

DECISION-MAKING FOR CSR: FROM A GENERAL NOTION TO COMPANY-SPECIFIC ACTIVITIES

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English Summary

In recent years, interest in Corporate Social Responsibility (CSR) has greatly increased in business organizations, in particular as regards CSR implementation nuances. Both scholars and practitioners struggle with the integration of CSR ideas and principles into managerial thinking, organizational processes and business models. The question of how companies engage in CSR has lately become a leading one in the CSR research stream. While being important for that research agenda, organizational CSR-related decision-making, however, has not been investigated sufficiently. There is a lack of understanding of how companies transform a general notion of CSR into company-specific CSR-related activities and initiatives.

The purpose of this thesis is to address this gap by exploring: (1) forces in the external environment influencing a company's CSR decisions, (2) organizational CSR-related decision-making processes, and (3) CSR decisions in the form of CSR-related activities implemented in a company. A "Black Box" model was employed as the theoretical framework tying these three facets: decision-making processes were considered the "Black Box", while the Input and the Output were associated with the external influencing factors and with the CSR-related activities respectively. This approach to organizational CSR-related decision-making enables a structured and comprehensive investigation of the topic and should be regarded as the main contribution of this thesis.

The research takes a qualitative approach and is designed as a multiple-case study, which is rarely used in the CSR field and, therefore, is called for by many scholars. In order to increase the probability of revealing the processes associated with CSR-related decision-making, case companies were chosen from a population of large organizations headquartered in Denmark, with substantial experience in CSR and which claim to be CSR leading organizations; the companies chosen for the analysis are The Maersk Group, Danske Bank and The Lego Group. Empirically, the research relies on data collected from semi-structured interviews with CSR specialists and managers ($n=10$) and from organizational CSR-related reports (years 2008, 2010 and 2012).

The first facet investigated is the external factors influencing organizational CSR-related decision-making. The theory suggests approaching the external environment from two main perspectives: the stakeholder perspective and the institutional perspective. The first perspective includes a large number of different stakeholders which affect organizational choices: customers, employees, media, local communities, etc. The second perspective provides a number of institutions – such as government, industrial regulations, NGOs, etc. – which also influence organizational behavior. To reduce managerial complexity, the need to group them arose. In spite of many

typologies offered, none of them can be regarded as universal and multitasking: some do not acknowledge the nature of stakeholder power, some do not distinguish between external and internal factors, some do not include business relationship, others do not differentiate between global and national government. Since all of those are considered important for the topic investigated, the typology of external factors, which suits the research purpose and describes external forces influencing CSR-related decision-making in companies, was suggested. It is built on three groups of external factors – government-related, business-related and society-related – and, together with the scale developed for measuring external pressure, provides a tool for data collection and analysis. This instrument was used in the research and can also be employed by other scholars dealing with stakeholder dialogue and exploring external influence on a company's CSR-related choices. Companies may also benefit from the typology by using it as a navigation frame when prioritizing requests from the external environment.

The findings suggest that the influence from the three groups of external factors is different: government-related factors affected CSR decision-making in the case companies the most, business-related factors took the second position, while the society-related group was the least powerful among the three. However, the situation is expected to change in respect to the business-related group – it is likely that this group will drive CSR-related decisions in the future and that CSR will become a part of routine business interactions in larger companies. So, there is a change of motivation for CSR and the role of market power on organizational CSR-related choices is increasing. This indicates that organizations, which intended to stay competitive and/or partner with leading companies, most likely must adopt CSR principles to a certain extent. Also, it was found that global government (EU, OECD, UN, etc.) is becoming more important than national and local government as regards influence on CSR-related decision-making in CSR leading companies. Here, the implication for politicians/lobbyists can be derived: if there is a need for particular CSR issues to be addressed by the business, the global CSR debate can trigger an inclusion of these issues in the agenda of CSR leading companies even before the relevant national regulation is passed and adopted; in turn, other organizations may follow the example of leading companies and also include these issues in their business practices.

The second facet explored is CSR-related decision-making processes in companies. While the CSR design and integration frameworks are broadly described in the literature, they mainly focus on organizational transformation for embedding CSR principles – knowledge about how companies make daily CSR-related decisions is limited. In an attempt to clarify the situation, the organizational decision-making perspective was investigated. Due to the chosen research context of large companies well-experienced with CSR, it was likely that the case companies would rely on a

rational-comprehensive approach to decision-making. The findings supported this assumption by revealing formal procedures for making CSR decisions, nominating participants with CSR responsibilities (i.e. cross-functional CSR department and managerial board/council for CSR), clear choice criteria and special analytical instruments for generation and evaluation of CSR alternatives (i.e. materiality analysis and cost vs. benefit analysis). Also, it was found that CSR decision-making in the case companies is flexible and the number of steps included in the process varies depending on the scope of the CSR decision to be made. Several common steps, however, were identified: analysis (i.e. problem formulation, suggestions for CSR alternatives and their subsequent elaboration and evaluation), development of the proposal and discussion, verification and/or adjustment rounds. The theory suggests that these steps correspond to the “nova” decision-making processes which lead to innovative solutions. Thus, the research describes the best practices in organizational CSR-related decision-making which can serve as a role example for companies that want to employ CSR or make it more effective.

The third facet addressed in the study is CSR-related decisions, i.e. the types of CSR-related activities and initiatives chosen in a company. The literature provides several approaches on CSR constituents; however, no agreement has been reached on what should be included in a CSR agenda. In turn, this complicates identification of activities and initiatives that should be regarded as CSR-related. With the intention to address this gap, an organizational CSR portfolio framework was developed. It consists of the CSR categories grouped under the three headings: environmental, economic and social; thus, the categories suggest a possible direction for CSR activities within the three main CSR aspects. In addition to the type of CSR activities, the extent to which a company chooses to address these activities is important. CSR approaches and CSR development stages presented in the literature allowed suggesting four maturity levels for CSR categories: neglecting, elementary (comply with regulations), moderate (go beyond regulations) and professional (gain economic benefits). In turn, these maturity levels point at organizational approaches for each of the three CSR aspects and lead to the proposition of four strategies: CSR neglecting, CSR beginner, CSR user and CSR professional. Thus, the organizational CSR portfolio framework includes CSR categories, four maturity levels for these categories and four strategies for environmental, economic and social CSR aspects. The framework was used in the research and can also be employed by other scholars for exploring organizational CSR-related priorities and activities implemented. In addition, companies can benefit from the portfolio framework by using it as a benchmarking tool or as an instrument for internal comparison and control (i.e. for identifying attention gaps as regards particular CSR issues).

The findings reveal that CSR-related activities in a company's portfolios became more diverse with time indicating that the case companies exercise the balanced approach to CSR and address environmental, economic and social aspects to a similar extent (i.e. the CSR user strategy). Moreover, more CSR-related activities at a professional maturity level appeared (especially within the environmental CSR aspect), implying that the companies employ more CSR initiatives to the extent when they exceed regulations and bring economic benefits (e.g. cost reduction, revenue increase, new market opportunities, etc.). This indicates the increased interest in the business case of CSR and challenges the viewpoint that states that CSR is an additional cost without any business opportunities.

Finally, when investigating the three research facets together, it was found that with a perceived increase of pressure from a particular external factor, the maturity level of the corresponding CSR-related category would also increase. It implies, first, that the case companies take CSR-related challenges as additional opportunities for their business; and second, that they accommodate an effective mechanism used for scanning the external environment and developing CSR-related alternatives which, on the one hand, are targeted to external requests and, on the other hand, closely related to their business activities. In the case companies, materiality analysis seems to be such a tool – it helps to connect the demands posed by the external environment and CSR-related activities in the companies.

To summarize, the thesis contributes to the CSR storage of knowledge by offering an insight into: (1) external factors influencing CSR-related decisions, (2) organizational processes associated with CSR-related decision-making and (3) CSR-related choices (i.e. types of CSR activities, extent of its implementation and organizational approach to the three CSR aspects). Taken together these topics provide a better understanding of how companies transform a general notion of CSR into company-specific CSR-related activities and initiatives.

Dansk Resumé

Virksomheders interesse for Corporate Social Responsibility (CSR) er steget drastisk i de senere år, især hvad angår de forskellige nuancer som implementeringen af CSR har. Både forskere og praktikere forsøger at integrere idéerne og principperne bag CSR i ledelsestænkningen, i de organisatoriske processer og i forretningsmodellerne. På det seneste har ét af de vigtigste spørgsmål indenfor CSR forskningen været, hvordan virksomheder kan engagere sig i CSR. Den vigtige organisatoriske beslutningstagning relateret til CSR, er dog ikke tilstrækkeligt undersøgt. Der mangler generelt en forståelse for, hvordan virksomhederne transformerer en generel opfattelse af CSR til mere virksomhedsspecifikke CSR-relaterede aktiviteter og initiativer.

Formålet med denne afhandling er at øge denne forståelse ved at undersøge: (1) hvilke kræfter i det eksterne miljø, der influerer på en virksomheds CSR beslutninger (2) de organisatoriske CSR-relaterede beslutningsprocesser, og (3) CSR beslutninger i form af CSR-relaterede aktiviteter, der implementeres i en virksomhed. Der blev brugt en såkaldt “Black Box” model som teoretisk ramme til at binde disse tre facetter sammen: beslutningsprocesserne blev anset som værende den “Black Box”, mens Input og Output blev associeret med hhv. de påvirkende eksterne faktorer og med CSR-relaterede aktiviteter. Denne tilgang til organisatorisk CSR-relateret beslutningstagning muliggør en struktureret og omfattende undersøgelse af området, og bør anses som denne afhandlings væsentligste bidrag.

Forskningen er baseret på en kvalitativ tilgang og er gennemført som et multiple-case study, der sjældent anvendes inden for CSR og, er derfor efterspurgt af mange forskere. For at øge sandsynligheden for at afdække de processer, der er associeret med CSR-relateret beslutningstagning, blev case virksomhederne udvalgt fra en stor gruppe af store virksomheder med hovedsæde i Danmark og med væsentlig erfaring inden for CSR, og som selv hævder at være førende inden for CSR; de virksomheder, der blev udvalgt til at indgå i analysen, er: Maersk, Danske Bank og Lego. Empirisk tager undersøgelsen udgangspunkt i data indsamlet fra semi-strukturerede interviews med CSR specialister og ledere (n=10) og i CSR-relaterede rapporter (årene 2008, 2010 og 2012).

Den facet, der først undersøges, er de eksterne faktorer, der påvirker organisatorisk CSR-relateret beslutningstagning. Teorien foreslår, at det eksterne miljø angribes ud fra to hovedperspektiver: stakeholder perspektivet og det organisatoriske kontekst perspektiv, med specielt fokus på institutional theory. Det første perspektiv omfatter et stort antal forskellige stakeholders, der påvirker de organisatoriske valg: kunder, ansatte, medier, lokalsamfund osv. Det andet perspektiv omfatter en række institutioner – såsom regering, lovgivning, NGO'er osv. – som

har indflydelse på organisatorisk adfærd. For at mindske den ledelsesmæssige kompleksitet var det nødvendigt at gruppere dem. På trods af at der er mange typologier, kan ingen af dem anses som universelle og indeholdende alle opgaver: nogle af dem anerkender ikke selve stakeholder modellen og de indflydelser, som den vedrører, nogle skelner ikke mellem eksterne og interne faktorer, nogle inkluderer ikke forretningsforhold, andre skelner ikke mellem global og national styring. Da alle disse faktorer anses for værende vigtige for det område, der undersøges, foreslås en typologi for eksterne faktorer, som understøtter formålet med undersøgelsen godt, og som beskriver de eksterne kræfter, der påvirker CSR-relateret beslutningstagning i virksomheder. Typologien er baseret på tre grupper af eksterne faktorer – lovgivningsrelateret, virksomhedsrelateret og samfundsrelateret – og, sammen med den skala, der blev udviklet til at måle opfattet ekstern indflydelse, får man et redskab, der kan bruges til dataindsamling og –analyse. Dette redskab blev anvendt i undersøgelsen, og vil også kunne bruges af andre forskere, der arbejder med stakeholder dialog, og som undersøger, hvordan eksterne faktorer påvirker en virksomheds CSR-relaterede valg. Virksomhederne kan også have glæde af typologien, hvis de bruger den som en ramme for, hvordan de skal navigere, når de skal prioritere henvendelser/krav fra det omgivende miljø/samfund.

Resultatet af undersøgelsen antyder, at de tre grupper af eksterne faktorer påvirker forskelligt: lovgivningsrelaterede faktorer påvirkede case virksomhedernes CSR beslutningstagning mest, virksomhedsrelaterede faktorer kom ind på andenpladsen, mens den samfundsrelaterede gruppe havde mindst effekt af de tre. Men situationen forventes at ændre sig for den virksomhedsrelaterede gruppens vedkommende – det er sandsynligt, at denne gruppe vil være drivkraften bag CSR-relaterede beslutninger i fremtiden, og at CSR vil blive en del af de mere rutineprægede virksomhedsinteraktioner i større virksomheder. Det betyder, at der sker en ændring i motivationen for CSR, samt at markedsrådernes indflydelse på organisatoriske CSR-relaterede valg øges. Dette tyder på, at organisationer, der gerne vil forblive konkurrencedygtige og/eller som vil indgå i partnerskab med førende virksomheder, højst sandsynligt må adoptere CSR principper i en vis udstrækning. Det blev yderligere fastslået, at globale lovgivnings- eller rådgivningsmæssige institutioner (EU, OECD, FN osv.) bliver vigtigere end nationale og lokale myndigheder, hvad angår indflydelse på CSR-relateret beslutningstagning i virksomheder, der er førende indenfor CSR. Heraf kan implikationerne for politikere/lobbyister udledes: er der behov for, at virksomhederne tager særlige CSR forhold op, kan den globale CSR debat bevirke, at disse områder inkluderes i den dagsorden, som CSR-førende virksomheder har, endnu inden den relevante nationale lovgivning er vedtaget og implementeret; andre virksomheder kan også følge de førende virksomheders eksempel og altså også inkludere disse områder i deres egen virksomhedspraksis.

Den anden facet, der undersøges, er de CSR-relaterede beslutningsprocesser i virksomheder. CSR designet og rammerne for integration beskrives bredt i litteraturen, men der fokuseres primært på organisatorisk transformation med henblik på at indlejre CSR principper – der er derimod en beskeden viden om, hvordan virksomheder tager mere dagligdags CSR-relaterede beslutninger. I et forsøg på at afklare denne situation blev princippet for den organisatoriske beslutningstagning undersøgt. Da alle virksomhederne, der indgår i forskningsprojektet, har erfaring med CSR, var det forventeligt, at case virksomhedernes tilgang til beslutningstagning ville være baseret på en rationel forståelse. Resultaterne understøttede denne antagelse ved at afdække de formelle procedurer for CSR beslutningstagning, for udnævnelse af medlemmer med CSR ansvar (fx at have en tværorganisatorisk CSR afdeling og en gruppe af ledere med ansvar for hele CSR området), lige som der var tydelige valgkriterier og særlige analytiske instrumenter til generering og vurdering af CSR alternativer, (fx materialeanalyser og omkostningsanalyser kontra benefit analyser). Ligeledes kunne man se, at CSR beslutningstagning i case virksomhederne er fleksibel, samt at antallet af trin i processen varierer afhængig af omfanget af den CSR beslutning, der skal tages. Der identificeredes dog flere generelle trin: analyse (fx problemformulering, forslag til CSR alternativer samt efterfølgende viderebearbejdning og evaluering), udarbejdelse af forslag efterfulgt af runder med diskussion, verifikation og/eller tilpasning. Teorien foreslår, at disse trin modsvarer de 'nye' beslutningstagningsprocesser, der fører til innovative løsninger. Således beskriver forskningen 'best practice' i organisatorisk CSR-relateret beslutningstagning, der kan fungere som en rollemodel for virksomheder, der ønsker at bruge CSR eller at gøre CSR i deres virksomhed mere effektiv.

Den tredje facet, der fokuseres på i undersøgelsen, er CSR-relaterede beslutninger, fx den type af CSR-relaterede aktiviteter og initiativer, der vælges i en virksomhed. I litteraturen om dette emne findes flere tilgange til, hvad CSR indeholder: man er derfor ikke nået til enighed om, hvad CSR mere præcist omfatter. Derfor bliver det vanskeligere at identificere de aktiviteter og initiativer, der burde inkluderes i en dagsorden vedr. CSR. Med hensigten at udfylde denne mangel, udvikledes nogle portfolio rammer for organisatorisk CSR. Disse rammer består af de forskellige CSR kategorier grupperet under tre overskrifter: miljømæssige, økonomiske og sociale; hermed antydes, at CSR aktiviteterne kan gå i tre retning jf. grupperingerne. Udover hvilken type af CSR, der er tale om, så er det også vigtigt i hvilket omfang, en virksomhed vælger at forholde sig til sådanne aktiviteter. De forskellige tilgange til og udviklingstrin for CSR, der præsenteres i litteraturen, angiver, at der er fire modenhedsniveauer for CSR engagement: ikke eksisterende, elementære (opfylder lovgivningen), moderate (ud over lovgivningen) og professionelle (økonomisk profitable). Ligeledes peger disse modenhedsniveauer i retning af, at der er forskellige organisatoriske tilgange for hvert af de tre CSR aspekter og fører til et forslag om, at der kan tales

om fire CSR strategier: CSR forsømmelse, CSR begyndelse, CSR bruger og CSR professionel. Dermed indeholder portfolio rammerne for CSR: CSR kategorier, fire modenhedsniveauer for disse kategorier og fire strategier for de miljømæssige, økonomiske og sociale CSR aspekter. Rammerne blev brugt i undersøgelsen, og kan også bruges af andre forskere til yderligere at undersøge organisatoriske CSR-relaterede prioriteringer og implementerede aktiviteter. Derudover kan virksomheder have udbytte af portfolio rammerne ved at bruge dem til benchmarking, eller som et redskab i forbindelse med intern sammenligning og kontrol (fx til at identificere manglende opmærksomhed med hensyn til særlige CSR spørgsmål).

