

**Master Thesis**

# Corporate Social Responsibility as Competitive Advantage and Strategic Necessity

*Looking at Firm Vision and Stakeholder Perceptions*

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02.06.2009

This thesis was written as a part of the Master Program in Strategic Management at University of Agder. The institution, the advisor, and the sensors are not responsible for the theories and methods used, nor the results and conclusions drawn in this paper.



## Abstract

Corporate social responsibility (CSR) has been an increased concept within the today's business and there are different perceptions regarding the means of the concept. The theories in the area focus on CSR as a possible source of competitive advantage, but also as a strategic necessity. There is a debate regarding the Stakeholders' importance when it comes to a firm's CSR activities. Satisfying stakeholders may be useful to increase a firm's competitiveness, as well as it can be seen as a necessity. This study explores whether a CSR activity can be seen as a source of competitive advantage, or as a strategic necessity. Different views from the firms' CSR manager and different stakeholders are used. Further, this paper will explore if there are any differences between the stakeholders' perception, as well as the perceptions in comparison with the CSR managers' intention. The study was carried out by using two companies with a high CSR profile: Kaffehuset Friele and Stormberg, with relevant stakeholders.

The main findings of this paper concern CSR as competitive advantage and as a strategic necessity, as well as rooted in the firm's values and beliefs. Further, the findings show a more detailed categorisation of sources of competitive advantage and strategic necessity. In addition, the findings show that the different stakeholder groups: latent, expectant and definitive have different perceptions of a CSR activity. Lastly, the CSR managers' intention and the stakeholders' perception differ in some areas.

## Acknowledgements

This thesis is a result of several contributions.

I would like to thank Joyce Falkenberg for guiding me through the paper. I appreciate the suggestions and comments I have received from the development of the problem definition to making discoveries in the analysis. She has given me a new give in situations all seemed problematic.

I would like to thank Atle Engelsen, CSR manager in Kaffehuset Friele and Jan Halvor Bransdal, CSR manager in Stormberg for taking the time to give interviews and useful information regarding their companies. I would further like to thank Cecilie Hultmann (NHO), Egil Thune (NAV), Kristin Holter (IEH), Preben Madsen (Rema 1000), Steinar Olsen (Stormberg), and Ragnhild Hammer (Fairtrade Max Havelaar) for taking their time to answer questions regarding the two case companies.

Petter Brunsæl

June 2<sup>nd</sup>, 2009

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## Chapter 1: Introduction

*“Globalization at the advent of the 21st century has thrust business to the high ground in our society where new roles, responsibilities and expectations are reshaping the face and nature of business. In effect, the social contract which defines the roles and responsibilities of private and public sectors reflects the growing economic, social and environmental pains of developed and developing countries, resulting in a time of transition, with much debate and too little purposeful dialogue.”*

Bradley Googins, Director, Boston College Center for Corporate Citizenship  
(UNGlobalCompact 2008)

Today, there is an increased focus on what role a corporation should have in the society. Corporate social responsibility (CSR) as a term has been developed during the last decades and there is an ongoing debate whether firms should focus its business in the area of creating profit, or whether a firm should be concerned about activities going beyond the economic aspects of the firm. The today's extensive debate and focus on CSR have formed many directions for responsible behaviour, and the UN global compact's focus on the care for climate (UNGlobalCompact 2009), as well as the “Oslo Business for Peace Award” 2009 (BusinessWire 2009) are evidences of an increased focus on the role of businesses in the greater society.

Even though there are initiatives for an increased role of a caring business, several corporations seem to get lost in their focus on CSR. Two recent scandals are the cases of Enron and WorldCom, where the accountability of large businesses can be questioned. As a contradiction to the recent trends, there are indeed several businesses focusing on creating profit, rather than being social responsible. Looking at the Enron scandal, it can be said that the end of the firm happened due to its lack of social responsibility and lack of ethics, among other reasons. This shows the importance of social businesses in order to survive in the today's competitive arena. As a contrast, the large Swedish furniture corporation IKEA has been able to use its social awareness in the competitive arena. The firm has responded to social pressures based on negative media coverage (IKEA 2009). Further, by having a large CSR focus, the firm combines the need for creating profit among with the need for social responsible behaviour (Economist 2009). In accordance to Goggins, in the quote above, new roles and responsibilities have re-shaped the nature of business. It is possible to ask: if

corporations are to be responsible, to whom should they be responsible to? The questions regarding CSR and stakeholders are given much attention in the today's CSR debate. Many researchers outline the importance of stakeholder evaluations regarding the firms' CSR activities.

While there is literature suggesting CSR as a source of competitive advantage and as a strategic necessity, there is little evidence to find regarding how a CSR activity is perceived. This paper will look at two CSR activities from Stormberg and Kaffehuset Friele regarding the activities as a source of competitive advantage and/or as a strategic necessity. Further, views from stakeholders and the CSR managers will be used in order to better understand the nature of the activities. Further, by looking at the stakeholders, it will be possible to detect differences between the perceptions.

## 1.1 Research Question

The purpose of this paper is to explore why firms are engaged in CSR activities, and how the activities are viewed. The first question that will be addressed is: Do firms engage in CSR activities due to competitive advantage or due to strategic necessity? And secondly, is the firm's intention in congruence with the stakeholders' perception, and are there differences and similarities between the stakeholders? In addressing the motives behind a CSR activity and including different stakeholders, this paper will contribute to the work on CSR by addressing CSR as competitive advantage and/or strategic necessity. In addition, differences and similarities between the firms' intention and the stakeholders' perception will be outlined, as well as any differences between the stakeholders will be highlighted.

To address the proposed questions, relevant CSR theory will be outlined in chapter two. Based on the existing theory and research, this paper will suggest a theoretical framework and a research model (chapter three). Further, there will be an outline of the methodology (chapter four) and a description of the cases in chapter five. The findings will be explained in chapter six, the analysis in chapter seven, and there will be a conclusion and suggestion for future research in chapter eight.

## Chapter 2: Literature Review

The literature on Corporate Social Responsibility includes a variety of theories, models and definitions. This chapter provides an overview over theories that will contribute to the understanding of the concept of CSR, stakeholders and the relationship between the two concepts. First, there will be an introduction to CSR, followed by the purpose of CSR. Further, CSR and stakeholders, and an explanation of motivation and drivers behind CSR will be outlined. The last section will outline literature within CSR as competitive advantage and strategic necessity.

### 2.1 Introduction to CSR

Historically, there has been an increased interest in CSR and business managers are becoming more aware of the importance of the concept (Snider, Hill et al. 2003). Businesses have become more pervasive and powerful over the years and there are expectations that firms should be engaged in CSR activities (Smith 2003). In this section, there will first be an outline of definitions within the concept, followed by the evolution of CSR. Further, there will be an outline of CSR today, as well as CSR in Norway, before the section ends with a description of CSR and its relevance to sustainable development.

#### 2.1.1 Definitions within CSR

In the area of corporate social responsibility there are different terms used to describe and define the concept, as well as there are several terms related to the concept. The table below outlines the most important terms related to CSR, as used in this paper.

Corporate Social Responsibility	“the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm” (Davis 1973 in Carroll 1999, 277)
Stakeholders	“any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman 1984)
Shareholders	refers to an individual or corporation that holds lawfully shares of stock in an organisation
Competitive Advantage	refers to a firm’s ability to create and sustain superior performance over its competitors

Strategic Necessity	refers to the perception of a CSR activity as a respond to market and non-market pressures
Corporate Social Performance	“a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships” (Wartick and Cochran 1985 in Wood 1991, 693 )
Corporate Social Responsiveness	“refers to the capacity of a corporation to respond to social pressures” (Frederick 1978 in Carroll 1979, 501)
Sustainable Development	“development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations” (WCED 1987 in Steurer, Langer et al. 2005, 264)
Triple Bottom Line	refers to the three aspects of sustainability: economic, environmental, and social (Van Marrewijk 2003)

**Table 1: Concepts Used in Relation to CSR**

### 2.1.2 The Evolution of CSR

The concept of corporate social responsibility has been a subject in businesses for centuries. Scholars have, however, taken more interest in the subject during the last decades. Using the information in Carroll (1999), the evolution of CSR will be outlined looking at each century since 1950.

#### The 1950s

Large businesses were said to be the centre of power and decision making and the actions of the firms did indeed touch the lives of citizens in the society. As early as this period, Bowen (1953) in Carroll (1999) refers to social responsibility as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Carroll 1999, 270).

#### The 1960s

In the 1960s the concept CSR were more precisely defined and Davis (1960) in Carroll (1999) referred to CSR as “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s economic or technical interest”(Carroll 1999, 271). Further, Frederick

(1960) in Carroll (1999) stated that “businessmen should oversee the operation of an economic system that fulfils the expectations of the public” and “that production and distribution should enhance total socio-economic welfare” (Carroll 1999, 271).

### The 1970s

Theory about what is today known as corporate philanthropy and stakeholder theory were developed. Johnson (1971) in Carroll (1999) suggests that a social responsible firm should take into account employees, consumers, suppliers and communities instead of only create profit.

Sethi (1979) discussed corporate social performance and divided social behaviour into social obligation, social responsibility and social responsiveness. Carroll (1979) proposed the three-dimensional conceptual model of corporate performance, including definition of social responsibility, social issues involved and philosophy of responsiveness.

### The 1980s

The 1980s consisted of fewer definitions of CSR than the 1970s; however, the concept was divided into alternative theories. Concepts on the rise in this period had its inspiration from research in the 1970s and included corporate social responsiveness, corporate social performance, public policy, business ethics and stakeholder theory (Carroll 1999). The focus on internal and external environment had grown, and firms should listen to the environment and meet the society’s interests.

### The 1990s

Very few unique contributions were made to the concept CSR in this period. However, many scholars further developed the concept of stakeholder theory, business ethics, and corporate citizenship as a part of CSR. One of the major contributors throughout the decade was Donna J. Wood (Carroll 1999). Further, Wood (1991) outlined the CSR principles; social legitimacy, public responsibility, and managerial direction. The principles are relevant in the today’s society.

### 2.1.3 CSR Today

The concept of CSR has been explored and developed throughout the last 60 years and many scholars have suggested different definitions. Scholars today focus more on how, not if a firm should be engaged in social activities. Dahlsrud (2008) has looked at CSR using the five dimensions: environmental, social, economic, stakeholder, and voluntariness. The five dimensions refer to the natural environment, the relationship between business and society, socio-economic aspects, stakeholders and actions not prescribed by law, respectively. The definitions listed in the article range from the narrow definition containing one dimension, to the more broad definition containing all of the five dimensions. Pinney (2001) in Dahlsrud (2008) defines CSR (using one dimension), as “a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximising its positive impacts” (Dahlsrud 2008, 9). Further, Commission of the European Communities (2001) in Dahlsrud (2008) defines CSR (using all of the five dimensions) as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Dahlsrud 2008, 9).

Smith (2003) divides CSR activities into a desire to do good (the normative case) and CSR that reflects a firm’s self interest (the business case). The use of power in firms and CSR activities can be said to be highly correlated, and even larger with the increasing cases of globalisation. A survey of 500 firms carried out in Esrock and Leichy (1999), outlined in Snider, Hill et al (2003), shows that 82% of the addressed companies are engaged in at least one CSR activity. Further, a survey of 1000 CEO’s carried out by Jericho Communication (2002), outlined in Smith (2003), found that over half of the CEOs believe that corporations are engaged in CSR activities due to issues other than economic, legal and ethical responsibilities. On the contrary, Snider, Hill et al (2003) found that many firms have their focus on issues that can be said to be economic, legal or ethical motivated.

It can be said that the today’s firms are often engaged in CSR activities. However, the motivations for the firms are many and often diverse. Smith (2003, 55) states that “the debate about CSR has shifted: it is no longer about whether to make substantial commitments to CSR, but how?” Even though philanthropic activities are increasing, CSR can also be seen as a result of self interest (Smith 2003). Jenkins (2006) found that many SMEs (Small and Medium sized Enterprises) felt that activities such as supporting the local community and being profitable could be seen as social responsible. Further, he found that firms were

engaged in philanthropic activities and many firms focused on pleasing relevant stakeholders. It can be said that stakeholders have had a larger focus during recent years. Smith (2003) includes the stakeholders when describing the obligations of firms. Furthermore, Málóvics, Csigéné et al (2008) highlight the recently debate about CSR and sustainability. The core idea of CSR is for firms to be engaged in activities due to factors beyond the economical aspects, and rather focus on sustainability.

CSR can be seen as activities leading to increased competitive advantage (Jušcius and Snieška 2008), while companies may look at CSR as a strategic necessity due to pressure from society and other interest groups (Smith 2003). Especially in the today's society, with a more transparent economy, the use of the internet has increased. It has been easier for stakeholders and other groups to track a company's CSR activities (Smith 2003). The trend that is seen today is, however, somewhat different in Norway, that has been lagging when it comes to CSR (Gruppen 2003).

#### 2.1.4 CSR in Norway

Norwegian companies have in the last years been affected by globalisation. Norwegian firms are more engaged in countries where human rights are weak, as well as working conditions are terrible. Stortingsmelding (2008-2009) states that Norwegian firms are expected to be engaged in ethical CSR activities in countries where rules and regulations are different from the domestic market. A survey made by Utenriksdepartementet (2008) in Stortingsmelding (2008-2009) found that Norwegian firms have different and often unclear perceptions of what CSR is. Many firms focus on domestic market and often correlate CSR with environment activities. Governmental firms (firms with the government as shareholder) will always strive to be engaged in positive CSR activities and continue to develop good CSR strategies. The survey further found that large companies are more aware of CSR than smaller companies.

In Stortingsmelding (2008-2009) the Norwegian government lists many expectations about Norwegian firms and its engagement in CSR activities. The OECD guidelines and United Nation's Global Compact are often referred. The government expects that global Norwegian firms perform their activities in a responsible manner.

In a survey made by Gruppen (2003), the top managers in 300 Norwegian firms were asked questions regarding CSR in Norway. The result showed that four out of ten managers have little knowledge about CSR and only 24 percent have great knowledge. On the contrary, 80 percent of the interviewed managers have incorporated CSR in the firm's strategy. Further, 83 percent look at CSR as a competitive advantage and only 3 percent do not see CSR as a competitive advantage, whereas 79 percent recognise the importance of CSR as an advantage in the future. The majority of the managers see no problem pleasing shareholders and at the same time being environmental friendly, ethical and follow the given laws and regulations. Lastly, 91 percent of the interviewed managers look at CSR as activities that will give larger profit to the firms. Overall, Gruppen (2003) found that top managers in Norway know very little about the concept CSR, however, the concept is often related as a source of competitive advantage and sustainability.

### 2.1.5 Sustainability and the Triple Bottom Line

Sustainable development has, as the concept CSR, been a popular topic for economists and politicians in recent years. Achieving sustainability will include the engagement in CSR activities (Málovics, Csigéné et al. 2008). One of the most used definitions of sustainability is defined in the Brundtland Commission. Sustainable development is referred to "satisfy the needs of the present generation in such a way that it does not lower the chance of future generations to satisfy theirs" (Málovics, Csigéné et al. 2008, 908).

A firm can ensure sustainability by considering the economic, social and environmental dimension of a business (Steurer, Langer et al. 2005), also known as the triple bottom line (Van Marrewijk 2003). The economic dimension refers to economic growth, competitiveness, and financial performance. "A firm will be sustainable when it pays taxes to public authorities, adequate prices to its suppliers and wages to its employees, interests to its creditors and (at least at a certain point in time) dividends to its shareholders" (Steurer, Langer et al. 2005, 271). The social dimension refers to the long-term horizon of the concept, and a firm should consider internal and external social improvements, without weaken the satisfaction of the future generation. The environmental dimension refers to responsible resource exploitation, emissions reduction and the avoidance of environmental destruction (Steurer, Langer et al. 2005). The three dimensions mentioned above can further be seen as an underlying factor when looking at the purpose of CSR, outlined in the section below.



## 2.2 The Purpose of CSR

Having introduced the evolution of CSR, as well as how CSR is applied today, and its relation to the triple bottom line, this section will look at the purpose of CSR. The ongoing discussion whether the purpose of a business is to create profit or to please its stakeholders, also known as the Friedman/Freeman debate will be outlined. Further, this paper will map different CSR theories to get a better overview of the concept. Following is a model which can be said to incorporate the most essential aspects within the concept of CSR.

### 2.2.1 The Freeman vs. Friedman Debate

Friedman (1970) wrote in his article that only people have responsibilities and that firms cannot be said to have responsibilities. Organisations engaging in social activities can be said to act as artificial persons with artificial responsibility. A manager is an employee of the owners of the business and the manager's job is to conduct the business in accordance to the owners' desire. The manager can be seen as a person with responsibilities, however, when engaging in social responsibilities, the managers should be considered as its own principal using his/her own resources. When a manager uses the firm's resources on social activities, Friedman (1970) says that the manager uses someone else's money for a general social interest. Further, he states that customers, employees and stockholders will spend their own time and money on social issues if they wish so.

Freidman supports the thought of Adam Smith that the firm will contribute to the society by pursuing its self interest. Friedman (2002) states that those who believe that firms have social responsibility beyond serving the interest of its stockholders have misunderstood the fundamental nature of free economy. The firm has only one social responsibility: create profit.

As a contradiction to the view that the only responsibility for a firm is to create profit, Freeman (1984) proposed a stakeholder view of firms. He argues that social activities can not be distinguished from economic activities. Social activities will have an economic impact, and visa versa. He further states that the corporate social responsibility concept can be looked at by incorporate the firm's stakeholders. Firms should go beyond the emphasis on satisfying owners and stockholders, and extend the view and include stakeholders such as the community, the public or employees (Freeman 1984). Based on the two different perspectives, Garriga and Melé (2004) outlines different CSR theories.

### 2.2.2 Mapping the Territory

The concept of CSR has been in the wind in many firms in the last decades. Even today scholars continue developing the definition and meaning of CSR. The field has grown remarkably the last years and society and business, social issues management, stakeholder management and political issues are just some of the terms used to explain the concept of CSR (Garriga and Melé 2004). Garriga and Melé (2004) write that in the mid 1970's Votaw stated that "corporate social responsibility means something, but not always the same thing to everybody" (Garriga and Melé 2004, 51). The same can be said today (Snider, Hill et al. 2003). In order to get a better understanding of the concept CSR, Garriga and Melé (2004) have outlined different theories related to CSR in order to map the territory.

The first group, instrumental theories, can be seen as an approach developed from Friedman (1970) where CSR are seen as a tool to achieve economic objectives and wealth creation. Garriga and Melé (2004) write that maximising shareholder value, including the stakeholders and allocate CSR resources to achieve firm objectives can be seen as instrumental theories and will increase the firm's performance.

The second group of theories listed in Garriga and Melé (2004) is called political theories. The theories focus on connections between business and society and the power and position of businesses. Within these theories lie the idea that a firms have power to influence the market and by using its power the firms can choose to be social responsible, and increase its position in society. This theories can also be seen in Wood's (1991) corporate social performance model, where society grants legitimacy and power to businesses.

Integrative theories look at how firms integrate social demands. Managers should include stakeholders, and account for social demands in accordance with social values. Taken the idea of Freeman (1984), Garriga and Melé (2004) suggest that stakeholder dialogue is crucial when it comes to CSR, and that a businesses are dependent on society for its existence and growth. This highlights the importance of manager's ability to integrate internal and external stakeholders.

The last theory group, ethical theories, are based on the principles of what is the right thing to do. However, the firms need to acknowledge that what is right in one situation may not be right in another situation (Sethi 1979). The integrative and ethical theories can be further

expressed by including Wood's (1991) organisational level. She states that businesses are responsible for solving social problems that business has caused. The above theories can also be founded in the conceptual model of corporate performance, outlined below.

### 2.2.3 The Three-Dimensional Conceptual Model of Corporate Performance

Carroll (1979) suggested the corporate social performance model (CSP) with three distinct aspects of CSP that must in some way be articulated and interrelated. The three aspects are a basic definition of social responsibility, the social issues involved and philosophy of responsiveness. Carroll (1979) suggests that the framework needs to be seen in correlation with the social issues correlated with the responsibilities. He states that firms and managers must be aware that issues change and they differ for different industries. The last stage in the framework can be described as the strategy behind firm response to social responsibilities and issues, also called social responsiveness. This aspect is defined as "the action phase of management responding in the social sphere" (Carroll 1979, 502). By using the CSP model, Carroll (1991) further developed the pyramid of corporate social responsibility, as outlined below.

#### **The Pyramid of Corporate Social Responsibility**

The model suggests that social responsibility can be divided further into four parts: economic, legal, ethical and discretionary responsibilities. The four categories are not mutually exclusive, meaning that a firm can emphasise economic and ethical responsibilities at the same time, as well as including the legal and discretionary aspects. This statement has been further developed and revised in Schwartz and Carroll (2003), where the aspects are interwoven by using a Venn diagram, as well as the philanthropic/discretionary aspect is implemented in the economic and ethical aspects.

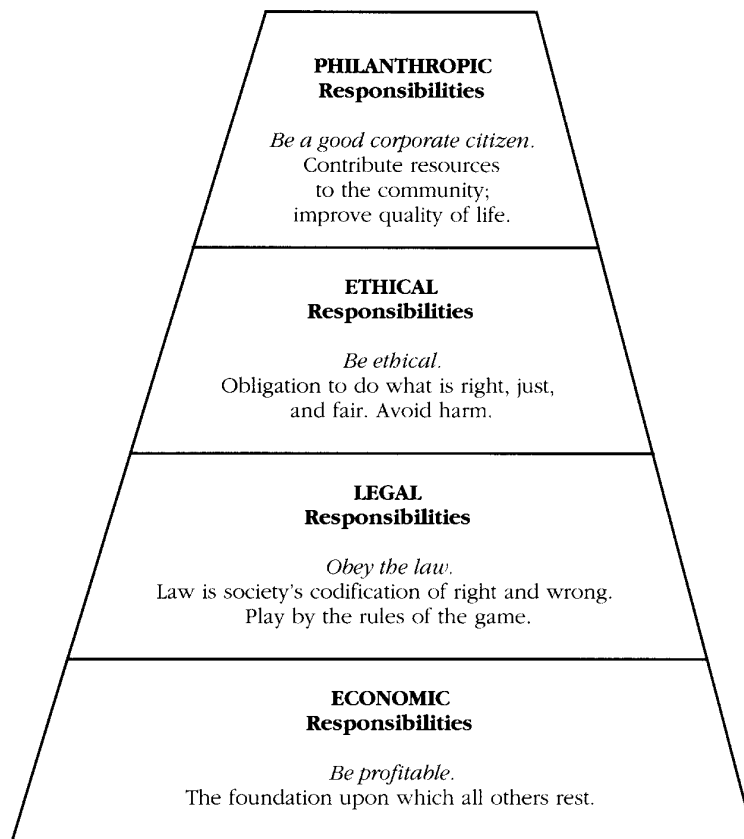
The pyramid of CSR does not state the economic responsibility in one end, and the discretionary aspect in the other end. However, the model suggests the evolution of importance, starting with the economic aspect, and ending with the discretionary/philanthropic aspect (Carroll 1979; Carroll 1991). Further, Carroll (1991) states that the economic and legal responsibility is required, the ethical responsibility is expected, while the philanthropic responsibility is desired by the society.

Carroll (1979) describes *economic responsibilities* as the first and most important aspect. Before anything else, firms should base their activity on economic aspects that will best serve the society. The firm should produce goods and services, wanted by the society, and sell with profit.

*Legal responsibilities* can be described as laws and regulations that firms should obey and follow, and still fulfil its economic mission. Further, international firms should comply the laws of local governments and regulations provided by the federal state (Carroll 1991).

*Ethical responsibilities* represent behaviours and activities that are not codified into law, but are still expected by the society. Carroll (1991, 41) writes that “ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.”

Lastly, *discretionary responsibilities* are defined as activities left to individual judgement and choice. The activities are purely voluntary by the firm or manager, and it can be said that society expects the firm to perform discretionary activities even though it is not required by law or expected in an ethical sense. Further, Carroll (1991) argues that CSR include philanthropic contributions, but is not limited to it. The last aspect is highly priced, but actually less important than the three other aspects. The aspects can be seen in the figure below.



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

Several writers have looked at, criticised and further developed the pyramid of corporate social responsibility (Sethi 1979; Wood 1991; Schwartz and Carroll 2003; Geva 2008). First, the pyramid can be confusing when it comes to the framework as a hierarchy of aspects. There are questions whether firms need to accomplish the first aspect in order to engage in the next. Second, the lines in the model fail to indicate the overlapping nature of the four aspects (Schwartz and Carroll 2003). In the same lines, Geva (2008) writes that the pyramid says little about how the four aspects are linked. Lastly, Schwartz and Carroll (2003) state that the philanthropy or discretionary stage may be confusing and unnecessary to some. As the responsibilities can be said to affect the society and different stakeholders, there will be a more specific outline of CSR and stakeholders below.

### 2.3 CSR and Stakeholders

This section will focus on the three aspects of stakeholder theory, followed by a basic definition of stakeholders. Further, there will be an outline of stakeholder typology. Lastly, there will be an outline of stakeholders and their relevance to CSR.

### 2.3.1 Three Aspects of Stakeholder Theory

Throughout the range of stakeholder literature, there are different definitions and theories of stakeholders and its relevance to corporations. It can be said that many researchers today do acknowledge the importance of stakeholders in terms of CSR, however there are diverse opinions when it comes to the stakeholders' nature and purpose. Donaldson and Preston (1995) lists three types of stakeholder theory which will be outlined below.

*Descriptive/empirical:* The theory is used to describe and explain certain behaviour and characteristics of a corporation. It can be said that stakeholder theory has been used to explain the nature of the firm, the thoughts of managing, and how the firm is managed. Descriptive theory often explains past, present and future states of corporations and their stakeholders.

*Instrumental:* The theory is used to explain the connection or disconnection between stakeholder management and the achievement of corporate goals and objectives. Instrumental theories link stakeholder approaches and desired corporate objectives. This can especially be seen when it comes to CSR and the importance of stakeholders.

