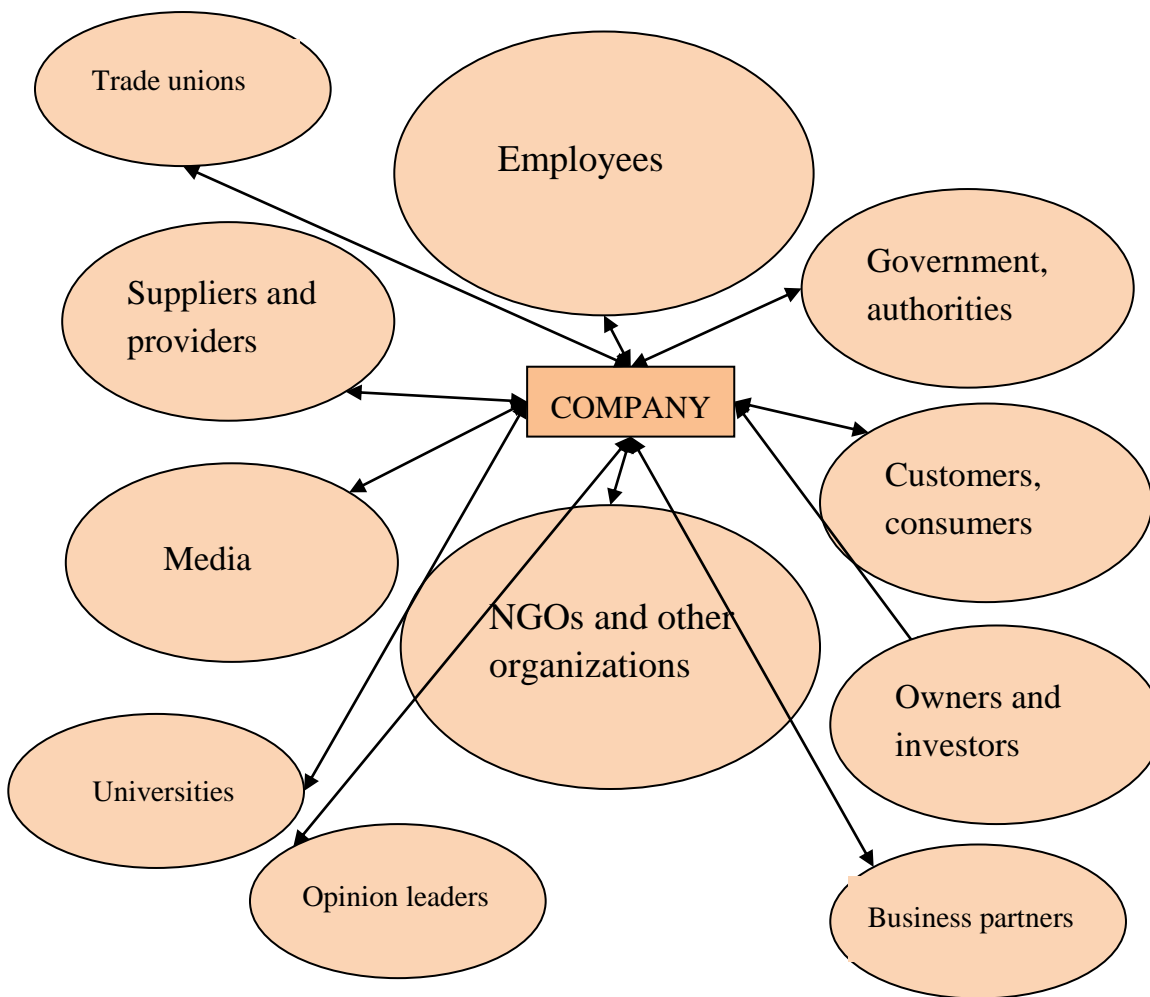
Figure 11   Key stakeholders of the case companies (adapted from the interviews)

Employees and *non-governmental organizations* were listed as the strategic stake-holder groups in every interview. In this connection, the group of employees covers *own personnel, retailers* and *store staff* and NGOs also *other organizations* and *civic society*. These two groups are presented the biggest and the closest to the firm which lies in the middle of the figure. Almost as close to the firm are *customers and consumers, owners and investors, suppliers and providers* (goods and services, ingredient and packaging, material and components), *the government and the authorities* and *media* which were recognized as important stakeholders in three different interviews. Finally, *trade unions, opinion leaders, universities* and *business partners* as stakeholders each received support from one interviewed company.

The interviewees did not divide the stakeholders into primary and secondary stake-holders or internal and external stakeholders. The results of the interviews still strongly supported the theory. According to several authors, shareholders and investors, employees, customers, suppliers and distributors, and public stakeholders; the governments and

local communities that provide the infrastructure, markets, laws and regulations were found to be the most important stakeholder groups (Clarkson 1995, 106; Friedman & Miles 2006, 13; Benn & Bolton 2011, 200; Niskala et al. 2013, 72).