Resultaterne af undersøgelsen viste, at CSR-relaterede aktiviteter i en virksomheds portfolio bliver mere varierede med tiden, hvilket antyder, at case virksomhederne anvender en balanceret tilgang til CSR og forholder sig til de miljømæssige, økonomiske og sociale aspekter i samme grad (fx CSR brugerstrategien). Yderligere sås flere CSR-relaterede aktiviteter på et mere professionelt modenhedsniveau (især hvad angår det miljømæssige CSR aspekt), hvilket kan tyde på, at virksomhederne anvender flere CSR initiativer i en sådan grad, at de overskridt de lovmæssige krav og dermed øger det økonomiske overskud (fx ved omkostningsreduktion, indtægtsforøgelse, nye markedsmuligheder etc.). Dette indikerer en øget interesse i CSR business cases og udfordrer det synspunkt, at CSR er en ekstra omkostning, der ikke giver ekstra forretningsmuligheder.

Endelig blev det påvist, ved at sammenholde de tre forskningsfacetter, at med en påvist forøgelse af presset fra en særlig ekstern faktor, så øges modenhedsniveauet for den tilhørende CSR-relaterede kategori tilsvarende. Dette betyder for det første, at case virksomhederne tager de CSR-relaterede udfordringer som ekstra muligheder for deres forretning; og for det andet, at de er en effektiv mekanisme, der bruges til at skanne det eksterne miljø og til at udvikle CSR-relaterede alternativer, der, på den ene side modsvarer eksterne krav, og på den anden side er tæt forbundet med deres forretningsaktiviteter. I case virksomhederne ser det ud til, at materialeanalyse er et sådant redskab – der hjælper med til at forbinde de krav, der stilles af det eksterne miljø og de CSR-relaterede aktiviteter i virksomhederne.

Opsummeret kan man sige, at denne afhandling bidrager til at øge kendskabet til CSR ved at give et indblik i: (1) de eksterne faktorer, der har indflydelse på CSR-relaterede beslutninger, (2) de organisatoriske processer, der er forbundet med CSR-relateret beslutningstagning og (3) de CSR-relaterede valg (fx typen af CSR aktiviteter, omfanget af implementeringen og den organisatoriske tilgang til de tre CSR aspekter). Samlet set bidrager disse emneområder til en bedre forståelse af, hvordan virksomheder kan omdanne en overordnet opfattelse af CSR til mere virksomhedsspecifikke CSR-relaterede aktiviteter og initiativer.

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Chapter 1. Introduction

The following chapter introduces the key aspects that define this research. It starts with a brief presentation of the CSR concept and a choice of the CSR definition to be applied in the research (section 1.1) followed by an overview of the main directions in which CSR studies usually go (section 1.2). Then, a description of the research aim and the research focus is provided (section 1.3). The theoretical model, which ties the different facets of the research focus and which will be used later to structure the theoretical overview, is also presented (section 1.4). Finally, the chapter explains the research context in which the research aim is addressed (see section 1.5).

1.1 General notion of CSR

A company's social concerns have been investigated by business scholars for many years (e.g. Berle 1931, Bowen 1953, Davis 1960, Carroll 1993), but only recently a debate around Corporate Social Responsibility (CSR) became widespread (Serenko and Bontis 2009, Wagner et al. 2009, Aguinis and Glavas 2012). Calabrese et al. (2013) distinguished two main streams in the CSR discourse. The first, rooted in the shareholder theory (Friedman 1962), suggests that CSR diverts organizations from their main goal, which is profit maximization, and, therefore, should be considered useless and even harmful (e.g. Sundaram and Inkpen 2004, Karnani 2011). The second stream, in contrast, suggests that profit maximization is not the only focus that companies have; organizations do not exist in a vacuum but have to interact with the surrounding society and are influenced by stakeholders (such as governments, non-governmental organizations (NGOs), media, etc.) to incorporate environmental and social approaches into their business operations (e.g. Garriga and Melé 2004, Kolk and van Tulder 2010). So, the second stream is related to the stakeholder theory (Freeman 1984) stating that CSR is a useful business approach that enables companies to develop a strategy consistent with stakeholder demands and, thus, ensuring organizational prosperity in the long run (e.g. Carroll and Shabana 2010, Capece and Costa 2011). So that, it is advisable to take CSR into consideration in organizational decision-making and planning (Calabrese et al. 2013). The second stream describes business practice probably better than the first one since an increasing number of companies adopts CSR principles and deals with stakeholder concerns. Therefore, the thesis will concentrate on the second stream in the following.

The CSR concept has been approached from various perspectives: as a business case (e.g. Dyllick and Hockerts 2002, Baumgartner 2009, Linnenluecke et al. 2009), as a desirable path (e.g. Dunphy et al. 2003, Weymes 2004), as a precondition for business existence (e.g. Lozano 2013), etc. Some studies identified the strategic role of CSR in the long-term value creation considering it

a source of competitive advantage, differentiation and innovation (e.g. McWilliams et al. 2006, Porter and Kramer 2006, Husted and Allen 2007, Nidumolu et al. 2009). With the growing popularity of CSR, many overlapping concepts have appeared, among them sustainability, social accountability, corporate citizenship, corporate responsiveness, corporate social performance and business ethics (Lozano 2013). Crane et al. (2009) state that CSR served as a point-of-departure for these overlapping themes and that they embrace the CSR logic and can be viewed as another way of framing the CSR concept.

Sustainability is one of those concepts which often replace CSR both in academic and management discussions. According to Crane et al. (2009), sustainability received significant attention in the 1990s and was originally defined in terms of the natural environment; later it was extended to cover larger stakeholders and the social environment. As a result, CSR and sustainability became close in meaning and are often used interchangeably (Moneva et al. 2006); however, an agreement about their clear-cut distinction is lacking (Eden 2000). Some attempts to distinguish between CSR and sustainability can be found in the literature. For example, Panapanaan and Linnanen (2003) state that three sustainability aspects (social, economic and environmental) can be applied to corporate responsibility, where CSR would represent the social dimension solely. In contrast, Wempe and Kaptein (2002) view CSR as an intermediate stage towards sustainability where organizations balance the Triple Bottom Line which, according to Elkington (1997), includes being economically viable, environmentally sound and socially responsible.

A similar distinction between CSR and sustainability is presented by Moneva et al. (2006); these scholars suggested that CSR is associated with the actions inside a company, while sustainability addresses society at large. Thus, CSR and sustainability share elements: social and environmental concerns integrated with economic issues. The difference is that sustainability deals with global issues (such as all of society, the world's ecological situation and the global economy) and is usually discussed on an international political level; CSR, on the other hand, deals with business level issues, since it describes organizational influence on global issues (i.e. environment and society affected by business activities and a company's economic impact). Support for this viewpoint can be found in an EU Communication (EC 2002) which declares: "*(CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis... (CSR) is a business contribution to Sustainable Development*". Many business scholars (e.g. Panapanaan et al. 2003, Werre 2003, Aguinis and Glavas 2012, Lozano 2013) agree that the CSR concept should include all of three main aspects discussed above. So, in this PhD dissertation, CSR will be considered as a concept that

covers *economic*, *environmental* and *social* business concerns – this is what I will call the “*general notion of CSR*”.

1.2 Main tracks in CSR research

The CSR field comprises various, often vague and complex, theories and approaches (Garriga and Melé 2004). So, for many decades the main question raised in relation to CSR research has been “*What is CSR about?*” Studies were devoted to the discussion of the terms, definitions and ethical foundations of CSR-related concepts (e.g. Carroll 1979, Wood 1991, Windsor 2006) as well as to offering different CSR typologies and conceptualizations (e.g. Carroll 1999, Waddock 2004). However, in spite of a significant body of CSR-related literature, no general consensus has been reached concerning “*What is CSR about?*” (Clarkson 1995, Kotler and Lee 2005, Aguinis and Glavas 2012), so the question remains open, in particular, for practitioners who decide to employ CSR principles.

Another CSR-related question that business scholars have been trying to answer, is “*Why/Whether companies (should) engage in CSR?*” In regard to this, business cases for CSR have been considered; it has been done mainly through exploring the effects from companies’ CSR involvement on corporate image, reputation and financial performance (e.g. Margolis and Walsh 2003, Ellen et al. 2006, Peloza 2009, Peloza and Shang 2011). A number of studies revealing internal and external factors triggering organizational social changes (e.g. Aguilera et al. 2007, Basu and Palazzo 2008, Kolk and van Tulder 2010) also contribute to answering the question “*Why/Whether companies (should) engage in CSR?*”

Some business scholars, however, have started arguing that the question “*How do companies engage in CSR?*” is more relevant for investigation than the question “*Why/Whether companies should engage in CSR?*” (e.g. Smith 2003). Yet, CSR implementation nuances have not been researched sufficiently (Lindgreen et al. 2009). In recent years, scholars have been trying to address this gap – the emerging research stream within the field of CSR is represented by conceptual and empirical papers aiming to describe CSR strategies, their design and structure (e.g. Heslin and Ochoa 2008, Maon et al. 2009, Russo and Tencati 2009, Baumgartner and Ebner 2010) and dealing with integration of CSR ideas and principles into business processes and business models (e.g. Dunphy et al. 2003, Zadek 2004, Mirvis and Googins 2006, Athanasopoulou and Selsky 2012). However, according to Maon et al. (2010), there are still only few studies offering comprehensive models which connect CSR with existing organizational practices, organizational strategies and organizational culture. In an attempt to address these issues, Maon et al. (2010) focus

on upper managers' perceptions of CSR and their role in developing a strategic CSR agenda, though they acknowledged that it presents a limited view on input from organizational stakeholders. So, the authors call for more sophisticated frameworks that can describe the design and implementation processes of CSR activities and policies at the same time addressing the influence from external organizational environment.

Thus, the need for stating more complex research questions covering influences on CSR, CSR-related processes and the outcomes of these processes along with possible interdependences has been identified. For example, Aguilera et al. (2007) call for research that explores the range and the intensity of CSR activities and initiatives in companies as well as the extent to which external pressure affects the adoption of these activities and the intensity of organizational CSR efforts. How managers understand "the organization-environment relationship" and which CSR-related decisions they can make on that ground was acknowledged as an inspiring research topic by Athanasopoulou and Selsky (2012). Mainardes et al. (2011) also highlighted the necessity for demonstrating how stakeholder relevance can explain the direction of managerial efforts and attention; the authors call for studies of the relationship between stakeholder management and organizational performance and pointed to stakeholder-focused decision-making processes among the questions which are worth research attention.

In consequence of the discussion above, there is a need for empirical research (i.e. case studies) which might offer an insight in relation to prioritizing CSR initiatives and developing an organizational CSR agenda, in particular, for longitudinal studies which may offer insight into CSR processes based on historical information and respondents' recalls so that the dynamic perspective can be revealed (Maon et al. 2009, Aguinis and Glavas 2012). The emerging research stream should thus aim for a dynamic, implementation-oriented perspective on CSR that explores what triggers organizational CSR engagement and how CSR unfolds in companies (i.e. what are the related processes and activities) (Maon et al. 2010).

1.3 Research aim and research focus

As indicated in sections 1.1 and 1.2, there is no general consensus regarding the definition of CSR and its constituents – even among business scholars. How practitioners are dealing with CSR issues in such an uncertain situation is particularly interesting, especially when considering that the external environment might have contradictory requirements and expectations. So, the primary motivation for this research is to shed light on the processes through which companies,

experiencing influence from the external environment, transform an abstract CSR idea into an organizational CSR agenda.

As also described in section 1.2, scholars conducting research in the CSR field have mainly been occupied with the three questions: “*What?*”, “*Why/Whether?*” and “*How?*” which have received rather fragmentary attention in the literature. However, the need for a more complex and dynamic perspective investigating CSR in a light of these three questions has been identified. So, another motivation for this research is to cover this gap and to combine the three questions stated above in order to gain a deeper understanding of an organizational CSR approach and the related agenda and to find whether there are interrelations among “*What?*”, “*Why?*” and “*How?*” in business practice.

Thus, the overall **research aim** of the study is

- to investigate how companies make CSR-related decisions and choices and transform a general, abstract CSR notion into a particular, company-specific set of CSR-related activities and initiatives while reacting on changeable stimuli from the external environment.

It is important to highlight that the “how” in the research aim should not be understood narrowly, but rather in a more comprehensive way including and tying the three perspectives:

- reasoning – why particular types of activities and initiatives are chosen to be included in the organizational CSR agenda (which forces in the external environment influence the choices)?
- processes – how activities and initiatives are chosen to be included in the organizational CSR agenda (what are the decision-making processes behind the choices)?
- decisions and choices – what is CSR about from an organizational viewpoint (what types of activities and initiatives does a company choose for its CSR agenda)?

So, the research focus is kept: (1) on the “raw material” for CSR-related decision-making processes¹ – the external environment which exercises pressure and makes certain requests; (2) on the CSR-related decision-making processes; (3) and on the outcome of these processes – the set of CSR-related activities and initiatives.

¹ In organizational theory it is commonly assumed that changes in the organizational environment trigger certain changes in an organization (e.g. Meyer 1982, Tushman and Romanelli 1985, Milliken 1990). It happens because such changes create new requirements which serve as “raw material” for new issues in the organizational agenda (Cowan 1986, Huber and Daft 1987).

The premise of the research in respect to external environment is based on the literature that argues that organizational CSR strategy is largely shaped by the external influences a company faces (e.g. Starik and Marcus 2000, Campbell 2007, Lee 2011). To a great extent CSR is location and context specific and, therefore, it is difficult to define a CSR approach unless you understand the requests of local organizational stakeholders (Welford et al. 2008). Since an external context where companies operate is very complex and continuously changing, CSR is called a “moving target” (Morsing and Schultz 2006). So, in order to be more deliberate in organizational CSR efforts, demands from external factors should be constantly monitored and addressed (Porter and Kramer 2011). Thus, the external organizational context to a large extent defines CSR choices – CSR strategy is not a product of an individual company’s decision, but rather it is constructed in response to the external influences a company faces (Lee 2011). CSR can be even seen as a “*voluntary process of managing external expectations*” (Athanasopoulou and Selsky 2012, p.5).

I do not claim, however, that external factors solely determine a company’s approach to CSR. The internal organizational environment (e.g. leadership style, the CSR manager’s background and his/her authority in the company, internal politics, etc.) might also affect CSR choices (e.g. Maon et al. 2008, Lozano 2012). But, despite acknowledging the importance of the influencing factors internal to an organization, I chose to delimit the research to the external factors exclusively and to explore their potential relationship with organizational CSR decisions, because, as demonstrated above, the external environment has a primary influence on a company’s choices as regards the inclusion of environmental and social concerns into business operations. More specifically, the external environment to a large extent defines the outcome of CSR-related decision-making processes, while the internal environment plays a facilitating (or, alternatively, constraining) role in relation to those processes; therefore, it is worth identifying and describing the decision-making processes, which address the pressure from external factors, prior to the reference to any internal organizational forces. That is, this research should be regarded as a first step in understanding organizational CSR-related decision-making, where the organizational internal environment is left to future research (see section 5.5) and is not included in this study.

1.4 Theoretical model

According to business scholars, the CSR field is based on an open-system premise (e.g. Maon et al. 2008, Athanasopoulou and Selsky 2012). Generally, an open system is characterized by taking in resources from and emitting output to its external environment (e.g. Wood 2010). Hence, when a company is viewed as an open system, there are some resources which enter (e.g. raw

materials, energy), some resources which exit (e.g. products, emission, waste) and some resources which stay in the system (e.g. organizational routines, procedures, behaviors). From this perspective, the external organizational environment plays an important role in driving and shaping CSR. A company is often seen there as a “Black Box”, so that organizational CSR-related processes are not fully understood (Lozano 2013).

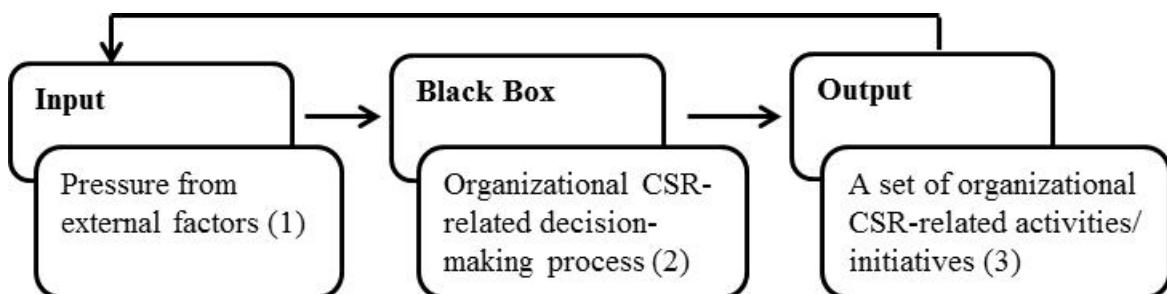
Thereby, when considered together, the three perspectives of the research focus (see section 1.3) might be associated with a “Black Box” model which, among other purposes, can be employed for describing decision-making (e.g. Holt et al. 1983, Kerr 1983, Hönnige and Kaiser 2003, Edwards and Elwyn 2006). The idea of the model is that observable elements enter an imaginary box and then different observable outputs emerge; what is happening inside the box is not visible or clear (Figure 1.4-1).