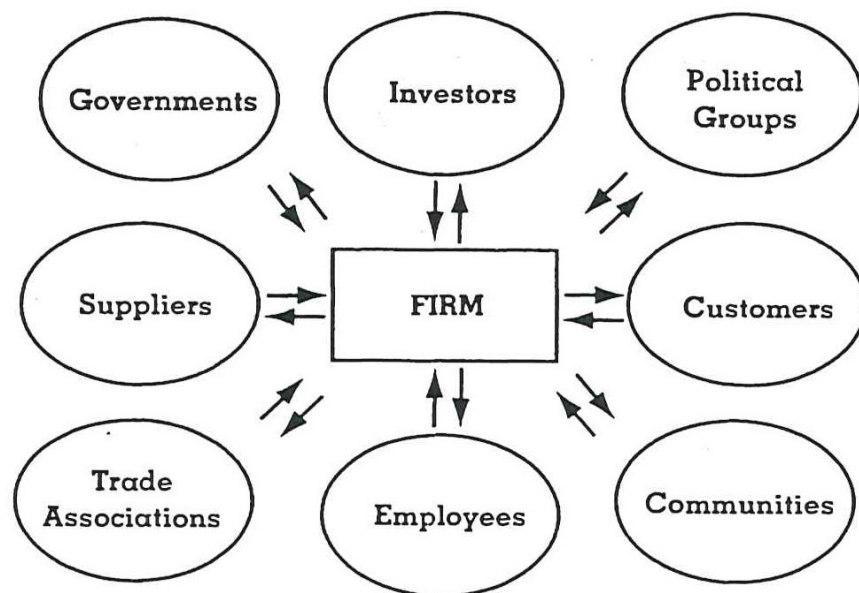
*Normative:* The theory is used to interpret the functions of a corporation where identification of guidelines and management is central. The normative stakeholder theory does not test the link between stakeholders and corporate objectives; it rather tries to explain underlying moral or philosophical principles.

Jamali (2008) goes further than Donaldson and Preston (1995) in looking at stakeholders and a corporation's CSR activities. The distinction between instrumental and normative stakeholder theory is explicitly stated. Instrumental stakeholder theory perceives the corporation as an institution for creating wealth and that CSR can be used as a strategic tool to promote economical objectives. Normative stakeholder theory refers to moral obligations and ethical requirements to strengthen the relationship between business and society. It is clear that the different theories are not mutually exclusive and corporations may consider and reflect on different theories when explaining stakeholder importance. In order to better understand the term stakeholders, a definition of stakeholders needs to be outlined.

### 2.3.2 Definition of Stakeholders

Since Freeman (1984) wrote his book on stakeholder theory, a lot of attention has been directed at the stakeholders when it comes to CSR (Mitchell, Agle et al. 1997). The term stakeholder has been used in the CSR literature and scholars have written different definitions on stakeholder theory. There is, however, little evidence suggesting that the term has changed its meaning over the years, even though stakeholder theory can be seen from several perspectives.

This paper will use the definition outlined by Freeman (1984) when it comes to the concept of stakeholders. He defines a stakeholder as “any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman 1984, 25). To get a deeper understanding of the word stake, Mitchell, Agle et al (1997) distinguish stakeholders between those individual or groups that have legal, moral or presumed claim on the firm (narrow view) and those who have the ability to affect or influence the firm’s behaviour and outcome (broad view). Another important aspect is whether the stakeholders have actual or potential relationship with the firm (Mitchell, Agle et al. 1997).



**Figure 2: The Stakeholder Model (Donaldson and Preston 1995, 69)**

The broad and narrow stakeholder view can be seen in the figure above where the firm in the centre is affected by-and can affect different stakeholders. The stakeholders will be explained even more specific in the section below.

### 2.3.3 Stakeholder Typology

This paper will use the three stakeholder attributes: power, legitimacy and urgency (Mitchell, Agle et al. 1997) to better understand the concept stakeholders. An individual or group will have *power* if it can impose its will in the relationship, by using coercive, utilitarian, or normative means. *Legitimacy* refers to the assumption that the behaviour of a stakeholder are within certain socially constructed norms, values and beliefs. The definition therefore implies that legitimacy is a desirable social good or a good for the firm/stakeholder. *Urgency* can be viewed as an activity that calls for immediate attention. The attribute is further based on time and how critical the claim is.

The three attributes are seen as dynamic and can therefore change its importance in different relationships. The stakeholders' claim in one industry may not be similar in another industry (Peloza and Papania 2008). Lastly, the attributes may not occur in every firm-stakeholder relationship. The three attributes can be seen in the model below, explaining the stakeholder typology.

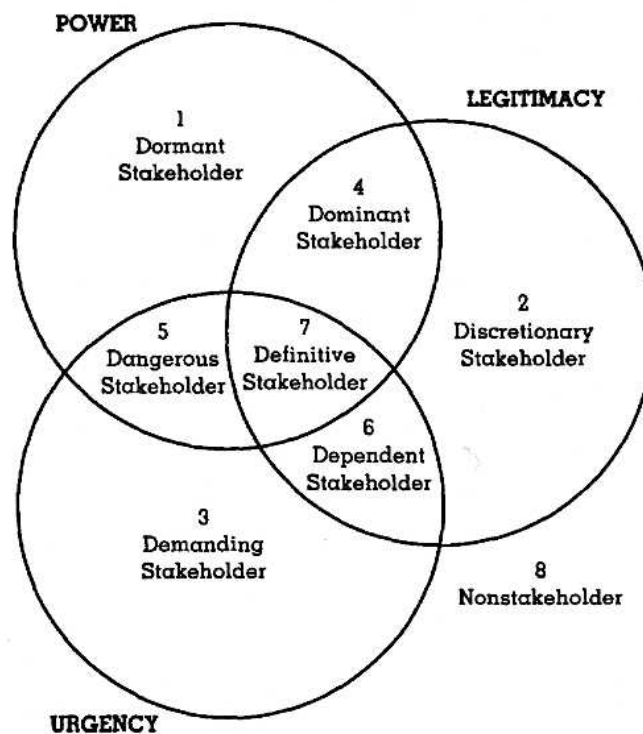


Figure 3: Stakeholder Typology (Mitchell, Agle et al. 1997, 874)



### **Latent Stakeholders**

Stakeholders possessing only one of the three attributes are called latent stakeholders. Mitchell, Agle et al. (1997) state that these stakeholders will not be in the management's attention and it can be said that the latent stakeholders will not be able to affect the firm when it comes to CSR activities. However, a stakeholder can be seen as interesting if it possesses the same CSR interests as the firm, even though it may not have all of the attributes (Peloza and Papania 2008).

Latent stakeholders can be further divided into dormant, discretionary and demanding stakeholders. Dormant stakeholders possess power as the one attribute, but due the lack of legitimacy and urgent claim, the power remains unused. Discretionary stakeholders possess the attribute of legitimacy. This group of stakeholders are most likely to be recipients of a firm's philanthropic activities. Demanding stakeholders have urgent claims and can use this claim to always communicate with the firm.

### **Expectant Stakeholders**

Expectant stakeholders have two of the three attributes and this group of stakeholders often expect something from the firm. Expectant stakeholders consist of the dominant, dependent, and dangerous stakeholders. Dominant stakeholders are both powerful and legitimate. This group will act on their legitimate claims. Dependent stakeholders lack the power attribute and are dependent on the firm when it comes to the use of power. Dangerous stakeholders possess power and urgency and can use illegal methods to get the firm's attention.

### **Definitive Stakeholders**

Definitive stakeholders possess all of the three attributes. A stakeholder with power, urgent claim and legitimacy should always be paid attention to and firms should priorities definitive stakeholders.

It is important to notice that every stakeholder belonging to one of the mentioned groups may loose or gain attributes throughout and every stakeholder therefore need to be in the manager's mind. In the same lines, Peloza and Papania (2008) state that the firms should try to develop their strategies based on perceived stakeholder priorities. Any group or individual that have a relationship with a firm, that do not contain one or more of the three attributes, cannot be seen as a stakeholder (Mitchell, Agle et al. 1997). This highlights the importance of

the identification of stakeholders, and especially when it comes to stakeholders and its relevance to CSR.

#### 2.3.4 Stakeholders and its Relevance to CSR

The above theories have focused on stakeholders and its relevance to corporations in general. However, the connection between CSR and a firm's stakeholders is not thoroughly defined. Pelozo and Papania (2008) relate stakeholder theory to CSR, and states that stakeholders' evaluation of a firm's CSR activities will affect the firm's share price, consumer support and the loyalty of its employees. Further, they write that different stakeholders may have different views on a CSR activity, based on their own interests and expectations. This is supported by (O'Riordan and Fairbrass 2008). Further, O'Riordan and Fairbrass (2008) suggest a framework that incorporates CSR activities and stakeholders. The framework incorporates stakeholders, the context, events and management response as the most crucial elements when it comes to CSR and stakeholder dialogue. The framework shows the important relation between stakeholders and CSR.

Van Marrewijk (2003) in Munilla and Miles (2005, 373) defines CSR as "company activities-voluntary by definition-demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders." Further, O'Riordan and Fairbrass (2008, 745) suggest that "part of the burden of addressing the demands of CSR is the need to engage effectively with a range of stakeholders." It is, however, positive and negative consequences related to CSR and stakeholders. Small, but extreme stakeholders may in some situations put pressure on a firm to engage in CSR activities that is not in the interest of the majority of the stakeholders (O'Riordan and Fairbrass 2008). A study made by Jamali (2008) focusing on CSR in developing countries found that firms tend to focus on stakeholders such as employees, customers and shareholders. The results showed that the manager-stakeholder relationship is affected by the attributes power, legitimacy and urgency, when it comes to CSR.

Papasolomou et al. (2005) in Jamali (2008) list CSR actions vis-à-vis key stakeholders. Some of the actions are listed in the table below:

Employees	Provides a family friendly work environment Invest in employee development Promotes employee rights to speak up Engages in employment diversity in hiring women, ethnic minorities and physically handicapped
Consumers	Respect the rights of consumers Offer quality products and services Provides truthful and honest information Avoids manipulating the availability of a product for purpose of exploitation Avoid false and misleading advertising
Community	Mutual relationships between corporation and community Invests in communities where the corporation operates Launches community development activities
Investors	Strives for a competitive return on investment Engages in fair and honest business practices
Suppliers	Engages in fair trading transactions with suppliers
Environment	Commitment to sustainable development and to the environment

**Table 2: Stakeholder Actions (Papasolomou et al. 2005 in Jamali 2008, 218), modified by the author**

The stakeholder theory suggest that a company should consider other stakeholders rather than only please the owners of the firm (Bird, D. Hall et al. 2007). Several examples of firms incorporating stakeholders' values and preferences into the firm's CSR strategy are listed in (Munilla and Miles 2005). Bird, D. Hall et al. (2007) argue that a firm should go beyond the question if stakeholders' interest should be considered, to rather focus on whom of the stakeholders should get most attention. Motivating factors others than pleasing stakeholders is outlined in the section below.

## 2.4 Motivation behind CSR

The section above focused on CSR and its relevance for stakeholders, as well as the relevance for stakeholders' evaluation of a firm's CSR activity. This section will focus on the motivation and drivers for CSR and there will be an outline of arguments for and against CSR.

### 2.4.1 Motivation and Drivers for CSR

Wood (1991) argues that firms can be motivated by the principle of legitimacy, public responsibility and managerial discretion. Managers motivated by legitimacy argue that creating wealth, being ethical and legal can be seen as CSR activities. Managers motivated by

public responsibility argue that a firm should engage in CSR activities covering problems the firm has caused. CSR activities decided by the managers are motivated by managerial discretion.

Further, Wood (1991) outlines different processes of corporate social responsiveness, which will be outlined in the section of strategic necessity. It can be said that many consumers, employees, investors, suppliers and other stakeholders choose firms to engage in for many reasons, and one of them is the firm's attitude towards CSR. Amalric and Hauser (2005) list stakeholder expectations as one driver for CSR. A firm may fail to increase its total value if the stakeholders are not taken into account. Further, by being engaged in CSR activities, a firm may better cope with future governmental regulations.

In the same lines, Van Marrewijk (2003) lists several levels on how a corporation can increase the value of the triple bottom line (social, economic and environmental responsibility). The CSR activity can be compliance driven, profit driven, caring, synergistic, and holistic. *Compliance driven* CSR activity can be seen as a duty to society and the firm will take the costs associated with the activity. *Profit driven* activity may create competitive advantage and the corporation will be motivated to get superior financial performance. A corporation can be driven by the wish for *caring*. This may motivate the firm to use CSR to balance the triple bottom line and the activity will be performed in order to increase the social welfare. CSR as a *synergistic* ambition level will have sustainable development as motive and social and environmental responsibilities are used to create competitive advantage. The same responsibilities will be used to gain competitive advantage in the *holistic* ambition level, as well as CSR is seen as a corporate culture.

#### 2.4.2 Arguments For and Against Social Responsibility

One of the major scholars within the concept of CSR has in an article listed argument for and against corporate social responsibility. By using the outline in Davis (1973), the arguments for social responsibility will be listed, followed by the arguments against.

### Arguments for Social Responsibility

Long-run self-interest	This argument can be associated with profit maximisation. CSR activities will often increase firm profit and strengthen the wealth of society. Society expects the firm to accomplish social goods and this will in turn gain the firm
Public image	By being engaged in CSR activities a firm can enhance the public image so that the firm can get more customers and better employees
Viability of business	Any firm can be seen as an institution in society and it is reasoned that businesses exists to perform valuable services for society. For the businesses to survive, the society's needs have to be met
Avoidance of government regulation	Many CSR activities may help the firm to better cope with future government regulations, and even avoid regulations given by the government
Sociocultural norms	The firm will act in congruence with social norms as any other individual. As society moves towards norms of social responsibility, the firm will be guided by these norms
Stockholder interest	Often the stockholders will put pressure on the firm to engage in social activities. By taking the stockholder's interest into consideration; the activity will benefit the firm
Let business try	Evidence show that many institutions have failed in handling social problems. The business may as an institution be able to handle different social problems

Business has the resources	Firms do have resources which could be applied in CSR activities and may better solve social problems than other institutions
Problems can become profit	Firms engaging in social activities they can handle, can increase its profit
Prevention is better than curing	If firms do not engage in social responsibility it may happen that problems increase over the time, and it will be more costly to act later

**Table 3: Arguments for Social Responsibility (Davis 1973, 313-317), modified by the author**

**Arguments against Social Responsibility**

Profit maximisation	The most widespread argument against CSR has its origin in classical economy and a firm has one task: namely to create profit. However, Friedman (1970) states that creating profit can be seen as a CSR activity
Costs of social involvement	Several CSR activities may be costly and may not return in profit
Lack of social skills	Many firms may not have the ability to be engaged in social activities. Other institutions may be more appropriate for the task
Dilution of business's primary purpose	Firms may put too many resources into CSR activities and being engaged may lead the firm away from its main purpose and conflicts and costs may arise
Weakened international balance of payments	CSR activities may be costly and may not lead to increased performance. The firm's products may be more expensive and the balance of payments may be weakened
Business has enough power	Many firms have more power than other institutions and CSR activities may result in

	more power, which may not be necessary
Lack of accountability	The society and the firm will not benefit from activities performed by firms in areas they do not have accountability
Lack of broad support	Firms engaging in social activities may not be appreciated by every group in society which may create problems for the firm

**Table 4: Arguments against Social Responsibility (Davis 1973, 317-323), modified by the author**

Graafland and van de Ven (2006) list reasons why corporations are more likely to be engaged in CSR activities. First, if they believe that it will pay off in the long run and as long as CSR increases the profit, firms will be engaged. A good reputation will be rewarded by employees and customers. As long as CSR activities increase the value of the brand name, the firm will be motivated to perform CSR activities.

## 2.5 CSR as Strategic Necessity and Competitive Advantage

Having outlined the purpose of CSR, CSR in relevance to stakeholders, motivation and drivers behind CSR, this section will focus on CSR as competitive advantage and strategic necessity. Relevant theory will be outlined by having a focus on corporate social responsiveness and strategic necessity. Further, sources of CSR as competitive advantage will be outlined. Lastly, there will be a description of competitive advantage and strategic necessity in Carroll's four aspects.

### 2.5.1 Competitive Advantage and Strategic Necessity

Throughout the last decades, there have been contradictions when it comes to why firms are engaged in CSR activities. After a review in Forum for the Future (2002), Amalric and Hauser (2005) write that the question is not if corporate responsibility is advantageous, but rather when does it pay off. In the same lines, Burke and Logsdon (1996) state that the competitive conditions in industries have put pressure on corporations to engage in CSR activities, as well as different groups in the society have expectations and often influence firms in CSR decisions (Jamali 2008). Geva (2008) mentions in the analysis of the pyramid of CSR that

CSR should be adopted because it may pay off and that it is the morally right thing to do. Put another way, it may happen that a CSR activity presumed to be a response to social pressures, may in fact be a source of competitive advantage, and the other way around.

### 2.5.2 Strategic Necessity and Corporate Social Responsiveness

In Wood (1991), Frederick (1978) defines corporate social responsiveness as “the capacity of a corporation to respond to social pressures” (Wood 1991, 703). Sethi (1979) indicates that corporate social responsiveness can be seen as a replacement for corporate social responsibility, whereas Carroll (1979) argues that a firm can be responsive to social pressure, however, the firm can still be unethical or illegal. Sethi (1979) defines responsiveness as corporations that change its behaviour in congruence with changes in social forces. Further, Strand (1983) says that responsiveness is explained as the processes that occur when organisations process the demands from society.

Taken the arguments of responsiveness, it is clear that scholars do have different perceptions when it comes to the concept. For the purpose of this paper, corporate social responsiveness theory will be related to strategic necessity, as both expressions can be seen as actions taken due to pressure from society and different stakeholders.

### 2.5.3 Strategic Necessity

By looking at the Friedman vs. Freeman debate, it can be said that there are two different perspectives of the nature of corporations. However, the debate can be said to contain two sources for CSR as strategic necessity. The two scholars mention two different aspects that will influence the firms when engaging in activities: shareholders and stakeholders. This is also supported by many scholars, as outlined below.

As a basic framework for looking at strategic necessity, parts of Wood's (1991) corporate social performance model will be used. Looking at the responsiveness as a form of necessity; environmental assessment, stakeholder management and issues management can be used to better cope with pressure from society. Issues management will be less relevant in this paper and will not be discussed.



*Environmental assessment* suggests that an organisation will best survive if it adapts to environmental conditions. Firms should be able to analyse the social, political and legal environments, as well as economic and technological environments should be considered. In terms of CSR, or responsiveness, the firm will need to be aware of its environment to best cope with pressure. *Stakeholder management* refers to the relationship between external stakeholders and the company. In terms of CSR, or responsiveness, several scholars have argued that stakeholders will often put a pressure on firms and especially when it comes to CSR activities (Munilla and Miles 2005; Jamali 2008; Pelozo and Papania 2008). To simplify, this paper will use the outlined stakeholder theory in section 2.3 in order to classify the stakeholders, and its relevance to CSR activities.

In addition to Wood (1991), Sethi (1979) writes that pressure is put on businesses to improve their management of social issues. He further separates the social forces in non-market and market factors. A corporation needs to respond to these forces in order to grow. In the case of market forces, a firm adapts its products and services in terms of changing consumer needs and expectations. Non-market forces often comes as a respond to market forces (Sethi 1979).

Burke and Logsdon (1996) mention that increasing competitive pressure in industries have caused firms to analyse their CSR activities. In many cases, the government can fail to be engaged in social problems. Society may often looks to the business sector to find solutions (Burke and Logsdon 1996; Smith 2003). Smith (2003) mentions the globalisation of companies and the increasing media intensity as reasons why firms are engaged in CSR activities. Firms having operations in different countries with different ethical standards may feel more compelled to be engaged in CSR activities. Munilla and Miles (2005) also emphasise the importance of the today's media intensity and globally connected social environments. Corporations may feel forced to be engaged in different CSR activities due to pressure from NGO's and minority stakeholders. In the same lines, Graafland and van de Ven (2006) suggest that due to the risk of having a bad reputation among different interest groups and society, firms may be engaged in CSR activities.

Carrasco (2007) suggests that growing consumer demands in more complex industries will often lead to a pressure on firms when it comes to CSR activities. Corporations are a part of the society and social demands need to be considered. Further, Carrasco (2007) states that the changes in society and consumer values will have an affect. In the same lines, Jušcius and

Snieška (2008) write that CSR activities often are performed due to changes in consumer demands, changes in supplier attitude, pressures on legislation and principles, new expectations from employees, and changing scale of social values. It can be said that a firm may need to be engaged in CSR activities due to forces in the industry and the competitor's engagement in different CSR activities. This is also supported by (Burke and Logsdon 1996). However, firms engaged in CSR activities due to pressure from society, can in turn lead to increased profitability for the firm (Porter and Kramer 2006).

#### 2.5.4 Competitive Advantage

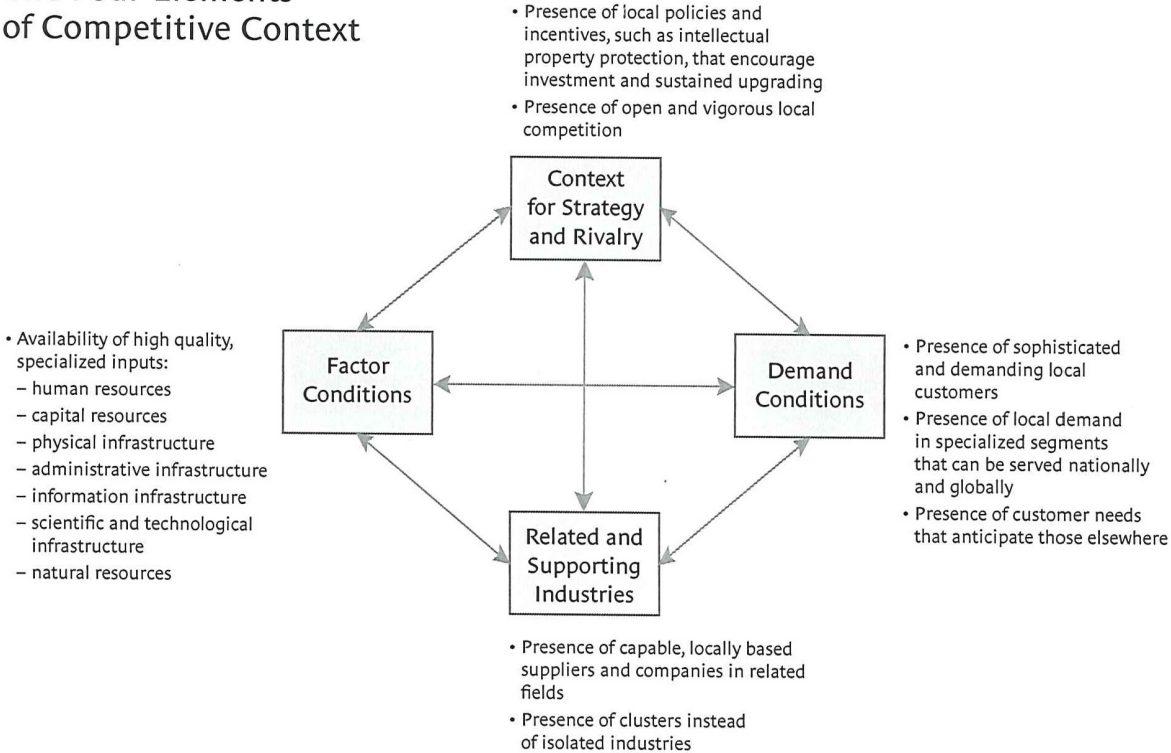
Porter and Kramer (2006) suggest that CSR activities in a firm can lead to opportunity, innovation and competitive advantage, and the firm will gain sufficient advantage when using its resources on social activities. Further, Porter and Kramer (2006) list earlier schools about CSR and the competitive arena. *Moral obligation* refers to engagement in activities because it is the "right thing to do". It can further be said that a firm needs to weight one social benefit against another, and at the same time look at the cost associated with the activities.

*Sustainability* refers to the use of CSR activities to ensure sustainable development, and the consideration of the triple bottom line. Acting in congruence with the triple bottom line may lead to competitive advantage. *License to operate* considers explicit and tacit permission from different stakeholders. Lastly, *reputation* refers to the firms' engagement in CSR activities in order to strengthen the company's image and brand towards stakeholders. However, as opposed to the outlined stakeholder theory, Porter and Kramer (2006) suggest that firms should not overestimate the role of the stakeholders, nor the role of the other mentioned theories. The schools above are criticised, however, the outline of the theory shows its relevance regarding CSR and competitive advantage.

Further in their article, as a development of the earlier schools, Porter and Kramer (2006) suggest a framework where social issues may be integrated in the firm's operations, in order for the firm to gain competitive advantage. The framework consists of *Generic social issues* which refer to social issues important for the society and less importance for the firm. Activities in the *Value chain* will in many cases have a direct impact on society, and being able to improve its activities based on social issues may lead to competitive advantage. *Social dimensions of competitive context* are factors in the external environment that will have a direct impact on the firm's competitive context.

This paper will focus on the competitive context. Porter and Kramer (2006) state that it may have a significant strategic importance for the firm. Further, it can be said that major parts of the value chain are incorporated in the suggested framework. The four social dimensions of competitive context is divided into factor conditions, demand conditions, context for strategy and rivalry, and related and supporting industries (Porter and Kramer 2002; Porter and Kramer 2006). By analysing the four dimensions, the firm may be able to know how to use its CSR activities in order to increase its competitive advantage.

**The Four Elements of Competitive Context**



**Figure 4: The Four Elements of Competitive Context (Porter and Kramer 2002, 8)**

*Factor conditions* can be described as quantitative and qualitative inputs that will lead to high levels of productivity. Inputs can be in form of human-, capital-, natural- and technological resources. *Demand conditions* refer to the size of local demands and market. This will again be influenced by product safety and quality and consumer rights. The third factor, *context of strategy and rivalry* are rules, incentives and norms governing the competition in the given region. The last factor, *related and supporting industries* can be seen in terms of suppliers of services, components and machinery, where the firm can influence.