The interviewees found the balancing of the differing and potentially colliding opinions of their stakeholders more challenging than the identification of the stakeholder groups itself. *Finding the right people* that are representing some broader viewpoint and not just pushing a single, trivial matter through was listed as a challenge by the interviewees. Then, the relative size of the stakeholder or the number of various stakeholder groups demanding action could be significant. But all kinds of opinions were listened and welcomed or at least the interviewees now stated so. In the theory it was alleged that it is rather naïve to assume that all the stakeholder groups are equal. The companies often acknowledge only a part of the stakeholders since it is impossible to balance all their conflicting needs, demands, interests, claims and rights. (Niskala et al. 2013, 73.)

The reasons for managing the stakeholder relations were said to relate to *reputation* and *risk management*. Stakeholder dialogue is a means to understand the stakeholders' expectations which have an effect on the success of the company. (Rohweder 2004, 200.) According to a more radical view, good relations with the stakeholder groups and societal acceptance were also said to be the prerequisite for *the company's license to operate* (Weber 2008, 248–250). However, the morally right way to act might similarly be in the interests of the company (Niskala et al. 2013, 75). The interviewees had internalized the concept of stakeholder engagement and the importance of mutual interaction. Once the stakeholders were identified as a first step, they were listened to by using interviews, discussion panels, surveys and collecting feedback either face to face or on the web, and along with these public responsibility studies were followed. It was reminded in the theory that the stakeholders should always have a chance of giving feedback for the reporting company (Rohweder 2004, 231). The interviewees were neither ignoring this nor emphasizing it.

The interviewed companies have taken the stakeholder expectations and opinions quite well into account. The importance of getting to know them cannot be overemphasized in the integration of CSR into business. The importance is only growing when conflicts arise or new projects are taking place in the company. Furthermore, the stakeholder interaction or dialogue was considered important in all the interviewed companies. The stakeholder dialogue, however, is and it should be different at different levels of the organization. (Niskala et al. 2013, 78, 81.) This is where the companies still have the potential to develop.

6.5.3   *How is CSR practiced in the companies?*

The voluntary initiatives are the fulcrum of corporate responsibility. They were divided into three different classes in the theory: commitments, standards and regulation concerning operating systems and reporting guidelines (Niskala et al. 2013, 52). Typically they were said to provide businesses with an ethical and a moral framework and help companies to discover challenges in their operational environment. However, the more detailed instructions on concrete action and practices were mostly left aside. (Rohweder 2004, 121.) Moreover, corporate social responsibility was said to be promoted in the international politics by three different means: the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (Moilala 2013, 133).

Not surprisingly, the size of the organization and the number of the CSR initiatives the company is involved in seemed to correlate positively. The corporate managers especially showed their interest in *the international responsibility initiatives requiring public commitment and providing concrete benefits*. It was reminded that often it is not worth drawing up own policies but instead use some generally accepted principles. ISO standards were adopted in all the interviewed companies. However, in CSR management the companies mostly trusted in their own *codes of conduct, ethical policies* or *corporate responsibility principles* which the interviewees were really eager to present. They all stressed the importance of corporate responsibility in their everyday business and the work their company is doing for it. But in consequence of one generally accepted CSR initiative lacking, the field of the CSR initiatives was regarded somewhat unfocused. Therefore, the stakeholders are actually in charge of evaluating the responsibility of the companies and compare their commitments in the last resort.

Despite the fact that the UN Global Compact is also just a framework of ten principles and there is no monitoring of the participants, in the interviews it was regarded as a good and practical means of contributing to corporate responsibility. Also the representatives of the companies that were not yet committed to the UN Global Compact had a rather positive image of it and were advocates of the initiative. It has already been pointed out that the administrative burden of the Finnish companies is considerable as a result of strict legislation and EU regulations. This could also explain why they have not been as intrigued by the international CSR commitments as some foreign competitors but their level of responsibility is still rather good.

According to the corporate responsibility research by FIBS the company commitments to the international responsibility initiatives have increased and almost one third of the respondents now apply the ISO 26000 standard providing guidance on social responsibility. It was also recommended by the FIBS interviewee as a good starting point for corporate responsibility. However, the most common CSR initiative among the re-

spondents was ISO 14000 standard on environmental management. This was followed by the UN Universal Declaration of Human Rights, the GRI Reporting Guidelines, ISO 26000, the UN Global Compact, Carbon Disclosure Project (CDP), BSCI, Principles for Responsible Investment (PRI), AA 1000 standards on accountability, responsibility and sustainability, and finally SA 8000 standard on social accountability. Only 3 % of the respondents replied that they have not made any responsibility commitments.

The interviews revealed that the Finnish companies typically emphasize the past events and achievements in public instead of sharing their future goals. They do not hide information but it is customary for them to *do a lot more than report* and therefore some information has to be asked. Most likely the companies could only benefit from the decision to release more information also on unfinished projects and targets that were not yet achieved. This does not mean that the companies are encouraged to greenwash their operations or make empty promises. The practical approach to corporate responsibility is of course eligible and there can never be enough openness and sincerity what it comes to environmental, social but also economic impacts of the companies. The standard of corporate responsibility should be kept high also in future. But communications is clearly an area where the Finnish companies have room to grow.