Figure 1.4-1“Black Box” model



If viewing a company as an open system and placing it with its CSR decision-making processes in a “Black Box”, the Input in the model can be regarded as a company’s interaction with its external environment: pressure from external factors on organizational CSR-related decision-making; while the Output can be regarded as the set of activities and initiatives which a company chooses to include in its CSR agenda, implement and communicate to the external environment (Figure 1.4-2).

Figure 1.4-2“Black Box” model adapted for organizational CSR-related decision-making



Similarly, Wood (1991) regarded Corporate Social Performance (CSP) as the model with three facets: 1) motivating principles, 2) behavioral processes, 3) observable outcomes of organizational actions related to relationships with the external environment. She recommended using this framework for organizing CSP research and examining these three elements in conjunction with each other both as a static snapshot and as a dynamic sequence. Built on the same

principle, the “Black Box” model adapted for CSR-related decision-making can offer a frame for tying the three research focus perspectives: reasoning, processes and decisions (see section 1.3).

The “Black Box” approach assumes that there is a causal relation between “stimuli input” and “output reactions” (Glanville 2009). The external environment determines organizational success, so CSR-related activities and initiatives need to be reassessed constantly in accordance with the changes that relate to the external factors. According to the classic systems approach, companies operate under environmental uncertainty, so they must develop characteristics which can help them track environmental changes and adapt to opportunities, threats and constraints (Tushman and Nadler 1978). Such a position corresponds to approaching managerial tasks through an understanding of the past, present and future of the organizational environment (Renfro 1993). Thus, the organizational environment should be viewed as something continually changing and necessary to adapt to.

In addition to the independently changing nature of the organizational environment, managers should also be aware of the fact that any changes they implement in a company shape the environment in turn (Mitleton-Kelly 2003). From the open-system premise, the organizational external environment and corporate CSR practice are in a mutually influencing relationship (e.g. Athanasopoulou and Selsky 2012). Thus, the CSR practice can influence the organizational environment through a company’s relationship with its stakeholders (Athanasopoulou and Selsky 2012). According to Maon et al. (2009 p. 72), the development of CSR practices “*can entail evolutionary and recursive activity that acts on and reacts to and with the business environment*”. Hence, the “Black Box” model here should not be considered a simple linear process, but rather a cyclic one – implementation of CSR-related activities affects an organization’s external environment which reacts accordingly and revises its claims so that the pressure from external factors changes and triggers a new decision-making round.

All in all, organizational CSR-related decision-making processes (2) are influenced by external factors (1) and produce CSR-related decisions (3) which, in turn, influence the external environment (1) (Figure 1.4-2). So, a company’s CSR-related choices can be considered externally determined (Athanasopoulou and Selsky 2012). In reality, however, organizational response to external pressure is “*much more nuanced and remained quite diverse*” (Lee 2011, p. 284). Companies are able to choose how to respond to external influences, so that their CSR approaches and strategies, as well as their CSR-related activities, differ (Oliver 1991, Sharma 2000). The extent of the response varies: (i) some companies react “*by changing their strategies, structures and routines*; (ii) *others are obdurate in their resistance; and* (ii) *others create Potemkin village counter-movements to articulate their perspective – known as astroturf organizing, in contrast to*

grassroots organizing" (Davis et al. 2008, p. 390). How companies respond to external pressure also depends on their ability to grasp and prioritize the external demands, in particular on the organizational processes targeted to the external environment monitoring (e.g. Maon et al. 2010). So, whether the Input, the Black Box and the Output are linked in business practice – whether external influences are considered in CSR-related decision-making and then addressed in CSR-related activities – is not clear.

To conclude, the presented "Black Box" model, in my view, allows combining all three main questions researched in the CSR field (see section 1.2) and related to decision-making:

- "Input" represents the question "Why (particular CSR choices have been made)?"
- "Black Box" represents the question "How (CSR-related decisions are made)?"
- "Output" represents the question "What (is chosen to be done under the CSR agenda)?"

The "Black Box" model adapted for organizational CSR-related decision-making (Figure 1.4-2) will be used in the research as a guiding framework for, first, investigation of the three perspectives of the research focus (see section 1.3) separately; and then, based on the data collected for the three questions, searching for possible interconnections. The model imposes the structure on the subsequent theoretical overview (chapter 2) as well as on the presentation of the research results (chapter 4) and discussion (chapter 5).

1.5 Research context

How CSR-related decision-making processes take place in an organization is worth investigating when a company has been engaged in CSR for some years and has gained a certain experience with CSR matters, so probably it has established related organizational processes and procedures. Otherwise, CSR-related decisions might have a random nature, and consequently will not provide an opportunity to investigate the three facets described under the research focus (see section 1.3). Indeed, Kleine and Hauff (2009) associated corporate ability to implement CSR with a certain degree of qualification required as well as with a certain organizational capacity. Therefore, large organizations which have engaged in CSR for several years seem to be appropriate for the investigation of CSR-related decision-making processes. In addition, the CSR field would benefit from historical insight into the organizational CSR agenda and related decision-making (Maon et al. 2009). Large companies with previous experience with CSR would also allow for a study of changes in a company's CSR agenda, so these organizations suit the research purposes best.

Denmark was chosen as the context for the empirical research, since Danish firms (and companies in Scandinavia in general) have a well-recognized image of responsible businesses

employing advanced CSR practices and being concerned with their impact on stakeholders and on society. Since the 1980s, companies in Scandinavia have undergone strong environmental regulation and, as a consequence, have included environmental concerns in their business agenda (Morsing et al. 2007). This allows many Scandinavian managers today to claim that CSR is an inherent way of doing business. Indeed, most Scandinavian companies are closely embedded in the local societies where they were founded and where they currently operate, demonstrating a strong interest in the prosperity of those societies (ibid).

According to the Danish government's Action Plan for Corporate Social Responsibility (Danish Government 2008), Danish businesses are placed at the global vanguard of CSR. This plan is supposed to "*underpin the goal of making Denmark and Danish businesses internationally renowned for responsible growth*" (Danish Government 2008, p. 3). As an acknowledgement from the international CSR community, Scandinavian companies receive higher scores in two leading international CSR indexes (Dow Jones Sustainability Index World (DJSI) and FTSE4Good) compared to those of EU15 and U.S. economies (Midttun and Dirdal 2004). In addition, according to the World Economic Forum rankings (World Economic Forum 2003-2004), national corporations from Scandinavian countries (here Denmark and Sweden) demonstrate strong ethical behavior.

Scholars (e.g. Hall and Soskice 2001, Campbell and Hall 2006, Campbell 2007) explain this success by the presence of different mechanisms for institutionalized dialogue between organizations and their stakeholders (such as government regulation, self-regulation, well-organized business associations, etc.) which facilitate socially responsible corporate behavior. Morsing et al. (2007) support this by stating that CSR debates are fairly extensive in Scandinavia. The authors suggest that the advanced position in terms of CSR might lay in the high degree of trust characterizing the Scandinavian societies, managers' openness to social initiatives and Scandinavian participative democracy with the state as a main provider of social services. Cultural characteristics of Scandinavians such as willingness to engage and general competence in dialogue, critique and negotiation, which often result into partnerships across sectors and institutions, might also be a reason (ibid).

To sum up, companies operating under the context of Scandinavian countries in general and in Denmark in particular are well aware of the principles of the CSR concept and have gained several years of experience with CSR by now. Therefore, large Danish companies are considered a fruitful context for an investigation of CSR-related decision-making processes which are in the focus in this study (section 1.3).

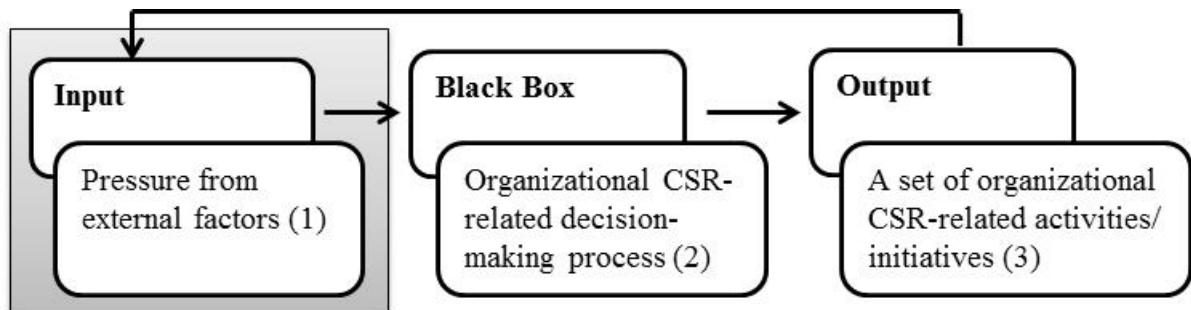
Chapter 2. Theoretical Background

The purpose of this chapter is to provide an overview of the theories relevant for each of the three facets presented under the research aim and research focus (see section 1.3). This overview will clarify the theoretical background of the research and will help identify theoretical constructs which will guide the subsequent data collection. The structure of the chapter corresponds to the “Black Box” model adapted for CSR-related decision-making processes (see section 1.4); it includes three sections: the Input for the Black Box (section 2.1), the Black Box (section 2.2) and the Output from the Black Box (section 2.3).

2.1 Input: External factors

This section introduces the Input for organizational CSR-related decision-making processes (Figure 2.1-1, box 1), which is taken as a pressure from external factors influencing organizational CSR choices (see section 1.4). However, prior to investigating the character of the pressure coming from external factors, it is necessary to detect these external factors.

Figure 2.1-1 Organizational CSR-related decision-making – Input is in focus



To explain external pressure on organizational CSR choices and strategy, scholars usually apply one of the two theoretical perspectives: stakeholder theory or institutional theory (Lee 2011). The first one highlights the appropriateness of considering stakeholders’ interests when approaching CSR decision-making (section 2.1.1); while the second one indicates an institutional environment as the one that influences organizational CSR norms and practices as well as related decision-making (section 2.1.2). The literature on these theoretical perspectives has evolved “*in largely unrelated parallel lines*” (Lee 2011, p.282), though it is acknowledged that external contextual influences may originate from both external stakeholders and macro-level institutional forces (e.g. Lee 2011, Athanasopoulou and Selsky 2012). Thus, it seems worth discussing how the two perspectives describe the external context of CSR. The combination of these perspectives will allow suggesting a typology for the external influencing factors (section 2.1.3), which will be used later

for the data collection. Specific research questions related to the pressure from the external environment on CSR-related decisions and thus representing the Input to the “Black Box” model will be presented at the end of the section.

2.1.1 Stakeholder perspective

Originally, the stakeholder theory was proposed by Freeman (1984) for strategic management purposes; it stated that companies should consider stakeholder interests when making strategic decisions, since both organizational survival and success are highly dependent on a company’s ability to generate sufficient wealth, value and satisfaction to its stakeholders (Clarkson 1988). Consequently, studies concerning strategy and stakeholders’ position in organizational decision-making processes appeared and since the end of the eighties the number of such studies has increased significantly (Asher et al. 2005).

Stakeholder theory is acknowledged as being vital for describing and understanding the aspects of relationships between business and society (Carroll 1993, Wood and Jones 1995). For many business scholars the idea of stakeholders and their interests is central when considering the CSR concept. For example, Maon et al. (2009) approach CSR strategy development and implementation processes from an organizational change process point of view, with the central idea of aligning the organization with the demands of a dynamic environment through tracking and satisfying stakeholder expectations. Lozano (2012, 2013) also argues that achieving corporate sustainability implies continuous adjustment to how companies involve and empower their stakeholders.

Thereby stakeholder theory was considered relevant for both organizational decision-making and CSR, indicating that it might also be used when investigating organizational CSR-related decision-making processes. So, the external factors influencing such processes and serving as an Input for the “Black Box” model (see Figure 2.1-1) can be approached by studying the external stakeholder groups.

The term “stakeholder” has become very popular among businesses, governments, non-governmental organizations, and the media. According to Friedman and Miles (2006), it has been employed broadly, though indiscriminately in the previous two decades. Most of those who use the term, however, do not clarify with construction they put into it. The opposite tendency can be seen in the academic management literature where countless definitions of “stakeholders” can be found. Mainardes (2011), for example, justifies 66 different concepts which are related to the term “stakeholder” in the works of Bryson (2004), Buchholz and Rosenthal (2005), Pesqueux and

Damak-Ayadi (2005), and Friedman and Miles (2006). However, a large majority of studies adopt the classical definition of stakeholders which goes back to Freeman (1984, p. 54) and covers: “*groups and individuals who can affect, or are affected by, the achievement of an organization’s mission*”. Later Gatewood and Carroll (1991, p. 673) extended it to: “*any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of an organization*”. The influence on organizational decisions is indicated here making this definition suitable for the purposes of this research. A person, an informal group, an organization or an institution may thus all be stakeholders.

The essence of the stakeholder theory is that a company has a duty to take stakeholders’ concerns into account (Evan and Freeman 1988) and that the main business goal is to understand stakeholders’ fluctuating aspirations and objectives (Freeman 1984, Jonker and Foster 2002). As regards CSR, a company constantly experiences the demands from various stakeholder groups to allocate resources to certain CSR-related policies and initiatives (Pinkston and Carroll 1994). In order to avoid the dispersion of organizational resources to non-stakeholders or to stakeholders with no legitimate interest or concerns, it is important to identify clearly those stakeholders that are highly relevant to a company (i.e. on whom a company’s business is highly dependent or who are affected the most by organizational activities) (Maon et al. 2009).

In the traditional capitalist organizational production model, a company is considered in accordance with four groups: customers, suppliers, employees and shareholders (e.g. Crane and Matten 2004). Freeman (1984) also included other groups in his stakeholder theory and described a company through a series of interdependent relationships where government authorities, the local community, environmentalists, consumer defense organizations, competitors, special interest groups and the media should be viewed as legitimate stakeholders (Clement 2005). Other management scholars extended this list to include shareholder activists (O’Rourke 2003) and socially responsible investors (Aslaksen and Synnestvedt 2003), various non-governmental organizations (Doh and Guay 2004) and union federations (Egels-Zanden and Hyllman 2006), business customers (Roberts 2003) and communities (Waddock and Boyle 1995). Indeed, so many different stakeholders have been discussed in the literature over the years that, in order to reduce managerial complexity, the need to group them became evident (Mainardes et al. 2011). Similarly, a typology of external factors influencing CSR choices is needed to facilitate organizational CSR-related decision-making.

One of the earliest stakeholder classifications was proposed by Clarkson (1995) (Table 2.1.1-1); it distinguished between primary and secondary stakeholders: primary stakeholders were those who had formal or official contractual relationships with the company, whereas secondary stakeholders did not have such relationships. To put it more explicitly, primary stakeholders cover

those entities whose direct relationships are vital for the company to achieve its organizational mission of providing goods and services to its customers, while secondary stakeholders cover those social and political actors who support the mission by approving organizational activities (Post et al. 1996). This classification, however, is too broad and fails to determine the nature of stakeholder relationships which is important for further prioritization of external CSR concerns.

Henriques and Sadorsky (1999) suggested another solution by splitting stakeholders into four groups: regulatory stakeholders, organizational stakeholders, community stakeholders and the media (Table 2.1.1-1). Another typology proposed by Gibson (2000) comprised institutional, economic and ethical stakeholder groups (Table 2.1.1-1). These two classifications, in contrast to the first one presented, imply the characteristic of the established relationships between an organization and its stakeholders. However, those typologies do not differentiate between external and internal positioning of stakeholders with respect to a company, which make them inapplicable, if, for example, merely a description and an evaluation of the external environment are needed (i.e. external influences on organizational CSR-related decision-making).

Buysse and Verbeke (2003) combined the notion of dividing stakeholders into groups representing an internal and external dimension with an idea of splitting them also into primary and secondary stakeholders. In total, four groups were established: external primary stakeholders, internal primary stakeholders, secondary stakeholders and regulatory stakeholders (Table 2.1.1-1). Why regulatory stakeholders are separated out into a special group and are included in neither a primary nor a secondary stakeholder group is not completely clear though. So, it is difficult to conclude whether regulatory stakeholders exercise the same pressure as primary stakeholders do or as secondary stakeholders do; or whether they are more influential than these two groups; or, in contrast, whether they are less influential.

Lépineaux (2005) stated that to meet new realities requires a new systematic classification of stakeholders, which would include the global society. Therefore he established a typology with two distinctive groups: societal stakeholders (with such sub-groups as the global society, national societies and social groups or institutions) and business stakeholders (combining shareholders, internal stakeholders and external business stakeholders) (Table 2.1.1-1). Thus, the main separation was made based on whether stakeholders' interests were economic or social ones. However, there is a clear difference in the power exercised by stakeholders in the social interests group (e.g. governments and NGOs), which is not captured by this typology.

Murillo-Luna et al. (2008) built their classification on five stakeholder groups: corporate government stakeholders, internal economic stakeholders, external economic stakeholders, regulatory stakeholders and external social stakeholders (Table 2.1.1-1). Hereby, the authors

respected the tradition of distinguishing stakeholders both according to the nature of their interests (economic and social) and according to their positioning vis-à-vis a company (internal and external). They also acknowledged the necessity to put regulatory stakeholders in a separate category. However, the distinction among the global and national governments, which is crucial when considering CSR issues (Lépineux 2005), was not made.