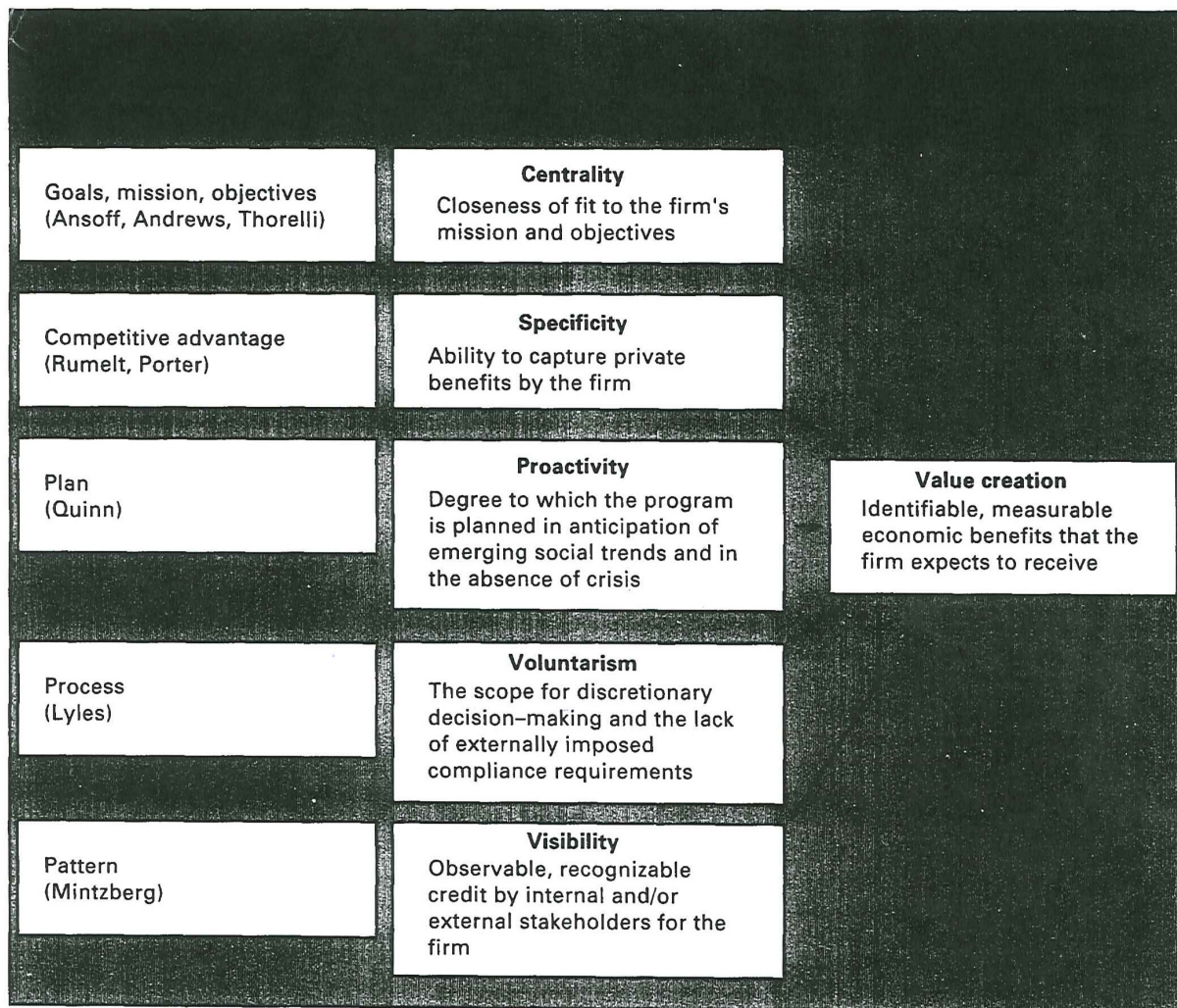
Burke and Logsdon (1996) mention five *dimensions of CSR* activities that can contribute to *value creation* in a firm and strengthen its competitive strategy. The first dimension, *centrality*, measures the closeness of fit between the CSR activity and the firms' strategic objectives. Activities with high centrality are believed to have a direct impact on the firms' profitability. A firm will have high centrality if the CSR activity can be said to be in congruence with the goals and missions of the firm. This view is supported by Garriga and Melé (2004), as well as Munilla and Miles (2005) suggest that incorporating CSR in a strategic manner can lead to competitive advantage.

The second dimension, *specificity*, refers to a firm's ability to capture the benefits of a CSR program. A firm should focus on an activity that best can benefit the firm, rather than its competitors. In the same lines, Wood (1991) writes that managers can affect the choice of social problems that can be relevant to the firm's interests. In other words, the activity should fit the firm's strategy, as in contrast to creating goods more beneficial for the community, industry or society.

*Proactivity* is the third dimension and reflects the activities that are performed in anticipation of future laws, crisis, emerging economies and technological changes. This call for great planning and proactive CSR activities are often a part of a firm's strategy in the competitive context.

The fourth dimension, *voluntarism*, reflects the firm's activities performed on a voluntary basis, without excessive pressure external factors. The CSR activity can, however, yield both strategic and social benefits. A voluntary activity leading to social gains may result in great pay-offs for the firm.

Lastly, *visibility* refers to the firms' ability to gain recognition from internal and external stakeholders. The visibility of the activity can be positive and negative. In some cases, firms may be engaged in CSR activities to get positive media coverage and higher earnings. However, visibility in form of government interaction and investigation of the firm may be regarded as negative. The five dimensions can be seen in the figure below.



**Figure 5: Value Creation Dimensions (Burke and Logsdon 1996, 497)**

Munilla and Miles (2005) say that by having a strategic CSR activity and look at the activity as an investment, the firm could take a cost/or differentiated position in the industry. If a firm feel forced to engage in a CSR activity that will diminish the firm's ability to create value, there will be no form of competitive advantage. On the contrary, Branco and Rodrigues (2006) conclude that a social responsible firm may achieve competitive advantage if the activity can be said to be valuable, rare, inimitable and organisational, also known as the VRIO framework (Barney 1991). This paper will focus on the value of the activity in the VRIO framework, and suggests that the value creation dimensions suggested by Burke and Logsdon (1996), if fulfilled, can portray the value of the activity.

### 2.5.5 Competitive Advantage and Strategic Necessity in Carroll's Four Aspects

As explained in the section above, scholars outline CSR as a source of competitive advantage and a strategic necessity. This section will look at the two terms in relation to Carroll's (1991) pyramid of social responsibility.

The economic component (responsibility) points out the importance of being profitable, and the responsibility is important to maintain a strong competitive position (Carroll 1991). As there is a need for the component in order to produce goods and services for the society, the call for efficiency and high profit for the firms are present. A firm's search for competitive advantage can therefore be rooted in the economic responsibility.

It is important to perform the legal component (responsibility) in a manner that is consistent with expectations of government and law (Carroll 1991). The fact that a firm should comply with given laws and regulations may be crucial for the firms' existence in the competitive arena. The component can be seen as a strategic necessity.

The ethical component (responsibility) is made up from expectations of societal mores and ethical norms. It will be important to respects new norms adapted by the society (Carroll 1991). A firm will need to do what is expected morally and ethically, which can be seen as a strategic necessity.

The philanthropic component (responsibility) will need to be performed according to philanthropic and charitable expectations of society (Carroll 1991). The firm will need to act on society's expectations and may therefore be seen as a strategic necessity. However, a firm may manage its philanthropic activities in a competitive manner, and by being strategic, the use of philanthropic activities can lead to competitive advantage (Porter and Kramer 2002).

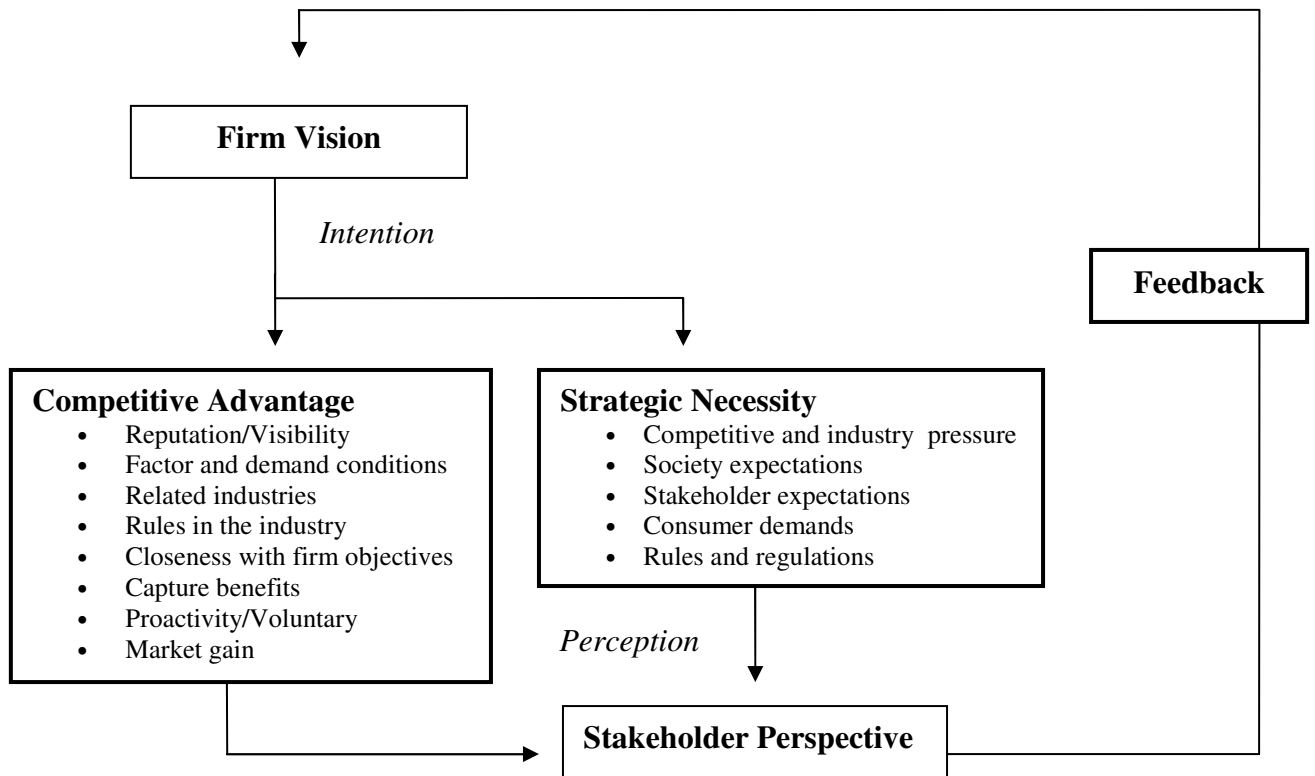
It is possible to distinguish competitive advantage and strategic necessity according to the aspects. However, it is important to look at the nature of the overlapping aspects, and it can be said that being ethical and legal, may in turn lead to competitive advantage. Further, creating profit and being active in philanthropic activities can be seen as expected from the society, and it can therefore be seen as a strategic necessity, as well as a competitive advantage. The outlined theories will be further explained in the section below.

## Chapter 3: Theoretical Framework and Research Model

This section contains two different models. The first suggested model, Theoretical Framework, is grounded in the theory section above, and can be said to reflect the literature. The second model, Research Model, is this paper's research model, and the model is developed using the suggested theoretical framework. Further, the research model represents this paper's expectations on how the variables are linked. To best understand the suggested framework and the research model, the research questions suggested in chapter one need to be brought back. The first research question was: Do firms engage in CSR activities due to competitive advantage or due to strategic necessity? And secondly, is the firm's intention in congruence with the stakeholders' perception, and are there differences between the stakeholders?

### 3.1 Theoretical Framework

The literature suggests that the vision of the firm regarding a CSR activity can be due to factors representing competitive advantage, as well as factors reflecting strategic necessity. Further, the theory explains the relationship between stakeholders and a firm's CSR activity. The theory suggests that the stakeholders will evaluate a firm's CSR activity regarding its own preferences. The literature further suggests that stakeholder evaluation will be important for the firms, as considering stakeholder preferences is stated to be important.



**Figure 6: Framework Based on Theory (The author)**

### 3.1.1 The Aspects of the Model

The literature suggests that a CSR activity can be seen as a source of competitive advantage and as a strategic necessity, however, can the activity be seen as both? By looking at the literature, the answer is yes. A firm can be engaged in CSR activities in order to outperform its competitors in the competitive arena by increasing the value of the brand name, improve the reputation, motivate the employees, and create value in the firm. It can further be said that the same CSR activities can be seen as necessity due to the need for a respond to stakeholder expectations, environmental regulations, society demands and governmental laws. The motivation behind the activity will be grounded in the two concepts: competitive advantage and strategic necessity. The literature suggests that the vision of the firm can be competitive driven, necessity driven, or both.

The stakeholders will evaluate a firm's CSR activity based on different criteria. A stakeholder may evaluate an activity based on its own expectations, the legitimacy of the activity towards the society, and the firm's ability to follow rules and regulations (Strategic Necessity). Further, a stakeholder may evaluate a firm's activities in terms of profit, value, and the



activity's competitiveness (Competitive Advantage). The stakeholders' evaluation of the firm may in turn be in the firm's interest, and any response to stakeholder expectations may affect the firm. The stakeholders' perspectives may therefore be arrowed back to the vision of the firm, which is represented as feedback in the model. The variables used in the model will be further explained below.

### **Competitive Advantage**

An activity can be seen as a source of competitive advantage if it has a social impact on the value chain and by looking at its sustainability, licence to operate and reputation (Porter and Kramer 2006). Further, by looking at (Porter and Kramer 2002; Porter and Kramer 2006), a CSR activity can lead to competitive advantage if it can affect the *social dimensions of competitive context*. This can be done by looking at factor and demand conditions, context for strategy and rivalry, and related and supporting industries (Porter and Kramer 2002). Lastly, the *value creation dimensions*: centrality, specificity, proactivity, voluntarism and visibility of the activity can lead to competitive advantage if fulfilled (Burke and Logsdon 1996), as well as it can be valuable for the firm (Barney 1991). The variables in the Figure 6 can be said to be a result of the above theories.

### **Strategic Necessity**

This paper will use market and non-market forces (Sethi 1979) as a ground for developing main categories within strategic necessity. Further, this paper will use environmental assessment and stakeholder management (Wood 1991) to get more depth and an understanding of strategic necessity. The variables listed in Figure 6, can all be said to belong to one or more of the mentioned categories.

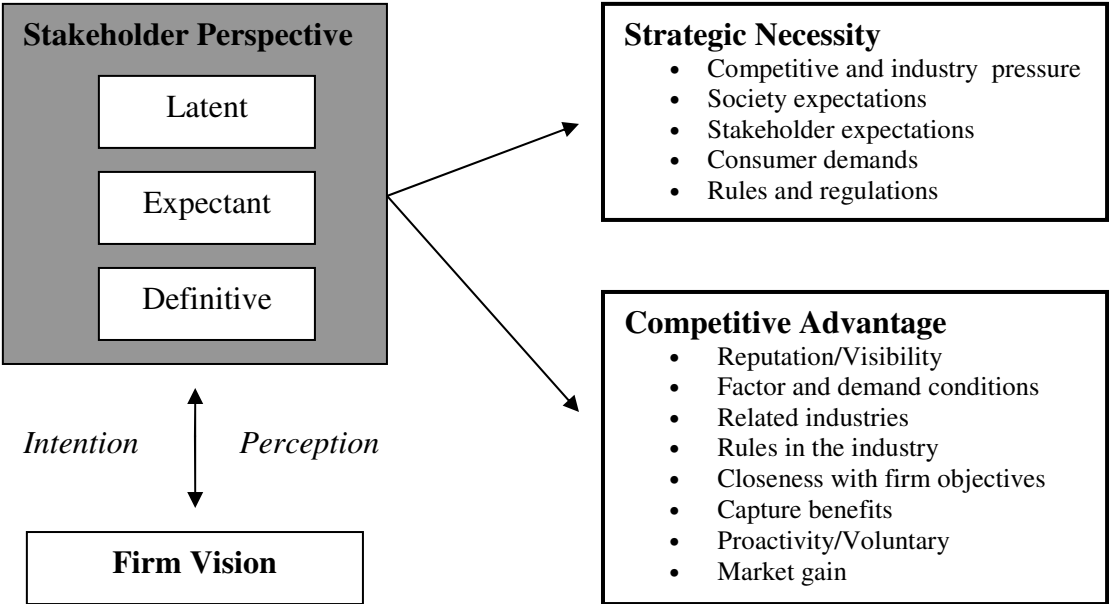
Factors within the market dimension, making the activity a strategic necessity are forces in the industry (Burke and Logsdon 1996), risk of losing reputation (Graafland and van de Ven 2006), and consumer demands (Jušcius and Snieška 2008). When it comes to the non-market dimension, an activity can be seen as a strategic necessity due to expectations/pressure from society (Jušcius and Snieška 2008), media (Munilla and Miles 2005) and other stakeholders (Wood 1991; Pelozo and Papania 2008).

In order to further develop the theory, a research model has been developed. The model is outlined in the figure below.

### 3.2 Research Model

This paper will contribute to the CSR discussion by further develop the relationship between CSR activities, competitive advantage and strategic necessity. This is done by using stakeholder perceptions and the firm’s vision. In addition, any difference between the stakeholders’ perception will be explored, as well as differences between the firm’s vision (intention) and the stakeholders’ perception will be highlighted.

The stakeholders are defined by using the attributes power, urgency and legitimacy to place the stakeholders in the latent, expectant or definitive stakeholder groups (Mitchell, Agle et al. 1997). Based on the theoretical framework, it can be expected that the firm’s vision on a CSR activity can be seen as competitive advantage and as a strategic necessity. It can be expected that the stakeholders will have different perceptions; however, there is little evidence suggesting the differences between the stakeholder groups, as well as differences between the stakeholders and the firms’ vision. The CSR managers from the two firms will in this paper represent the vision of the firm, along with the firms’ webpage.



**Figure 7: Research Model (the author)**

To best be able to apply the research model in the analysis, the correct research design and method need to be chosen. Chapter four will contain information regarding the methodology of this paper.

## Chapter 4: Methodology

### 4.1 The Research Design

Hair, Money et al.(2003) have proposed some guidelines when choosing a research design. First, the research design should be chosen to best fit the problem definition. A descriptive design is best suited for a research question trying to describe a phenomenon. If the research question is exploratory in nature, an exploratory design should be used. Lastly, if a researcher is investigating a cause-effect relationship, causal design should be used. An exploratory study is undertaken if little information is provided in the field (Hair, Money et al. 2003). Descriptive studies are undertaken when the researcher are describing the characteristics of variables in a givens situation (Sekaran 1992). Causal studies test whether there is a cause-effect relationship between variables.

Again, in making the differences between the research designs, it will be easier to select the most appropriate design. The research questions can be said to be exploratory in nature and I have therefore chosen an exploratory design. The most appropriate data collection method when undertaking exploratory study is qualitative research method (Sekaran 1992).

### 4.2 Qualitative Research Method: Case Study

By looking at the research questions, there is no need for control of behaviour events and I have focused on contemporary events. The best method to use when conducting the research is the use of case study (Yin 2009). Yin (1994) in Ghauri and Grønhaug (2005) outlines different case study designs, showed in the figure below.

	Single case design	Multiple case designs
Holistic (single unit of analysis)	<b>Type 1</b>	<b>Type 3</b>
Embedded (multiple units of analysis)	<b>Type 2</b>	<b>Type 4</b>

**Figure 8: Basic Design for Case Studies (Yin 1994 in Ghauri and Grønhaug 2005, 120)**

The primary distinction in the model is between single- and multi-case studies. The nature of the research questions yields for an exploration of a concept, and the study will be more robust by using multiple-case (Yin 2009). The use of only one case may not give sufficient information (Remenyi 1998). Further, I have used a replication, and not sampling logic, which makes it possible to draw similarities and differences between the cases. Due to the resource- and time limitation, I have focused on two firms and I have compared two activities within the firms. The best design to use in this study is a holistic approach within multiple case designs, type three (Yin 2009).

### 4.3 Selecting the Sample

When selecting the sample: which respondents to interview, there are several methods a researcher can use (Patton 2002). The two main methods; random probability sampling and purposeful sampling can be used in both quantitative and qualitative research. I have used purposeful sampling in order to get relevant information to best address the research questions. By using purposeful sampling, I have been able to choose the cases by using my developed criteria outlined below. This paper has two different samples. The first sample consists of the two case firms, and the second sample consists of the stakeholders. The CSR manager in each firm represents the firm vision, and the stakeholder perceptions are used to get more information.

The selected firms should fulfil several criteria so that the case-study should contain as much information as possible. Relevant stakeholders are chosen with its relevance to the activities and the firms in general.

The firms should fulfil the following criteria:

- Have one or more CSR activities
- Have sufficient information on their webpage about CSR activities
- Be willing to cooperate, give interviews, and give necessary information
- Have a clear and known CSR activity among different stakeholders

The stakeholders should fulfil the following criteria:

- Have knowledge about the firm and the CSR activity
- Be willing to give sufficient and necessary information

- Have a relevance to the firm by having one or more of the attributes: power, urgency and legitimacy (from my perspective)

The activities should be within a firm’s overall CSR program, and I have focused on Stormberg’s inclusive work life activity and Kaffehuset Friele’s Fairtrade and certified coffee. Both activities can be seen as important for the overall CSR focus in the firms, and the activities are different in nature.

#### 4.4 Interview Subjects

Having the activity in mind, I contacted the firms by e-mail and telephone and explained the research questions. I chose to contact the CSR manager from both firms, as it seemed reasonable that the CSR managers will have knowledge about the activities of interest. The respondents are outlined in the table below:

<b>Firm</b>	<b>Interview Subject</b>	<b>Interview Type</b>
Stormberg	Jan Halvor Bransdal, CSR manager	In-person
Kaffehuset Friele	Atle Engelsen, CSR manager	Telephone

**Table 5: Case Firms**

Jan Halvor Bransdal, CSR manager in Stormberg, was interviewed in-person due to Stormberg’s location in Kristiansand. Atle Engelsen, CSR manager in Kaffehuset Friele, was interviewed over the telephone due to the distance to Friele’s location in Bergen and due to the time limit and the lack of resources for this study. There is however drawbacks using telephone interviews which will be outlined in *other limitations*.

When the activity and firm was chosen, I focused on finding relevant stakeholders in both activities, having the criteria as a guideline. After several phone-calls and e-mails to potential stakeholders I ended up with the respondents in the tables below. Before I contacted the stakeholders, I used information from the firms and the CSR managers in order to classify the stakeholders into the different stakeholder groups.

<b><u>Stormberg</u></b>	<b>Stakeholder</b>	<b>Interview Subject</b>	<b>Interview Type</b>
	NHO (latent)	Cecilie Arnesen Hultmann	Telephone
	NAV (latent)	Egil Thune	In-person
	Owner, CEO (definitive)	Steinar Jørgensen Olsen	Telephone

**Table 6: Stakeholders, Stormberg**

When contacting NAV Vest-Agder, the person assigned was Egil Thune, consultant. He has been the contact person, as well as the respondent for the interviews. I scheduled an in-person interview with Hultman (NHO), however, due to a busy schedule: we decided to do a telephone interview. The owner, Olsen was contacted over telephone and we scheduled a telephone meeting, due to a busy schedule.

<b><u>Kaffehuset Friele</u></b>	<b>Stakeholder</b>	<b>Interview Subject</b>	<b>Interview Type</b>
	Rema 1000 Wergeland (latent)	Preben Madsen	Telephone
	Max Havelaar Fairtrade (expectant)	Ragnhild Hammer	In-person
	IEH (expectant)	Kristin Holter	Telephone

**Table 7: Stakeholders, Kaffehuset Friele**

Kaffehuset Friele wanted a certain control over the choice of the professional buyer, and I received a reference to Preben Madsen at Rema 1000 Wergeland. He was contacted, and a telephone meeting was scheduled. The two other stakeholders were chosen due the criteria listed above. I contacted IEH (Initiativ for Etisk Handel, *Initiative for Ethical Trade*) and Fairtrade by mail, and scheduled for a meeting. I met Hammer (Fairtrade) in Oslo and I had a telephone interview with Holter (IEH).

## 4.5 Data Collection

From the research questions, two distinct groups of people can be said to be relevant when it comes to information gathering; namely the CSR managers and the stakeholders. Only using the firms' webpage will most likely not give sufficient information about the subject to be

investigated. However, the firms' webpage will be used to get background information about the firms to see if the firm meets the mentioned criteria, as well as the webpage will be used to fill in necessary information not fully covered from the respondents. The used method are interviews, as a large amount of information is gathered from a relatively small number of respondents (Yin 2009).

#### 4.5.1 Interview

Ghauri and Grønhaug (2005) outline structured interviews, unstructured interviews and semi-structured interviews as main types of interviews. In structured interviews a standard set of questions are asked, and often quantitative measures are used. Unstructured interviews give the respondent almost full liberty in discussing the concepts. In semi-structured interviews, questions and respondents are determined on beforehand. A focus on biased information is present, and sensitive information is often addressed.

I have used a semi-structured interview, where the questions are made by using theory. The questions thoughtfully address each concept to be explored, and I have followed the interview guide when interviewing all of the respondents. However, I have asked subsequent question when there was a need for follow-up questions and when the respondents mentioned critical factors that needed further explanation.

I have interviewed the CSR manager from the two case-companies, as well as three stakeholders related to each company. The interviews were carried out within a three week period, and each interview had a length between thirty minutes, to an hour. The one to one setting has most likely led to more complete information about the part's view on CSR in the competitive arena and the decisions behind the activity, which can not be found on any webpage.

#### 4.5.2 Interview Guide

Based on the depth, detail, vividness and richness of the study, the interview guide should consist of the questions; main, follow-up, and probes (Rubin and Rubin 2005). In the interview-guide I have used main question to best capture the information needed to address the research questions. The follow-up questions are used to go even more in depth, and make

sure that I cover all the aspects of the concept. Lastly, I have allowed myself to ask question related to the main-, and follow-up questions to obtain sufficient information.

I composed two similar, yet different interview guides: one for the CSR managers and one for the stakeholders, both in Norwegian (See appendix 1 and 2). The context is the same, and the same concepts are explored. The difference lies in some different angles of the questions as well as some different formulations.