According to the corporate responsibility research by FIBS, 44 % of the responded large companies followed the GRI Guidelines in compiling their responsibility report last year and the number is growing. GRI was discussed in every interview even though for the present only one of the interviewed companies has published responsibility reports based the Guidelines. This demonstrates the importance of GRI as a voluntary CSR initiative. Generally, responsibility reporting was found to be a strategic decision and also a valuable management tool. CSR reporting is meant to give an adequate and balanced image of the effects, activities and results of corporate responsibility. As importantly, the reporting process is a means of finding out the expectations and information needs of the stakeholders. (Niskala et al. 2013, 98.) This was authenticated in the interviews which revealed that stakeholder analysis was often carried out when the reporting process was about to begin.

The trend in responsibility reporting was discovered to be towards providing more meaningful information and covering *the material aspects*. The interviewees agreed on that it is not useful to even try to report on every aspect. This was also emphasized in the latest edition of the GRI Guidelines (G4), launched in May 2013. (What is GRI?) The criticism of the civic society and NGOs was still understood; the comparability of reporting might suffer if the companies themselves choose the aspects and themes to report on. However, according to the GRI Guidelines, the Material Aspects should reflect best the economic, environmental and social impacts on the organization or being the main concerns of the stakeholders (G4 Sustainability Reporting Guidelines, 11).

Thus, there should not be a massive conflict of interests if the reporting process is carried out carefully.

Responsibility reporting was seen as the only concrete medium of signaling the level of responsibility outside the organization. The tolerance to uncertainty is often low among the stakeholders. Therefore the companies are encouraged to communicate also on responsibility crises or failures. If crucial information is left untold, the stakeholders easily jump to their own conclusions which might cause more problems and costs for the companies. On the other hand, there seems to be one mutual problem at least for all the interviewed companies in this study. The responsibility sections on the company websites contained a great deal of information but were rather poorly organized. The interviewees went through their websites during the interviews but even they had problems in finding the right information. Especially the content aimed at consumers should be as easily available as possible otherwise at least the most conscious consumers turn to some other company with their wallets.

This leads to the identification of the target audience for reporting. As the outcome of the stakeholder analysis, *investors* and *employees* were clearly regarded as the main audience. Investors appreciate all the information available on the company. Moreover, responsibility reporting often affords more valuable information for the employees than the annual report. Besides, it demonstrates the corporate culture for potential employees and the whole society. Customers, NGOs and other stakeholder groups are, however, not expected to familiarize themselves with responsibility reporting. But if the companies devoted a little more effort to the contents of their responsibility websites, these could attract more external stakeholders to get to know about their responsibility work and the progress done in the company.

The development of corporate reporting was summarized by one of the interviewees. At first, sustainability reports were growing bigger and bigger. At the same time, the previously enormous annual reports shrunk to contain only the most essential financial figures. As a result, very few people were interested in reading the sustainability reports. Therefore the current trend towards reporting on the material aspects and also integrated reporting were greeted with satisfaction by the companies and most likely also by their stakeholders. Alternative publication forms and the use of CSR websites along with the paper reports were expected to grow their importance in the coming years.

Investors, but similarly other stakeholder groups, could greatly benefit from integrated reporting. It was said to further improve the quality of the information available to investors, thus allowing *more efficient and productive capital allocation* and *building up financial stability and sustainability (*The International <IR> Framework, 1–2, 4). Even though the interviewees were at different stages as regards the development of their responsibility reporting, they all agreed on that integrated reporting is an excellent new trend in reporting and thought it to bring certain benefits. It became clear both from

literature and the interviews that integrated reporting is not merely combining financial and non-financial information but also creating new reporting (KPMG International survey of corporate responsibility reporting 2011, 3, 23).

The CSR management practices were also covered in the FIBS corporate responsibility research. The results show that 79 % of the respondent companies have set *responsibility targets*. This demonstrates the importance of the targets as a management tool. Slightly over half of the respondent companies have also published a *responsibility report* and formulated *CSR strategies*. Even more companies have compiled their own *code of conduct* or *ethical principles* to guide the business. The interviewed companies for this study were at different stages as regards corporate responsibility but the quantitative or more often qualitative targets for corporate responsibility were regarded as the most concrete and common means of CSR management by all the interviewees. Equally important it is to follow the progress of the targets and report on it. Overall, *concrete means* of integrating CSR into business are required. The interviewee from FIBS presented an interesting approach to the implementation of corporate responsibility in the form of a pyramid. It demonstrated the importance of the commitment from the management to corporate responsibility through incorporating CSR into business processes and all the way to ensuring the adequate competences of the individual employees.