Table 2.1.1-1 Overview of stakeholder typologies

Author (s)	Stakeholder groups	Stakeholders
Clarkson (1995)	Primary stakeholders	<ul style="list-style-type: none"> ▪ Owners ▪ Employees ▪ Customers ▪ Suppliers ▪ Public stakeholder group: <ul style="list-style-type: none"> - Governments - Communities
	Secondary stakeholders	<ul style="list-style-type: none"> ▪ Media ▪ Wide range of interest groups
Henriques and Sadorsky (1999)	Regulatory stakeholders	<ul style="list-style-type: none"> ▪ Governments ▪ Trade associations ▪ Informal networks ▪ Leading firms in environmental matters
	Organizational stakeholders	<ul style="list-style-type: none"> ▪ Customers ▪ Suppliers ▪ Employees ▪ Shareholders
	Community stakeholders	<ul style="list-style-type: none"> ▪ Community groups ▪ Environmental organizations ▪ Other potential lobbies
	The media	<ul style="list-style-type: none"> ▪ Mass media
Gibson (2000)	Institutional stakeholders	<ul style="list-style-type: none"> ▪ Laws and regulations
	Economic stakeholders	<ul style="list-style-type: none"> ▪ Actors in the marketplace
	Ethical stakeholders	<ul style="list-style-type: none"> ▪ Environment and social pressure groups
Buysse and Verbeke (2003)	Regulatory stakeholders	<ul style="list-style-type: none"> ▪ National (and regional) governments ▪ Local public agencies
	External primary stakeholders	<ul style="list-style-type: none"> ▪ Domestic customers ▪ International customers ▪ Domestic suppliers ▪ International suppliers

Author (s)	Stakeholder groups	Stakeholders
Lépineaux (2005)	Internal primary stakeholders	<ul style="list-style-type: none"> ▪ Employees ▪ Shareholders ▪ Financial institutions
	Secondary stakeholders	<ul style="list-style-type: none"> ▪ Domestic rivals ▪ International rivals ▪ International agreements ▪ Environmental NGOs ▪ The media
	Societal stakeholders	Global society
		<ul style="list-style-type: none"> National societies ▪ Host countries ▪ Home country
		<ul style="list-style-type: none"> Social groups or institutions ▪ International institutions ▪ Governments ▪ Local communities ▪ Activist groups ▪ Civic associations ▪ NGOs ▪ Media ▪ etc.
	Business stakeholders	Shareholders
Murillo-Luna et al. (2008)	Internal stakeholders	<ul style="list-style-type: none"> ▪ Executives ▪ Employees ▪ Trade unions
	External business stakeholders	<ul style="list-style-type: none"> ▪ Customers ▪ Suppliers ▪ Banks ▪ Investors ▪ Competitors ▪ Business organizations ▪ etc.
	Corporate government stakeholders	<ul style="list-style-type: none"> ▪ Managers ▪ Shareholders/owners
	Internal economic stakeholders	<ul style="list-style-type: none"> ▪ Employees ▪ Labor unions
	External economic stakeholders	<ul style="list-style-type: none"> ▪ Customers ▪ Suppliers ▪ Financial institutions ▪ Insurance companies ▪ Competitors
	Regulatory stakeholders	<ul style="list-style-type: none"> ▪ Environmental legislation ▪ Administration control
	External social stakeholders	<ul style="list-style-type: none"> ▪ Citizens/Communities ▪ Ecologist organizations

Various stakeholder typologies were discussed above; however, none can be acknowledged as being extensive and universal. Some of them do not indicate the nature of stakeholder power (e.g. Clarkson 1995, Lépineux 2005), others do not distinguish between stakeholders' positioning with respect to a company (e.g. Henriques and Sadorsky 1999, Gibson 2000). Moreover, the distinction between global government and national government is often not addressed (e.g. Buysse and Verbeke 2003, Murillo-Luna et al. 2008). Since all these issues are important when considering the external pressure on organizational CSR-related decision-making, none of the described stakeholder classifications is fully suitable for the purpose of the external factor representation.

In addition, stakeholder theory lacks an explanation of the sources of stakeholder influence (Lee 2011). In theory, all stakeholders are regarded as important; however, in reality some stakeholders are highly powerful, while others have little impact on organizational behavior (Vogel 2005). That is, companies can pay attention to one stakeholder group and barely notice another (Jamali 2008). The explanation of such inconsistencies may lie within institutional theory. The literature suggests that the way companies treat organizational stakeholders is defined by the institutions within which they function (e.g. Hall and Soskice 2001, Campbell 2007). Therefore, a consideration of the macro-level sources of stakeholder influence is necessary to understand the external environment that affects CSR choices (Lee 2011).

To conclude, stakeholders – acting collectively or individually, formally or informally – are the key element in the organizational environment (Murray and Vogel 1997). They can be adapted and used for the research purposes, though they do not fully represent the external forces affecting organizational CSR-related policies and decisions, since the institutions that empower stakeholders should be also taken into consideration. These will be addressed in the following section.

2.1.2 Institutional perspective

The ideas of the stakeholder theory are closely correlated with the organizational context perspective where a company is considered not to be autonomous and isolated, but dependent on its organizational environment (Pfeffer and Salancik 1978). Many publications have described the organizational context as an issue which plays an important role when implementing, translating and adopting the CSR concept in a company (e.g. Dunphy et al. 2003, Hemingway and MacLagan 2004, Vogel 2005, Mirvis and Googins 2006, Porter and Kramer 2006, Aguilera et al. 2007). Every company is acting under various, not explicit and often incompatible, constantly renegotiated social contracts and institutions which affect its business operations and results (Yaziji and Doh 2009). Johns (2006, p.386) defined organizational context as an integration of “*situational opportunities*

and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables”.

Business scholars often view organizational context as a multilayered construct (e.g. Wood 1991, Aguilera et al. 2007, Wood 2010, Athanasopoulou and Selsky 2012, Lozano 2013), where, apart from other layers, they indicate the external level. Usually, scholars root such an external dimension in an institutional perspective (e.g. Beliveau et al. 1994, Jennings and Zandbergen 1995, Husted and Allen 2006, Aguilera et al. 2007, Matten and Moon 2008, Yaziji and Doh 2009). Since the focus of this research is on the external factors influencing organizational CSR-related decision-making, the institutional perspective is of particular interest.

Institutional theory literature suggests that macro-level factors such as policies, routines and norms are the main factors shaping organizational behavior (e.g. Campbell 2007, Marquis et al. 2007). Institutions can be represented by cognitive systems (create shared meaning), normative systems (regulate through social sanctions and obligations) and regulative systems (constrain and guide through formal authorities) (Scott 2007). Moreover, formal institutions (government regulations and state constituents) are equally important as informal institutions (conventions and shared beliefs) in developing “the rules of the game” and the incentive structure in organizational environment (e.g. North 1991, Lee 2011).

It is argued that institutional theory is not broadly applied in the CSR field (Husted and Allen 2006). However, there are some studies with institutional lenses focusing on what CSR is about (e.g. Beliveau et al. 1994) as well as how and why CSR is being adopted on the organizational level (e.g. Jennings and Zandbergen 1995, Campbell 2006, Aguilera et al. 2007). Scholars, who are taking an institutional position, tend to regard organizational CSR-related decision-making as an externally determined process – they use an institutional research angle to extend their understanding of the macro-influences which might drive CSR decisions and practices (Athanasopoulou and Selsky 2012). Thus, a company’s choices as regards CSR can be affected by public and private regulation, health of the economy, the presence of nongovernmental organizations which monitor organizational behavior, level of competition, institutionalized norms concerning corporate behavior, stakeholder dialogue principles, preferences of the institutional investors, etc. (Campbell 2007).

These scholars also believe that CSR is dysfunctional in weak institutions (e.g. Baughn et al. 2007, Jamali and Mirshak 2007, Matten and Moon 2008); in particular, they argue that if the government does not promote CSR, or if the civil society is not well organized, or if the media are unable to act as a watchdog, there would be a high probability that companies operating in such an external social context will not be engaged in CSR activities (e.g. Jamali and Mirshak 2007). In

contrast, if regulations, social preferences and cultural norms favor CSR, companies operating within such external context will more likely embrace CSR principles in order to obtain legitimacy (e.g. Lee 2011).

In support of that Halme et al. (2009) noted that all CSR concepts, theories, and ideas are rooted in market economy countries with relatively strong institutional environments where regulation is efficient and properly enforced as opposed to countries with weak institutional environments, bureaucratic inconsistency, corruption and arbitrary law enforcement. Baughn et al. (2007) reached a similar conclusion when comparing responsibility practices in 104 countries: they revealed a positive relationship between CSR and economic development and economic freedom, and between CSR and non-corrupt government and political freedom.

Although institutional theory is helpful for understanding an external organizational context through norms and rules of the game, it is often criticized for being too distal and for lacking agency (e.g. Stinchcombe 1997, Greif 2006). Institutional changes do not automatically result in changes of organizational behavior without particular actors who can activate institutional mechanisms (e.g. Kraatz and Zajac 1996, Posner 1996). Lee (2011) argues that “*institutional pressures become more effective when they are channeled and accentuated through concrete stakeholder relations*” (p. 285). Thus, stakeholders play an important role in interpreting and transmitting institutional meanings and in focusing institutional forces on companies (Czarniawska 1997).

To conclude, institutional theory provides normative, cognitive and regulative structures and shape social preferences as well as organizational incentives (Nee 2005, Blau et al. 2006, Scott 2007). This perspective alone, however, is not sufficient for a representation of external organizational environment (and, consequently, for providing an extensive list of external factors which might influence CSR-related decision-making), since social actors are required in order to activate institutional mechanisms. Therefore, it is argued that the institutional perspective combined with the stakeholder perspective can offer a better insight into how external influences shape CSR-related choices in a company (Lee 2011). Next section will use this approach and offer a typology of external factors drawn from both perspectives.

2.1.3 Typology of external factors

An overview of the theories related to external factors potentially influencing CSR-related decision-making processes (see sections 2.1.1 and 2.1.2) demonstrated that studies based on stakeholder and institutional perspectives have mainly been developed in parallel; however, they

“are both focused on how institutions and stakeholders induce firms to conform to social demands in a similar manner” (Lee 2011, p. 284). Lee (2011) argues that a company’s CSR-related choices depend on the nature and strength of external influences originated from both stakeholder and institutional forces which are interdependent. More specifically, stakeholders draw power and legitimacy from institutions, while institutions are often activated by stakeholders. Therefore, in order to compile a list of external factors that might affect organizational CSR-related decision-making, the two perspectives discussed above may be worth combining. This would allow mitigating the weaknesses of each of those considered separately and, thus, would enable creating a more comprehensive typology which acknowledges not just organizational stakeholders but also the institutional environment.

When building a stakeholder classification, many business scholars (e.g. Henriques and Sadorsky 1999, Gibson 2000, Murillo-Luna et al. 2008) distinguish between the government/institutional/regulatory group of stakeholders (acting through laws and regulations), the social/ethical group (exercising social pressure) and the economic/business group (marketplace actors). This classification principle acknowledges the nature of the power exercised by different groups which is important when investigating external pressure. Similarly, this principle is employed for the development of a typology of external factors influencing organizational CSR-related decision-making which is being suggested here. So, the typology is built on the three groups entitled: *government-related*, *society-related* and *business-related* (Figure 2.1.3-1).

The first group called government-related factors highlights political aspects of the organizational context (Figure 2.1.3-1). These external factors influence organizational CSR-related behavior through legal mechanisms: either through law (binding) or soft law (non-binding, but expected to be followed). In the following, external factors which are included in this group are discussed.

First of all, government action is considered an important force that can push companies to embed CSR principles. The distinction between the government (i.e. national government and local/municipal government) and intergovernmental organizations (IGOs) should be made though. Aguilera et al. (2007) state that the government affects companies through law enactment, law enforcement and education on best practices, while IGOs act through “bully pulpit” and policy papers. Domestic laws and policies serve as a signal for the importance of CSR – “*a signal that, with regard to CSR, is amplified by the business culture in the country, consumers’ interests, institutional investors’ actions, the corporate governance regime, NGOs’ effectiveness, and the individualistic versus collectivist nature of the country’s underlying political and social philosophy*” (Aguilera et al. 2007, p.854). Indeed, standards established by law usually have a strong influence

on social expectations regarding CSR and on understanding what responsible corporate behavior is about (Aguilera et al. 2007). Such social expectations based on governmental standards shape a “focal point” around which companies build their behavior (McAdams and Nadler 2005). Consumers, NGOs, institutional investors and other parties often reinforce the official law by putting pressure on firms to meet these standards (Kagan et al. 2003). Overall, domestic regulations are very powerful and achieve broader coverage than voluntary initiatives (such as the UN Global Compact or the Global Reporting Initiative (GRI)), which are the product of intergovernmental organizations (IGOs) (Aguilera et al. 2007).

However, IGOs (the EU, the Organization for Economic Cooperation and Development (OECD), the UN, etc.) are also capable of forcing companies to consider CSR as an important issue – for instance, the EU is supporting and organizing an ongoing CSR discourse as well as developing norms of responsible business conduct (Aguilera et al. 2007). The main function of IGOs operating at the transnational level is to provide an institutional arena where the discussion among various actors can take place (Khagram et al. 2002). Such dialogues, either revolving around specific CSR issues or pointing at general expectations of corporate accountability (Guay et al. 2004), usually involve the business world, unions, institutional investors (particularly socially responsible investors and pension fund investors), governments, IGOs and NGOs (Cuesta Gonzalez and Valor Martinez 2004, Williams 2004).

Regulations that influence organizational CSR practices may also vary depending on the industry – companies in a particular industry are subject to specific norms, values, beliefs of that industry and, in some cases, specific laws (Aguilera et al. 2007). Industrial (self) regulation is often authorized and encouraged by the state (Campbell 2007). Hence, in order to gain legitimacy and to evade, for instance, bad publicity, penalties and institutional investors’ ignorance (Kagan et al. 2003), organizations need to comply with industrial standards and norms. Therefore, in order to ensure organizational long-term survival (Meyer and Rowan 1977, Zucker 1977) and social “license to operate” (Livesey 2001), companies are likely to engage in those CSR-related activities and initiatives which are in line with industrial standards. That is, industrial regulations can also affect organizational CSR-related decision-making processes.

Thus, the government-related group of external factors influencing a company’s CSR choices comprises CSR-related recommendations/regulations from local and national governments as well as CSR debates/concerns on a global (intergovernmental) political level (e.g. EU, UN), industrial CSR (self) regulation and international CSR guidelines and principles (e.g. GRI, Global Compact) (Figure 2.1.3-1).

The influencing factors from the second group – the society-related factors – represent a company's external social context (Figure 2.1.3-1). These factors exercise their power mainly through evaluating organizational CSR-related decisions and their outcomes against certain norms and, consequently, either providing or withdrawing “social legitimacy”.

The first stakeholder to consider within this group is nongovernmental organizations (NGOs) which have become a politically significant, strong social force in modern society; they influence the way people live and the way companies operate (Khagram et al. 2002, Hart and Milstein 2003). In particular, the influence of NGOs can be expressed in direct appeals to companies to behave in more socially responsible ways, demonstrations and boycotts, media campaigns organized to attract public attention, pressure on local governments to force companies to improve organizational practices, etc. (Campbell 2007). Social movement organizations, appearing around CSR issues, act similarly (Smith 2005). The main function of these organizations is to establish codes of conduct and to monitor corporate behavior accordingly. Hence, Aguilera et al. (2007) placed NGO activity among the institutional forces which influence CSR policies and, consequently, decision-making – the authors included under that umbrella both organizations with a broad social or environmental mission (such as Oxfam and Christian Aid) and organizations with a specific focus on CSR (such as AccountAbility and SustainAbility).

Media is acknowledged to be another actor in the external environment that monitors and disciplines companies “*by subjecting them to the constant threat of public exposure*” (Campbell 2007, p. 957). It functions as a watchdog and informs the government and the public about socially irresponsible corporate activities which can lead to withdrawal of social legitimacy. Thus, in democratic societies, the media can push companies towards a particular organizational behavior and, consequently, affect CSR-related decision-making.

Business education and professional publications are also worth considering since they provide mental constructs which managers rely on. This was suggested by Fligstein (1990) who found that approaches which business executives choose for managing their companies depend on their business school education. Campbell (2007) explains this by suggesting that managers seek legitimacy by acting in accordance with what is perceived appropriate by peers and other significant actors in their professional environment. Norms institutionalized in business publications, business school curricula and educational venues may thus influence organizational CSR-related choices.

To summarize, the society-related group encompasses the pressure from NGOs, social movement organizations and the media. Business education and business/scientific publications and journals are also included having an educational role in organizational CSR-related decision-making (Figure 2.1.3-1).

The third group – the business-related group – describes the external organizational business context and represents market conditions and mechanisms (Figure 2.1.3-1). These external factors imply economic interests and might influence organizational CSR decision-making and related choices through exercising market power.

For example, economic conditions may affect the extent to which organizations employ CSR principles. Campbell (2007) states that companies are less likely to act in socially responsible ways if they operate in a climate where “*inflation is high, productivity growth is low, consumer confidence is weak, and, in short, it appears that it will be relatively difficult for firms to turn a healthy profit in the near term*” (p. 952). Unhealthy economy can therefore constrain the CSR embedment in companies.

In contrast, institutional investors (in particular, socially responsible investment (SRI) funds, public pension funds and labor funds) may act as a catalyst for CSR activities and initiatives. When constructing investment portfolios, these investors often combine traditional financial analysis with the analysis of environmental and social organizational performance (Lydenberg 2005). They also perform a highly public screening which can affect corporate brand and reputation (Clark and Hebb 2004). Hence, institutional investors can push companies towards more socially responsible behavior (Armour et al. 2003).

Another stakeholder with market power is a company’s consumers/buyers². By expressing their willingness to buy particular products and services, they exercise their purchasing power (Waddock et al. 2002). Since an increasing number of consumers are ready to pay a premium for ecologically and socially friendly products and do not tolerate irresponsible corporate behavior (Lépineux 2005), a positive relation between organizational CSR actions and consumers’ reactions on a company’s products exists (Sen and Bhattacharya 2001). So, companies are likely to take consumers’/buyers’ concerns into account when making CSR decisions.