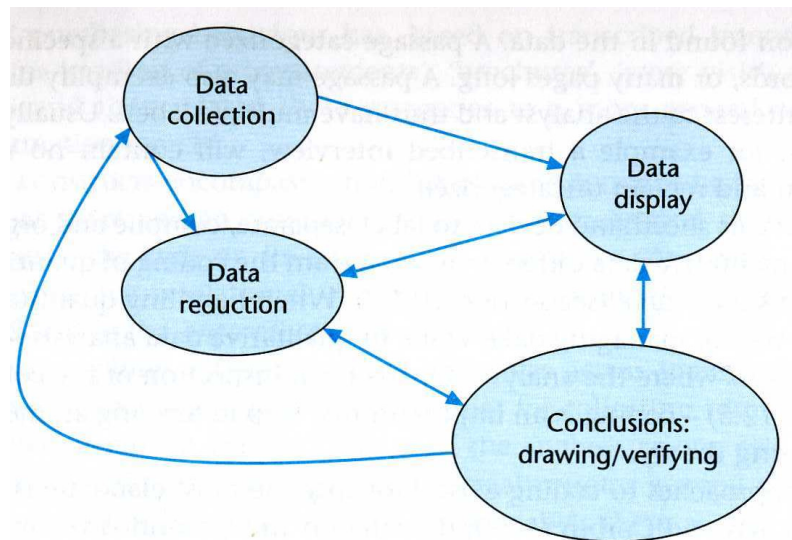
The interview guides open with an introduction where the purpose of the study is explained. Part 1 in the guide examines how the respondents view CSR, as well as why firms should be engaged in CSR. Part 1 can be said to be an introduction the more relevant questions. Further in part 1, the stakeholder salience is explored. Part 2 looks at the chosen CSR activity and the questions covering the CSR aspects, as well as the main motivation behind the activity is explored. Part 3 contains questions related to CSR as competitive advantage and the questions cover elements behind the competitiveness of the CSR activity. Part 4 looks at CSR as strategic necessity, with a focus on market- and non-market pressure. In the last part of the interview, the respondents can add information and/or ask questions regarding the interview. All parts of the interview guide have its purpose related to the research questions and the theory outlined in the literature review.

## 4.6 Data Analysis and Interpretation

Ghuri and Grønhaug (2005, 2006) state that “a key - if not *the* key – purpose of analysis is to understand and gain insights from the collected data.” This is a crucial section in the research, often due to the overload of information that often occurs in qualitative research.

This paper has used the components of data analysis: interactive model drawn by Miles and Huberman (1994) in Ghuri and Grønhaug (2005) to better analyse the gathered data. I have in this paper followed the model consequential; however, I have not linked the conclusion back to the data collection phase.





**Figure 9: Components of Data Analysis: Interactive Model (Miles and Huberman 1994 in Ghauri and Grønhaug 2005, 207)**

*Data reduction* refers to selecting, verifying, simplifying and transforming the gathered data. In this phase, the patterns are identified and categories are generated. The stage is, however, crucial due to the chance of losing important information that could lead to a valid explanation. From the interviews I have transcribed verbatim the written information given from the respondents, by using a recorder. Soon after the interviews were undertaken, I restructured the information and put it into different groups consistent with the investigated concepts, as well as additional categories were developed. The information was gathered in Norwegian and there is chance that information may have been changed when translating the information from Norwegian to English. However, I believe that the chance is not sufficient due to careful translation. The language is also the reason why quotes are not used in the analysis. Further, I have left out information not necessary to answer the research questions.

*Data display* contains information that can be used to draw conclusions and take action. In order to display the relevant information I have used cross-case synthesis (Yin 2009). The technique can be used to display the gathered data, by focus on each case respectively (See appendix 3 and 4). By using information gathered from the CSR managers, as well as information gathered from Stormberg's and Friele's webpage and the respective stakeholders, I have in a best possible way displayed the data. I have, by using cross-case synthesis, also been able to look at differences and similarities related to the findings, as each case is treated as a separate study (Yin 2009).

The collected data are put into a table made up from a uniform framework. By using the categories found in the theory section, I have more easily been able to see similar and different outcomes from the data. By using cross-case synthesis I have further been able to develop subgroups or sub-categories. The outcome of the data is displayed in the findings chapter where major categories and subgroups are outlined. The unified framework in the tables consists of the perception of CSR, benefits and motivation, aspects and stakeholder salience. The competitive advantage variables are justifications for CSR, social dimensions of the competitive context and value creation dimensions. The strategic necessity are be grouped in variables covering market- and non-market pressure.

In order to know what I have found, I have made the variables operational. By using the aspects economic, legal, ethical and philanthropic, I have been able to see if the chosen activities can be considered as CSR activities. The activities are considered as social responsible if the activities are driven by one or more of the mentioned aspects.

In addition to the mentioned stakeholder criteria, I have recognised the stakeholders by looking at its salience to the chosen firms. This is done by considering the means of power, urgency and legitimacy the stakeholders have towards the firms. When knowing the means, I have been able to define the stakeholders as latent, expectant or definitive. The placement of the stakeholders is done in order to eliminate groups or individual not considered a stakeholder; namely those without any means towards the firms.

An activity is seen as a source of competitive advantage if the activity can lead to sustainability. Further, competitive advantage can be achieved if the activity can be used as an advantage in the competitive context. Lastly, competitive advantage can be achieved if it creates value for the firm. The reputation of the firm, quality inputs, employees, the ability to learn, and the voluntary aspects can be said to support the above theories. By looking at evidence supporting the variables, it can be said that the activity can lead to competitive advantage. It has been hard to say that an activity can lead to competitive advantage if only one of the variables is fulfilled. To be able to say if the activity can lead to competitive advantage, the variables need to be seen in relation to each other.

Strategic necessity is in this paper divided into market and non-market pressure. An activity can be seen as a respond to market pressure by looking at forces in the industry and consumer

demands. Society, media and other stakeholder pressure can put pressure on a firm, and is in this paper seen as non-market pressure. The level of necessity depends on more than one variable, and the level of necessity will differ based on the variables. I will know what I have found when the respondents highlights the importance of the variables.

#### 4.7 The Quality of the Research

Even though I have been able to justify my choices, the quality of the research may be weak without undertaking the four tests; construct validity, internal validity, external validity and reliability (Yin 2009). Further, Johnson (1999) lists descriptive, interpretive and theoretical validity as important tests.

Descriptive validity can be said to be most relevant in observations. It measures whether the researcher is able to assemble all the given information and accurately report what s/he heard or saw. This paper has used one investigator, and an investigator triangulation explained in Yin (2009) will not be used. On the contrary, to better cope with descriptive validity this paper has used a recorder when conducting the interviews. By using the recorder, I have been able to go back and re-run the interviews.

Interpretive validity refers to what extent the respondent's meanings and thoughts are correctly understood by the researcher. One strategy to cope with interpretive validity will be for the respondents to double-check the information given (Johnson 1999). This paper has low degree of interpretive validity as the respondents have not read though or commented on what is portrayed in the paper. One of the reasons for this is due to the time limit. However, the chosen companies will be able to read through the final paper when it is completed.

Theoretical validity refers to how well the proposed theory fits the gathered data (Johnson 1999). This paper has chosen the respondents due a set of criteria, as well as the interview questions are rooted in the theory.

Construct validity is about generating accurate measures of the concept being studied. The researcher needs to demonstrate that the selected measures actually address the concepts and relationships (Remenyi 1998). Further, Yin (2009) mention two steps a researcher can undertake to secure construct validity:

1. define a happening in terms of specific concepts

## 2. identify operational measures that match the concepts

This paper has covered the first step by studying if a firm's CSR manager and relevant stakeholders have the same view on a specific CSR activity. This is done by using the concepts of CSR, stakeholders and competitive advantage and strategic necessity. To cover the second step, I have used relevant theory to cover the concepts. The operational of the variables are listed above.

In case studies, there will be lack of internal validity if the researcher makes decisions without having the necessary information (Remenyi 1998). Further, Yin (2009) express the concern of making inference when it comes to the causality of the variables. It can be said that this study has not explored two distinct variables; rather the study has looked at one CSR activity taken from two different firms. Event though internal validity is important in exploratory studies; it is less relevant in this study.

External validity is concerned with the generalisation of the findings. Although it will be hard to generalise by using case studies, it may be possible (Remenyi 1998; Yin 2009). Having two activities is not sufficient to generalise the findings, however, the two cases can be used to further develop the suggested theory. In order to generalise the findings, a quantitative study may be appropriate, which can be done in future research.

Reliability in case study research refers to whether the results are consistent and stable. This will be especially important if the findings are to be applied in other situations. The purpose of ensuring reliability is to minimise the chance of a biased results (Remenyi 1998). This study has not undertaken case study database or case study protocol as suggested in Yin (2009). I have chosen to analyse the data by using a cross-case synthesis, and the result may therefore differ if other analysis methods is used. However, the specific research process outlined above should allow future researchers to arrive at similar conclusion or results.

## 4.8 Other Limitations

As the reliability and validity of the paper is explored in the section above, there may be other limitations that may affect the results of the study.

The two CSR managers are chosen due to their knowledge regarding the CSR activity. However, it may happen that the respondents have not given sensitive or competitive driven information. Further, it may happen that the two CSR managers have biased information regarding the activity. This should however, be somewhat eliminated by using semi-structured interview. Furthermore, semi-structured interview may have resulted in lead questions and questions asked to get the wanted answer. The potential loss of information when translating information from Norwegian to English may have been a problem; however, this is less likely. The choice of the CSR activities do seem to fit the research questions, however, it should be mentioned that other activities could be as appropriate.

The stakeholders are chosen due to their relevance to the respective firms and its activities. The stakeholders are found by using e-mails and telephone. I wanted to get in contact with the person having enough information regarding the activities. It may happen that the respondents I have interviewed are not the ones that have the most knowledge. However, I have ensured that the stakeholders had knowledge about the chosen CSR activity on beforehand, to eliminate some of the risk.

I have used both in-person and telephone interviews in the data gathering. The use of telephone may have given necessary information; however, I have not been able to read the body language of the respondents. Using in-person has allowed me to better understand the information by incorporating the body language when the respondents answered the questions. However, the use of telephone interviews has been successful in this paper.

Lastly, I want to stress that this paper is based on information gathered from informants having different perspectives, and there is chance that biased information is collected. Further, the stakeholders may hardly know concrete facts about the two firms. It can be said that the information may have been thoughts and not facts. However, the purpose of this paper was to get different perspectives, which has been achieved by using different respondents with different opinions. The respondents are outlined in the chapter below.

## Chapter 5: Case Descriptions

This chapter outlines the two companies of interest by looking at the information found on the firms' webpage, as well as the information gathered from the respondents. First, there will be an outline of Stormberg and the activity inclusive work life, followed by an outline of Kaffehuset Friele and certified coffee with a focus on Fairtrade. An outline of the stakeholders and its relevance to the given firm will be outlined after the description of the two firms.



### 5.1 Stormberg

Stormberg, a provider of sports clothing, has been growing rapidly ever since Steinar Jørgensen Olsen started the firm in 1998. Olsen discovered that the Norwegian consumers had two choices regarding sports clothing. First, a consumer could find high quality sports clothes to a high price. Olsen did not question the quality of the products; however, the price on the products seemed to be too expensive for an ordinary Norwegian family. The second range of clothes was the cheaper products, with a quality that could be questioned. Olsen therefore wanted to create clothes such that every person could enjoy the pleasure of being active, with quality products to a reasonable price (<https://www.stormberg.no/no/Infosenter/Om-Stormberg/Historikk/>).

By the start of the company in 1998 the firm had four employees and a sale of 3.8 million NOK when entering 1999. In 2008, the sales reached 149 million NOK and the clothes are sold in over 600 sports shops and clothing stores in Norway. Looking at the rapidly increase in sales: it is clear that Stormberg to a large extent is profitable. The firm has, and will continue to increase its profits in a social responsible manner. The firm's mission, vision and values are translated and outlined below. The information is retrieved from (<https://www.stormberg.no/no/Infosenter/Om-Stormberg/verdigrunnlag/>).

#### **Stormberg's Mission**

“Make the world a better place”

### **Stormberg's Vision**

“Enjoyable trips for all”

### **Stormberg's Values**

“Honest – Brave – Sustainable – Inclusive”

#### 5.1.1 Stormberg and CSR

Stormberg is a corporation that will ensure economical benefits and profitable growth. The profit should, however, be created in a sustainable manner and it should be positive for the society. The firm has throughout its lifetime been engaged in social issues and Stormberg take its responsibilities seriously. Following is an outline of the different CSR activities and the different cooperation contracts with different NGO's: retrieved from (<https://www.stormberg.no/no/Infosenter/>).

#### **CSR Activities**

The first CSR activity is called the **1% activity**. Stormberg does business in a responsible manner, and gives something back to society. It is stated in the company rules that 1% of the sales should be used on humanitarian and social useful projects. The projects are primary directed towards less fortunate children, both in Norway and other countries in the world. From 2003 until today, there are two distinct projects that Stormberg has been engaged in, namely “SOS Barnebyer” and different crisis centers in Norway.

A second CSR activity is the **recycling clothes activity**. The activity gives the consumer and end user a chance of returning used clothes back to Stormberg and receive cash back related to the garment delivered. The cash back can be used in one of Stormberg's concept shops and in the factory outlet, as well as the consumers can give the money to a humanitarian project. The returned clothes will be delivered to different projects where the clothes can be reused. Stormberg do not encourage the consumer to purchase more Stormberg products, however, if the consumer chooses to replace its garment, the choice of giving back is at place.

Stormberg states that the firm has certain responsibilities when it comes to the **environment and climatic questions**. Stormberg has in several years had an active attitude towards the problem of greenhouse gas emissions and global warming. All of Stormberg's products are

climate neutralised by using international regulations set by the UN. Stormberg continually work with the reduction of gas emissions, and the reduction of energy use in the value chain.

Stormberg offers the consumer quality products, at a reasonable price. However, low prices should not overshadow the need for **ethical trade**. Stormberg therefore became a member of Initiative for Ethical Trade (IEH) September 2002, as the first wholesaler in Norway.

Stormberg has further developed its own ethical guidelines based on international guidelines found in the Codes of Conduct.

Ever since the start of the company, the firm has taken an interest in those who struggle to get into the job-market. Stormberg's last value can be translated into "inclusive" and Stormberg has developed an **inclusive work life** program. 25% of the workforce should be persons with a different and troublesome background. Today, the workforce consists of, among others, unskilled employees, earlier convicts and previous drug-abusers. To best be able to maintain the percentage in a growing workforce, Stormberg has an agreement with NAV and the Way-Back program. The contracts can be said to be an obligation more than a regulation.

Stormberg cooperate with different organisations, focusing on different areas in the value chain. Stormberg cooperate with SOS Barnebyer where Stormberg has the financial responsibility of a children's village in China. Further, Stormberg sponsor crisis centres and sports events. In addition, the firm cooperates with Way Back which is an organisation helping earlier convicts into the job market.



## 5.2 Kaffehuset Friele

In the late 18<sup>th</sup> century, Herman Friele offered foreign products to customers in Bergen. The business grew rapidly. At the start of the 19<sup>th</sup> century, the family owned company became a solid trade firm. One of the many imported products was coffee beans and coffee, and by mid 1850, one fifth of the coffee cups consumed in Bergen (Norway) were imported through



Friele. In the late 19<sup>th</sup> century the firm started its own roasting process, and the market for coffee in Norway increased. In the mid 20<sup>th</sup> century, Kaffehuset Friele decided to have its focus on coffee, after a time of many restrictions within coffee trade and production.

As a firm located and related to Bergen in west of Norway, the firm has from the start focused its business in the areas close to Bergen. During the 1970s Friele decided to enter markets in eastern Norway and by 1985, Friele had 2% of the market share in the east, whereas the total market share in Norway was at that time 11-12%. Kaffehuset Friele is today the leading coffee producer in Norway with a market share of 35%. The most popular product is called “Frokost Kaffe” and has a market share of 29%, whereas other Friele products have the last 6% of the total share.

### 5.2.1 Kaffehuset Friele and CSR

Kaffehuset Friele has produced coffee for the Norwegian market for centuries, and the firm gives back to society. The firm considers economical, environmental and social conditions. Friele continually improves the social aspects in every activity in the firm and Kaffehuset Friele is engaged in several CSR activities. These are outlined below by using information from (<http://www.friele.no/samfunnsansvar/>).

Friele is concerned about **gas emissions**, and the firm works continually to find better and more effective solutions within the firm’s activities. The firm offers the consumer coffee that is as environmental friendly as possible. That is why Friele in 2008 calculated its overall gas emissions, and from the calculations planned to make changes for the better. The oil driven distillery are about to be supplemented with gas, and the firm will also reduce its emissions when it comes to transport. The gas emissions are today reduced with about 30 percent.

Further, Friele works to protect **the environment**. The firm is a member of “Grønt Punkt Norge” which is the industry’s instrument to meet governmental regulations when it comes to product recycling. By being a member in the organisation, Friele shares the same high goals when it comes to recycling. The firm has continually worked with improvement of the coffee packing, as well as sorting recycle waste.

Kaffehuset Friele is engaged in activities not directly related to the core business of the firm. Friele has a cooperation with “Kirkens Bymisjon” (NGO) where Friele supplies the organisation with its total coffee consumption each year. The activity started with “Kirkens Bymisjon” Bergen, and has today increased to also include Oslo. Friele is further engaged in different organisations helping children in third world countries.

Kaffehuset Friele obtains coffee beans from different countries. Some of the producers are partly owned by Friele, whereas others are positioned under international coffee dealers. Some of the plants can therefore be identified to ensure the working conditions, however, there are plants that cannot be easily identified, and it will be hard to ensure good working conditions. During the last decade, the awareness of conditions in the third world has increased, and several institutions, organisations and firms are more engaged in **ethical trade**. Even though, Friele has standards when it comes to its suppliers and their conditions, it will be hard to have complete control. A membership in “Initiative for Ethical Trade” (IEH) helps the firm when it comes to ethical trade. Guidelines are developed, as well as ethical consulting are given.

In order to trace the coffee, and ensure the working conditions, Friele cooperates with different certification companies such as Fairtrade Max Havelaar and Utz Certified. Certification organisations ensure that the coffee obtained are produced in a sustainable and responsible matter.

### 5.3 Stakeholders

As stated in the methodology chapter, the stakeholders are selected by using the mentioned criteria. In order to classify the stakeholders’ salience, and its relation to the firms of interest, this paper will use the theory suggested by Mitchell, Agle et al.(1997). The classification is based on information gathered from the interviews and web pages. The conclusions drawn are based on the author’s judgment.

### 5.3.1 Stormberg



#### NAV Stormberg

The work and welfare department was established in 2006, and by including the social service in the communities, the term NAV was developed. NAV administer one third of the total government budget in Norway through different welfare programs. The purpose of the NAV is to get more people into work and activity. Further, the institution will adjust the individual worker's needs based on different laws and regulations. One of activities in NAV is the IA (inclusive work life) activity, developed in 2001. The main goal of the activity is to ensure a working place for all people that can and are willing to work. NAV's responsibility is to help corporations in including the IA activity when recruiting.

(<http://www.nav.no/page?id=1073743081>).

It is reasonable to say that NAV will have utilitarian power as they provide guidance when recruiting. Without NAV, Stormberg may lose an important resource, as most of the IA recruiting is done through NAV. This paper will, however, conclude that the type of power will not be sufficient for NAV in order to impose its will in the relationship. This is due to Stormberg's long experience in recruiting, as well as Stormberg has cooperation with other recruiting organisations. The IA activity will not be urgent for the institution. On the contrary, the claims that Stormberg (and other firms) should be engaged in the IA activity will be legitimate towards the society. NAV will encompass the attribute legitimacy. For these reasons, NAV can be categorised as discretionary stakeholder, placed in the **latent** stakeholder group.



#### Owner, Stormberg

Stormberg was started in 1998, as a sports clothing company offering quality clothes for a good price. The founder was Steinar Jørgensen Olsen. Today he is the chairman of the board. In addition to this he has a role as the company's CEO.

As the CEO and board director, Olsen will have all the means of power. He will most likely be able to impose his will by forcing the firm (coercive power), hold back resources (utilitarian power), and his reputation will be at stake from the firm's actions (normative power). Further, Olsen has been striving to maintain the inclusive work life activity since the beginning of the corporation. It can be said that the claim will be legitimate towards the society, and firm. Lastly, the activity will be important for the stakeholders, as well as the activity will be urgent due to its relevance for the firm. Olsen, as CEO and board director will encompass the attributes power, legitimacy and urgency. He can therefore be categorised as **definitive** stakeholder.



### NHO

”Næringslivets Hovedorganisasjon” (NHO) is the largest interest organisation for firms in Norway. The organisation consists of about 19.500 firms, 494.000 places of work, and 40 percent of the economical value in the private sector. Stormberg, however, is not a member. The majority of the members are small and medium sized firms and the cooperation between the members gives NHO a strong influence in the social- and competitive debate towards the government, and the private and public sector. NHO is concerned about the social development in Norway and they believe that the social development follows the industry's development, and the other way around. ([http://www.nho.no/kort\\_om\\_nho/](http://www.nho.no/kort_om_nho/)).

It can be said that even though Stormberg is not a member of NHO, Stormberg will be influenced due to the size, power, and the strong influence NHO has. Directions and guidelines set by NHO for its members will in many cases be followed by non-members in order to survive in the industry. It can be said that NHO will not have the means of urgency due to Stormberg's non-member status. Further, NHO work towards and for its members, and there will therefore be little legitimacy. This paper suggests that NHO, with their ability to influence and set the rules of the game, will be able to affect Stormberg and its activities. NHO will have utilitarian power, and can be categorised as dormant stakeholder, found in the **latent** stakeholder group.

### 5.3.2 Kaffehuset Friele



#### Fairtrade Max Havelaar

Fairtrade Max Havelaar is an independent organisation controlling and ensuring that products are sustainably produced, working rights are respected, and that the prices paid for the products are in congruence with product- and living costs. Fairtrade ensures social and economic standards for farmers, producers, workers and their families, and the professional buyer. Fairtrade can be found in 21 countries worldwide, and in Norway it is called Fairtrade Max Havelaar. Fairtrade Max Havelaar has its focus on two main tasks. First, they work to get more Fairtrade products within the Norwegian stores, through cooperation with several Norwegian corporations. Second, Fairtrade Max Havelaar ensures that the Norwegian consumer has knowledge about the importance of Fairtrade products.

([http://fairtrade.no/Internett/Om\\_Fairtrade/](http://fairtrade.no/Internett/Om_Fairtrade/)).

When it comes to the classification of the stakeholder, Fairtrade states that they have no power to influence its will in the relationship with Kaffehuset Friele. Due to the strong brand name Fairtrade is, and its good reputation, especially in Norway, it can be discussed whether the firm can use the brand name in order to influence Friele. However, this paper suggests that the possible use of normative power will not be strong enough for Fairtrade to impose its will. Today, the public is more aware of ethical trade and working conditions in the less developed countries. It can be said that ensuring good working conditions for farmers, higher prices for the coffee, and sustainable development will have legitimate standing in the society, as well as it will have legitimate standing in the firm. Fairtrade expects that Friele should be more and more engaged in certified coffee, and especially Fairtrade. Further, Fairtrade as a brand may suffer from poorer brand name if large corporations choose to end the relationship. It can therefore be said that Fairtrade has an urgent claim within the relationship with Friele. Fairtrade possesses the attributes legitimacy and urgency, and can therefore be categorised within the **expectant** stakeholder group: more precisely a dependent stakeholder.



### Rema 1000

Rema 1000 Wergeland (Bergen) is a store within the Rema 1000 brand. The grocery store is the store in Norway selling most Fairtrade coffee, national wide. The earlier store manager, Reidar Madsen, and Kaffehuset Friele launched together the first Friele Fairtrade product, which today has been a great success. Today, 1/10 of all Friele coffee that is sold in the store is Fairtrade coffee, and the product has one of the best positions in the store.

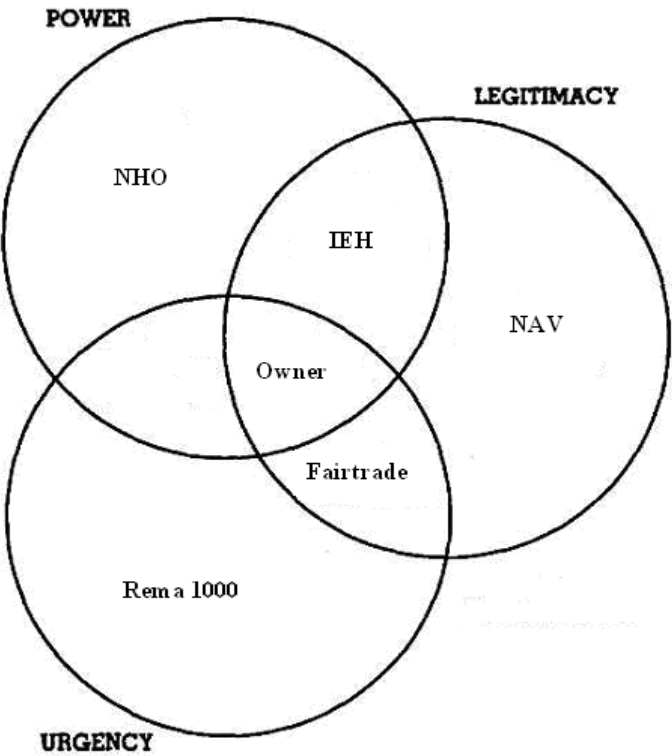
It can be said that Rema 1000 Wergeland will have less power, legitimacy and urgency than the Rema 1000 organisation in general. However, due to its large sales within Fairtrade coffee, and being the store that helped Friele in launching the Fairtrade product, Rema 1000 Wergeland will be affected by, and affect Kaffehuset Friele. Rema 1000 Wergeland will not possess any of the power means, as well as there will be a lack of legitimacy. However, it can be said that the activity will be critical and important for Rema 1000 Wergeland as the store sells most Fairtrade coffee in Norway. Rema 1000 Wergeland can therefore be categorised as a demanding stakeholder, placed in the **latent** stakeholder group.



### IEH

Initiative for Ethical Trade (IEH) is an organisation founded in 2000 by HSH (Handels- og servicenæringens hovedorganisasjon), LO, Coop Norway and Kirkens Nødhjelp. IEH's aim is cooperation for trade that consider human rights, working conditions, development and environment. The organisation's members are organisations: both in private and public sector. IEH strengthen its members' engagement in ethical trade. Further, IEH identifies and develops tools for its members when it comes to ethical trade and the organisation provides its members training and counselling. Kaffehuset Friele, as a member of IEH, agrees upon a contribution to improve working conditions, and the environment in countries they have operations or producers. IEH do not, however, guarantee ethical conditions throughout its members' value chain. ([http://www.etiskhandel.no/Om\\_IEH/index.html](http://www.etiskhandel.no/Om_IEH/index.html)).