6.5.4   About the present state and the future of CSR

In conclusion, the interviewees were asked to summarize their views on the present state as well as the future of corporate responsibility in Finland and also on a global scale. Not surprisingly, all the interviewees agreed on that the significance of corporate responsibility is at least not declining in the coming years. Responsible business is expected to grow and responsibility to truly integrate into the general management. It was reminded that the capacity of our planet is limited and the *change is inevitable*. The companies that better adapt to the changes are more likely to successfully continue their business.

Education was mentioned as an important part of corporate responsibility. It improves the national competitiveness and ensures enlightened consumers and overall responsible players. As a result, the more conscious people demand even more information and demonstration of responsibility. Both modern and conventional communicational channels are important in relaying the message from the companies to their stakeholders. Interviewees told that nowadays customers use social media and internet in order to ask for the companies various matters and the discussions on the web can be fierce. However, the telephone is not fully replaced by modern technology.

None of the interviewees had done comparisons or benchmarking between the countries or companies as regards responsibility although they might have followed their competitors and CSR researches. But it was suggested that the indicators of responsibility could be the number of responsibility reports based on the GRI Guidelines or the signers of the Global Compact in a country. The Finnish government was said to have expressed their opinion on how Finland and the Finnish companies should be leading the way in corporate responsibility and advance it consistently. Two interviewees were guessing that Finnish companies have quite well integrated responsibility into their business even though they do not usually highlight or maybe even notice it. The interviewees did not, however, give more reasons for their assumptions. Overall, the level of responsibility in Finnish companies was considered good and it was expected to rise.

In consequence of the amount of legislation and EU regulation, *the administrative burden of the Finnish companies* is considerable and they have relatively little room for voluntary responsibility as compared to many other countries as the interviewees pointed out. For instance labor is highly regulated in Finland and the collective agreements e.g. obligate the employers to educate their employees. Somewhere else the companies providing the same benefits can refer to this as corporate responsibility. There was, however, a disagreement between two interviewees whether the regulation from the government increases or the role of self-regulation becomes more dominant and at least partly replaces legislation in future.

Finnish companies were described as honest and sincere basically in all four interviews. They typically tell more about the achievements and less about the future goals. Besides, they are likely to do a lot more than what is modestly told afterwards in public. Questions are answered and information given, but sometimes only if asked. The emphasis is strictly on the product information and the facts whereas communications or marketing is rarely the basis for corporate responsibility in Finland.

The good point in first doing and then communicating is that the risk of becoming stigmatized or being blamed for greenwashing is lower. But all the interviewees agreed on that there is no need to wait for revolutionary breakthroughs in corporate responsibility. Instead, the companies could more openly tell what are they going to do or what are their products going to be like next year and so on. Also information on unfinished projects and the progress made in these can be valuable for the stakeholders.

Generally, corporate responsibility in the Finnish companies appears to be *very practical* and not just the building of a responsible image. The responsibility bar is set quite high. But it was also pointed out that the Finnish companies which have made the biggest investments in CSR are highly global and have a rather global viewpoint; therefore their corporate responsibility is not particularly Finnish either. This seems to concern the Finnish customers too; they were found to be as ambitious as foreign customers and not really having any special characteristics on their own.

7 CONCLUSIONS

7.1 Theoretical contribution

It was stated in the introduction that the more practical side of corporate responsibility has been researched remarkably less than the definitions and frameworks of CSR. Additionally, the Nordic countries have not really been the focus of attention in earlier research. Therefore this study aimed to explore the rather obscure problem of integrating CSR in a more distinct context. The reasons for this study originated also from the recent notion among Finnish large companies; the integration of corporate responsibility into business has been identified as the greatest challenge in CSR management by 200 company representatives.

After conducting a research in the field by interviewing four CSR specialists, it has to be admitted that giving concrete advice on CSR management is really a challenge. Like earlier studies, neither this study is able to suggest revolutionary alterations to the current CSR practices. But the fact that the interviewed companies were at different stages as regards corporate responsibility provided more insight into the implementation of corporate responsibility and the various ways to carry out responsible business. The number of CSR professionals and the sophistication level of the corporate responsibility practices differed from a company to another in this study. Within the corporations, the role of responsibility could vary even with the brands and processes. Based on both the theory and the interviews, Table 4 illustrates some of the most relevant points that relate to the integration of CSR into business in Finnish consumer goods companies in general. It can be useful for a company which is about to increase the role of corporate responsibility in their organization but is unsure where to start or how to proceed. The findings of this study potentially apply to other than consumer goods companies too.