Similarly, suppliers and business partners of all kind have become an important force that might affect an adoption of CSR policies (Aguilera et al. 2007). If these social actors ground their businesses on CSR principles, they will demand the same attitudes from their partners, at least in the part that relates to their common operations and interests. It is explained by the fact that cooperation with an irresponsible business partner goes against their CSR values and can ruin their reputation. So, suppliers/partners who have already employed CSR principles are likely to influence their companions’ decisions in respect of CSR.

² Intermediate buyers that sell a company’s product/service to final customers are considered business partners.

The level of competition and competitors' CSR strategies are also among the forces which can have an effect on organizational CSR choices. For example, it is argued that too intense competition and too weak competition are equally detrimental conditions for CSR development (e.g. Campbell 2007): the first one – because profit margins are too narrow and organizational survival is under risk, companies try to cut expenses wherever possible; the second one – because with a lack of alternatives, organizational reputation and customer loyalty do not account for much or affect profitability and sales. However, when key companies in an industry start implementing CSR principles, other market players may follow, because companies often mimic what their more successful peers do, especially under new and/or uncertain conditions (e.g. DiMaggio 1983, Colwell and Joshi 2013).

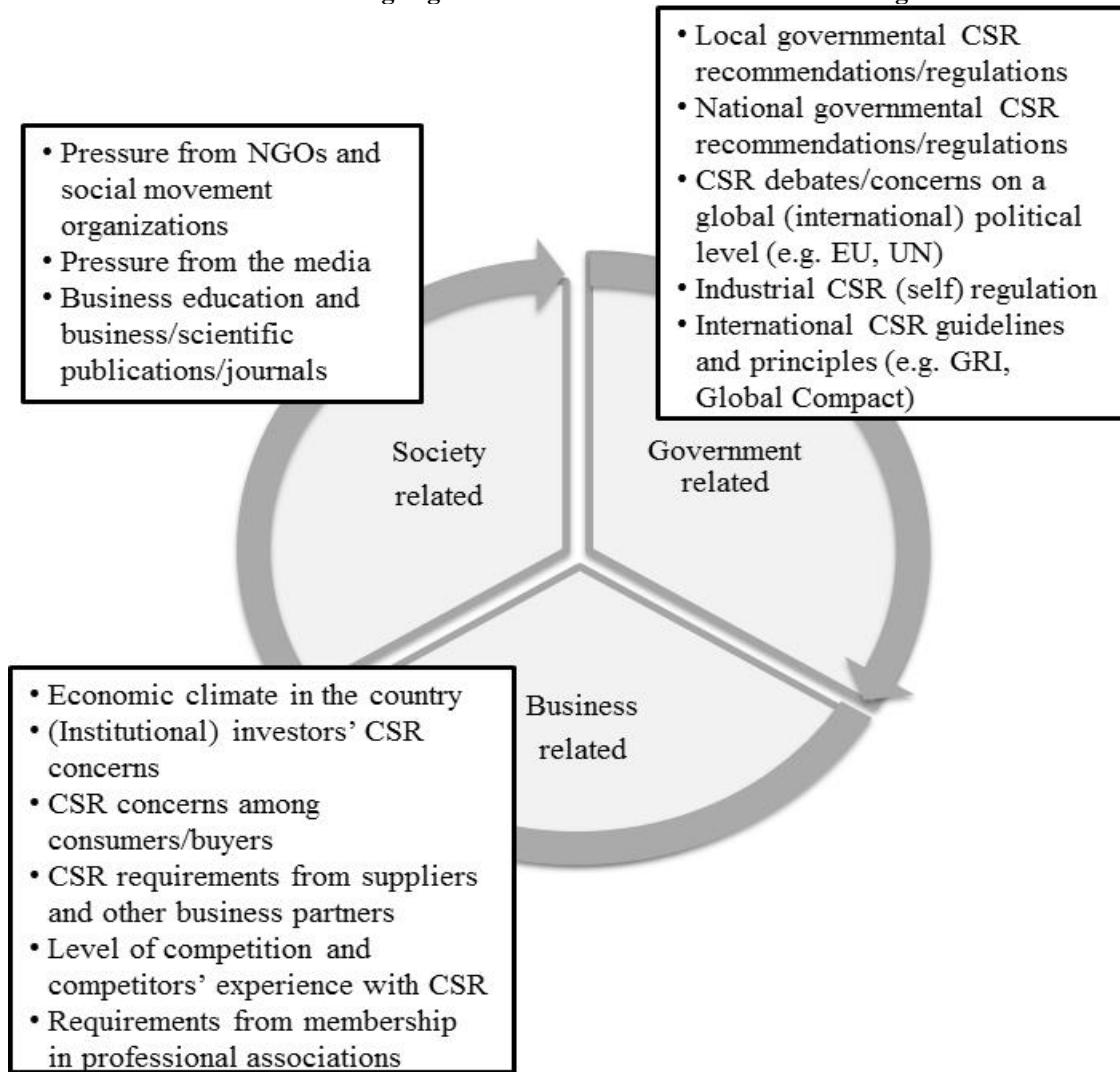
The last factor to consider in this group is professional associations and the requirements they pose on their members. Often, business associations play an educational role and provide a space for regular interaction with peers. They are also responsible for "*institutionalizing a normative climate that facilitates socially responsible corporate behavior among the members*" (Campbell 2007, p. 959). Thus, professional associations encourage companies to learn the "right" way, the preferred approach and the rationale behind it (Colwell and Joshi 2013) and, consequently, they can be influential in promoting CSR in organizational decision-making.

To sum up, the business-related group embraces such influencing factors as economic climate, CSR concerns among (institutional) investors and consumers/buyers as well as CSR requirements from suppliers and other business partners. In addition, the level of competition and competitors' experience with CSR and requirements from professional associations are included in this group as having an influence on CSR decision-making in companies (Figure 2.1.3-1).

All in all, it was argued that the stakeholder perspective or the institutional perspective alone does not provide an adequate explanation of external forces influencing CSR decision-making in companies (Lee 2011). Therefore, the two perspectives were combined in an attempt to mitigate the weaknesses of each perspective considered independently and in order to build a more comprehensive typology that will suit the research purposes. First, the proposed typology depicts organizational relationships with all main external stakeholders (such as government bodies, consumers, media etc.); second, it reflects the nature of the power exercised by different stakeholder groups (legal mechanisms vs. market mechanisms vs. social legitimacy); and third, it includes the nature of stakeholder interests (economic vs. social). The suggested typology also makes a distinction between global (international) and national and local governments, which, according to Lépineaux (2005), is essential in times of globalization but often is not addressed by stakeholder classifications. Finally, the typology highlights various aspects of the external organizational

context (political, business and social) and acknowledges some institutional conditions (such as economic climate, level of competition, shared educational norms). This typology will underlie the data collection tool and be used for the subsequent research. All external factors included might affect CSR choices and, so, are worth taking into consideration when exploring organizational CSR-related decision-making.

Figure 2.1.3-1 External factors influencing organizational CSR-related decision-making



The problem of prioritizing these external factors arises though. An organization is often viewed as a constellation of competing interests (e.g. Maon et al. 2010) – organizational interests vs. interests of the external environment and, also, contradicting interests in the external environment (between different stakeholder groups or institutions). Managing all those conflicting interests and expectations is often a dilemma that many managers face (Maon et al. 2009). Jensen (2002), for instance, highlights that it is rarely possible to attain success when chasing multiple objectives, since attempting to achieve many objectives excludes having an overall objective. Baggio and Cooper (2010) also state that satisfying mutually incompatible stakeholder expectations prevents any clear decision from management.

The problem discussed above appears because the stakeholder theory is often interpreted as suggesting that a company should address and treat the demands from all stakeholders equally, neglecting the fact that some stakeholders contribute to an organization more than others (Gioia 1999, Marcoux 2003, Phillips 2004, Tortosa-Edo et al. 2010). Indeed, stakeholder relationships are not equal: the intensity of interaction can vary depending on the stakeholder power and organizational sensitivity to stakeholder influence (Post et al. 2002, Phillips 2003). So, in order to successfully set up and reach organizational objectives, corporate managers have to prioritize which external factors they want to address in their CSR-related decision-making and, consequently, choose which CSR practices they need to initiate. Lee (2011) suggests that a company's decision-makers should be able to recognize relevant stakeholder groups and institutional forces and evaluate their strength. Therefore, the managerial task is not just to identify what are the external factors influencing organizational CSR choices, but also what is the extent of that influence to enable taking the more powerful external factors more into account than the weaker ones. Moreover, the external pressure on organizational CSR decision-making should not be regarded as stable. International business competition and global issues entering the CSR debate trigger additional challenges and increases CSR-related requirements and expectations; what was considered a good corporate behavior few years ago may therefore no longer be acceptable today (Morsing et al. 2007).

In that regard *specific research questions*, which address the first facet of the research focus – the external environment (see section 1.3) – and which correspond to the chosen research context (see section 1.5), are:

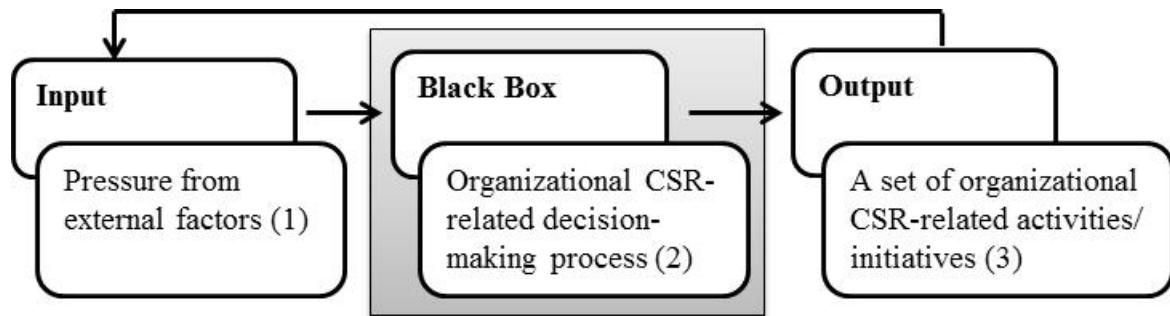
- 1a) To what extent do different external factors influence CSR-related decision-making in large Danish companies?*
- 1b) How has the influence from different external factors on CSR-related decision-making in large Danish companies changed over the years?*

To conclude this section, the external factors which might affect organizational CSR-related decision-making processes have been discussed from two perspectives – the stakeholder perspective (section 2.1.1) and the institutional perspective (section 2.1.2). As a result of considering these two approaches in combination, the typology of the external influencing factors has been suggested (section 2.1.3). This typology embraces three groups: government-related, society-related and business-related external factors, and will be used to guide subsequent data collection. The empirical part of the research will continue addressing the external influencing factors, in particular in regard to the pressure they exercise on CSR choices and, consequently, to the prioritization of those factors during CSR-related decision-making in large Danish companies.

2.2 The Black Box: CSR decision-making processes

The following section is devoted to organizational CSR-related decision-making processes – the hidden processes in the “Black Box” which transform Input, in the form of pressure from external factors, into Output, in the form of a settled organizational CSR agenda (Figure 2.2-1, box 2).

Figure 2.2-1 Organizational CSR-related decision-making – the Black Box is in focus



Organizational CSR-related decision-making will be approached both from the side of CSR (i.e. CSR design and integration frameworks – section 2.2.1) and from the side of decision-making (i.e. organizational decision-making models – section 2.2.2). The section concludes with a comparison of the two perspectives and a presentation of the specific research question raised within the “Black Box” and related to the hidden processes of CSR decision-making (section 2.2.3).

2.2.1 CSR design and integration frameworks

In the CSR body of literature, the path towards organizational CSR practices is described through various CSR design and integration frameworks. Maon et al. (2009) summarized existing frameworks (i.e. those proposed by Khoo and Tan (2002), Werre (2003), Panapanaan et al. (2003), Maignan et al. (2005), and Cramer (2005)) and concluded that they differ in the number of steps included and in the level of specification, although they do have some similarities and overlaps in terms of the main phases they incorporate.

Taking Maon et al.’s conclusions (2009) into consideration, main phases of those CSR design and integration frameworks have been grouped under: (i) preparation and planning; (ii) implementation; and (iii) assessment of results. The division into these three groups was not made by the authors of the CSR design and integration frameworks, but is being suggested here to enable the presentation of those frameworks in a consistent way. In my view, this allows a distinction between those phases from the frameworks that might be relevant to CSR decision-making (group “preparation and planning”) and those phases that follow up the decisions already made (groups

“implementation” and “assessment of results”). The result of this classification is presented in Table 2.2.1- 1.

It shows that each framework consists of the phases that represent the three groups; none of the frameworks focuses on the group “preparation and planning” exclusively. So, first, the CSR design and integration frameworks do not provide a clear separation between CSR design (i.e. planning) and CSR integration (i.e. implementation) – if anything the authors of these frameworks consider these processes as being closely interconnected and intertwined. Thus, these frameworks exceed the borders of the “Black Box” by touching on CSR implementation issues (e.g. Cramer 2005, Maignan et al. 2005) as well as CSR communication and reporting issues (e.g. Khoo and Tan 2002, Panapanaan et al. 2003). Second, the frameworks do not allow extracting and elaborating on CSR decision-making, since no related processes are detected among the phases. These two points complicate the adaptation of the provided CSR design and integration frameworks for the description of how organizational CSR-related decisions are made.

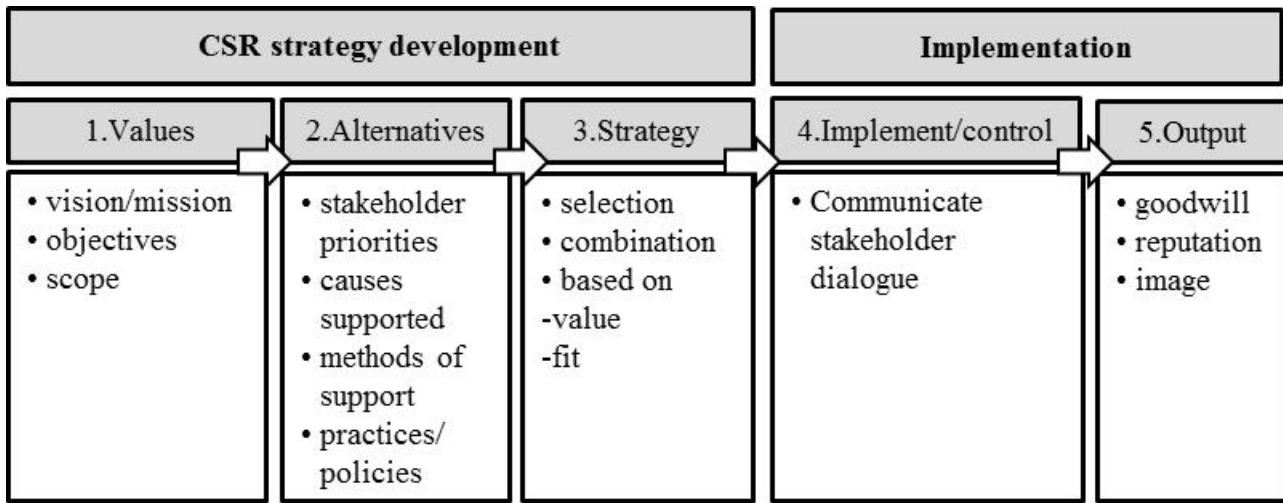
Table 2.2.1-1 CSR design and integration frameworks (adapted from Maon et al. (2009, pp.74-75))

Author (s)	Preparation and planning	Implementation	Assessment of results
Khoo and Tan (2002) Four cyclic stages in transforming the organization into a socially responsible one	1. Preparation (involving leadership and strategy planning) 2. Transformation (involving people and information management)	3. Implementation (involving the embedding of sustainability in the company processes)	4. Sustainable business results (involving the review of the system’s performance)
Werre (2003) Four main phases in a Corporate Responsibility implementation model	1. Raising top-management awareness 2. Formulating a CR vision and core corporate values	3. Changing organizational behavior	4. Anchoring the change
Panapanaan et al. (2003) Two preliminary steps conditioning the commitment to CSR management precede five essential activities for CSR management	1. Assessment of CSR (identification of the main CSR areas and relevant CSR parameters) 2. Decision whether to proceed in managing CSR 3. Organization and structure 4. Planning	5. Implementation	6. Monitoring and evaluation 7. Communication and reporting

Author (s)	Preparation and planning	Implementation	Assessment of results
Maignan et al. (2005) Eight steps to implement CSR from a marketing perspective	1. Discovering organizational values and norms 2. Identifying stakeholders and their respective salience 3. Identifying the main issues of concern to the identified key stakeholders 4. Assessing a meaning of CSR that fits the organization of interest 5. Auditing current practices	6. Prioritizing and implementing CSR changes and initiatives 7. Promoting CSR by creating awareness and involving stakeholders	8. Gaining stakeholders' feedback
Cramer (2005) Six non-sequential CSR implementation activities	1. Listing stakeholder expectations and demands 2. Formulating a vision and a mission with regard to corporate social responsibility and, if desired, a code of conduct 3. Developing short- and longer-term strategies with regard to corporate social responsibility and, using these, to draft a plan of action.	4. Setting up a monitoring and reporting system 5. Embedding the process by rooting it in quality and management systems	6. Communicating internally and externally about the approach and results obtained