It can be said that IEH as a member organisation can not use coercive or utilitarian power to influence its will in the relationship with Friele. However, IEH can be said to be a symbol in the society, and its members are obliged to follow certain directions. As long at Friele is a member of IEH, they are required to follow directions, otherwise Friele will be excluded. IEH will therefore have normative power in the relationship. IEH can not be said to have urgent claims on the firm. A membership in IEH will, however, be in the society’s and the firm’s interest in order to strengthen its CSR engagement. IEH can therefore be seen as dominant stakeholder, in the **expectant** stakeholder group.



**Stakeholder Groups**

**Stormberg:**

- NHO- Dormant (**latent**)
- NAV- Discretionary (**latent**)
- Owner- **Definitive**

**Kaffehuset Friele:**

- Rema 1000- Demanding (**latent**)
- IEH- Dominant (**expectant**)
- Fairtrade- Dependent (**expectant**)

**Figure 10: The Grouping of the Stakeholders (Mitchell, Agle et al. 1997, 874), modified by the author**

By modifying the model outlined in Mitchell, Agle et al.(1997, 874), the stakeholders can be seen in relation to each other and the firm. By using the stakeholders’ perception and the CSR manager’s intention, the findings will be outlined below.

## Chapter 6: Findings

This chapter consists of the main findings found in the collected data. As mentioned in the methodology chapter, this paper has used a cross-case synthesis in order to display the data (See appendix 3 and 4). The findings will be outlined by using main- and sub- categories. The categories have been developed by looking at the theoretical framework and the research model in chapter three, as well as new categories presented in the data have been added. The respondents not mentioned under the categories did not highlight the importance of the category, as well as some did not mention it at all. First, there will be an outline of the nature of the activities, followed by information regarding strategic necessity. Following, is information about the activity as competitive advantage. Lastly, there will a summary where the findings are outlined in two different tables.

### 6.1 Nature of the Activities

This section outlines the findings regarding the nature of the activities. First, there is an outline of the activities rooted in firm values, which is not covered in the theory section. This will be more discussed in chapter seven. Following is an outline of the activities seen in relations to the pyramid of corporate social responsibility.

#### 6.1.1 Values and the Activities

In terms of the inclusive work life activity, the CSR manager in Stormberg, Jan Halvor Bransdal, says that the firm's mission, vision and values will be in centre. The firm has a great passion for, and a strong belief, in the human being. The belief has followed and grown in the company since the start in 1998. Further, Bransdal (Stormberg) looks at the firm as a part of the bigger society where every person and individual has a certain responsibility, which is reflected in the firm's values.

When it comes to the stakeholders, Thune (NAV) explains how the activity can be rooted in the firm's values, which he perceives as to give every one a chance and believe in the human being. Further, the owner and CEO, (Olsen), says that the inclusive work life activity will be grounded in the firm's mission statement. Stormberg wants to do what it is reasonable in order to make the world a better place, and to do business in a correct manner. This view is also supported by Hultmann (NHO) who states that firms like Stormberg may be engaged in



the activity due to the firm's and the owner's values. Hultmann further says that the manager's and organisational values may lead to activities such as the inclusive work life.

The CSR manager in Kaffehuset Friele, Atle Engelsen, states that all their activities should be performed while considering economic, environmental, sustainable and social conditions. He further says that being engaged in Fairtrade coffee and certified coffee in general will cover these aspects. The same guidelines are stated on the firm's webpage, making it accessible for the public. The values in the firm are therefore somewhat grounded in social responsible behaviour. This is supported by Hammer (Fairtrade). She believes that Friele wants to be responsible and do its business in a correct and sustainable manner, and not only focus on economical factors. This can again be related to the firm's vision.

### 6.1.2 Components of the Activities

When it comes to the inclusive work life activity, Bransdal (Stormberg) says that there is no single study concluding that it will lead to economic benefits; however, he believes that Stormberg would not be engaged in the activity unless it is beneficial. At the moment there are no rules or regulations when it comes to the activity. Bransdal believes that it will be ethical to include those in the society that may struggle to get into the general job market. The inclusive work life activity will give back to society both directly and in a more indirect manner. The activity will improve life quality for those in the program, as well as the society will most likely benefit from the activity by reduced social costs.

Thune (NAV) believes that Stormberg is not engaged in the inclusive work life activity due to economic benefits or profit as the bottom line. However, the firm might have experienced economic benefits as they go. He further explains that there will be no rules or regulations related to the activity. The activity can be seen as voluntary in order to give back to society, and the human being. This is supported by Olsen (owner) and Hultmann (NHO) who says that Stormberg is not engaged in the activity due to economical reasons, nor rules or regulations. They further see the activity as a good for society.

Engelsen (Friele) says that every CSR activity needs to be profitable. There are some guidelines in the area; however, it can not be seen as rules or regulations. The activity can be

said to be ethically correct, and the working conditions, price and life quality on the farms are ensured.

When it comes to the stakeholders, Hammer (Fairtrade) perceives the economic benefits as the main driver for the activity. She further believes that there are, if not rules, regulations that Norwegian firms need to follow in international trade. The government will regulate how firms can trade and which ethical guidelines that needs to be followed. There will be more ethical needs in the future, and the society will enjoy the benefits in terms of higher prices, better working conditions, and more pleased employees. Madsen (Rema 1000) believes that Kaffehuset Friele will enjoy economical benefits and a higher profit. He further believes that there are no rules or regulations that need to be followed, and being engaged in the activity may ensure a good ethical reputation. The activity may give back to the producer who receives a better price, and the Norwegian society will enjoy a good reputation. Holter (IEH) says that Friele will most likely be engaged in the activity due to economic reasons as there is a demand for the product. There will be no rules or regulations a firm has to follow; however, having the activity will be the ethical right thing to do.

## 6.2 Strategic Necessity

This section outlines the findings by sorting the issue of strategic necessity into the main categories: market and non-market pressure. Sub-categories are further developed to more precisely define the findings.

### 6.2.1 Market Pressure

#### **Forces in the Industry**

Brandsdal (Stormberg) says that the firm will continually look at the trends in the industry; however, the competitors will not have any influence on Stormberg. Brandsdal says that Stormberg will be engaged in the inclusive work life activity regardless of what activities the competitors carry out. This is also supported by the three stakeholders.

Engelsen (Friele) says that there is a need for a certain focus on ethical trade in the industry. The more engagement from competitors, the more engagement will be required from Friele. Friele will look at its competitors in order to keep up with the trends. Hammer (Fairtrade) says that Friele needs to evaluate and respond to industry activities in order to survive. As for now

the Norwegian market will consist of mostly Norwegian coffee houses, however, she believes that a possible penetration of international houses will put more pressure on Friele. Madsen (Rema 1000) on the other hand, says that that Friele will most likely always monitor its competitors and analyse their activities, in order to best compete. However, he does not believe the competitors or the industry will put any pressure on Friele. Holter (IEH) can be said to have a slightly different opinion, and she believes that ethical behaviour will be necessary, and Friele may see it as a necessity in order to maintain its position. However, she further says that the industry in general called for a certain CSR focus and not certification in particular.

### **Consumer Demands**

Bransdal (Stormberg) says that the customers that purchase Stormberg products will always be on the alert when it comes to the reputation of the firm. The feedback Stormberg receives each week about the firm's CSR activities is an indication that the customers really care. Decreasing the activity or make it worse may impact the reputation, and many consumers may develop a negative behaviour towards the firm. However, Bransdal says that the total CSR picture is more important than the one activity, and the activity may therefore not be a necessity.

Engelsen (Friele) says that there is a certain pressure from the consumers and Friele needs to respond to the pressure in order to maintain its position in the Norwegian market. The consumer may have a more general focus on Friele and certificated coffee, rather than only one Fairtrade product. Engelsen also believes that the demand for certified coffee will increase in the future. In order to respond to the demands, Friele needs to increase its engagement within certified coffee. This is supported by Hammer (Fairtrade) and Holter (IEH), whereas Madsen (Rema 1000) believes that the consumers may act, but do not affect in a large scale.

## **6.2.2 Non-Market Pressure**

### **Society's Expectations**

Bransdal (Stormberg) says that the society has become more engaged and has during the recent years had more focus on CSR. Bransdal further says that due to the attentive society, Stormberg needs to be more focused and look at the society's expectations. However,

Bransdal feels that the society or groups in the society have not, or will not be able to influence the activity as the situation is today. This is supported by Hultmann (NHO) and Olsen (owner). On the other hand, Thune (NAV) says that Stormberg may to some extent adjust its CSR activities according to society's expectations.

Engelsen (Friele) says that the society has increased its focus on certified coffee during the last years, and the demand for ethical trade is greater today than for some years ago. Engelsen further explains how firms easier set aside ethical questions if it does not have any focus in the society. As for now, ethical trade and certified coffee have a large focus, and Kaffehuset Friele feels that being ethical and being engaged in certified coffee is a necessity in order to survive in the coffee industry. When it comes to the stakeholders, Hammer (Fairtrade) says that there is a more focus on CSR today, and the new coffee generation will be more engaged in social responsibilities. What society expects will to a large extent affect Friele. In order to fully meet the expectations, a strong focus is needed. This is supported by Holter (IEH) who further says that a more alert society calls for more alert firms. On the contrary, Madsen (Rema 1000) believes that society demands are today not great enough to make the activity a necessity.

### **Media/NGO's**

Bransdal (Stormberg) says that media will be more aware of Norwegian companies and its engagement in CSR activities. Recent, a rapport made by "Fremtiden i våre hender" (NGO) showed how the sports-and textile industry lack CSR initiatives. This rapport has not directly influenced or pressed Stormberg in some way, however, Bransdal says that media will make Stormberg more on the alert when it comes to positive and negative sides of the activity. Hultmann (NHO) and Olsen (owner) says that Stormberg will most likely not see the activity as a necessity. Thune (NAV) agrees with Bransdal (Stormberg) and says that media will have great power in Norway in any situation, and both positive and negative aspects can be exposed in media. The strong media focus on Stormberg may lead to more expectations, and that Stormberg may see CSR activities somewhat as a necessity to maintain its reputation.

Engelsen (Friele) says that media and different organisations can to a large extent influence the consumers and therefore Friele. There will be both positive and negative effects. Engelsen explains that Friele first got engaged in IEH due to media pressure, among others. Further, he says that media will always be on the alert to uncover negative conditions. This will in turn

put a pressure on Friele. This is supported by Hammer (Fairtrade) and Holter (IEH) who both says that media has and will put pressure on any firm. Madsen (Rema 1000) says that media may affect the firm; however, not to a large extent.

Engelsen (Friele) explains how and why Kaffehuset Friele first decided to be engaged in certified coffee. “Kirkens Nødhjelp” (NGO), as well as the media, did a report on Friele’s producers and the organisation found major negative conditions at a Keynesian farm. In order to restore its good reputation among consumers, media and the government, Friele took action after a pressure from Kirkens Nødhjelp (NGO). Engelsen further says that NGO’s continually may affect Friele in ethical decisions, and when it comes to certified coffee.

### **Shareholders**

Brandsdal (Stormberg) says that the board of directors will be important for the activity. The activity has been a part of the firm since the start, and one of the main drivers for the activity is the owner, Steinar Olsen. Going against the wishes of the owner may harm the firm.

Engelsen (Friele) mentions that two important stakeholders will be the two shareholders Herman Friele and the Dutch coffee producer, Douwe Egberts. Herman Friele has some of the same values as Kaffehuset Friele and looks at ethical trade as something that is needed in the coffee industry. Engelsen says that Herman Friele will affect the firm in its decisions. Douwe Egberts, however, has recently started to focus on ethical trade and certified coffee. The firm is now more engaged in ethical trade, which will affect Friele. Further, Hammer (Fairtrade) mentions that Kaffehuset Friele will need to give a good result for their shareholders.

## **6.3 Competitive Advantage**

This section contains the findings grouped in categories related to competitive advantage.

First, justifications for CSR will be outlined, followed by factors within the competitive context. Lastly, there will be an outline of the findings regarding value creation dimensions which consist of categories affecting the value of the activity.

### 6.3.1 Justifications for CSR

#### **Reputation /Brand Name**

Bransdal (Stormberg) says that withdrawing from the activity will not only lead to a need for readjustment of the company's values and mission, the reputation of the brand will most likely be weakened. Bransdal says that Stormberg needs the activity in the future in order to maintain its superior reputation. Further, Bransdal believes that the activity will affect the reputation towards consumers, government and different NGO's in particular. The activity will lead to greater public image which in turn may affect the value of the brand name.

When it comes to the stakeholders, Thune (NAV) believes that the firm's high profile will affect the reputation of the firm. A decrease in the activity will have a negative affect on the brand name and the reputation. Further, Thune explains that Stormberg will most likely strengthen the brand name towards the society, consumer and competitors. Olsen (owner) further says that Stormberg will benefit from a good reputation generated from the activity. This is also supported by Hultmann (NHO) who says that Stormberg might have less risk of negative publicity in the media, as well as the reputation will further be strengthened internally and externally. She believes that the reputation towards customers, media, NGO's, and the local society will matter.

Engelsen (Friele) says that having certified coffee and Fairtrade will increase the value of the brand name. Further, the today's society and consumers will be more aware of the ethical issues surrounding the coffee industry and an unethical firm will most likely suffer from a bad reputation. He further says that being able to increase the ethical reputation and strengthen the brand name may in turn lead to more customers and therefore economic gain.

All three stakeholders state that the activity will lead to a better reputation and strengthened brand name for Friele. Hammer (Fairtrade) says that stakeholders may get a negative perception of Friele if they act unethical. Being ethical and being engaged in the activity will improve Friele's reputation and in turn increase the market share. This is supported by Madsen (Rema 1000). He further believes that the total sales will increase due to a good reputation. Further, Holter (IEH) believes that not only certified coffee, but also the brand Fairtrade will be beneficial for Friele. Having the brand on its products will give Friele a better reputation and a greater brand name.

### **Licence to Operate**

Bransdal (Stormberg) says that the activity will be important for the firm in the future. Due to the high percentage of employees with a different background, as well as the values of the firm and the owner, Stormberg needs to be engaged in the activity. Further, the employees may feel less valued and may easier have fall backs if the activity is not carried through. Thune (NAV) supports the CRS manager's statement and further says that Stormberg can not have a high profile without having the ability to make actions. Olsen (owner) says that the activity needs to be seen as a part of the total CSR plan. The activity is therefore needed in order to operate in the future.

Engelsen (Friele) says that society has been more aware of the problems of unethical businesses lately. With a more transparent economy, it will be easier for the consumer, government and media to follow a particular firm. Further, Engelsen says that a clean and lucid trade with the producers is necessary in the today's society. Engelsen explains that in order to survive in the industry, Kaffehuset Friele must be engaged in ethical trade. A third part is often involved to make it more valid. More and more organisations develop ways of certifying producers and Engelsen says that any certification will be necessary in the future.

Looking at the stakeholders, Hammer (Fairtrade) says that there will be more pressure in the future when it comes to ethical trade and certification. Hammer further says that Friele may be able to survive without the Fairtrade products in the future; however, certified coffee in general will be advantageous. Holter (IEH) also believes that Friele is not dependent on the Fairtrade products; however a focus on CSR will be necessary in order to operate in the industry. Madsen (Rema 1000) on the other hand, says that the activity will not be crucial as the situation is today.

## 6.3.2 Social Dimensions of Competitive Context

### **Demand Conditions**

*Consumers:* Bransdal (Stormberg) is sure that many buyers, both professional and individuals, will purchase Stormberg products due to its social engagement in several areas. The demand for value for money products are increasing, but not for any costs. Several consumers express their satisfaction with Stormberg's engagement in social activities, and the inclusive work life in particular. Thune (NAV) says that the end consumer will have more knowledge about

Stormberg due to the high profile, which again can increase the demand for the firm's products. This is also supported by Hultmann (NHO) who further says that having the inclusive work life activity may have a positive effect on the demand for Stormberg products. Olsen (owner) sees the activity as a part of the bigger picture, and it may therefore affect the consumer.

Engelsen (Friele) says that consumers call for certified coffee. Consumers may be more concerned with Friele as a firm that needs to be more ethical, and not only have certified coffee in a few product ranges. However, Engelsen explains how consumers often say one thing, and do not act on it. This may be why only 1 percent of the total sales in Friele are from Fairtrade coffee.

Hammer (Fairtrade) says that certified products are needed today and there will most likely be a greater demand in the future. In order to respond to consumer demands, a firm needs to have certified coffee, as well as involvement in the activity may affect the consumers. Madsen (Rema 1000) believes that consumers will buy more Friele in general due to the consumers' engagement in certified coffee. He does, however, think that the market for certified coffee is not large enough today for a firm to only focus on certified products. Holter (IEH) says that the demand for Fairtrade and certified products are increasing. Having such activity may lead to a larger market share than the competitors. However, Holter says that a firm may survive without Fairtrade and certified coffee, as long as the consumers to a large extent call for any focus within CSR.

*Sales/market:* Engelsen (Friele) says that including ethical trade and certification as a part of the business may lead to increased sales, a greater market share, as well as new markets can be entered. Madsen (Rema 1000) believes that the motivation behind the activity is economical. He says that to get a larger market share and enter new markets, certified coffee and Fairtrade may be used as a source of diversification. New products in the product line may in turn increase the sales. Hammer (Fairtrade) also believes that that Friele's use of the Fairtrade brand will lead to increased sales and a larger market share. Further, in order to maintain and increase its market share, Hammer believes that different certification actions are necessary.



### **Context for Strategy and Rivalry**

Brandsdal (Stormberg) says that there are no rules or regulations when it comes to inclusive work-life activities. Brandsdal is not sure how many of their main Norwegian competitors having the same activity; however, he believes that the activity will not be necessary in order to compete in the industry. Firms not having the activity will be able to compete in the same lines as Stormberg. However, Brandsdal is hoping for more regulations in the future as this may lead to an advantage for Stormberg, due to the large engagement today.

Thune (NAV) says that other competitors in the industry will most likely notice Stormberg's success and try to copy the activity. He further says that copying, or being heavily engaged in the same activity, will be hard for other actors in the industry. Olsen (owner) says that having such high percentage as 25 percent will be hard for competitors to achieve. The activity will not be crucial to operate in the industry, but having a focus on CSR is becoming more and more important. Hultmann (NHO) believes that Stormberg's competitors will not strive to be engaged in the activity. Stormberg's competitors may see the success of Stormberg in relation to the including work life activity. However, Hultman explains that the activity will not be able to influence the industry in a great manner.

Engelsen (Friele) says that Friele will need to not only maintain, but to increase its engagement in certified coffee in the future. There are no concrete rules or regulations today; however, there are several guidelines on ethical trade suggested by different organisations. He further registers that more and more competitors are engaged in certified coffee. He says that the possibility of international competition will call for an even greater focus. This is supported by Hammer (Fairtrade). Madsen (Rema 1000) believes that Friele's high profile on the certified products may put a pressure on its competitors. Holter (IEH) believes that competitors look at each other and a certain focus is needed, not necessary Fairtrade or certified coffee.

### **Factor Conditions**

*Employees:* Brandsdal (Stormberg) says that the employees recruited from the program will have different perspectives, diverse backgrounds and experiences. This can therefore influence the firm and other employees. The employees will further be motivated, stable, engaged and hard-working, which is supported by all three stakeholders. Further he says that

employees recruited from the program, as well as those not recruited from the program will enjoy the benefits.

Looking at the stakeholders, Thune (NAV) says that the whole work force may enjoy the benefits of diversified recruiting and employees with different backgrounds. The inclusive work life employees will share special knowledge with other employees, as well as the firm and other employees may get a better understanding of the human being. Hultmann (NHO) says that every employee will have particular skills important for the firm. She further says that the firm may decrease its cost by having a lower sick absence and fewer turnovers. Olsen (owner) shares the same perceptions when it comes to the employees. He, however, says that it may be more hiring costs in the start, but it will be beneficial in the long run.

When it comes to Fairtrade and certified coffee, Hammer (Fairtrade) and Holter (IEH) believe that employees in Norway will have great experiences from the activity in a more indirect manner. The Norwegian employees may feel more pleased by working for a firm with ethical standards. Further, the employees may enjoy the benefits of working for a firm with a good reputation, which can be achieved by having the activity.

*Quality inputs:* Engelsen (Friele) says that good working conditions will in most cases lead to better product quality. Certified producers, having good working conditions, may be able to deliver more quality coffee than other producers. Engelsen further states that a firm's engagement within certified coffee and Fairtrade will lead to a healthy competition between certified and non-certified producers. This may improve the quality of the inputs. All three stakeholders say that improved working conditions will give quality coffee, and Hammer (Fairtrade) supports that healthy competition may be achieved.

### **Related and Supporting Industries**

Bransdal (Stormberg) says that the inclusive work life activity will most likely not have any direct influence on the value chain. However, there may be some indirect consequences. The activity will most likely be a part of better working conditions in the production countries. Bransdal says that Stormberg can not have inclusive work life in Norway while the producers and suppliers have poor social- and working conditions. This view is supported by Olsen (owner). He says that the inclusive work life activity will improve the situation for the employees in Norway, as well as Stormberg will transfer the focus to its business in China.

Engelsen (Friele) says that the producers will have better working conditions, receive a higher price for the coffee, enjoy greater life quality, and learn more about coffee and coffee production. He also mentions how the uncertified producers may benefit more indirectly from the growing ethical focus. If more firms are engaged in ethical trade and certified coffee, uncertified producers will need to strive to get certified.

The benefits for the farmers are shared by all three stakeholders. However, Madsen (Rema 1000) says that there will be years before the effects can be seen, as well as corruption may be at place. Further, he says that Friele's engagement will most likely not lead to any improvement, due to the small size of the engagement. Holter (IEH) says that the activity may lead to unfavourable benefits for the certified producers compared to local, uncertified producers. On the contrary, she says that ensuring good conditions will increase the number of farmers and the future production is ensured. Hammer (Fairtrade) says that the producers will be able to produce more sustainably. Non-certified producers may be positively affected, and the activity will increase the number of certified producers.

### 6.3.3 Value Creation Dimensions

#### **Centrality**

Bransdal (Stormberg) says that the inclusive work life activity may be a requirement in reaching the firm goals. If the firm decides to change the activity to the worse, or completely end the activity, the firm values and mission need to be changed. All three stakeholders further believe that the activity can be seen as a part of the firm's strategy for the firm to reach its goals. The activity may further be needed in order to act according to the firm's values and the bottom line.

Engelsen (Friele) says that Friele considers economic, environmental and social aspects in every firm activity. The engagement in Fairtrade and certified coffee can be said to follow these values. Holter (IEH) says that the activity can be a part of Friele's total CSR plan, and that the activity will be closely related to the business. She further says that having certified coffee and Fairtrade will be an easy way of being socially responsible due to the closeness to the firm's strategy. Madsen (Rema 1000) thinks that the activity may be used as a part of Friele's strategy to improve its brand name and to diversify its product line. Hammer

(Fairtrade) sees the relation between the activity and the firm's business, and believes that the engagement will grow.

### **Specificity/Knowledge**

Brandsdal (Stormberg) may take advantage of the activity by including diverse people, with different backgrounds and experiences. He says that the backgrounds of the employees may lead to valuable perspectives for Stormberg. Thune (NAV) believes that by having the activity, Stormberg may increase the knowledge of recruiting, as well as the human knowledge will be improved. This is supported by Hultmann (NHO). Thune (NAV) further says that diversified knowledge should be valued, which is the same perception as Olsen (owner).

In the case of Kaffehuset Friele, Hammer (Fairtrade) says that being engaged in the activity will most likely lead to a trade of knowledge between the producer and the firm. Friele may learn about the social development in the respective countries, and will be able to see a positive growth. Further, Friele will learn more about certified coffee. Holter (IEH) says that having a corporation with Fairtrade and other certification organisations will give Friele knowledge about the farmers, its working conditions and the local society. Fairtrade's strong standing with the Norwegian market may lead to increased benefits for Friele.

### **Proactivity and Voluntarism**

Brandsdal (Stormberg) mentions that there most likely will be more focus on the inclusive work life activity in the future. Stormberg may therefore deal with the activity better than its competitors due to its engagement today. The activity has followed Stormberg since the start of the firm, and he assumes that the activity is purely voluntary. Further, he believes that it is the owner's strong belief in the human being that has led to the activity. Thune (NAV) believes that the activity is performed due to personal and organisational values and that the activity is voluntary. He further believes that that Stormberg can use the activity in a proactive manner. Olsen (owner) has the same perception, and as an owner and CEO, he tried to influence the government, as well as NHO, in order to get regulations in the area of inclusive work life. This was done by sending a letter regarding the value of the activity.

Engelsen (Friele) says that being engaged in an early stage will most likely help the firm in adapting to new certification standards, if they are to come. He further says that the benefits

of the activity are many. The activity can now be seen as important for Friele, and needed in the future. Hammer (Fairtrade) believes that Kaffehuset Friele explored that certified coffee is the way to go, now and in the future. Being engaged in an early stage may help the firm compared to its competitors. Further, Holter (IEH) thinks that Friele has developed its activity to be in a proactive manner, and that Friele clearly sees the benefits of having the activity. Madsen (Rema 1000) believes that the activity is voluntary and that the incorporation of the activity at an early stage may help the firm in the future.

### **Visibility**

Bransdal (Stormberg) says that the firm has a high profile regarding the activity. The owner attends several conferences explaining the success of the activity, as well as it is possible to find relevant information on their webpage. Further, representatives from the firm attend different arrangements, focusing on social activities. Hultmann (NHO), Olsen (owner) and Thune (NAV) believe that having a high profile when it comes to the activity may lead to great benefits for the firm, acknowledging that Stormberg has a higher profile than its competitors.

Engelsen (Friele) says that certified coffee can be used in order to send a message to the society and consumers that Friele actually cares about its producers, and are willing to pay a higher price to ensure good working conditions. Engelsen sees the need to have a high profile in order to be visible in the industry. He further says that having a high profile may benefit the firm in a more demanding society with higher consumer demands. Hammer (Fairtrade) and Holter (IEH) further say that Friele's high profile may reduce some of the risk of having a bad reputation, as well as being visible for the society will benefit the firm.