Table 4   Integrating CSR into business

	PLANNING	EXECUTION	ASSESSMENT
Initiatives	• The size of the company • The level of internationality • Other characteristics of the company	• The UN Global Compact • ISO standards • Other initiatives	• Collecting feedback • Communication on progress
Reporting	• Stakeholder analysis • Materiality assessment	• GRI • Integrated reporting • Data collection • External assurance • Delivering the report	• Collecting feedback • Self-evaluation
Stakeholders	• Stakeholder identification • Stakeholder expectations	• Stakeholder dialogue	• Collecting feedback
CSR management	• Tone at the top • Budgeting resources • CSR specialists	• Business processes • Responsibility targets • Other internal tools • Employee education	• Collecting feedback • Following targets • Following researches • Benchmarking

The *initiatives, reporting, stakeholders* and *CSR management* were identified as the most important viewpoints on the practical side of CSR in this study. Here, all the aspects are divided into three different phases; planning, execution and assessment. *Planning* is comprised of the issues that should be taken into account already before the integration takes place but it is worthwhile to consider these issues at later stages too. *Execution* gives examples of recommendable action and practices, those that have been discovered to lead to the greatest benefits. *Assessment* of the integration is necessary and can be done with different means. Collecting feedback is listed for all four aspects of integration reflecting the importance of the stakeholders' opinions. The company should evaluate the outcome of CSR integration and whether it could be improved by altering some of their current practices.

The information in this table can be compared to the introduction chapter where the implementation of CSR was divided into three phases; planning, implementation, and assessment. To be precise, the implementation process was comprised of:

- setting goals for CSR
- designing CSR strategies
- implementing CSR tools
- assessing the outcomes of CSR
  (Crane et al. 2008, 417.)

The above is just one example from the theory, but the findings of this study seem to be supporting it. This also demonstrates how responsible business in Finnish companies may not be that different from foreign companies. CSR has been found to be an extremely global phenomenon both in the theory and in businesses.

7.2 Managerial implications

Based on both the theory and the interviews, *the attitude of the management* towards corporate social responsibility is the starting point for the integration of CSR into business. Table 4 also echoed the interviewee from FIBS who stated that without a favorable attitude the integration does not stand a chance of succeeding. The attitude has to be demonstrated with concrete means; the management is responsible for providing resources, basically *a decent budget,* for the integration of CSR throughout the organization. The top management should also focus on *strategic responsibility* instead of hygiene level responsibility. However, CSR should not be kept only to the management. Instead, the management is responsible for the integration to take place in all their business processes. The management is not expected to actually put corporate responsibility into practice everywhere in the organization but they must ensure their employees have the knowledge and skills to do that. The employees must be provided with education and learning opportunities. Besides, the responsibility issues have to be defined and incorporated into the business process descriptions. After all these requirements are met, the integration of CSR is more likely to be credible.

The managers often eagerly tell how all their employees take part in corporate responsibility and it is a logical part of their everyday business. But closer inspection reveals that any concrete evidence is mostly lacking. It would be desirable that this *invisible responsibility* was fully replaced by *more concrete actions* and consistent development work in every company in the coming years. The significance of corporate responsibility is growing without a doubt. It was reminded in the interviews that the change in business is inevitable as a result of the limited resources and the capacity of our planet. Winners are the companies which adapt best to the changes. Besides, a key to success was proposed to be the concentration on strategic responsibility instead of hygiene level responsibility. Thus innovating and developing new products, services, processes and production methods instead of just managing the most obvious risks at the moment.

The adoption of the *voluntary CSR initiatives* beyond the legal minimum is one of the concrete means to strengthen the integration of CSR. Generally accepted commitments, standards and guidelines allow also comparisons with other companies. In some cases the initiatives can be modified according to the company-specific needs but it should be made sure that the comparability is not suffering. The initiatives require dedication from the management but are regarded being worth of the efforts.

Another concrete area for the management to focus on is the *targets* for corporate responsibility. The targets can be either quantitative or qualitative and more or less detailed as long as they serve the purpose. Responsibility targets are most easily derived from the strategy or the ethical principles of the company. After the targets have been defined, it is essential to follow up and report on their progress annually.

Along with the employees, the companies should also *engage with their other stakeholders* and assess the CSR impacts on different stakeholder groups. Responsibility reporting is the main medium of communication from the company to their stakeholders. Integrated reporting was also seen as an important step towards presenting more information on strategic responsibility. On the other hand, there are various ways to listen to the stakeholders and the companies should invest in different communicational channels. The feedback from the stakeholders should always be appreciated. When necessary, the opinions of the stakeholders should also be taken into account in developing business. If the stakeholders are given the impression that they are not actually heard the company cannot expect to collect the feedback long. Also relating to the stakeholders, *education* both inside and out of the organization continues to be an important part of the corporate responsibility despite the status of the people.

To conclude, *internal and external communication* is an essential part of CSR management. In the last resort, the managers are always responsible for the integration of CSR. But since it is impossible for them to really take care of everything, they must ensure that everybody in the organization is aware of their duties while being satisfied with their work. The fact that corporate responsibility is constantly developing means that there are even more options to carry out responsible business in future. The location of the CSR specialists in the organization, the channels of communication or the targets for corporate responsibility are not predetermined for every company. Various choices can lead to a desirable outcome.

7.3   Limitations of the study

There are certain critical issues concerning the generalization of the results of this study. The quality of the study was already discussed earlier and proved adequate. However, it is important to remember that after all the results of this study are based on the four in-

terviews and only one interviewee represented the whole organization. Although private matters were left aside and the interviews focused strictly on facts, the perceptions and the expressions of the interviewees naturally affected the results. Additionally, the interviewees spoke freely and did not seem to hide any information, but the answers closely related to their own organization and often they could only give good guesses on the more general state of affairs. More cases could have either deepened the analysis or led to data overload. Now there seemed to be enough convergent and conflicting responses.