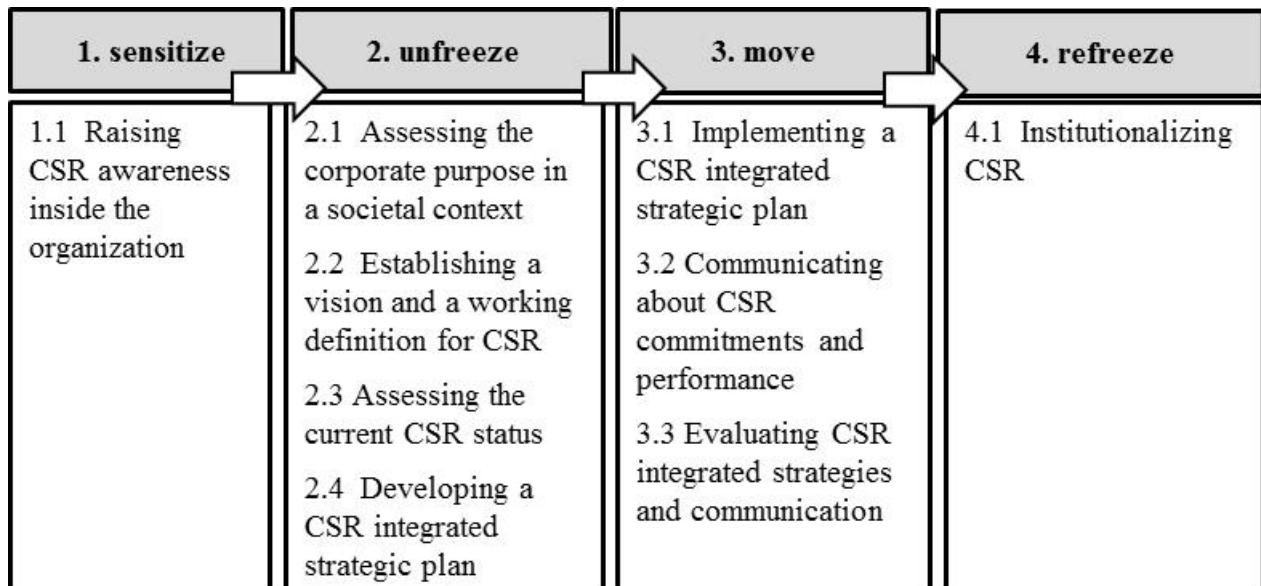
O'Riordan and Fairbrass (2008) also viewed the CSR process as a phased activity; however, they offered a clearer division between CSR development and implementation stages (Figure 2.2.1-1). In the strategy development phase they included values which drive CSR strategy, alternatives which are represented by the options available for decision-makers and strategy which is a result from the previous stages. The implementation phase involves such factors as implementation and control which cover technical aspects at a tactical level and output which ensures effective and efficient use of managerial resources.

Figure 2.2.1-1 Phases and steps of the CSR process (adapted from O’Riordan and Fairbrass (2008))



Maon et al. (2009) suggested an alternative CSR design framework which employs four stages: three from Lewin’s force field change model (Lewin 1951): unfreezing, moving, and refreezing; and one additional stage – sensitizing, where top management becomes aware of the importance of sustainability issues. These four stages were further described through nine steps (Figure 2.2.1-2). Since current research is revolving around organizational CSR-related decision-making processes rather than CSR strategy implementation processes, only stages 1 and 2 of the model suggested by Maon et al. (2009) are of particular interest for this study and merit discussion here.

Figure 2.2.1-2 CSR Integrative framework (adapted from Maon et al. (2009, p.77)



The first stage in this framework is called “sensitize” and is about raising CSR awareness inside the organization. Maon et al. (2009) defined four key drivers which might boost organizational sensitivity to CSR issues: economic, social, political, and individual. The last driver

characterizes personal values of either CEO or employees; Maon et al. (2009) state that their framework considers both top-down driven approaches (top managers' awareness) and bottom-up driven approaches (awareness of employees). The first three drivers reflect an external environment and related risks associated with business activities. In that sense, a company can exercise either proactive (triggered by personal morality) or reactive (responding to external pressure) approaches to CSR. Economic, social and political drivers appearing here might be associated with business, society and government-related external factors influencing organizational CSR-related decision-making (see section 2.1.3) and might be detected at the Input step of the “Black Box” model.

The second stage in the Maon et al. (2009) framework is called “unfreeze”; it covers several steps. The first is the assessment of corporate purpose in its societal context. According to Maon et al. (2009), it is important to understand corporate vision, mission, norms and values since they guide corporate decisions and behavior and are likely to have implications for CSR policies and practices. So, for CSR considerations to be a natural step, the CSR program must fit the organizational mission, values and overall goals (Maignan et al. 2005); also organizational CSR-related decision-making must be aligned with the overall corporate strategies (Government of Canada 2006). In addition, Maon et al. (2009) point at the importance of creating new CSR-oriented norms and values in the organization which will build a culture receptive to change. Organizational culture should be transformed from a target-driven to a value-driven one in order to incorporate CSR issues into decision-making criteria and into a long-term strategy (Lyon 2004).

Next step in the “unfreeze” stage is to identify key stakeholders and critical stakeholder issues and, then, to establish a vision and a working definition for CSR. Such a definition should indicate both the organizational motivation for CSR and the choice of organizational stakeholders and relevant issues which are most important for a company (Maignan et al. 2005). Maon et al. (2009) suggest that a working definition for CSR should form a socially responsible vision, which must be created by top management and communicated through official organizational documents (e.g. annual reports, code of conduct, corporate webpages).

According to Maon et al. (2009), after establishing a working definition, a company should move to the next step – assessing its current CSR status. The authors state that it might be done both through auditing current CSR practices and through benchmarking competitors’ CSR practices, norms and standards. An audit of current practices reveals organizational characteristics concerning social and environmental business impacts, aspects of corporate governance, corporate commitment to sustainability and the process of societal dialogue (Maon et al. 2009). The practical methodology of such an audit might vary from internal analysis to consulting services, from analysis of current CSR literature (Morimoto et al. 2005) to the usage of specific procedures and standards (e.g. GRI,

SA 8000, AA 1000). In turn, benchmarking against industry peers through business networks provides an organization with an understanding of which activities are inappropriate and, in contrast, which are essential for sustaining competitive advantage. After the assessment of the organization's current CSR status, a CSR-integrated strategic plan should be developed. This step finalizes the "unfreeze" stage suggested by Maon et al. (2009).

To summarize, the frameworks proposed by O'Riordan and Fairbrass (2008) and Maon et al. (2009), in spite of providing a clearer distinction between CSR development and CSR implementation than other frameworks do (Khoo and Tan 2002, Panapanaan et al. 2003, Werre 2003, Cramer 2005, Maignan et al. 2005), still exceed the borders of the "Black Box" and cover processes before and after organizational CSR decision-making. These frameworks do not focus specifically on how companies make CSR-related choices. So, in order to get an insight into the processes in the "Black Box", other perspectives should be considered, in particular, the classical perspective on organizational decision-making established in the business literature (see section 2.2.2).

2.2.2 Organizational decision-making perspective

As an alternative to CSR design and integration frameworks as described above and represented in the CSR research stream, CSR-related decision-making can also be approached from an organizational decision-making perspective, which does not include CSR as a specific element but rather has a focus on managerial decisions in general. Business scholars distinguish two main approaches regarding how decisions in organizations can be made (e.g. Mintzberg 1973, Bourgeois 1980, Bourgeois and Eisenhardt 1988, Eisenhardt and Zbaracki 1992, Nutt and Wilson 2010).

The first one is the "rational-comprehensive" approach, which builds on the assumption that managers can reach an agreement concerning goal priorities, that they can undertake an exhaustive search for possible decision options and after that successfully integrate the decisions chosen (Fredrickson and Mitchell 1984). So, the comprehensive model of decisions (e.g. Nutt 1976, Anderson 1983) or model of rational action (e.g. March and Simon 1958, Allison 1971) assumes that decision-makers have known objectives according to which they collect information and then develop alternatives followed by the choice of an optimal solution (Eisenhardt and Zbaracki 1992, Hickson et al. 2003, Miller et al. 2004).

The second one is the "political incrementalism" approach which, in contrast, assumes that managers do not necessarily reach any goal consensus (e.g. Quinn 1978), that search for possible decision alternatives is limited and problematic (Cyert and March 1963) and that the decision

arrived at is not optimal, but rather satisfactory to some degree (Simon 1957). The political perspective is similar to the rational perspective in the way that it acknowledges the existence of one main goal for a firm, but differs in that people are not collectively rational. According to the political perspective, a company is viewed as “*coalitions of people with competing interests*” (Eisenhardt and Zbaracki 1992, p. 23). These interests vary depending on one’s position in a company, personal stakes, ambitions, etc. (Allison 1971, Dean and Sharfman 1996). Decision-making here is described through a process by which the conflict of competing interests is resolved. Usually, organizational decisions reflect the choices and desires of the most powerful actors in a company (March 1962, Salancik and Pfeffer 1974). So, to increase power and to be able to influence organizational decisions, people engage in politics through lobbying, information control, coalition building, etc. (e.g. Pettigrew 1973, Pfeffer 1992, Nutt and Wilson 2010).

The critique of the rational approach often revolves around the idea that this approach is suitable only for bureaucratic organizations and stable external environments (e.g. Mintzberg 1973, Fredrickson and Mitchell 1984) and, due to the lack of time and information, is not applicable for rapidly changing environments where the political approach might be more practical (Fredrickson 1984). To describe organizational decision-making in highly ambiguous and unstable environments, however, a third model, called the garbage can model, was suggested (Cohen et al. 1972).

The garbage can model is based on several important assumptions. First, decision-makers understand their preferences and goals poorly. Second, their technology is unclear, they do not understand the underlying reasoning and learn through trial-and-error. And third, decision-makers might enter and leave the decision-making process depending on their interest, availability and enthusiasm (Nutt and Wilson 2010). All three together create so-called “organized anarchy” organizations (Cohen et al. 1972).

The garbage can model differs from the rational and political models in that decision-making lacks any clearly determined goal and that the process itself is blurred – without any clear starting and ending point (Eisenhardt and Zbaracki 1992). Also, this model highlights that what is decided in a company often depends on chance and luck: organizational decisions appear as “*a result of chance intersection among changing problems, choice opportunities, solutions and people*” (Eisenhardt and Zbaracki 1992, p. 31). Thus, according to the garbage can model, decisions in a company depend on “*random confluence of events*”, but not on politics or structured analyses (Eisenhardt and Zbaracki 1992).

How organizational CSR-related decisions are made is unknown and, most probably, it is conditional on a company’s size, experience and the environment in which it operates. However, due to the research context of large companies having several years of experience with CSR (see

section 1.5), it is highly probable that these organizations are bureaucratic and that they have already established organizational processes and procedures aimed at choosing CSR-related activities and initiatives, have defined their goals and choice criteria and have collected enough information to make more objective CSR decisions. Hence, the political approach and the garbage can model seem to be less suitable for describing CSR-related decision-making in large companies with some CSR experience than the rational model. So, the organizational approach to decision-making, which is built on the principles of rationality, serves a particular interest for the research purposes and will be discussed in more detail below.

The classic rational model implies the defined sequence of steps in the decision-making process – starting with the problem formulation and ending with the choice of the optimal solution. Later versions of the model, however, allow repetition and variation in the order of steps (Eisenhardt and Zbaracki 1992). For example, Mintzberg et al. (1976) generated a model with three basic steps (identification, development of alternatives and selection) which can be organized in a different order and repeated, thus withdrawing sequential relationship. Nutt (1984) also indicated that the sequence of steps in the rational decision-making model might vary. He suggested a framework built on five stages (Figure 2.2.2-1). The first stage, formulation, serves the goal of a better problem understanding and objective setting. The second stage, concept development, identifies all possible alternatives appropriate for solving the problem and meeting the objectives. The third stage, detailing, refines those alternatives which are most viable and clarifies their operational features. The next stage, evaluation, determines and compares costs and benefits for each alternative in order to make a choice. Finally, the last stage, implementation, installs a plan for the alternatives which were chosen (Nutt 1984).

Figure 2.2.2-1 Decision-making phase model (adapted from Nutt (1984))



Nutt (1984) also differentiated among different types of decision-making processes depending on the nature of the problem to be solved. Thus, he distinguished five different decision processes which vary in terms of decision-making stages passed and dependent on what sort of decisions should be made (Table 2.2.2-1). Nutt (1984) stated that all of those processes start with the formulation stage and end with the implementation stage, although they differ in terms of the intermediate stages included.

Table 2.2.2-1 Decision-making stages and processes (adapted from Nutt (1984, p.431))

Decision-making stages	Processes				
	Historical model	Off-the-shelf	Appraisal	Search	Nova
Formulation	X	X	X	X	X
Concept development					X
Detailing	X	X			X
Evaluation		X	X		X
Implementation	X	X	X	X	X

The first process is called the “historical model” process and besides the formulation and implementation stages, it activates the detailing stage. This process is built on existing ideas and established practices and is suitable in a situation when well-known, successful experience of dealing with the problem in question has already been applied in a company (Nutt 1984).

The “off-the-shelf” process is another decision process type suggested by Nutt (1984). It is characterized by the use of four decision-making stages: formulation, detailing, evaluation and implementation. The aim of this process is to find the best ideas available through an overt and aggressive search. In this situation, a request for a proposal is often employed – consultants (vendors/contractors) apply their predefined solutions to the organizational needs stated in such a proposal. Accordingly, the company evaluates these solutions in order to select the one which suits its purposes best. The assumption here is that competition among ideas can produce a superior decision.

The “appraisal” decision process type is described through the formulation, evaluation and implementation stages. According to Nutt (1984), it starts with an idea of unknown value and only those issues which serve for a feasible assessment are considered. Such a process motivates action though lacks idea fine tuning.

The “search” decision process type employs only two major stages: formulation and implementation. Nutt (1984) states that it is used when a workable idea is needed but the understanding where to look for such an idea is lacking. The “search” process, in contrast to the “off-the-shelf” process, is passive and defensive and does not request a proposal, since needs are not specified enough. The goal of that search is to find a full-blown idea that implies little or no further detailing. Once the idea is spotted, it is implemented because there is no perceived need to evaluate or test it.

The last type of decision processes suggested by Nutt (1984) is called the “nova” process; it differs from the others in that it comprises all decision-making stages: formulation,

conceptualization, detailing, evaluation and implementation. This decision process is practiced by companies challenging established approaches and trying to develop an innovative solution. Thereby, the concept development stage, where various alternatives are identified, plays a particularly important role. What differentiates the “nova” process from all other decision processes is that the focus here is on generating new options and ideas. Such ideas are developed without much reliance on established practices, although internal consultants (organizational staff) and external consultants (auditors/network of associates/organizations thought to be prestigious) might be involved. In this case, consultants offer processes rather than products (as opposed to the “off-the-shelf” type). Solutions identified here can be either problem corrective (in response to complaints or malfunction) or idea driven (Nutt 1984).

Nutt (1984) stated that the “nova” processes offer deep insight into both problem (needs) and solution (alternatives) which often leads to innovative ideas. However, in his empirical study, Nutt (1984) concluded that companies fail to use normative methods: “*The sequence of problem definition, alternative generation, refinement, and selection, called for by nearly every theorist, seems rooted in rational arguments, not behavior*” (Nutt 1984, p.446). So, executives rarely apply “nova” processes in practice preferring to search for ready-made solutions and to copy already established ideas and practices (Nutt 2002). Whether any of the processes proposed by Nutt (1984) are applicable for CSR-related decision-making is a question for further investigation though.

To summarize, the organizational decision-making perspective suggests the three main approaches that might be employed by companies when choosing CSR-related activities and initiatives: the rational approach, the political approach and the garbage can model. However, because of the research context of large companies engaged in CSR for some years (see section 1.5), the rational approach seems to be more appropriate for describing CSR-related decision-making. Nutt (1984) proposed the framework within the rational approach that can benefit this study by offering a number of steps which any organizational decision-making might contain. The comparison of this framework with the most relevant ones from the CSR design and integration perspective will be performed below.

2.2.3 Comparison of the two perspectives

The five stages of organizational decision-making suggested by Nutt (1984) (see section 2.2.2) can be brought into correlation with the CSR development stages extracted from the models proposed by Maon et al. (2009) and O’Riordan and Fairbrass (2008) (see section 2.2.1). Table 2.2.3-1 represents the result of the comparison. Here it can be seen that the formulation stage (Nutt

1984) overlaps both with the “values” CSR strategy development phase (O’Riordan and Fairbrass 2008) and with the first two stages in the “unfreeze” step (Maon et al. 2009). The concept development stage (Nutt 1984) coincides with the “assessing current CSR status” stage (Maon et al. 2009) and with the “alternatives” CSR strategy development phase (O’Riordan and Fairbrass 2008). Finally, the three last stages from the decision-making phase model (Nutt 1984) – detailing, evaluation, implementation – together correspond to the “developing a CSR integrated strategic plan” stage (Maon et al. 2009) and to the last phase in the CSR strategy development process – “strategy” (O’Riordan and Fairbrass 2008).

Table 2.2.3-1 Correlation between the decision-making stages and the CSR development stages

Nutt (1984)	Maon et al. (2009)	O’Riordan and Fairbrass (2008)
1. Formulation	2.1 Assessing corporate purpose in a societal context 2.2 Establishing a vision and a working definition for CSR	1. Values
2. Concept development	2.3 Assessing current CSR status	2. Alternatives
3. Detailing	2.4 Developing a CSR integrated strategic plan	3. Strategy
4. Evaluation		
5. Implementation		

Thus, all the five stages suggested by Nutt (1984) which are rooted in the classical decision-making model can be correlated with the development phases from the CSR design and integration frameworks. However, since encompassing more steps, Nutt’s (1984) model allows more detailed elaboration on organizational CSR-related decision-making processes than the CSR design and integration models do. Moreover, it seems to be more universal in the sense that it can be applied for both strategic and regular decisions, while the CSR design and integration frameworks are mainly oriented towards CSR strategy development. So, Nutt’s (1984) model appears to be more suitable for the research purpose.