## **6.4 Summary of Findings**

The tables below consist of the main findings in terms of competitive advantage, strategic necessity and the firms' values and beliefs. The tables further show the similarities and differences between the respondents

	<b>Kaffehuset Friele</b>				
		<b>Friele</b>	<b>IEH</b>	<b>Rema 1000</b>	<b>Fairtrade</b>
<b>Strategic Necessity</b>	Market pressure	YES	SOME	NO	YES
	Non-market pressure	YES	YES	NO	YES
<b>Beliefs</b>	Firm values and beliefs	YES	-	-	YES
<b>Competitive Advantage</b>	Justifications	YES	YES	YES	YES
	Competitive context	YES	YES	SOME	YES
	Value creation dimensions	YES	YES	YES	YES

**Table 8: Summary of Main Findings, Kaffehuset Friele**

	<b>Stormberg</b>				
		<b>Stormberg</b>	<b>NHO</b>	<b>Owner</b>	<b>NAV</b>
<b>Strategic Necessity</b>	Market pressure	NO	NO	NO	NO
	Non-market pressure	NO	NO	NO	SOME
<b>Beliefs</b>	Firm values and beliefs	YES	YES	YES	YES
<b>Competitive Advantage</b>	Justifications	YES	SOME	YES	YES
	Competitive context	YES	SOME	YES	YES
	Value creation dimensions	YES	YES	YES	YES

**Table 9: Summary of Main Findings, Stormberg**

By using the main- and sub-categories, this paper has outlined the findings relevant to the research questions. The next chapter will consist of an analysis of the findings, by using the categories outlined above.

## Chapter 7: Analysis

This chapter will first present an analysis of the CSR activities and the motivation behind the activities, followed by an outline of the activities as competitive advantage and/or strategic necessity. Further, there will be an outline of differences and similarities between the stakeholders and the resemblance to the CSR managers' intention. Lastly, there will be a suggestion for a revised model, incorporating the findings into the research model suggested in chapter three.

Throughout the analysis, the cases will be compared and contrasted in order to get the best possible image of CSR activities. The information retrieved from the CSR managers will be seen together with the perceptions from the stakeholders. This is because it will bring more understanding of how a CSR activity can be viewed. The sections of competitive advantage and strategic necessity will portray the first research question. The sections covering differences and similarities will explain the second research questions.

### 7.1 Motivation behind the Activities

This section will look at the two activities in light of relevant CSR literature in order to classify the activities as corporate social responsible activities. Further, the motivation behind the activities will be explored, as this can be related to competitive advantage and strategic necessity.

#### 7.1.1 The Activities in Light of the CSR Aspects

To better understand the two activities as means within corporate social responsibility, the activities can be classified using the pyramid of corporate responsibility (Carroll 1991) and theories related to CSR (Garriga and Melé 2004).

Both activities can be seen as rooted in the ethical aspect, as the respondents look at the activities as the ethical right thing to do. This paper will, however, not elaborate the discussion of what is ethical and what is not. This paper assumes that the activities are ethical driven due to the ethical perception of the stakeholders, and the CSR managers. Further, it can be said that the two activities will not be rooted in any rules or regulations. When it comes to

philanthropy, both activities can be seen as improving life quality for those involved, as well as the firms do act as good corporate citizens.

There are similarities between the above aspects. However, it can be said to be differences regarding the economic incentives of the firms. The inclusive work life is not performed due to economical interest. However, data shows that economic benefits will matter and it is therefore possible to trace the activity as an economic responsibility. The Fairtrade and certified coffee activity can be said to be rooted in economic values and the data shows that the firm is engaged in the activity due to economic benefits.

As a summary, the activities can be said to be CSR activities due to its relations to the aspects in the pyramid of corporate social responsibility (Carroll 1991). It can further be said that the activities can be related to instrumental, integrative and ethical theories which justifies for the activities as CSR activities (Garriga and Melé 2004). The activities can be seen as competitive advantage and strategic necessity, based on the placement. As mentioned in the theory section, the aspects will be overlapping in nature. However, having the activity as an ethical responsibility may be seen as strategic necessity. Having philanthropic behaviour may be seen as both competitive advantage and strategic necessity. Economic drive may be seen as competitive advantage.

### 7.1.2 Benefits and Pressure as Motivation

It can be said that a duty towards society can, by using the findings, be said to be present in the activities. It can therefore be said that the activities may be compliance driven (Van Marrewijk 2003). The activities can be said to give something back to society, and firms may need to give back to society as the firms are social influencers.

There are, however, benefits related to the activity. The firms were first engaged in the activities for different reasons. However, it can be said that the activities today will most likely give huge benefits for the firms, and in the long run, increase the profit. Using the activity as a source for competitive advantage may be seen as profit driven motivation (Van Marrewijk 2003). It can further be said that the activities will affect the triple bottom line, as well as the Fairtrade and certified coffee activity will lead to sustainability. It can be said that the firms are motivated by the nature of caring, the willingness of ensuring sustainable



development, and due to the firm's values. This can be categorised as drivers (Van Marrewijk 2003).

The activities can be placed within several of the four aspects, and the motivation can be linked towards competitive advantage and strategic necessity. The next section will explore a more detailed perception of the activity, using competitive advantage and strategic necessity literature.

## 7.2 CSR Activities as Strategic Necessity and Competitive Advantage

The CSR literature suggests different views when it comes to the nature of CSR activities. In many cases the literature shows that CSR can be seen as a source of competitive advantage, whereas other literature argues for CSR as a strategic necessity. The theoretical framework in chapter three shows that any CSR activity can be seen as competitive advantage and strategic necessity. This part of the analysis will first focus on categories leading to strategic necessity, with a focus on market and non-market pressure. Following, is an outline of the activities and competitive advantage, with focus on the justifications of CSR, the competitive context, and value creation dimensions.

### 7.2.1 The Activities as Strategic Necessity

#### **Market Pressure**

##### Forces in the industry

Stormberg may be engaged in the inclusive work life activity regardless of changes in the industry and competitors' activities, whereas certified coffee will be crucial for Friele in order to operate in the industry, today and in the future. From narrow strategising theory, students learn that an analysis of the industry and main competitors will be relevant in order to compete in the industry. It may be said that if a firm cannot change the rules of the game, they would have to follow the rules. The inclusive work life activity will not be crucial in terms of the sports clothing industry. Stormberg may overlook its competitors and forces in the industry due to the strong values in the firm, as well as the low need for the activity in the industry. It can be said that the industrial importance of the activity will be low, and therefore the activity is not seen as a strategic necessity. On the other side, certified coffee will be related to Friele's business. The firm will most likely not survive in the long run without a focus on certified coffee and ethical trade. There may be several reasons why this is the case.

However, it can be said that the activity's closeness to the requirements in the industry will be crucial. The firm may look at the activity as a strategic necessity due to competitors' engagement, as well as the trends in the coffee industry, nationally and internationally.

The results find support in the theory. Firms should respond to economic and technological environments (Wood 1991), as well as forces in the industry (Burke and Logsdon 1996). In the case of Fairtrade and certified coffee, Friele will need to respond to forces in the industry, whereas the inclusive work life activity can be said to be less affected. In general, it may be important to monitor the industry in order to respond to industry pressure. However, it can be said that it will also depend on the industry a firm operates (Porter and Kramer 2006).

### Consumer demands

Consumers today are more aware of firms' responsibilities. The perceptions show that consumers may reject products that are not produced in a social responsible manner. The inclusive work life activity may be seen in connection with the overall CSR focus within Stormberg. This might be a reason for why consumers do not demand higher or stronger engagement in the activity. As a contrast, the demand for ethical trade is extensive. The consumers may call for ethical trade due to the fact that it may be easily implemented for Friele. It can further be said that growing consumer social awareness are often concentrated around conditions in less developed countries. Consumers may be more on the alert when it comes to bad working conditions, rather than including less fortunate people.

The need for considering changing consumer demands are supported by Carrasco (2007), as well as it can be found in stakeholder management (Wood 1991). However, the data shows that the two activities are viewed differently. Friele may experience a larger pressure due to the activity's growing popularity in the industry, and the call for ethical trade seems to be greater than the call for inclusive work life.

As a conclusion, the firms monitor and respond to market pressure in order to operate in the industry. The two firms respond to market pressure differently and the strategic necessity of the activities will differ. However, as the literature suggests, a CSR activity may be seen as a strategic necessity when looking at market pressure. The findings further shows that being able to respond to market pressure may be beneficial for the firm. Responding to market

pressures may, however, increase the firms' great ability to compete, resulting in increased competitive advantage.

## **Non-Market Pressure**

### **Society's expectations**

Both firms are discovering changes in the society's values and that the society in general has become more aware of social responsibility. However, Stormberg, may not be influenced by society's expectations. This may be due to the firm's values and mission, and the strong belief in the human being. However, again the activity are not complied by laws or regulations, and there are few governmental guidelines when it comes to the activity. The firm performs the activity voluntary, and that the society may see the activity as a social gain. The society may have less negative perceptions and less criticism regarding the activity due to the "low" need for the activity, as well as the society may see the activity as pure beneficial. This may reduce the activity as a strategic necessity.

On the other hand, there is a large pressure from the society, regarding certified coffee. This may be correlated with the activity and its closeness to the firm's core business and the recent attention in the industry. As a coffee provider, the society may expect quality coffee, however, not for any cost. The data shows that there is an increasing trend to be social responsible and concerns and demands in the society may affect the firm. Friele will therefore need to respond to those expectations, in order to operate in the industry.

As stated in the theory, society's expectation can put pressure on a firm (Jušcius and Snieška 2008). By looking at the data, it can be said that the level of necessity can be rooted in the level of society's expectations. There are different perceptions regarding the two activities, and this may be due to the overall need for the activity in the industry.

### **Media and NGO's**

Media will have great influence when it comes to both activities. Stormberg has received great positive media coverage, and little negative regarding inclusive work life. Friele on the other hand is continually challenged by the media and different NGO's. Media may always be on the alert to uncover negative behaviour, whereas firms may need to seek media to publish positive aspects. It can be said that the positive affects of the inclusive work life activity will be a reason why the media can not put a pressure on Stormberg. Positive publicity may come

from voluntary behaviour and in cases where negative aspects are hard to find. Negative publicity; however, are often revealed due to a firm's unethical behaviour. Regarding both positive and negative media coverage, the need for a high CSR profile may be present. Further, the firms may see the activity as a strategic necessity in order to eliminate the risk of having negative publicity. The risk of having a bad reputation may again put a pressure on the firm; however, to different extents.

Media will be able to publish both positive and negative cases within both activities, as well as different NGO's will influence. This is also outlined by Smith (2003) and Munilla and Miles (2005). It seems, however, that Friele might be more alert due to the danger of being unethical, whereas Stormberg uses the media in order to communicate its good business. The risk of getting negative attention may affect the firms, and the activities can to different extents be seen as a strategic necessity.

### Shareholders

Firms need to respond to expectations and demands from shareholders, and the activities in Friele and Stormberg are no exceptions. Both activities are performed in congruence with the shareholders expectations. Due to its great position, the shareholders can and do make strong demands. The firms will need to act responsible, but at the same time create profit. It can be said that the activities are performed while considering shareholders' demands and expectations, which can be supported by Wood (1991). Further, the shareholders' view can in many cases be reflected in the firm's vision. In the case of the two firms, the data shows that the respective shareholders do have the same view as the firm when it comes to social behaviour. This may be an evidence of the firms responding to shareholder expectations.

To sum up, the categories outlined within non-market pressure can find support within CSR literature. As for the market pressure, the non-market pressure will differ between the two activities. There is evidence that the firms will evaluate non-market forces, however, the activities can be seen as a strategic necessity to different extents.

It can be said that the two firms continually evaluate market and non-market forces. However, the extent of the activities as a strategic necessity differs. As mention in the sections above, a firm may have an activity due to market or non-market pressure, however, the activities may

in turn lead to competitive advantage by responding to the pressure. The next section will have its focus on CSR activities and its competitiveness.

## 7.2.2 The activities as Competitive Advantage

### **Justifications for CSR**

#### Reputation/Brand name

The common perception among the respondents is that any given CSR activity will lead to increased positive reputation, as well as the brand name will be strengthened and improved. Both firms have a high profile regarding the activities and this may contribute to the firms' superior reputation, which in turn can affect the brand name. This may further be an advantage in the competitive arena (this will be discussed more in detail in the visibility category). There are other actors in both industries having the same activity, although not to the same extent. There are reasons to believe that great reputation might come from a firm's profile and its capability of communicating the activity's purpose.

It can be said that the certified coffee activity may need a high profile due to the negative publicity Friele has received from media and NGOs. It may have been a need for a high profile to cover earlier mistakes. However, the high profile and good reputation may have given the firm a competitive advantage. On the contrary, it seems that Stormberg might have developed a great reputation due to its ability to communicate the benefits of the activity, rather than cover up negative behaviour. Both cases have most likely led to a good reputation for the firms and a strengthened brand name as the activities are more visible than the activities of its main competitors. This is supported by Pelozo and Papania (2008). The activities may further be used in order to avoid negative reputation. This can be seen in both cases. It can be said that Friele may have started its engagement to cover up earlier mistakes. It may have been a need for actions in order to maintain the firm's reputation. In the case of Stormberg, negative reputation will affect the firm, as being responsible will only strengthened the reputation. This is, however, criticised by Porter and Kramer (2006), which indicates that a firms should not use CSR activities as an insurance for negative reputation. However, it can be said that a improved reputation may affect the value chain and the competitive arena (Porter and Kramer 2006), and therefore be seen as a competitive advantage.

### Licence to operate

Both activities will affect the society, stakeholders, as well as the reputation of the brand name. It seems that Friele will need the activity in order to maintain or increase its position in the industry and in order to respond to society demands. In the case of Stormberg, the activity can be said to be beneficial for those involved, however, the activity will not be a need. However, as Porter and Kramer (2006) criticise, the firms should not overestimate the role of the stakeholders when it comes to the activities' licence to operate. On the contrary, the activities are important for both the firms and its stakeholders, and having the licence to operate may lead to competitive advantage.

To sum up, it can be said that a CSR activity will give the firms an advantage compared to its competitors by enjoying an improved reputation and brand name. As mentioned in the necessity section, media can put a pressure on firms. This section showed how media can be used in order to improve the brand name, and therefore the firm's competitiveness. Having a CSR activity may not only lead to strengthened brand name, however, it can lead to an improved reputation. The use of the CSR activities may also decrease the risk of having a bad reputation.

### **Social Dimensions of Competitive Context**

#### Demand conditions

*Consumers:* The activities may be used in order to supply a more demanding consumer market. Firms not having a focus on CSR may be outperformed by those having a great focus. It can, however, be discussed whether the activities really are important for the consumers, and the market where the firms operate. Even though some consumers say that price comes second, it may happen that some will, regardless of the firm's activities, choose the product having the best value for money. However, more consumers care, and being responsible and serving the customer needs may lead to competitive advantage. This is supported by Porter and Kramer (2006).

*Sales and market:* While more consumers are purchasing certified coffee, the Fairtrade product can be seen as a way of diversification. By having the product, Friele may enter new markets and reach new segments, more focused on ethical trade. Certified products can be seen as a way of diversifying in a more intense industry. This can also be found when it comes to the inclusive work life. The use of the activities may therefore lead to increased

markets and sales and improved competitive advantage, through diversification. This can be supported by (Munilla and Miles 2005).

#### Context for strategy and rivalry

When it comes to Friele, there is an increasing focus on certified coffee, and more competitors have a certain CSR focus. This may reduce the advantage for the firm. However, the firm's ability to manage the activity may be different from its competitors. This may lead to competitive advantage. The coffee industry has been criticised for not caring for the local producers. Being careless might lead the firm to an end in the today's demanding industry. The same can be applied in the case of Stormberg who operates in an industry having a bad reputation regarding CSR. Having several CSR activities may be beneficial compared to the firm's competitors. The increased focus within the industries may, however, lead to more engagement from competitors. Again, it may be that the activities will not lead to competitive advantage if all or many of the competitors have it.

#### Factor conditions

*Employees:* The employees in Stormberg may be affected by the activity, both directly and indirectly. Diversity and different backgrounds may be beneficial for the firm. However, it can be discussed whether the activity will bring negative consequences, as Olsen (owner) points out. It might be that the employees recruited from the program will have less experience and knowledge and therefore the quality of the brand may be questioned. Further, the employees not recruited from the program might feel that their job is less worth if those recruited from the program can do the same job. However, the data shows that the activity will only bring positive affects for the employees. The employees may be more motivated, loyal and hard working, and the firm may enjoy a competitive advantage. When it comes to Friele, there may be a less direct affect on the employees located in Norway. However, the employees might feel more motivated and willing to work for a firm that takes its responsibilities seriously. The data shows that employees can be seen as a important input for the firms, and as stated in the theory, improved human resources may lead to competitive advantage (Porter and Kramer 2006).

*Quality inputs:* It can be said that being engaged in Fairtrade and certified coffee, which ensures good working condition, will give quality inputs and materials. Workers having good conditions might be more encouraged to produce quality coffee. A good access to resources

may in turn lead to competitive advantage (Porter and Kramer 2006). For Stormberg, the activity will again give motivated and stable employees.

### Related and supported industries

It seems that the inclusive work life activity, performed in Norway, will have an indirect impact on the working conditions in the production country. In the case of Friele, Fairtrade and certified products will lead to better working conditions for the coffee producers. It can be said that providing suppliers in the less developed countries with good working conditions will affect the firms in several areas, such as reputation, brand name and media.

In addition, great working conditions will most likely improve the quality, motivation and efficiency for the producers. This might in turn give improved supply for the firms, and it may lead to competitive advantage, as well as sustainable development is ensured. Further, by developing and providing the producers with good working conditions, the producer's competitors might improve their way of doing business. This may secure future suppliers, which again will be beneficial for the firms. When looking at the theory suggested by Porter and Kramer (2006), there is no evidence of local suppliers or clusters. However, by using capable suppliers that can offer great quality products due to good working conditions may be an advantage for the firms.

To summarise, the data shows that consumers are demanding more responsible actions from firms. The firms are able to serve the consumers, as well as use CSR as a source of differentiation and in order to increase its market share. As there are no industry rules regarding the activities, the firms will be able to use the activities in order to operate and compete. The activities will motivate the employees and give quality inputs for the firms, as well as the suppliers will enjoy great benefits. By looking at the activities in the competitive context, the firms may increase its competitive advantage.

### **Value Creation Dimensions**

#### Centrality

Both firms may have the activity as a part of the overall vision of the firm. Whereas Stormberg may be engaged in the activity in order to fulfil its mission, it can be said that Friele may use the activity as a way of maintaining its strategic goals. Either way, the two activities can be said to be somewhat in congruence with the strategic objectives of the firms.



The activities may lead to competitive advantage by being close to the core business, but also having the activities as a strategy to fulfil the overall goals of the firms. This can be supported by looking at the framework proposed by Burke and Logsdon (1996).

### Specificity/Knowledge

The two CSR activities may be great sources for improved knowledge in the respective areas, which competitors may strive to obtain. It can be said that attained knowledge about the human being and the less fortunate people, as well as specific knowledge about coffee and its quality may be beneficial for the firms. Stormberg may improve its way of recruiting, increase its human knowledge, and use the diverse backgrounds to get several perspectives. Friele may increase its knowledge about working conditions in less developed countries, coffee quality and links in the value chain. It can, however, be said that such knowledge may be copied by competitors, and the activities may indeed be performed by other actors in the respective industries. On the other hand, the two firms may have a specific ability to capture the essentials of the activities and learn from it. The activities may yield greater knowledge and benefits for the firms, which can justify for the specificity of the activities, and therefore the competitiveness of the activity. This is supported by (Burke and Logsdon 1996).

### Proactivity/Voluntarism

Friele may have started the activity as a respond to social pressure. However, during the years, it seems like the firm has been able to continually improve the activity. Being engaged in certified coffee in an early stage may help Friele when it comes to future obstacles, such as restrictions and regulations. The inclusive work life activity seems to be purely voluntary and there is little pressure from the industry or different stakeholders. Further, Stormberg and the owner can be said to have a proactive attitude towards the activity. The findings show that Olsen (owner) has actively tried to affect the government and NHO regarding the need for the activity in any industry. This active/proactive behaviour from the firm may increase the possibility of future laws and regulations, making it difficult for other actors in the industry to compete. It can be said that the two CSR activities started off with different motives, however, both firms has throughout seen the benefits of the activities. By being proactive, the activities may increase the firms' competitive advantage, which can be supported by looking at Burke and Logsdon's (1996) framework.

## Visibility

As far as visibility goes, the factor can also be discussed in the section of reputation/brand name. However, the two firms can be said to have a rather distinct profile compared to its main competitors. The visibility therefore needs to be discussed separately.

It can be said that the two firms enjoy the benefits of being more social responsible than its main competitors. It can be said that Stormberg has a high profile with attendance on different conferences, social arrangements, and small gatherings, as well as there are information to be found on the webpage and clothing labels. Friele, on the other hand, have a higher profile than its competitors, but remarkably lower profile than Stormberg. Information can be found on their webpage, as well as some of the products contain information about certified coffee. Both cases can be seen as positive affects of the visibility (Burke and Logsdon 1996) and it can be said that the two activities can increase the firms' competitive advantage. On the other side, as mentioned in the section of reputation/brand name, negative visibility may give negative affects to the firms. This is, however, not the case for the two activities today. This may be due to great positive visibility, which may have eliminated the risk of bad reputation.

To sum up, the CSR activities can be seen as related to the firm's overall objectives, as well as the activities can be said to be a part of the firms' strategy to reach its goals. The firms are able to use the benefits and experiences from the activities to compete in the respective industries. The activities can further be seen as proactive in nature as the situation is today. Further, the firms are able to use the activities to promote the brand names, and to reduce the risk of having a bad reputation. The activities may therefore be a great source of competitive advantage (Burke and Logsdon 1996), as well as it may be a valuable resource for the firms (Barney 1991).

### 7.2.3 The Competitiveness Matrix

The two activities can be seen as competitive advantage, and to different extents, as a strategic necessity. This can be shown in a matrix, as explained below. The activities will positively affect the employees, producers and suppliers, and inputs. Further, the activities can be used as an instrument for the firms to increase its reputation, and strengthened the brand name. The activities can further be used to eliminate the risk of having a bad reputation. The current market share can be increased, as well as new markets can be entered. The activities may

therefore be used as a source of diversification. The need to respond to social and competitive pressure will be higher for Friele than for Stormberg. However, the findings show that Stormberg to a certain extent needs to evaluate market and non-market factors. Consumers and the society expect more social responsible firms, as well as CSR will be needed in order for the firms to survive in the respective industries.

As a further development of the literature, the findings show, in addition to the outlined theories, specific categories that will be most related to the CSR activities. This will be outlined below.

### **Competitive Advantage**

As the *reputation/brand name* category can be found under several main categories, this paper will suggest that the reputation of the firm will be one of the greatest benefits regarding the CSR activity. The data shows that both activities are believed to strengthened the firms' brand name and improve its reputation to a large extent. Further, the use of the CSR activities can reduce the risk of negative publicity.

Further, it can be said that the role of the *employees* has received a lot of attention in the data gathered in this paper. The employees can be seen not only as stakeholders, but also as a part of the value chain, and a great factor for the firm's competitiveness. Due to the fact that the CSR activities to a large extent will affect the employees in a positive matter, it can be said that a firm may always consider its employees in every CSR activity. Employees can also be seen as a factor leading to *quality inputs*, as well as the activities in general will generate quality resources for the firms.

The activities can be used as a source of *diversification* to serve a more socially aware consumer market. This may increase the total market share, as well as new market can be entered. The activities can further be seen as valuable due to the specific *knowledge* it generates for the firms. Being engaged in the activities may give more knowledge to the firms which competitors may strive to obtain.

### **Strategic Necessity**

The need for the activities due to strategic necessity will differ between the two firms. The reasons for this may be many. However, the nature of the activities, as well as the industries

the firms operates may have a saying. There are however specific categories that can be highlighted.

In both cases, the *media* can put a pressure on the firms, regarding the activities. As the media can be used to improve the brand name, the media can also give negative publicity. The danger of getting negative publicity may put pressure on the firms. Further, there is an increased *social awareness and expectations* as well as *consumers* have stronger demands. This may affect the firms. The firms may in the long run respond to such pressure in order to survive.

As mentioned above, there is evidence to find that responding to market and non-market pressure may in turn lead to competitive advantage. By responding to society and consumer demands, the firms may maintain and obtain more consumers and markets. By evaluating the competitors and respond to possible pressure, the firms may in turn increase its competitiveness. Further, by responding to industry pressure the firms may be able to follow the rules, if they are not able to set the rules in the industry. Lastly, the media can put pressure on the firms by giving negative publicity. However, being able to respond “in a perfect manner” may give more positive reputation, and most likely improved brand name. The activities as competitive advantage and strategic necessity can be explained by using the competitiveness matrix.

		<b>Competitive Advantage</b>	
		<b>High</b>	<b>Low</b>
<b>Strategic Necessity</b>	<b>High</b>	Certified Coffee, Fairtrade	
	<b>Low</b>	Inclusive work life	

**Figure 11: The Competitiveness Matrix (the author)**

The certified coffee and Fairtrade activity will have a high competitiveness, as well as the activity is seen as a high degree of strategic necessity. The inclusive work life activity will have a high degree of competitiveness, and a low degree of strategic necessity. The findings show that the two activities are perceived as competitive advantage. As the certified coffee and Fairtrade activity has a high degree of strategic necessity, the inclusive work life activity will have a low degree. Based on the matrix in Figure 11, it can be said that the CSR activities are seen as competitive advantage and to different extents a strategic necessity.

#### 7.2.4 CSR as Grounded in Company Values and Beliefs

The data shows that the CSR managers and the stakeholders consider the activities as something more than a tool used in the competitive context. The CSR activities can be performed due to factors not having a focus in the literature review or the research questions: such as a company's values and beliefs.

Both firms have today a large focus on CSR, and it can be said that the two firms have a higher CSR profile than its main competitors. The inclusive work life activity can be seen in the light of Stormberg's firm values and belief, whereas Friele's Fairtrade and certified coffee may be seen as rooted in the firm's stated responsibilities.

(<http://www.friele.no/samfunnsansvar/>).

The inclusive work life activity does reflect the value "inclusive", as well as the strong belief in the human being can be seen in the activity. By using the findings, it is possible to say that the activity has been in the firm since the start, and a change in the activity may lead to a discussion regarding the firm's values. The firm may not be able to operate in the industry by excluding activities so close to the firm values, and the strong brand name the firm has gained, may be weakened.

When it comes to Friele, it can be said that the activity first was a reaction to a certain event, and can today be seen as a proactive activity. It may therefore be discussed whether the firm is engaged in the activity due to company values, or due to the need for the activity in order to compete. It may be that Friele has developed some of its values after the introduction of the activity, and the values may have become a part of the firm. However, due to the statements

from the CSR managers, and the webpage, it can be said that Friele do have values that are in congruence with the activity, and it can be said that the activity supports the firm's values.