The study was not restricted to any particular field of business but all the interviewed companies operated with consumer goods. This is a rather broad concept and all the interviewees represented companies with wide portfolios of brands, products and services besides operating in different markets. Even though the business-to-consumer viewpoint was strong throughout the study, the results might not be applicable in every other consumer goods company.

Geographically the study was limited to Finland. But as it was pointed, there is no particularly Finnish corporate responsibility. The Finnish companies which have made the biggest investments in CSR are highly global and have a rather global viewpoint. According to the theory too, corporate social responsibility is a global phenomenon. Still, it is more likely that the results of this study demonstrate the situation and practices in a European country better than e.g. in the USA. On the other hand, all the interviewed companies had international operations at least in some extent. Therefore the results might not be representative of less international Finnish companies.

Moreover, the focus of the study was on the companies. But as regards the best CSR practices and the supposed benefits resulting from corporate responsibility, other stakeholders could have been heard too. This applies especially to the weaker members in the supply chain such as labor in the furthest countries. However, interviewing Finnish managers was the only practical choice with limited time and resources available.

7.4   Ideas for future research

One thing concerning this study can be alleged true without much effort to validate the statement further. The concept of corporate social responsibility, its integration into business and all the matters relating to these, provide topics for future research without a doubt. This study was an overview on the present state of CSR in Finland with a glance at future. However, more specific research questions would provide a more detailed study on the practical side of corporate responsibility.

Resulting from the limitations of this study, a comparative study between countries could provide valuable and interesting data. This would allow the investigation of the

characteristics of e.g. the cultural, political, social and economic environment and their effects on CSR. The same applies to the different fields of business and the level of internationalization of a company. The differences between industries especially as regards responsibility reporting have already been discovered. But the explanations behind the differences in reporting as well as other CSR practices could be studied in more detail. Additionally, an interesting question is whether the increase in international operations has an effect on the corporate responsibility practices.

Originating also from the limitations of this study is the need to hear more broadly the stakeholders' opinions on the integration of CSR into business in future. The role of the customers, owners and personnel was emphasized in this study but other, often weaker stakeholder groups were left with less attention. Contrasting the different viewpoints would afford the companies extremely valuable data and possibilities to evaluate the state of responsible business more critically.

Moreover, the future of responsibility reporting is full of research potential. Responsibility reporting was said to be the most important measure in verifying the implementation of corporate social responsibility and it is hard to imagine that its importance would decline anytime soon. The GRI Reporting Guidelines are constantly developed and integrated reporting is expected to become more common. Once more companies have gained practical experience on IR, its pros and cons could be carefully weighed up. The technological development also plays a role there; the comparisons between alternative data collection methods and publication forms of reporting and their combinations would be useful for the overall development of responsibility reporting.

Finally, the administrative burden of the Finnish companies discussed in the interviews begged the question whether the government and EU regulation increase in future or the role of self-regulation and the voluntary CSR initiatives becomes more important. This is also a question of the most efficient ways to achieve the greatest advantages for both the company and its stakeholders. Again, the differences between countries and their legislation could be associated with this topic.

8 SUMMARY

The motives for this study originated from the notion that surprisingly little academic literature was found on actually managing and putting CSR into practice, in comparison with the definitions and frameworks of the concept itself. Besides, most previous research has focused on US companies whereas studies with a European viewpoint, let alone Nordic, have been mostly lacking. Furthermore, a recent Finnish corporate responsibility research has discovered that the integration of corporate responsibility into business is identified as the greatest challenge in CSR management (FIBSin yritysvastuututkimus 2014, 11). The integration of CSR into business in Finland seemed to provide an interesting, topical and somewhat obscure subject for this study.

From the above, *the purpose of the study was to describe how corporate social responsibility (CSR) is integrated into business in Finnish consumer goods companies*. This was further divided into the following research questions:

1) Why are the companies engaging in CSR?
2) What is the role of the stakeholders like in the integration of CSR?
3) How is CSR practiced in the companies?

Regardless of the author, corporate social responsibility (CSR) has been considered consisting of three dimensions: economic, social and environmental. The question behind the dimensions has always been whether socially and environmentally responsible behavior can lead to increased economic performance and improve the competitiveness of a company. Most of the current CSR development has related to the quantification of environmental and social performance in order to review these along with the established financial key ratios, which are based on the law and the reporting obligation of the companies. The required minimum level and the limits of CSR have raised a lot of debate. Is responsible business equivalent to obeying the law or is it required to exceed the level of legislation? (Rohweder 2004, 77, 98.)