So far, however, there is no clarity regarding the procedure behind a company’s CSR choices. To investigate organizational decision-making processes for such a specific topic as CSR and to increase the probability of detecting any established procedures, large companies with previous CSR experience were chosen as a context for the research (see section 1.5). But it is uncertain whether CSR-related decision-making in such companies fits any of the process types proposed by Nutt (1984) (i.e. historical, off-the-shelf, appraisal, search or nova processes). And

whether the assumption regarding rational approach to CSR decision-making in those organizations is viable (i.e. whether official processes and procedures are established)? Baumgartner and Ebner (2010), for example, state that in some companies which publish CSR-related reports and employ CSR-related management practices, it often seems that CSR-related issues are pursued not in accordance with a clear strategy but rather coincidentally. So, the questions stated (along with other questions such as what are the decision-making processes and procedures, what are the choice criteria, what are the parties involved and what are their responsibilities?) require further investigation.

Thus, in accordance with the research context and in order to address the second facet of the research focus – how companies make CSR-related decisions and choices (see section 1.3) – a ***specific research question*** is formulated as follows:

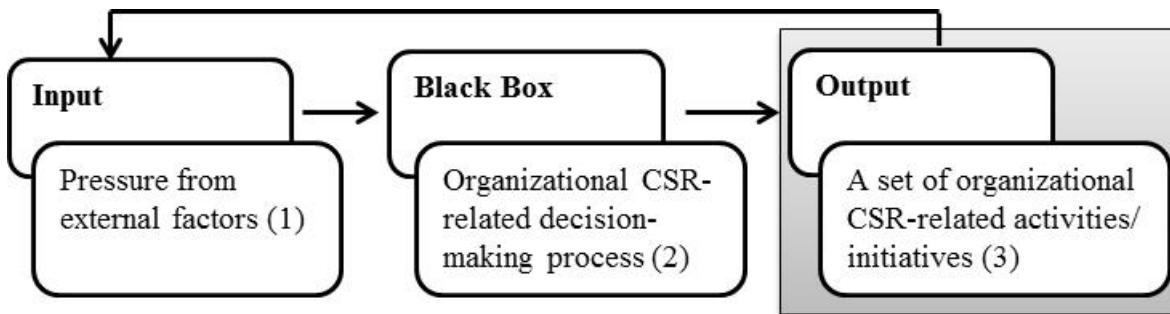
- 2) *How do large Danish companies approach the organizational CSR-related decision-making process?*

To conclude, organizational CSR-related decision-making processes have been discussed in this section from two sides: first, from the CSR design and integration frameworks perspective (section 2.2.1) and, second, from the organizational decision-making perspective, in particular from the classical rational perspective on decision-making (section 2.2.2). It is argued that the second perspective suits the research purposes better than the first one, since it allows for more detailed investigation of CSR-related decision-making. Which approach within the organizational decision-making can explain how companies make CSR-related choices is not clear though, so the empirical part of the research will elaborate on this.

2.3 Output: Organizational CSR portfolio³

This section discusses the Output of the CSR-related decision-making processes (Figure 2.3-1, box 3) – that is, a set of particular activities and initiatives which form the CSR agenda. Pondy and Huff (1983) called the organizational agenda an “issue portfolio”; issues included in a portfolio indicate the direction of managerial efforts and show stakeholders what is important for a company. By analogy, in this study the CSR agenda is called the “organizational CSR portfolio”⁴.

Figure 2.3-1 Organizational CSR-related decision-making – Output is in focus



An organizational CSR portfolio is not only a result of organizational CSR-related decision-making; it also reflects a company's approach to CSR and can be used to conclude about organizational CSR strategy, which, in turn, influences CSR-related decision-making. Thus, this section will first indicate what are the activities and initiatives which might constitute an organizational CSR portfolio (see section 2.3.1), and second, elaborate on how such a portfolio and CSR decisions taken might be applied for the analysis of a company's CSR strategy (see section 2.3.2). The section concludes by stating the specific research questions relevant for the Output of the “Black Box” model.

2.3.1 Organizational CSR portfolio and its elements

In order to discuss a portfolio of organizational activities covering distinct CSR profiles, it is necessary to be familiar with the range of CSR-related issues that a company might consider. The rationale for CSR is to fulfill social and environmental obligations while improving business performance (see section 1.1). However, depending on the goals of a particular organization and its relationship with other society members, CSR can cover a wide range of programs and policies which might point in different directions: from eco-efficiency innovations to employee safety

³ The essence of this section was published in a single-author paper (Vashchenko 2015)

⁴ Portfolio – a set of/a group of things of the same kind that belong together and are so used (<http://www.thefreedictionary.com/portfolio>)

issues, from protection of human rights to community development concerns (Baughn et al. 2007). Different scholars view different activities and initiatives as CSR relevant implying the existence of various approaches determining CSR constituents.

For example, Welford et al. (2008) suggested a list of issues associated with CSR that consists of fifteen CSR areas (Table 2.3.1-1). The authors checked how these areas are perceived by the corporate world and by different stakeholders in Hong Kong. The CSR areas investigated encompassed, among others, good health and safety practices, good environmental performance, product and service responsibility and responsible marketing, philanthropy and charitable donations, etc. The list of CSR-related issues, contrary to the typologies presented in Table 2.3.1-1 and discussed below, however, does not provide any groupings. Therefore, the possibility of providing a solid base for conclusion of companies' independent approach to environmental, social and economic CSR areas is limited. In addition, no overall principle for distinguishing among various CSR areas can be observed here.

Another study uncovering CSR components was conducted by Sotorrio and Sanchez (2008). Their objective was to analyze whether there are any differences in the level and components of social behavior between European and North American firms. For research purposes, Sotorrio and Sanchez (2008) classified components of corporate social behavior according to four major groups: (1) customers, (2) employees, (3) community and (4) environment (Table 2.3.1-1). Thus, CSR activities and initiatives were grouped according to the company's relationship with major stakeholder groups. Based on the Triple P Bottom Line viewpoint (e.g. Graafland et al. 2004), it can be assumed that activities in the customer category reflect the company's attitudes towards the economic CSR dimension; employee activities and community categories – its attitudes towards the social CSR dimension and activities in the environment category – its attitudes towards the environmental CSR dimension; Sotorrio and Sanchez (2008) did, however, not explicitly state this in their typology.

Ketola (2010) supported the idea of different CSR dimensions. She split business responsibility into four levels – three of those correspond to the well-known CSR pillars: environmental, sociocultural and economic responsibilities; while the fourth one is additional and represents the holistic level of responsibility; it covers fair trade, fair production, and fair sales (Table 2.3.1-1). Thereby, Ketola (2010) separated the idea of fairness from particular CSR dimensions, which, in my opinion, should be rather integrated in environmental, social and economic organizational concerns since fairness is a vital component of each of the three aspects.

In contrast, Baumgartner and Ebner (2010) described corporate responsibility through the three acknowledged CSR pillars – economic, ecological and social – which, as they highlighted,

interact (Table 2.3.1-1). In the economic dimension, Baumgartner and Ebner (2010) considered the elements that, in their opinion, are required to remain in the market in a long-term perspective and to obtain economic success rather than only short-term financial results. As regards the ecological dimension, Baumgartner and Ebner (2010) focused on several environmental concerns which are related to business activities such as emission, waste, resources, biodiversity, etc. The last dimension in their typology is the social one, which is split into internal aspects (e.g. employee health and safety, motivation and incentives) and external aspects (e.g. ethical behavior and human rights, no corruption and cartels). Baumgartner and Ebner (2010) associated social sustainability aspects with both present and future stakeholder relationships.

Pedrini and Ferri (2011) also investigated the CSR concept through the prism of its constituents – CSR actions and programs. The authors suggested 39 corporate actions that they consider typical expressions of CSR and combined them into ten blocks: (1) transparency and accountability, (2) corporate governance, (3) management systems, (4) stakeholder dialogue, (5) charity, (6) human resource management, (7) procurement, (8) logistics, (9) operations, (10) marketing and sales (Table 2.3.1-1). Pedrini and Ferri (2011) developed this list of CSR typical actions based on the work of Porter and Kramer (2006) with the support of empirical data received from the Italian CSR network. When considering principles which lay at the core of this classification, the analogy with the functional organizational structure can be established; that is, different types of CSR actions might be associated with different types of organizational activities (functions). However, by focusing on corporate actions rather than on the CSR aspects, this typology does not help to conclude whether a company demonstrates any progress towards a better coverage of environmental, social and/or economic aspects.

Table 2.3.1-1 Overview of CSR component typologies

Author(s)	CSR components
Welford et al. (2008)	<ul style="list-style-type: none"> • Published social and environmental policies • Good health and safety practices • Good environmental performance • Good corporate governance • Good human resource management & employment practices • Community investment and employee volunteering • Codes of conduct on supply chains and factory inspections • Product and service responsibility and responsible marketing • Philanthropy and charitable donations • Support of human rights initiatives • Partnerships with other businesses and NGOs • Adherence to international standards and guidelines • Social and environmental reporting

		<ul style="list-style-type: none"> • Codes of conduct on bribery and corruption • Ongoing stakeholder dialogue
Author(s)	CSR components	Detailing
Sotorrio and Sanchez (2008) CSR components	1. Customers 2. Employees 3. Community 4. Environment	<ul style="list-style-type: none"> • e.g. information about safety and quality of the product and services • information about customer satisfaction <ul style="list-style-type: none"> • e.g. policy of remuneration and compensation • average hours of training • survey of employment satisfaction • outplacement services to employees <ul style="list-style-type: none"> • e.g. investment in community actions and programs • employment volunteer activities and donation programs • programs and policies against bribery and corruption <ul style="list-style-type: none"> • e.g. sustainable use of resources (energy, water, raw materials) • description of the impact on biodiversity
Author(s)	CSR components	Detailing
Ketola (2010) Responsibility levels	1. Environmental 2. Sociocultural 3. Economic 4. Holistic	<ul style="list-style-type: none"> • energy usage (incl. renewables) • emissions • recycling • environmental incidents • investments in biodiversity (incl. transportation control) <ul style="list-style-type: none"> • occupational accidents • product incidents • dismissal/layoffs • salary structure • gender/cultural equality care • disabled employees • donations for sociocultural purposes <ul style="list-style-type: none"> • profit percentage • return on investment • equity-to-assets ratio • breaches of laws and fines • stakeholder reward/stake ratio <ul style="list-style-type: none"> • fair trade (supplier side) • fair production (employee side) • fair sales (BOP, customer side)

Author(s)	CSR components	Detailing
Baumgartner and Ebner (2010) Corporate Sustainability pillars	1. Economic	<ul style="list-style-type: none"> • innovation and technology • collaboration • knowledge management • processes • purchase • sustainability reporting
	2. Ecological	<ul style="list-style-type: none"> • resources (materials, energy) including recycling • emissions into air/water/ground • waste and hazardous waste • biodiversity • environmental issues of the product
	3. Social	<ul style="list-style-type: none"> • Internal: <ul style="list-style-type: none"> -corporate governance -motivation and incentives -health and safety -human capital development • External: <ul style="list-style-type: none"> -ethical behavior and human rights -no controversial activities -no corruption and cartel -corporate citizenship
Author(s)	CSR components	Detailing
Pedrini and Ferri (2011) CSR blocks	1. Transparency and accountability	<ul style="list-style-type: none"> • e.g. sustainability/social reporting
	2. Corporate governance	<ul style="list-style-type: none"> • e.g. public ethical policies
	3. Management systems	<ul style="list-style-type: none"> • e.g. anti-corruption management system
	4. Stakeholder dialogue	<ul style="list-style-type: none"> • e.g. public customer satisfaction survey
	5. Charity	<ul style="list-style-type: none"> • e.g. annual program of corporate foundation
	6. Human resource management	<ul style="list-style-type: none"> • e.g. CSR education & job training program
	7. Procurement	<ul style="list-style-type: none"> • e.g. social and/or environmental criteria in suppliers selection
	8. Logistics	<ul style="list-style-type: none"> • e.g. transportation environmental impact reduction program
	9. Operations	<ul style="list-style-type: none"> • e.g. energy and water efficiency program
	10. Marketing and sales	<ul style="list-style-type: none"> • e.g. program to develop society-friendly/ environmentally friendly products

The theoretical and empirical studies presented above indicate various approaches in defining the scope of CSR and describing CSR constituents. As it is demonstrated, these approaches differ in the number of CSR elements (from three to fifteen) and in the content of those elements as well as in the extent of elaboration (see “Detailing” column in Table 2.3.1-1). Some of the CSR components, however, are close in meaning to or overlap different typologies, for example, those elements which are related to environment, community and a company’s products/services as well as to employees. Thus, most of the CSR constituents, explicitly or implicitly, are linked to the three sustainability/CSR pillars: the environmental, social and economic pillars.

The typologies, however, do not allow exploring how an organizational CSR portfolio, which reflects CSR decisions, evolves – whether any changes in the type of CSR activities and initiatives can be found, whether companies address economic, environmental and social aspects differently; and whether companies become more holistic in their CSR efforts over time. This requires a tool which can be used to collect this sort of data, which then can be contrasted to similar data from previous periods and/or to data from other companies. Therefore a framework which can offer a general structure for organizational CSR portfolio and enable subsequent analysis is needed.

I suggest building such a framework from CSR categories which do not prescribe exact CSR activities but rather indicate the direction for those actions. This corresponds with the opinion that the choice of CSR activities should be individual for every company and adjusted to a multifaceted organizational context (e.g. Halme and Laurila 2009, Athanasopoulou and Selsky 2012). However, I agree with those scholars who believe that companies aiming to be holistic in their CSR efforts should work on the results on all three CSR dimensions – environmental, economic and social – simultaneously (e.g. Elkington 1999, Wempe and Kaptein 2002). Therefore, in order to ensure a comprehensive approach to CSR, it is suggested that the categories be grouped under environmental, economic and social CSR aspects.

The category allocation principle is based on the Triple P Bottom Line (e.g. Graafland et al. 2004) and defines whether a CSR category is associated with Planet (environmental domain), or Profit (economic domain), or People (social domain). Thus, the environmental aspect accommodates the categories that relate to organizational effects on the environment and characterize corporate relationship with ecological NGOs and nature at large. The economic aspect encompasses the categories that refer to production of goods and services and describe organizational relationship with customers and various business partners. Finally, the social aspect embraces the categories that concern the effects on people both inside and outside an organization and portray corporate relationship with employees, social NGOs and society at large (Graafland et al. 2004).

Particular CSR categories (as well as examples of CSR activities and initiatives within those categories) have been extracted from the previous discourse in CSR content-related literature (Labuschagne et al. 2005, FTSE 2006, GRI 2006, DJSI 2007, Sotorrío and Sánchez 2008, Welford et al. 2008, Baumgartner and Ebner 2010, Ketola 2010, Pedrini and Ferri 2011) and, following the allocation principle described above, have been placed either within the environmental, or economic, or social domain. In the following, the most relevant CSR categories, which, in my opinion, should be included in an organizational CSR portfolio and which describe the three CSR aspects, are briefly discussed.

The first aspect – the environmental aspect of CSR – deals with the ecological impact of business activities. Quite a number of publications concerning relevant ecological influence exist in both academic and normative literature (Labuschagne et al. 2005, FTSE 2006, GRI 2006, DJSI 2007, Sotorrío and Sánchez 2008, Welford et al. 2008, Baumgartner and Ebner 2010, Ketola 2010, Pedrini and Ferri 2011). These were used as a basis for the CSR categories developed (see Table 2.3.1-2). The main issues here are minimization of emissions, improvement of energy efficiency and reduction of water consumption and waste of other natural resources in the production process. Companies should aim to decrease the overall volume of waste in the production process and increase the percentage of waste products sent for recycling. Organizations should also aim to find alternative kinds of fuel (shredded waste paper, cardboard, textiles, etc.) and energy (wind energy, water energy, etc.), thus saving fossil fuel for future generations and decreasing greenhouse gas emissions (e.g. Baumgartner and Ebner 2010).

Products and their life cycle must be included in the environmental aspect as well. Materials used should be qualitative, recyclable and have a minimum impact on the environment. The product must be ecologically friendly, which means that there must be a minimum harmful ecological impact from its use. Companies should consider post-use product recycling and aim to cut the amount of packaging used for both products and raw materials (e.g. Baumgartner and Ebner 2010).

The organizational impact on biodiversity and corporate involvement in environmental activities are also environmental CSR issues (e.g. Ketola 2010). First of all, a company should be located where harmful effects on the environment can be minimized, i.e., where least waste is generated, or close to distribution centers, or far away from protected natural areas. Second, companies should aim to minimize the negative environmental impact from transportation by reducing car and lorry haulage and choosing other means of transportation (such as rail or sea) or optimizing routes (Pedrini and Ferri 2011). Finally, companies can contribute to overall sustainable development through involvement in ecological activities and programs and through cooperation and partnerships with environmental organizations (such as the WWF and UNEP).