The results may be explained by different factors. The CEOs' in Stormberg and Kaffehuset Friele can be said to be genuinely engaged in CSR activities. The owners and CEOs, Herman Friele and Olsen may often get through their demands. The firms' values may be reflected as the owners' own beliefs and values. This is supported by Hemingway and Maclagan (2004). They say that the values of the managers may be transferred to the firms' business activities. As the results show, it should not be surprising to discover that a CSR activity can be rooted in a firm's values. A firm will most likely not be engaged in activities going against the firm values. It can be said that values will often drive a corporation's activities, also when it comes to corporate social responsibility. This can be supported by (O'Riordan and Fairbrass 2008), and is shown in the revised model in section 7.4.

To sum up, the data shows that the two CSR activities are, in addition to a source of competitive advantage and strategic necessity, rooted in the companies' values, beliefs and way of doing business. There can be many explanations for the findings, as well as there are several variables affecting the CSR activities. The perceptions are alike among all respondents that highlighted the category. Further similarities, as well as differences, will be explained in the section below.

### 7.3 Differences and Similarities

The respondents look at CSR as beneficial for the firm, as well as the activity may be a strategic necessity. There are however differences and similarities to be found. First in this section there will be an outline of differences between the stakeholders, as well as a section visually showing the differences. Lastly, there will be an outline of differences and similarities between the stakeholders and the CSR managers.

#### 7.3.1 Differences and Similarities between the Stakeholders

This paper has, by using different stakeholder perspectives, explored stakeholders' perception of a given CSR activity. From the literature, it can be said that stakeholders, in many cases, will evaluate a firm's CSR activities. This section will explore how different stakeholders (latent, expectant and definitive) perceive a given CSR activity.

Looking at the inclusive work life activity, it can be said that the common perception among the stakeholders (latent, definitive) are that the activity is not regarded as a strategic necessity. Although the respondents believe that the firm will need to continually evaluate market and non-market factors. The perceptions regarding the activity a competitive advantage are similar. When looking at the Fairtrade and certified coffee activity, the dominant (expectant) and dependent (expectant) stakeholders perceive the activity as a strategic necessity. The demanding (latent), however, does not. The perceptions are alike when it comes to the activity in terms of competitive advantage. The importance of the firms' values and beliefs in CSR activities are mentioned by the stakeholders within each group.

The stakeholders may evaluate the activities based on own values and interests. This is supported by (Pelozo and Papania 2008). It may be said that those evaluating the activities as a source of competitive advantage may have economic preferences. Those evaluating the activities as a strategic necessity may see the need for the activity to ensure sustainability. Further, it can be said that those stakeholders dependent on profit to survive may have a different view than those concerned about sustainable development.

This paper acknowledges the fact that the differences and similarities may be due to conditions other than the stakeholder placement. First, it can be said that the stakeholders may have different perceptions due to the nature of the two CSR activities. An inclusive work life activity may by many be perceived differently than certified coffee activities. Again, the importance of the activity in the industries can be mentioned. Second, the perceptions may differ due to the knowledge of the activities among the stakeholders. It will be reasonable to say that a professional buyer may have less knowledge than the manager of an ethical organisation. Third, the risk of revealing sensitive and classified information may also affect the information given. Lastly, the results may differ as the analysis of the placement of the stakeholders may be done differently, as the stakeholders continually can increase and decrease its number of attributes (Mitchell, Agle et al. 1997). The stakeholder perceptions are outlined in the section below.

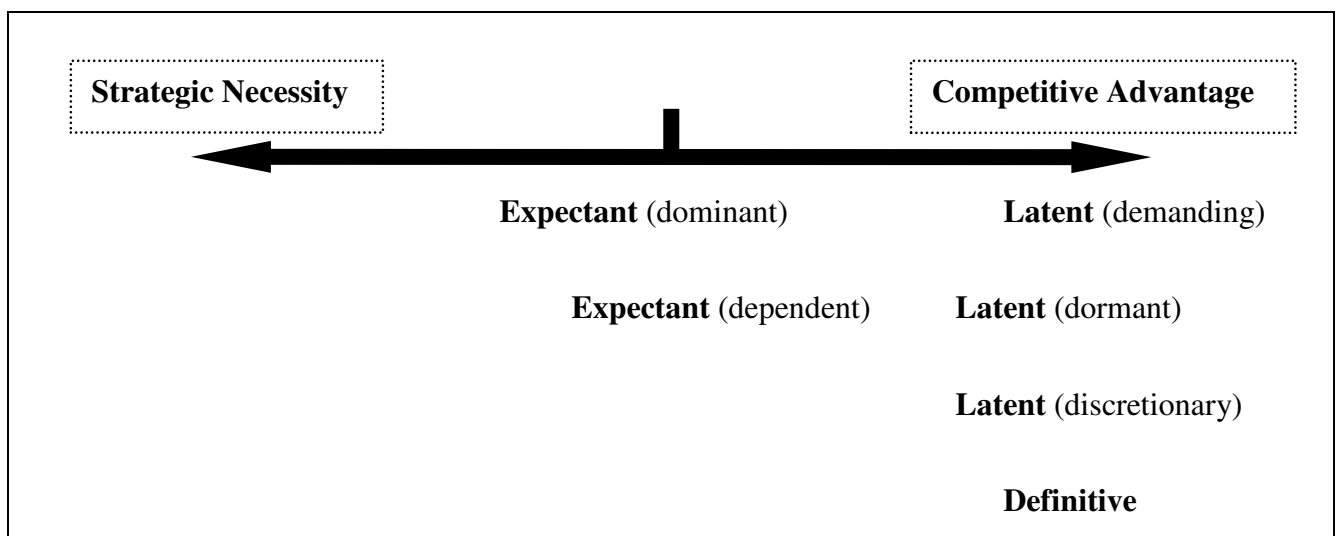
### 7.3.2 The Continuum of Stakeholders

Again, the three latent stakeholders (dormant, discretionary and demanding) do not see the CSR activity as a strategic necessity. However, the activity is seen as a source of competitive advantage. As the latent stakeholders hold one out of three attributes, their relation to the firm may be weak (Mitchell, Agle et al. 1997). This may lead to the belief that the activity should create benefits for the firm, as firms normally have profit creating aims.

The two expectant stakeholders (dominant and dependent) possess two out of three attributes. They perceive the CSR activity as a source of competitive advantage and as a strategic necessity. It can be said that the attribute legitimacy, which both stakeholders possess, could be a possible reason for the perceptions of the activity as a necessity, and the need for the activity. It may further be said that expectant stakeholders may expect the firm to comply with different expectations, as well as create profit.

As this research only conducts the analysis of one definitive stakeholder, there will be no comparison with other definitive stakeholders. However, the definitive stakeholder possesses all three attributes. A stakeholder that holds all three attributes will be important for the firm (Mitchell, Agle et al. 1997). It can be said that such stakeholder will have knowledge about a firm's activities and know its purpose.

The findings explained above are outlined in Figure 12. The stakeholders are, by evaluating the information given, put on the line of competitive advantage and strategic necessity.

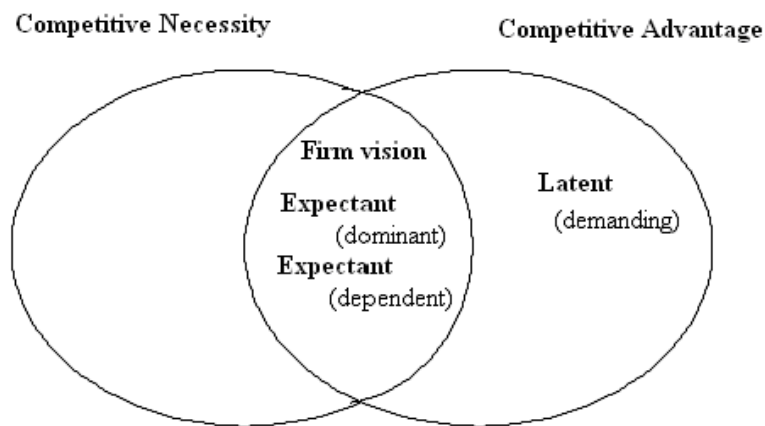


**Figure 12: The Continuum of Stakeholders (the author)**

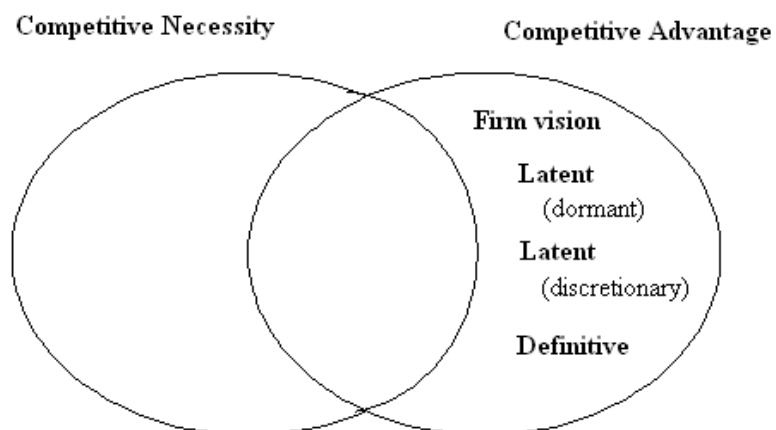


### 7.3.3 Differences between the CSR Managers and the Stakeholders

There are similar perceptions when it comes to the inclusive work life activity and its strategic necessity, although minor differences can be found. The same can be said regarding the activity as a source of competitive advantage. When it comes to the certified coffee and Fairtrade, the perception of the activity as a strategic necessity differ between the CSR manager and the latent stakeholder. The CSR manager's intention is similar to the two expectant stakeholders' perceptions. All three stakeholders and the CSR manager have the same perceptions regarding the activity as competitive advantage. Further, there are similar perceptions of the activities as rooted in the firms' values and beliefs. The results can be seen in the figures below.



**Figure 13: The CSR Congruence Model, Friele (the author)**



**Figure 14: The CSR Congruence Model, Stormberg (the author)**

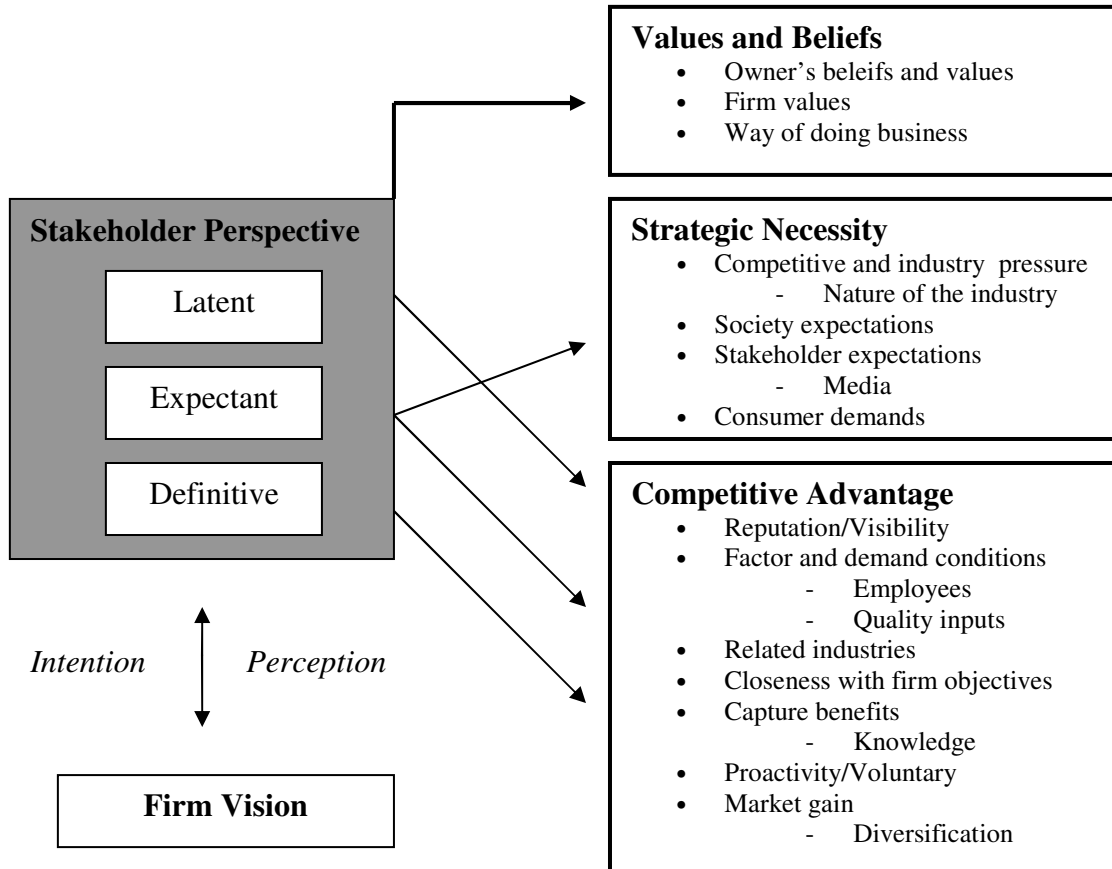
As seen in Figure 13 and 14, it can be said that the firms' vision is to a large extent similar to the stakeholders' perception. The only difference when looking at the two firms is the latent stakeholder in the case of Friele. This may seem strange as the latent stakeholder (Rema 1000) had a saying in the launching of the products. Again, the use of one attribute may be a reason for the results. Further, due to the nature of the demanding stakeholder, it may be that creating profit and gain competitive advantage will be important, and it may influence the perception.

The results may be due to several reasons, however, it can be said that the two firms' ability to have a large profile and its ways of communicating its purpose may have a huge impact on the stakeholders. The stakeholders may have become more aware of the intention of the firm, as well as the stakeholders may have more knowledge about the activities. Further, it may be that the more focus within CSR the last years have made the public more aware of CSR and its importance. This may have affected the stakeholders' knowledge about the CSR activities.

To sum up, it can be said that the stakeholder groups will have different perceptions of the CSR activities. The latent and definitive stakeholders perceive the activities as a source of competitive advantage, whereas the expectant stakeholders perceive the activities as competitive advantage and strategic necessity. However, the stakeholder groups have similar perceptions regarding the CSR activities along with firm values and beliefs. Lastly, the CSR managers' intention and the stakeholders' perception differ in some areas. The results can be seen in the revised model in the next section.

## 7.4 Revised Model

Again, the purpose of this paper is not to test different theories; however, the findings will allow further development of the theory. The research model in chapter three has been developed by using the literature and the author's interest in the field. The research model has further been used in the analysis. In this section the model has been modified with information revealed in the findings and the analysis.



**Figure 15: Revised Research Model (the author)**

The two CSR activities can be seen as a source of competitive advantage, as well as a strategic necessity, to different extents. The findings show that values and beliefs can be added as a factor affecting the CSR activities. Further, the stakeholders have different perceptions regarding the CSR activities. The categories will be further explained below.

**Values and Beliefs**

The CSR managers, as well as the stakeholders perceive the activity as something more than competitive advantage and strategic necessity. The two CSR activities may to a large extent be rooted in the firms' *values and beliefs*. The findings show that the *owners' values and beliefs* are reflected in the firms' way of doing business. Further, it seems that the firms have carried out the activities in accordance to its values. This may underline the activities as the firm's *way of doing business*.

### **Competitive Advantage**

The CSR activities may lead to competitive advantage. The findings show similar results as the theory, however, more specific categories can be found. The activities may lead to increased *reputation* and improved *brand name*. Further, factor conditions can further be divided into *employees* and *quality inputs*. The firms may enjoy benefits by the *knowledge* the activities will bring, as well as the firms may gain markets by *diversification*.

### **Strategic Necessity**

The findings show that the firms will continually evaluate market and non-market forces. In addition to the suggested theory, the findings show that *media and society* will in particular affect the firms. In addition, the need for the activities seems to differ among the *industries*. Further, the findings show that the CSR activities will not be affected by rules and regulation. This category is therefore removed.

### **Stakeholder Perceptions**

The stakeholders have different perceptions when it comes to the CSR activities. However, the data shows that the stakeholders within a stakeholder group hold the same perception. The latent and definitive stakeholders perceive the CSR activity as competitive advantage. The expectant stakeholders perceive the activity as competitive advantage and strategic necessity. Further, the CSR managers' intentions differ with some of the stakeholders' perceptions. However, this only comprises the demanding (latent) stakeholder.

To summarise, the revised model contains most of the main categories suggested in the research model in chapter three. However, further development of the theory has been carried out and more specific categories have been highlighted. The placement of the categories in the model can, however, be within different main-categories without losing its purpose.

## Chapter 8: Conclusion and Directions

The purpose of this paper was to explore why firms are engaged in CSR activities, and how the activities are viewed. The first question addressed was: Do firms engage in CSR activities due to competitive advantage or due to strategic necessity? And secondly, is the firm's intention in congruence with the stakeholders' perception, and are there differences and similarities between the stakeholders?

The contributions of this paper are in terms of understanding CSR as competitive advantage and strategic necessity. More detailed categories are further developed and highlighted. Further, this paper has found that the different stakeholder groups have unlike perceptions of a CSR activity, and that some of the stakeholders' perceptions differ with the CSR managers' intention.

### 8.1 CSR as Competitive Advantage and Strategic Necessity

The CSR activities can be seen as a source of competitive advantage and strategic necessity as illustrated in the revised model. There are, however, different perceptions when it comes to the activities as strategic necessity. In addition to the outlined literature, more detailed categories have been developed in order to more precisely define the competitiveness and the necessity of a CSR activity.

#### Competitive Advantage

1. The most significant category is the *reputation/brand name*. With the CSR activities the firms will be able to increase its reputation and improve its brand name if the activity is managed correctly.
2. The *employees* will benefit from the CSR activities both directly and indirectly, leading to a more motivated and productive work force. The activities will further lead to *quality inputs* for the firms.
3. The firms may enjoy benefits such as increased *knowledge* by having the activities. This knowledge may be crucial in the competitive arena.
4. The CSR activities can be used to increase the firms' market share and the firms can enter new market. The activities may be used as a source of *diversification*.

### Strategic Necessity

1. The two firms may be positively and negatively affected by attention in the *media*. This will lead to a continually evaluation of the activities towards the media.
2. Today, there are growing expectations from the *society* regarding CSR. This may to some extent affect the firms.

The stakeholders, activity itself and the industry may be potential reasons for why the pressure and the activity as a necessity are larger for some firms. Further, the competitive advantage and strategic necessity categories are not discovered by the author, it is a further development of the literature outlined in chapter two.

## 8.2 CSR as Rooted in Values and Beliefs

The CSR activities can be seen as a source of competitive advantage, as well as a strategic necessity. As a third main category, the CSR activities can be seen as rooted in the firms' values and beliefs. In addition, it can be said that the firms' values and beliefs can further be developed by being engaged in CSR activities. A CSR activity, performed according to the firms' values and beliefs, may strengthen the firm.

The firms may, to different extents, be influenced by its values and beliefs. Factors supporting the activities as rooted in the firms' values and beliefs are:

1. *Owner's values and beliefs*: Owners and shareholders believe in social responsible firms. This can be seen through the firm's CSR activities.
2. *Firm values*: The activities can be reflected in the outlined values in the firms. It can be said that firms in many cases will not be engaged in activities that counteract the values.
3. The firms act social responsible continually throughout their businesses. This may be an evidence of CSR as incorporated into the firms' *way of doing business*.

## 8.3 Different Perceptions between the Stakeholder Groups

The stakeholders have different perceptions about the CSR activities, as well as there will be minor differences between the stakeholders' perception and the CSR managers' intention. As the respondents view on the CSR activities as a source of competitive advantage and strategic

necessity may differ, their view on the CSR activities as rooted in a firm's values and beliefs are consistent.

1. The **latent** stakeholder group perceives the CSR activities as a source of competitive advantage.
2. The **expectant** stakeholder group perceives the CSR activities as a source of competitive advantage and as a strategic necessity.
3. The **definitive** stakeholder group perceives the CSR activities as a source of competitive advantage.

## 8.4 Limitations

As mentioned in the methodology chapter, there are limitations in this study that may have affected the results. First, the chosen respondents may have restrictions regarding the information given out to students. Second, the chosen stakeholders might not be the ones with the most knowledge regarding the activities. Third, the stakeholders continually change its attributes towards a firm (Mitchell, Agle et al. 1997). The placement of the stakeholder might be different. Lastly, the two activities are different in nature. This may affect the results regarding competitive advantage, strategic necessity and the differences between the stakeholders. These mentioned limitations may be considered in future research.

## 8.5 Directions for Future Research

Now that I have found results by using two firms with a high CSR profile, it would be interesting to see if the results can be said to be similar for firms not having the same profile and standing in the Norwegian society. It would further be interesting to look at two firms that are in the same industry, as the results in this paper may be related to the firms' standing in their respective industries. As an example, it would be interesting to compare Stormberg with another actor in the sports clothing industry that does not have the same profile as Stormberg. Bergans of Norway and Norrøna may be two possible Norwegian firms, operating in the same industry, and serving the same consumers.

I chose to use stakeholders' perception of a given CSR activity as well as the CSR manager's intention in the respective firms. This was in order to get several views and not base the study

on information only retrieved from the CSR manager. For future research it would be interesting to see whether several stakeholders have the same perception, and if more individuals in the firms have a different view. Further, it would be interesting to see if the stakeholder groups' view can be said to count for more than the two cases outlined in this paper.

In order to state that CSR activities can be seen as a source as competitive advantage, strategic necessity and as rooted in the firm's values and beliefs, it would be interesting to see if there are similar findings to find in future research. Again, as both firms have a high CSR profile, the values and beliefs may guide the firms towards CSR behaviour. When looking at firms with a lower profile, it would be interesting to see if a firm's CSR activity is rooted in the firm's values and beliefs to the same extent. Lastly, it would be interesting to see if the same results can be found when taking the recent finance crisis into consideration.

Future research within CSR could support the findings in this paper; that a CSR activity can lead to competitive advantage, be seen as strategic necessity, and at the same time be rooted in the firm's values and beliefs. In addition, future research could support the difference between the stakeholder groups and the differences and similarities between the stakeholders and the CSR managers.



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## Appendices

### Appendix 1: The Interview Guide, CSR Manager

#### **Interview Guide CSR Manager**

##### **Introduksjon**

Meningen med masterutredningen er å forstå hvorfor firmaer engasjerer seg i CSR (Corporate Social Responsibility) aktiviteter. Det første spørsmålet vil være: Engasjerer firmaer seg i CSR aktiviteter på grunn av konkurransefortrinn eller grunnet press fra interne/eksterne omgivelser? Jeg vil undersøke dette ved å se på saken fra ulike stakeholder perspektiver, samt CSR manageren i et firma. Videre vil jeg undersøke om det er ulikheter mellom stakeholdere og deres oppfatninger, samt likheter/ulikeheter med CSR managerens intensjon.

##### **Del 1: CSR**

1. Hva legger du i begrepet Corporate Social Responsibility (CSR)?
2. Hvorfor bør bedrifter påta seg samfunnsansvar?
3. FIRMA er aktive i ulike CSR aktiviteter. Hva mener du er den viktigste aktiviteten dere har?
  - a. Hvorfor?

Jeg har valgt å fokusere på FIRMA sitt engasjement innenfor AKTIVITET, hvilket jeg ser på et godt CSR eksempel til min masterutredning.

##### **Aktivitet "XXXX":**

4. Vil aktiviteten føre til økonomiske fordeler for bedriften?
  - a. Er det andre fordeler med aktiviteten?
5. Ser du på aktiviteten som et mulig konkurransefortrinn eller som en aktivitet som må bli utført pga. press fra ulike grupper/samfunnet?
  - a. På hvilken måte?
  - b. Om press fra samfunnet. Kan dette igjen lede til konkurransefortrinn? På hvilken måte?
6. Er det viktig å ta hensyn til interessentene?
  - a. Hvilke?
  - b. Hvorfor disse interessentene?
  - c. Hva kan grunnen til dette være?
  - d. På hvilken måte kan dette påvirke aktiviteten eller firmaet?

##### **Del 2: Motivasjon**

7. Hva er motivasjonen/driverne bak deres CSR aktivitet?
8. Vil du si aktiviteten blir utført grunnet;
  - a. Økonomiske fordeler?

- b. Lover og regler som må følges?
  - c. Fordi det vil være etisk riktig?
  - d. Fordi det vil gi noe til samfunnet?
9. Hva har vært i fokus når dere bestemte dere for aktiviteten?
- a. Er dette noe som er gjort grunnet fremtidige eller tidligere hendelser?(proactive/reactive)
10. Kan aktiviteten sies å være en del av strategien for å nå firmaets mål? På hvilken måte?
11. Kan aktiviteten være negativ på noe vis?Hvilke?

### **Del 3: CSR som konkurransefortrinn**

12. Vil aktiviteten påvirke ryktet til firmaet/produktet? På hvilken måte?
13. Er aktiviteten vesentlig for å fortsette driften? Vil den være med på å bedre driften i fremtiden?
14. Vil aktiviteten påvirke andre produkter/ produksjon av andre produkter? På hvilken måte?
15. Vil aktiviteten være mer et gode for samfunnet enn for bedriften? Hvordan kan bedriften ta kunnskap av aktiviteten?
16. Vil aktiviteten påvirke etterspørselen etter produkter i bedriften? Vil aktiviteten på noen måte påvirke markedet?
17. Har deres konkurrenter lignende aktiviteter? Hvordan kan dette påvirke dere,og industrien generelt?
18. Vil aktiviteten være viktig med tanke på deres:
- a. leverandører
  - b. kunder
    - På hvilken måte?

### **Del 4: CSR som en nødvendighet**

19. Vil du si at aktiviteten er påvirket av press fra:
- a. Konkurrenter?
  - b. Industrien?
  - c. Miljøet?
  - d. Samfunnet?
  - e. Staten (eks. ved lover og regler)?
  - f. Andre interessenter (kunder/leverandører/ansatte/etc)?
20. Kan aktiviteten bli endret på noen måte om presset/kravene fra samfunnet endrer seg?

### **Del 5: Avslutning**

21. Hva mener du er viktigst med CSR aktiviteter generelt? Mest mulig profitt eller forholde seg til ytre og indre press, eller en mix?
22. Er det noe du til legge til, som ikke har kommet fram av spørsmålene ovenfor?