However, the critics of CSR have questioned the social responsibilities of business and more recently the means to measure the business impacts of CSR activities (Friedman 1970; Weber 2008). Corporate responsibility has also accused of being just a communicational trick and the responsibility campaigns have found sometimes to be actually about managing the reputation of the brand company instead of aiding the weakest stakeholders with sincere efforts (Teivainen 2013, 21–22). The management is responsible for the concrete actions to really take place in the organization; otherwise their corporate responsibility is at risk of remaining merely window dressing or graceful words without action.

The stakeholder theory was included in this study because multi-stakeholder orientation as compared to conventional customer-focused orientation has been demonstrated to improve financial performance in earlier research. Acknowledging all the relevant

stakeholders should be regarded as a means to strengthen the competitiveness of a company. Similarly, assessing the CSR impacts on different stakeholder groups should be integrated into strategic management. Only then the CSR strategies are really put into practice within companies. (Weber 2008, 247, 259.) Furthermore, the companies should actively engage with their stakeholders, let people know about their operations and also pay attention to the stakeholders' expectations which have an effect on the success of the company. The reasons for managing the stakeholder relations thus relate to reputation and risk management. (Rohweder 2004, 200.) Stakeholder analysis is a concrete way to identify the most important stakeholder groups of the company.

A number of voluntary initiatives which aim to standardize the current CSR practices have been developed and they can roughly be divided into three different classes: commitments, standards and regulation concerning operating systems and reporting guidelines (Niskala et al. 2013, 52). By providing an ethical and a moral framework, the voluntary regulations demonstrate issues which companies should take a stand on when they are about to put corporate social responsibility into practice. However, the more detailed instructions on concrete action have been mostly left aside. (Rohweder 2004, 121.) Since there is no one generally accepted CSR initiative, the companies have the freedom of choice to do the preferred responsibility commitments. This became evident in this study too. Besides, all the interviewed companies had formulated their own codes of conduct, ethical policies or corporate responsibility principles.

Despite the various CSR initiatives, the most important measures in verifying the implementation of corporate social responsibility have been the responsibility reports published voluntarily by the companies (Teivainen 2013, 69). CSR reporting is meant to give an adequate and balanced image of the effects, activities and results of corporate responsibility. Over the reporting process the company figures out what especially the stakeholders wish to know about corporate responsibility and in what extent. (Niskala et al. 2013, 98.)

This study did not aim to build a new theory; instead an explorative viewpoint was regarded more appropriate. Therefore qualitative research approach and case study design were adopted in the study. Semi-structured theme interviews were used as a primary data collection method and complemented with secondary data such as websites, responsibility reports and another recent CSR study. There were four Finnish managers as interviewees of whom three presented companies and one non-profit organization.

The interviewees were asked about the definition and content of CSR, incentives for responsible behavior, advantages and targets for CSR, disadvantages, costs and challenges of CSR, stakeholder engagement, voluntary CSR initiatives, responsibility reporting, the implementation of CSR, and a few general questions about the present and the future of corporate responsibility. The responses were somewhat convergent but differences arose as a result of the companies being at different stages as regards corpo-

rate responsibility. This provided only more insight into the implementation of CSR and the various ways to carry out responsible business. The number of CSR professionals and the sophistication level of the corporate responsibility practices differed from a company to another in this study. Within the corporations, the role of corporate responsibility could vary even with the brands and processes.

Based on the findings of this study, it was admitted that giving concrete advice on CSR management is really a challenge and no revolutionary alterations to the current practices could be provided in this study either. However, a key requirement for the integration of CSR into business to succeed and be credible was found to be a favorable management attitude in the first place. This was followed by the demands for a decent budget, the incorporation of responsibility into the business processes in the form of ethical rules, certificates and other requirements beyond the legal minimum and finally the skilled employees.

Moreover, the initiatives, reporting, stakeholders and CSR management were identified as the most important viewpoints on the practical side of CSR. They were further divided into three different phases; planning, execution and assessment. Planning was comprised of the issues that should be taken into account already before the integration takes place but these were seen worthwhile to consider at later stages too. Execution gave examples of recommendable action and practices, those that have been discovered to lead to the greatest benefits. Assessment of the integration was seen necessary and could be done with different means. Collecting feedback from the stakeholders was regarded extremely valuable always, besides the company should evaluate the outcome of CSR integration overall and whether it could be improved by altering some of their current practices.

The significance of corporate responsibility was expected to grow in the coming years without a doubt. As a result of the limited resources and the capacity of our planet, the change in business is inevitable. Winners will be the companies which adapt best to the changes. Besides, a key to success was proposed to be the concentration on strategic responsibility; the innovation and development of new products, services, processes and production methods instead of hygiene level, "invisible" responsibility which is basically just risk management. Integrated reporting was also seen as a step towards presenting more information on strategic responsibility.

As an important concluding note, there is no one generally accepted and right manner to carry out corporate responsibility and integrate CSR into business. Once the management has committed to corporate responsibility, there are various ways to identify the relevant stakeholders and material aspects, set targets for CSR, follow the targets and measure impacts, place the CSR professionals in the organization, communicate and report both internally and externally, engage with the stakeholders, collect feedback and assess the outcomes, educate people, raise awareness and so on. As long as respon-

sible business is about concrete actions, various choices can lead to a desirable and successful outcome.

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APPENDIX 1   TRANSLATED INTERVIEW FRAMEWORK FOR COMPANIES

Background:
1. Could you begin by briefly telling your own background?
2. How have you found your way to your current post and how long have you worked in it?
3. What is included in your duties?
4. In which countries does your company operate (manufacture)? Why have you selected these countries?

THEMES

1. Corporate social responsibility

1. How would you define corporate social responsibility? What is it made up of?
2. How do the three dimensions of CSR (economic, social and environmental) appear in your company?
3. What are the most and least essential themes in CSR in your company? (environment, human rights, consumer protection, labor rights, responsible sourcing…)

2. Incentives

4. What are the motives and incentives of your company for responsible behavior? (internal and external factors)

3. Advantages

5. What are the benefits or advantages that CSR has brought to your company? What about your stakeholders?
6. Are you trying to achieve some other advantages with CSR? What are your targets for responsible business?
7. Compared to companies in your industry that are less committed to responsible business, what kind of competitive advantage can CSR bring to you?

4. Disadvantages

8. What kind of disadvantages, risks or challenges have you encountered while practicing CSR?
9. What are the costs associated with responsible business?

5. Stakeholders

10. Who are your most important stakeholders?
11. Are there any weak stakeholder groups which would require extra attention?
12. How are the views of stakeholders exploited? (on your company, industry, CSR…)

6. Initiatives

13. What do you think about the voluntary CSR initiatives? In your opinion, what are the most useful or successful of them?
14. What CSR initiatives is your company taking part in or committed to?
15. Do you have plans to make new commitments in future?

7. Reporting

16. How are you reporting on responsibility? (GRI, otherwise?)
17. Who is your target audience for reporting?
18. What do you think about integrated reporting?

8. Implementation

19. What is the role of CSR like in different business processes of your company (product development, manufacturing, sourcing, finance, recruiting, marketing, sales…)? How the principles of responsible business are present in your company?
20. Do you have a CSR professional (or several) in your company? Who is managing the CSR issues?
21. Do you have a CSR strategy or other internal CSR management tools?

To sum up:

22. How do you see the future of CSR and responsible business, in general and in your company?
23. In your opinion, compared to the rest of the world, how well Finnish companies have integrated CSR into of their business?
24. In your opinion, are there any special characteristics of the CSR practices in Finnish companies or the Finnish customers?

APPENDIX 2   TRANSLATED INTERVIEW FRAMEWORK FOR THE CSR EXPERT

Background:
1. Could you begin by briefly telling your own background?
2. How have you found your way to your current post and how long have you worked in it?
3. What is included in your duties?

THEMES

1. **Corporate social responsibility**

   1. How would you define corporate social responsibility? What is it made up of?
   2. How should the three dimensions of CSR (economic, social and environmental) appear in companies?
   3. What are the most and least essential themes in CSR? (environment, human rights, consumer protection, labor rights, responsible sourcing…)

2. **Incentives**

   4. In your opinion, what motivates and encourages companies to act in a more responsible way? (internal and external factors)

3. **Advantages**

   5. What are the benefits or advantages that CSR can bring to the companies? What about their stakeholders?
   6. What should be the targets for responsible business?
   7. Compared to companies that are less committed to responsible business, what kind of competitive advantage can CSR bring to companies which have invested in CSR?

4. **Disadvantages**

   8. What are the potential disadvantages, risks or challenges involved in CSR?
   9. What are the costs associated with responsible business?

5. Stakeholders

10. Who are the most important stakeholders for most companies?
11. Are there any weak stakeholder groups which would require extra attention?
12. How could the views of stakeholders be exploited? (on companies, industries, CSR…)

6. Initiatives

13. What do you think about the voluntary CSR initiatives? In your opinion, what are the most useful or successful of them?
14. If a company was interested in giving its first CSR commitment, what initiatives or commitments would you suggest them to consider in the beginning?
15. By what means has your organization especially helped companies in promoting responsible business?

7. Reporting

16. How effective responsibility reporting is done? (GRI, otherwise?)
17. Who is the target audience for reporting?
18. What do you think about integrated reporting?

8. Implementation

19. What should be the role of CSR like in different business processes of companies (product development, manufacturing, sourcing, finance, recruiting, marketing, sales…)? How the principles of responsible business should be present in companies?
20. Who should manage the CSR issues? Are separate CSR professionals required?
21. Is a CSR strategy or other internal CSR management tools necessary?

To sum up:

22. How do you see the future of CSR and responsible business, in general and in individual companies?
23. In your opinion, compared to the rest of the world, how well Finnish companies have integrated CSR into their business?

24. In your opinion, are there any special characteristics of the CSR practices in Finnish companies or the Finnish customers?
25. In your opinion, are there any Finnish companies which have succeeded exceptionally well in putting responsible business into practice?
26. How would you hope Finnish companies to develop their responsible business in future? (direction, means, targets…)