## Appendix 2: The Interview Guide, Stakeholders

### Interview Guide Stakeholders

#### Introduksjon

Meningen med masterutredningen er å forstå hvorfor firmaer engasjerer seg i CSR (Corporate Social Responsibility) aktiviteter. Det første spørsmålet vil være: Engasjerer firmaer seg i CSR aktiviteter på grunn av konkurransefortrinn eller grunnet press fra interne/eksterne omgivelser? Jeg vil undersøke dette ved å se på saken fra ulike stakeholder perspektiver, samt CSR manageren i et firma. Videre vil jeg undersøke om det er ulikheter mellom stakeholdere og deres oppfatninger, samt likheter/ulikheter med CSR managerens intensjon.

#### Del 1: CSR

1. Hva legger du i begrepet Corporate Social Responsibility (CSR)?
2. Hvorfor bør bedrifter påta seg samfunnsansvar?

Jeg har valgt å fokusere på FIRMA sitt engasjement innenfor AKTIVITET, hvilket jeg ser på et godt CSR eksempel til min masterutredning.

#### *Aktivitet "XXXX":*

3. Tror du aktiviteten føre til økonomiske fordeler for bedriften?
  - a. Er det andre fordeler med aktiviteten?
4. Attributter:
5. Vil dere/du som "stakeholder" til firmaet kunne uten hindring få gjennom deres/din vilje når det kommer til denne aktiviteten? Hvordan?
6. Vil deres krav til aktiviteten være til det beste for samfunnet? tror du firmaet vil ta handling grunnet dette? Hvorfor? Hvorfor ikke?
7. Vil aktiviteten være viktig for deg tidsmessig og vil den være kritisk for dere/deg? Hvordan?

#### Del 2: Motivasjon

8. Hva tror du er motivasjonen/driverne bak den nevnte CSR aktiviteten?
9. Vil du si aktiviteten blir utført grunnet;
  - a. Økonomiske fordeler?
  - b. Lover og regler som må følges?
  - c. Fordi det vil være etisk riktig?
  - d. Fordi det vil gi noe til samfunnet?
10. Hvorfor?
11. Hva tror du har vært i fokus når de bestemte seg for aktiviteten?
  - a. Er dette noe som er gjort grunnet fremtidige eller tidligere hendelser?(proactive/reactive)
12. Tror du aktiviteten er et middel som kan sies å være i samsvar med bedriften strategi

om å nå sine mål?

13. Kan aktiviteten være negativ på noe vis?Hvilke?
14. Ser du på aktiviteten som et mulig konkurransefortrinn eller som en aktivitet som må bli utført pga. press fra ulike grupper/samfunnet?
  - a. På hvilken måte?
  - b. Om press fra samfunnet. Kan dette igjen lede til konkurransefortrinn? På hvilken måte?

### **Del 3: CSR som konkurransefortrinn**

15. Vil aktiviteten påvirke ryktet til firmaet/produktet? På hvilken måte?
16. Er aktiviteten vesentlig for å fortsette driften? Vil den være med på å bedre driften i fremtiden?
17. Vil aktiviteten påvirke andre produkter/ produksjon av andre produkter? På hvilken måte?
18. Vil aktiviteten være mer et gode for samfunnet enn for bedriften? Hvordan kan bedriften ta kunnskap av aktiviteten?
19. Vil aktiviteten påvirke etterspørselen etter produkter i bedriften? Vil aktiviteten på noen måte påvirke markedet?
20. Tror du deres konkurrenter har lignende aktiviteter? Hvordan kan dette påvirke firmaet,og industrien generelt?
21. Vil aktiviteten være viktig med tanke på:
  - a. leverandører
  - b. kunder
22. På hvilken måte?

### **Del 4: CSR som en nødvendighet**

23. Vil du si at aktiviteten er påvirket av press fra:
  - a. Konkurrenter?
  - b. Industrien?
  - c. Miljøet?
  - d. Samfunnet?
  - e. Staten (eks. ved lover og regler)?
  - f. Andre interessenter (kunder/leverandører/ansatte/etc)?
24. Tror du aktiviteten vil bli endret om press eller krav fra samfunnet endrer seg?

### **Del 6: Avslutning**

25. Hva mener du er viktigst med CSR aktiviteter generelt? Mest mulig profitt eller forholde seg til ytre og indre press, eller en mix?
26. Er det noe du til legger til, som ikke har kommet fram av spørsmålene ovenfor?



### Appendix 3: Table for Analysis, Stormberg

	<b>Stormberg</b>	<b>NAV</b>	<b>NHO</b>	<b>Owner,CEO</b>
Perception of CSR	<ul style="list-style-type: none"> <li>- responsibility a firms has that is not written in any laws or regulations</li> <li>- as a member of the society, a firms has its responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>- should take responsibilities as a part of the society</li> </ul>	<ul style="list-style-type: none"> <li>- behavior that goes beyond rules and regulations</li> <li>- firm's should behave respectably and sustainable</li> <li>- five areas in FN's global compact</li> </ul>	<ul style="list-style-type: none"> <li>- Actions or responsibilities a firm has that goes beyond laws and regulations</li> <li>- will be the morally right thing to do</li> </ul>
Stakeholder salience	<ul style="list-style-type: none"> <li>- customers</li> <li>- company's board</li> <li>- employees</li> <li>- the government has increased its interest in the activity</li> </ul>	<ul style="list-style-type: none"> <li>- will not have power to influence</li> <li>- will be critical in time and the activity is important</li> <li>- the damans for the activity will be legitimate</li> </ul>	<ul style="list-style-type: none"> <li>- may be due to NHO is the largest organization of its kind in Norway</li> <li>- set many direction affecting all firms in Norway</li> </ul>	<ul style="list-style-type: none"> <li>- will be able to get his will heard</li> <li>- will be in the best for society</li> <li>- will be critical in time and important</li> </ul>
Motivation behind the activity	<ul style="list-style-type: none"> <li>- a passion for the human being will be the center</li> <li>- the company's mission statement and values</li> <li>-profit</li> <li>- will get positive publicity and a strong brand-name</li> <li>- loyal and hard-working employees</li> </ul>	<ul style="list-style-type: none"> <li>- will be a strategy to follow the values</li> <li>- the firms view on the human being</li> <li>- will improve the firm's reputation</li> <li>- will improve life-quality</li> <li>- will employ people</li> <li>- loyal and striving employees</li> <li>- will lead to economical benefits</li> </ul>	<ul style="list-style-type: none"> <li>- reduced risk when it comes to negative publicity and reputation</li> <li>- increased productivity</li> <li>- loyal, efficient and effectively workers</li> <li>- reduced turnovers and less sickness absence</li> </ul>	<ul style="list-style-type: none"> <li>- will be grounded in the mission statement</li> <li>- want to drive the firm correctly</li> <li>- will give stable, loyal and good workers</li> <li>- beneficial in the long run</li> </ul>
The aspects of the activity	<ul style="list-style-type: none"> <li>- will be performed due to economical benefits</li> <li>- no rules or regulations</li> <li>- will be ethical</li> <li>- will give something to the society</li> </ul>	<ul style="list-style-type: none"> <li>- not due to economical benefits in the first place</li> <li>- not due to laws and regulations</li> <li>- will be ethical with respect to the firm's values</li> <li>- will give back to society</li> </ul>	<ul style="list-style-type: none"> <li>- economic benefits are important</li> <li>- no rules or regulations</li> <li>- positive for the individual and society</li> </ul>	<ul style="list-style-type: none"> <li>- no economic benefits</li> <li>- no rules or regulations</li> <li>- will give back to society</li> </ul>
<b>Firm Values</b>	<ul style="list-style-type: none"> <li>- will be in the centre</li> <li>-caring</li> <li>-believe in the human being</li> </ul>	<ul style="list-style-type: none"> <li>- follow company values</li> <li>- give every human a chance</li> </ul>	<ul style="list-style-type: none"> <li>- firm and owner values in the centre</li> </ul>	<ul style="list-style-type: none"> <li>- mission statement and values will be in the centre</li> <li>-believe in the human being</li> </ul>

Competitive Advantage				
<b>Justification for CSR</b>				
Reputation/Brand name	<ul style="list-style-type: none"> <li>- strengthened brand name</li> <li>- improved reputation</li> <li>- risk of bad reputation</li> </ul>	<ul style="list-style-type: none"> <li>- better reputation</li> <li>- risk of bad reputation</li> <li>- stronger brand name</li> </ul>	<ul style="list-style-type: none"> <li>- less negative publicity</li> <li>- better reputation internal and external</li> </ul>	<ul style="list-style-type: none"> <li>- improved reputation</li> <li>- stronger brand name</li> </ul>
License to operate	<ul style="list-style-type: none"> <li>- will need to have the activity in the future</li> <li>- is a part of the company's values and mission</li> </ul>	<ul style="list-style-type: none"> <li>- need to make words to actions, and cannot live without that</li> <li>- congruence with the values in the company</li> </ul>	<ul style="list-style-type: none"> <li>- will be important for internal and external pressure</li> </ul>	<ul style="list-style-type: none"> <li>- not important taken the activity as one</li> <li>- will be crucial for the firm as CSR as a whole</li> </ul>
<b>Social dimensions of the competitive context</b>				
Demand conditions <i>Consumers</i>	<ul style="list-style-type: none"> <li>- many will buy the products due to its CSR activities</li> <li>- the more IA activities, the more awareness</li> </ul>	<ul style="list-style-type: none"> <li>- customers will pay attention to the activities</li> <li>- high profile may affect the arena</li> </ul>	<ul style="list-style-type: none"> <li>- higher demand for products due to higher profile</li> </ul>	<ul style="list-style-type: none"> <li>- consumers will buy products due to the overall CSR focus</li> </ul>
Context for strategy and rivalry	<ul style="list-style-type: none"> <li>- will not influence the industry today</li> <li>- not any competitor have the same percentage</li> </ul>	<ul style="list-style-type: none"> <li>- competitors may want to find out what makes Stormberg so successful</li> <li>- hard to follow without meaning it</li> </ul>	<ul style="list-style-type: none"> <li>- great example for other firms</li> <li>- not pressure, but more a ideal</li> </ul>	<ul style="list-style-type: none"> <li>- no other competitor has the same percentage</li> <li>- more focus on IA as a way of recruiting</li> <li>- tries to affect rules and regulations</li> </ul>
Factor conditions <i>Employees</i>	<ul style="list-style-type: none"> <li>- diverse workers will give diversified thoughts</li> <li>- stable and loyal employees</li> <li>- hard-working and committed employees</li> </ul>	<ul style="list-style-type: none"> <li>- will affect the working conditions</li> <li>- people that have difficulties on the workplace may enjoy the diversity</li> <li>- loyal and stable employees</li> </ul>	<ul style="list-style-type: none"> <li>- loyal employees</li> <li>- higher productivity</li> <li>- every worker will have particular skills</li> <li>- less turnovers</li> </ul>	<ul style="list-style-type: none"> <li>- will give stable and loyal employees</li> <li>- this will improve the productivity in Norway</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- cannot have IA in Norway and not good working conditions in other countries</li> </ul>			<ul style="list-style-type: none"> <li>- transfers good working environments in Norway to the production countries (China)</li> </ul>
<b>Value creation dimensions</b>				
Centrality	<ul style="list-style-type: none"> <li>- will be a part of the strategy to reach the goals</li> <li>- focus on human beings, and making the world a better place</li> <li>- give everyone a chance</li> </ul>	<ul style="list-style-type: none"> <li>- will most likely be a part of the strategy</li> <li>- the IA contract will most likely strengthen the strategy</li> </ul>	<ul style="list-style-type: none"> <li>- can be a tool to increase its reputation, efficiency and productivity</li> <li>- affect the bottom line</li> </ul>	<ul style="list-style-type: none"> <li>- is in congruence with the firm's strategy</li> <li>- the activity is taken from the mission statement</li> </ul>

Specificity/Knowledge	<ul style="list-style-type: none"> <li>- increased human understanding</li> <li>- learn about recruiting</li> <li>-diversity in the workforce</li> </ul>	<ul style="list-style-type: none"> <li>- diversity in the workforce</li> <li>- better understand human beings</li> </ul>	<ul style="list-style-type: none"> <li>- communication skills</li> </ul>	<ul style="list-style-type: none"> <li>- human knowledge</li> </ul>
Proactivity/ Voluntarism	<ul style="list-style-type: none"> <li>- more focus on IA in the future</li> <li>- has had the activity since the start</li> <li>- purely voluntary</li> </ul>	<ul style="list-style-type: none"> <li>- will need to maintain the activity</li> <li>- was earlier than the IA contract</li> <li>- may feel more obliged after the contract</li> </ul>	<ul style="list-style-type: none"> <li>- a mix of values, pressure, and benefits</li> </ul>	<ul style="list-style-type: none"> <li>- is done due to pure will</li> <li>- tries to influence the government</li> <li>- want to have regulations</li> <li>- from the mission statement</li> </ul>
Visibility	<ul style="list-style-type: none"> <li>- have a high profile which are beneficial</li> <li>- attend conferences</li> </ul>	<ul style="list-style-type: none"> <li>- have a high profile, and attend seminars</li> <li>- adds on different media channels</li> <li>- high focus may affect the brand positively</li> </ul>	<ul style="list-style-type: none"> <li>- have a higher profile than its competitors</li> <li>- may increase the market share due to high profile</li> </ul>	<ul style="list-style-type: none"> <li>- will be beneficial for the brand</li> <li>- high profile</li> </ul>
<b>Strategic Necessity</b>				
<b>Market</b>				
Forces in the industry	<ul style="list-style-type: none"> <li>- will not change the activity due to market factors</li> <li>- competitors will not be able to influence</li> </ul>	<ul style="list-style-type: none"> <li>- no pressure</li> <li>- Stormberg may affect the competitors</li> </ul>	<ul style="list-style-type: none"> <li>- no pressure on IA for now</li> </ul>	
Consumer demands	<ul style="list-style-type: none"> <li>-consumers do care to an extent</li> <li>- decreasing the activity may have negative consequences</li> </ul>			
<b>Non-market</b>				
Society's expectations	<ul style="list-style-type: none"> <li>- the focus are increasing</li> <li>- need to be on their toes in order to improve or continue the activity</li> <li>-not strong enough</li> </ul>	<ul style="list-style-type: none"> <li>- society demands responsible firms</li> <li>- the need for the activity may have a saying</li> </ul>		
Media/Shareholders	<ul style="list-style-type: none"> <li>- brings out negative cases</li> <li>- the owners values will count</li> </ul>	<ul style="list-style-type: none"> <li>- media can expose the firm for negative publicity</li> <li>- will increase the focus to some extent</li> </ul>		

## Appendix 4: Table for Analysis, Kaffehuset Friele

	<b>Friele</b>	<b>Fairtrade</b>	<b>Rema 1000</b>	<b>IEH</b>
Perception of CSR	<ul style="list-style-type: none"> <li>- first of all due to economic reasons</li> <li>- balanced CSR (people, planet, profit)</li> </ul>	<ul style="list-style-type: none"> <li>- follow rules and regulation</li> <li>- should look at its business as a part of the society</li> <li>- take its responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>- doing the morally right thing</li> <li>- take a responsibility a firm has towards the society</li> </ul>	<ul style="list-style-type: none"> <li>- firms that affect the society should take responsibilities for the effects</li> <li>- should do business in a sustainable way</li> </ul>
Stakeholder salience	<ul style="list-style-type: none"> <li>- have focus on the two shareholders</li> <li>- Buyer will care if negative cases</li> <li>- the today's generation will care more</li> <li>- will have to consider society and media</li> </ul>	<ul style="list-style-type: none"> <li>- have a dialogue, but cannot be a pressure</li> <li>- the activity is critical in time and important</li> </ul>	<ul style="list-style-type: none"> <li>- will not have any power towards Friele</li> <li>- have power towards the consumer on Friele's behalf</li> <li>- will be important for the store</li> </ul>	<ul style="list-style-type: none"> <li>- do not have power to influence its will</li> <li>- as a member, Friele need to follow directions</li> </ul>
Motivation behind the activity	<ul style="list-style-type: none"> <li>-economic benefits</li> <li>- the farmer may get more knowledge</li> <li>- important for sustainability and long existence</li> <li>- take care of the environment</li> <li>-expectations</li> </ul>	<ul style="list-style-type: none"> <li>- market and competitors</li> <li>- a need for improvement</li> <li>-economical benefits</li> <li>- sustainable production</li> <li>- more pleased employees</li> <li>- greater product quality</li> <li>- stronger brand name</li> <li>- new customers and new markets</li> </ul>	<ul style="list-style-type: none"> <li>- positive reputation of the firm</li> <li>- economic benefit</li> <li>- larger and greater market share</li> <li>- more valuable brand name</li> <li>- will be beneficial for the producer if they actually get more money</li> </ul>	<ul style="list-style-type: none"> <li>- close to its strategy</li> <li>- get new and useful knowledge</li> <li>- will have economic benefits</li> <li>- good cooperation with Fairtrade</li> <li>- will affect the brand name</li> </ul>
The aspects of the activity	<ul style="list-style-type: none"> <li>-economic benefits is very important</li> <li>- no rules or regulations</li> <li>- need for ethical trade</li> </ul>	<ul style="list-style-type: none"> <li>- the economical aspect is important</li> <li>- regulations that should be followed</li> <li>- more ethical in the future than for now</li> <li>- will improve working conditions</li> </ul>	<ul style="list-style-type: none"> <li>- can be seen as economic benefits</li> <li>- no rules or regulations</li> <li>- will need to be ethical</li> <li>- will improve working conditions</li> </ul>	<ul style="list-style-type: none"> <li>- will be economic due to a demand for the product</li> <li>- no rules or regulations</li> <li>- ethical motivation</li> <li>- will give back to the producers</li> </ul>
<b>Firm Values</b>	<ul style="list-style-type: none"> <li>- economical, environmental and social conditions</li> </ul>	<ul style="list-style-type: none"> <li>- do business in a responsible and sustainable manner</li> </ul>		
<b>Competitive Advantage</b>				
<b>Justification for CSR</b>  Reputation/Brand	<ul style="list-style-type: none"> <li>- increase the value of the brand</li> <li>- strengthen the reputation</li> </ul>	<ul style="list-style-type: none"> <li>- negative if acting unethical</li> <li>- improve reputation</li> </ul>	<ul style="list-style-type: none"> <li>- improve reputation and brand name</li> </ul>	<ul style="list-style-type: none"> <li>- better reputation</li> <li>- greater brand name</li> </ul>

License to operate	<ul style="list-style-type: none"> <li>- transparent economy</li> <li>- necessary to operate</li> <li>- large focus with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- more pressure among stakeholders</li> <li>- certified coffee is needed in the industry</li> </ul>	<ul style="list-style-type: none"> <li>- will not be essential today</li> </ul>	<ul style="list-style-type: none"> <li>- necessary with a CSR focus</li> <li>- advantageous with certification</li> </ul>
<b>Social Dimension of the Competitive Context</b>  Demand conditions <i>Consumers</i>	<ul style="list-style-type: none"> <li>- Customers may be concerned. Only if negative focus</li> <li>- a need for ethical behavior</li> <li>- need active consumers</li> </ul>	<ul style="list-style-type: none"> <li>- new generation coffee users</li> <li>- more aware customers</li> <li>- greater demand</li> </ul>	<ul style="list-style-type: none"> <li>- the demand is not big enough today</li> <li>- will have a certain effect on the demand</li> </ul>	<ul style="list-style-type: none"> <li>- greater demand due to the firm's social engagement</li> <li>- increased demand for CSR activities</li> </ul>
Demand conditions <i>Sales/market</i>	<ul style="list-style-type: none"> <li>- by including ethical trade may lead to larger customer groups and sales</li> </ul>	<ul style="list-style-type: none"> <li>- increased market share</li> <li>- new markets</li> </ul>	<ul style="list-style-type: none"> <li>- increased sales and market share</li> <li>- diversification</li> <li>- new markets</li> </ul>	
Context for Rivalry and strategy	<ul style="list-style-type: none"> <li>- some competitors do have same activities. But not the same focus.</li> <li>- certified coffee is needed in the industry</li> </ul>	<ul style="list-style-type: none"> <li>- need to be proactive</li> <li>- more internationalization</li> <li>- certification is needed</li> </ul>	<ul style="list-style-type: none"> <li>- many competitors do not have Fairtrade</li> <li>- Friele may set the standard</li> </ul>	<ul style="list-style-type: none"> <li>- competitors look at each other</li> <li>- can operate without Fairtrade and certified coffee, but can not operate without a CSR focus</li> </ul>
Factor Conditions <i>Employees</i>		<ul style="list-style-type: none"> <li>- better motivation</li> <li>- great experiences</li> <li>- benefits of good reputation</li> </ul>		<ul style="list-style-type: none"> <li>- greater motivation</li> <li>- more pleased workers</li> </ul>
Factor Conditions <i>Inputs</i>	<ul style="list-style-type: none"> <li>- lead to improved quality</li> </ul>	<ul style="list-style-type: none"> <li>- improved quality</li> <li>- healthy competition between farmers</li> </ul>	<ul style="list-style-type: none"> <li>- improved quality</li> </ul>	<ul style="list-style-type: none"> <li>- improved quality</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- more knowledge to suppliers</li> <li>- will be important in order to ensure coffee quality in the future</li> <li>- ensure good conditions</li> </ul>	<ul style="list-style-type: none"> <li>- more knowledge both for Friele and the producers</li> <li>- more knowledge to the producer</li> <li>- better conditions among all coffee producers</li> </ul>	<ul style="list-style-type: none"> <li>- the better conditions, the better quality in the long run</li> <li>- Friele is too small to make a big difference</li> </ul>	<ul style="list-style-type: none"> <li>- better conditions for the producers and its local environment</li> <li>- need good conditions to get more producers</li> </ul>
<b>Value Creation Dimensions</b>  Centrality	<ul style="list-style-type: none"> <li>- part of the coffee production</li> <li>- firm "values"</li> <li>- quality products</li> </ul>	<ul style="list-style-type: none"> <li>- see it as the way to go</li> <li>- benefits now and in the future</li> </ul>	<ul style="list-style-type: none"> <li>- a part of the firm's strategy to increase sales</li> <li>- enter new markets</li> </ul>	<ul style="list-style-type: none"> <li>- a part of the total CSR plan</li> <li>- related to its core business</li> <li>- easy way of CSR for the firm</li> </ul>
Specificity/ Knowledge		<ul style="list-style-type: none"> <li>- trade off for knowledge between Friele and the producers</li> </ul>		<ul style="list-style-type: none"> <li>- Fairtrade has a strong standing. Having the Fairtrade activity</li> </ul>

		<ul style="list-style-type: none"> <li>- learn about social conditions</li> <li>- see the development</li> </ul>		<ul style="list-style-type: none"> <li>will strengthen Friele's brand name.</li> <li>-Fairtrade will ensure good conditions</li> <li>- more knowledge</li> </ul>
Visibility	<ul style="list-style-type: none"> <li>- find a good balance</li> <li>- needs to show that the firm is ethical</li> </ul>	<ul style="list-style-type: none"> <li>-have a focus and choose fair-trade to show it</li> <li>- less reputation risk</li> <li>-have a high profile in general, will be in public's interest</li> </ul>	<ul style="list-style-type: none"> <li>- higher profile than its competitors</li> </ul>	<ul style="list-style-type: none"> <li>- have a great reputation, and need to show this</li> <li>- show its ability to care through the Fairtrade brand</li> </ul>
Proactivity/ Voluntarism	<ul style="list-style-type: none"> <li>- may deal with the problem better than competitors</li> <li>- Friele will then better cope with the rules</li> <li>- have been voluntary over the years</li> </ul>	<ul style="list-style-type: none"> <li>- may be more regulations in the future</li> <li>- the competitors has it</li> <li>- may benefit from having the structure</li> </ul>	<ul style="list-style-type: none"> <li>- have a advantage if rules or regulations are to come in the future</li> <li>- believe that the firm are engaged due to competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>- started as a reaction, but has become a proactive activity with benefits</li> <li>- have now been a part of the firm</li> <li>- the firm sees the benefits</li> </ul>
<b>Strategic Necessity</b>				
<b>Market</b>				
Forces in the industry	<ul style="list-style-type: none"> <li>- will need ethical trade in order to survive in the future</li> <li>- look at the competitors</li> </ul>	<ul style="list-style-type: none"> <li>- more international competition</li> <li>-sees that competitors has it</li> <li>- needs it to maintain markets</li> </ul>	<ul style="list-style-type: none"> <li>- may feel a pressure to have more certified coffee in the future</li> <li>- international coffee housed may enter in the future</li> </ul>	<ul style="list-style-type: none"> <li>- need certain CSR focus to be in the industry</li> <li>- will look at its competitors, but not be pressed</li> </ul>
Consumer demands	<ul style="list-style-type: none"> <li>- a call for better quality from consumers</li> </ul>	<ul style="list-style-type: none"> <li>- need the activity to respond to consumer demands</li> </ul>	<ul style="list-style-type: none"> <li>- consumer may affect, however do not affect in a large scale</li> </ul>	<ul style="list-style-type: none"> <li>- have to look at the consumers</li> <li>- increasing demand may affect</li> </ul>
<b>Non-market</b>				
Society's expectations	<ul style="list-style-type: none"> <li>- becomes more aware of ethical behavior</li> <li>- the new generation are more aware of ethical dilemmas</li> </ul>	<ul style="list-style-type: none"> <li>- cannot go away from certified coffee</li> <li>- need to look at what society expects</li> </ul>	<ul style="list-style-type: none"> <li>- more focus on ethical trade</li> <li>- need to have more pressure in order to influence more</li> </ul>	<ul style="list-style-type: none"> <li>- society expects the firm to be engaged in certified coffee or have a CSR focus</li> </ul>
Media	<ul style="list-style-type: none"> <li>- media has also an effect on the decision</li> </ul>	<ul style="list-style-type: none"> <li>- media will affect, and has affected</li> </ul>	<ul style="list-style-type: none"> <li>- media will influence with negative articles</li> </ul>	<ul style="list-style-type: none"> <li>- have been a pressure from media,</li> </ul>
Shareholders /NGO's/Others	<ul style="list-style-type: none"> <li>- pressure from Kirkens Nødhjelp (NGO) in 2002</li> <li>- consider shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- NGO's and the government will influence</li> </ul>	<ul style="list-style-type: none"> <li>- government and NGO's will have a small affect</li> </ul>	<ul style="list-style-type: none"> <li>-employees may expect the firm to act responsible</li> </ul>