Table 2.3.1-2 Organizational CSR portfolio – Environmental aspect

Categories for CSR initiatives/activities	Examples of CSR initiatives/activities in the categories	<i>Adapted from</i>
1) energy & water consumption	<ul style="list-style-type: none"> • managing direct & indirect consumption • controlling discharge • organizing recycling • employing alternative energy sources 	<i>Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
2) emission & other waste	<ul style="list-style-type: none"> • managing emission (greenhouse gases, NO, SO, etc.) • preventing ecological catastrophes, spills, etc., occurring due to industrial activity • controlling waste • organizing recycling 	<i>Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
3) materials/resources/other objects used	<ul style="list-style-type: none"> • ensuring quality • ensuring ecological safety • ensuring recyclability • using recycled materials & objects • managing use and recyclability of packaging materials 	<i>Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
4) impact of products/services impact	<ul style="list-style-type: none"> • minimizing negative ecological impact (from usage) • managing recycling (at end of the life cycle) • managing use and recyclability of product packaging 	<i>Welford et al. (2008), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
5) location & transportation	<ul style="list-style-type: none"> • controlling land, water & habitats affected by industry (biodiversity) • minimizing transportation of products, materials and people 	<i>Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
6) other environmental activities	<ul style="list-style-type: none"> • “green” donations • participating in ecological projects • supporting environmental NGOs 	<i>Welford et al. (2008), Ketola (2010), Pedrini and Ferri (2011)</i>

The second aspect – the economic aspect of CSR – is often regarded as the generic dimension (e.g. DJSI 2007). It touches on the nuances of relationships with customers, suppliers and various business partners which should be respected in order to stay in the market in the long term. Companies should build long-term mutual relationships and help those stakeholder groups which affect their business directly to be prosperous and sustainable in order to support the company's own sustainability. In turn, a product in use should satisfy quality standards (e.g. Sotorrío and Sánchez 2008) and should not have any harmful effect on consumers (does not cause allergies, diseases, injures, etc.).

Hence, the categories of the economic CSR aspect (adapted from Pedrini and Ferri (2011), Sotorrio and Sanchez (2008), Welford et al. (2008)) are product quality and safety as well as long-term partnerships with suppliers and other business partners (see more details in Table 2.3.1-3). Good results in these categories are likely to lead to good economic and sustainability results; accordingly, it seems meaningful for management to focus on these categories when aiming at economic success rather than concentrating on those elements that lead to short-term financial results (Baumgartner and Ebner 2010).

Table 2.3.1-3 Organizational CSR portfolio – Economic aspect

Categories for CSR initiatives/activities	Examples of CSR initiatives/activities in the categories	<i>Adapted from</i>
1) quality & safety of products/services	<ul style="list-style-type: none"> • ensuring quality (including raw materials used) and safety in use (including related customer training) • contributing to sustainable development (long-lasting product usage/increasing customers' welfare/etc.) • dialogue with customers 	<i>Welford et al. (2008), Sotorrio and Sanchez (2008), Pedrini and Ferri (2011)</i>
2) long-term partnership with suppliers	<ul style="list-style-type: none"> • setting requirements • training & communication • cooperation and support (including investing in) with suppliers (including local & minority groups) 	<i>Welford et al. (2008), Pedrini and Ferri (2011)</i>
3) long-term partnership with other business partners	<ul style="list-style-type: none"> • setting requirements • training & communication • cooperation and support (including investing in) with other business partners (contractors, competitors, distributors, universities, etc. – including local & minority groups) 	<i>Welford et al. (2008)</i>

The third aspect – the social aspect of CSR – reflects on organizational relationships with both employees and society at large, i.e., it embraces both internally and externally focused categories of CSR activities. These categories are based on similar issues to those of DJSI (2007), FTSE (2006), Labuschagne and Brent (2005), Welford (2005), Kok et al. (2001), GRI (2006), Pedrini and Ferri (2011), Sotorrio and Sanchez (2008), Welford et al. (2008), Baumgartner and Ebner (2010), Ketola (2010). In the external focus of the company, they include ethical principles and organizational impact on local communities, plus health, safety, retention, satisfaction, fair treatment and additional support for employees – in the internal corporate focus (see more details in Table 2.3.1-4).

Table 2.3.1-4 Organizational CSR portfolio – Social aspect

Categories for CSR initiatives/activities	Examples of CSR initiatives/activities in the categories	<i>Adapted from</i>
1) employee safety & health	<ul style="list-style-type: none"> • dealing with working conditions & safety training • dealing with health programs & policies • dealing with fatalities & diseases 	<i>Welford et al. (2008), Sotorrio and Sanchez (2008), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
2) employee education & development	<ul style="list-style-type: none"> • managing job-related training programs • managing career development & assessment programs • creating environment & motivation for learning 	<i>Sotorrio and Sanchez (2008), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
3) retention, satisfaction & fair treatment of employees	<ul style="list-style-type: none"> • supporting staff stability, motivation, satisfaction & involvement • providing competitive salaries/financial support • ensuring non-discrimination & equal opportunities 	<i>Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
4) additional workforce-related responsibility	<ul style="list-style-type: none"> • supporting employees' families • introducing retirement programs • introducing educational programs (universities, schools, etc.) for potential employees 	<i>Sotorrio and Sanchez (2008)</i>
5) ethical principles & human rights	<ul style="list-style-type: none"> • excluding child labor, forced labor, bribery & corruption, personal information disclosure • supporting business ethics (anti-monopoly, fair price) • providing relevant ethical training for employees 	<i>Welford et al. (2008), Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>
6) local community relationship & philanthropy	<ul style="list-style-type: none"> • supporting local communities • developing local infrastructure • providing business-related & other donations • involving employees • cooperating with NGOs 	<i>Welford et al. (2008), Sotorrio and Sanchez (2008), Ketola (2010), Baumgartner and Ebner (2010), Pedrini and Ferri (2011)</i>

An organization should thus provide appropriate working conditions (in accordance with health and safety norms and standards), promote health among its employees, develop their skills and knowledge and encourage them to participate in organizational decision-making. In addition, a company should treat all employees fairly and address them with dignity and respect, providing equal opportunities and fair salaries, and do its best to satisfy, motivate and keep them in the firm, thus building long-term relationships (e.g. Sotorriño and Sánchez 2008).

Concerning the external focus, business activities should not counteract ethical and moral principles of society: i.e. hinder the use of child labor, avoid bribery and corruption, ensure fair competition, exclude any collaboration with competitors on pricing, etc. Furthermore, it is recommended that companies participate in activities that enhance skills, opportunities, health and education for the local community and provide acts of public charity (e.g. Baumgartner and Ebner 2010).

The proposed organizational CSR portfolio structure (Tables 2.3.1-2, 3, 4) includes all main CSR constituents, so that it can help allocate organizational time and resources to various CSR components at the same time avoiding asymmetry in the organizational CSR efforts, instead helping to take a holistic perspective and cover economic, environmental and social dimensions. Moreover, the suggested structure allows adjustment to the unique organizational situation to ensure a certain flexibility, which suits the CSR context dependency viewpoint. The CSR aspects and the categories described just demonstrate a variety of directions for CSR activities and initiatives and can serve as a first pointer in regard to what can be done under each CSR aspect and how an organizational CSR portfolio can be set up. Within the purpose of this research, this framework should be regarded as a contribution to a tool for data collection and subsequent analysis of CSR decisions and choices which form a company's CSR agenda.

2.3.2 Organizational CSR portfolio and maturity levels

CSR-related decisions may vary not only in relation to type of CSR activities and initiatives but also in relation to the extent to which those activities are chosen to be implemented in a company. Thereby, organizational CSR portfolios might also differ depending on a company's involvement in CSR and, consequently, depending on the maturity of the CSR activities included in the portfolio. Thus, the purpose of this section is to denominate the maturity levels which might be used for evaluation of organizational CSR portfolios. Inspiration for such maturity differentiation can be found in various CSR strategies, CSR stages, responsiveness levels, etc. discussed by business scholars (e.g. Dunphy et al. 2003, Munilla and Miles 2005, Secchi 2007). Some major works will be described below.

In 1979, Carroll (1979) proposed a corporate social responsiveness continuum with the extreme points "do nothing" and "do much". That continuum was originally employed to characterize the extent to which a company responds to various social expectations in the environment and was used to locate four strategies for social responsiveness: reactive, defensive, accommodative and proactive strategies (Wilson 1975). The reactive strategy resists the CSR

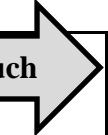
concept and fights against stakeholder pressure, while the defensive strategy addresses stakeholder claims to avoid the consequences of not responding to that pressure. In comparison, the accommodative strategy is more active and a company takes a voluntary approach to identifying problematic areas and to act before it might be forced to do so. The proactive strategy implies avoiding potential problems, anticipating stakeholder requests and leading industry CSR efforts (Maon et al. 2010).

Based on these strategies, Clarkson (1995) later suggested similar postures or responsibility levels demonstrating how a company can manage stakeholder relationships. Clarkson's four postures (1995) follow the same logic as Carroll's four strategies (1979): (1) the reactive posture is viewed as a company's behavior when denying or ignoring its responsibility and CSR principles; (2) the defensive posture indicates that a company admits responsibility but fights it; (3) the accommodative posture is associated with a firm that accepts its responsibility; finally, (4) the proactive posture is related to the situation when a company anticipates responsibility. If drawing these responsibility levels on the responsiveness continuum, the "do nothing" extreme will refer to the reactive posture, the "do much" extreme will be attached to the proactive posture, while the defensive and accommodative postures will be marked between the two.

Maon et al. (2010) used the corporate social responsiveness continuum to illustrate and compare the key stage models of CSR development. Table 2.3.2-1 lists a number of studies which categorize organizational approaches to CSR (adapted overview from Maon (2010), Mason and Simmons (2011), Halme and Laurila (2009), Baumgartner and Ebner (2010)). The table contains different CSR strategies or represents different stages in the CSR development stage models which are related to the continuum that progressively represents greater organizational CSR concern.

Despite relying on different concepts, the models in Table 2.3.2-1 are comparable and related since all of them indicate key stages which an organization passes on its way to greater consideration for social and environmental issues. However, several differences across these models can be found. First of all, the models vary in number of stages. Some models (e.g., those of McAdam (1973) and Stahl and Grigsby (1997)) are described through a limited number of large stages. Other models in contrast (e.g. Dunphy et al. 2003, van Marrewijk and Werre 2003) embrace more stages which are narrower in content but can provide a more detailed perspective. But, in spite of the different number of stages, all these models can be associated with the logic of reactive, defensive, accommodative and proactive responsiveness levels.

Table 2.3.2-1 Typology overview – levels of CSR concern



Authors	Do nothing					Do much	
	Reactive	Defensive		Accommodative		Proactive	
McAdam (1973)	Fight all way	Do only what is required		Be progressive		Lead the industry	
Davis and Blomstorm (1975)	Withdrawal	Public relationship approach	Legal approach	Bargaining		Problem solving	
Post and Altman (1994)		Legal/compliance		Marketing/cost benefit		Value based	
Stahl and Grigsby (1997)		Minimum legal compliance		Enlightened self-interest		Proactive change	
Dunphy et al. (2003)	Rejection	Non-responsiveness	Compliance	Efficiency		Strategic proactivity	Sustaining
Roberts (2003)	CSR squeezed out for economic reasons			CSR as public relations		CSR as assistance to the vulnerable	
Van Marrewijk and Were (2003)		Pre-corporate sustainability	Compliance driven	Profit-driven	Caring	Synergetic	Holistic
Zadek (2004)	Defensive	Compliance		Managerial		Strategic	Civil
Munilla and Miles (2005)		Compliance		Profit driven		Caring	Synergistic/holistic
Mirvis and Googins (2006)		Elementary		Engaged	Innovative	Integrated	Transforming
Secchi (2007)	Reaction/resistance	Accommodation		Proactive			
Gyves and O'Higgins (2008)	Anti CSR			Business case for CSR		CSR from moral perspective	



Authors	Do nothing				Do much	
	Reactive	Defensive	Accommodative	Proactive		
Young and Thyil (2008)		Minimalistic (regulatory and legal obligations)				Philanthropic (helping the underprivileged)
Halme and Laurila (2009)				Philanthropy (emphasis on charity, sponsorship, employee voluntarism, etc.)		Integration (emphasis on conducting existing business operations more responsibly) Innovation (emphasis on developing new business models for solving social and environmental problems)
Maon et al. (2010)	Dismissing (winning at any cost)	Self-protecting (reputation and philanthropy – CSR as marginal)	Compliance-seeking (requirements – CSR as worthy of interest)	Capability-seeking (stakeholder management – CSR as influential)	Caring (stakeholder dialogue – CSR as embodied)	Strategizing (sustainability – CSR as prevailing) Transforming (change the game – CSR as ingrained)
Baumgartner and Ebner (2010)		Risk mitigation (focus on legal and other external standards). Rudimentary level, beginning of CSR consideration, only mandatory rules and laws are respected.		Legitimating (focus on external relationship, license to operate). Compliance, but going slightly further	Efficiency (focus on eco-efficiency and cleaner production). Satisfying consideration of CSR (above the industry average).	Holistic (focus on sustainability issues in all business activities; competitive advantage are derived from differentiation and innovation). Sophisticated maturity. Implicates an outstanding effort towards CSR.
Mason and Simmons (2011)	Oppose, deny or obstruct the view of CSR as a business responsibility	CSR is largely limited to compliance with legal obligations		Calculative use of CSR for predominantly instrumental reasons		CSR represents responsibility of business to benefit the disadvantaged Institutionalized CSR transforms management ideology and purpose

Another difference lays in the content of successive stages of those models. First, in the reactive posture, the models differ in terms of a beginning of an organizational relationship with CSR. Some authors (e.g. McAdam 1973, Davis and Blomstrom 1975, Dunphy et al. 2003) argue for a progressive move from denial or active rejection to a greater concern, while others (among them Mirvis and Googins (2006) and Van Marrewijk and Werre (2003)) suggest starting with an indifferent or self-protecting approach, which would indicate the beginning of CSR engagement. I support the latter viewpoint of an indifferent approach to CSR as a start, since I believe that there is no need to discuss and evaluate an organizational CSR approach if a company rejects its responsibilities and claims that it is not going to exercise any CSR principles in the nearest future.

Second, in the defensive posture, most of the authors (e.g. Post and Altman 1994, Zadek 2004, Young and Thyil 2008, Mason and Simmons 2011) include compliance initiatives and risk mitigation principles as main drivers for CSR efforts. However, there are those (e.g. Davis and Blomstrom 1975, Maon et al. 2010) who also view philanthropic activities and a public relationship approach as being relevant at this point of the continuum of CSR concerns. In my opinion, the compliance attitude better reflects the original idea of defensive posture since more than ever before there are regulations and recommendations for CSR (both at governmental and industrial levels), which may deepen the consequences for an organization in case of non-compliance.

The third level is more diverse content-wise. Philanthropy (Halme and Laurila 2009), public relations (Roberts 2003), exceeding standards (Baumgartner and Ebner 2010), business case (e.g. Munilla and Miles 2005, Gyves and O'Higgins 2008) – all these can be associated with the accommodative posture of CSR concerns. Based on the initial idea of that posture, I tend to agree that philanthropic activities and all other CSR-related initiatives which go beyond regulations and official recommendations and indicate organizational voluntary approach can be united in the accommodative stance. Also, in spite of this variety in the possible forms of CSR activities and in the purpose of those activities, the instrumental viewpoint on CSR is prevailing at this end of the continuum.

The fourth posture, which corresponds to “do much” and to the right extremum on the CSR concerns’ continuum, is the proactive posture. Two main directions can be detected here: the first one is the moral, philanthropic or civil approach (e.g. Roberts 2003, Gyves and O'Higgins 2008, Young and Thyil 2008), and the second one is the strategic, value-based or innovative approach (e.g. Post and Altman 1994, Halme and Laurila 2009, Baumgartner and Ebner 2010). The first path towards becoming a truly responsible corporation and “doing much” in terms of CSR efforts corresponds to the theoretical viewpoint of a company being a good citizen and having responsibilities towards society as a priority. In my view, this approach is rather utopian since it

collides with business goals and puts a corporation at risk of extinction. Therefore, this approach has a weak connection to business realities and is not attainable (nor desirable for companies) in practice.

In contrast, the second path towards “doing much” as regards CSR efforts is more practical since it links to corporate goals. Initially, approaches to CSR (for those organizations having made a decision to take an active position rather than a passive one, which is limited to a mere compliance) usually differ in regard to whether mainly philanthropic activities are conducted or whether CSR issues are coordinated with business activities (such as treatment of employees, product and production eco-friendliness, etc.). A new trend, which exceeds this established dichotomy, has appeared however – CSR is now considered a source of innovation and new business opportunities. It is reflected both in Porter’s Shared Value approach (Porter and Kramer 2011) and in the base-of-the-pyramid or the bottom of- the-pyramid (BOP) approach (e.g. Prahalad and Hammond 2002, Prahalad and Hart 2002, Fox 2004, WBCSD 2004, Prahalad 2005) as well as in eco-efficient business models (e.g. Lovins et al. 1999, Halme et al. 2007) and in some models presented above (e.g. Halme and Laurila 2009). This approach, in my opinion, has better chances of implementation in reality than a moral one, because it shows that it can be beneficial for a company to benefit society – so, corporate and societal goals coexist rather than counteract.

So, in line with the arguments above and following the logic of the CSR concerns continuum, four maturity levels for CSR-related organizational activities and initiatives, which indicate the extent to what that activities can be implemented in a company, have been extracted (i.e. neglecting, elementary, moderate, professional). The first maturity level that actually characterizes CSR-related activities and initiatives implemented in a company is the *elementary* level (level 1). Activities in this maturity stage just aim to comply with various existing CSR-related regulations, recommendations and standards, both compulsory and optional (such as government law, industrial regulations, Global Compact, ISO 14000, GRI, etc.). These activities and initiatives are either imposed on a company from outside or established internally in order to fulfill basic CSR needs and requirements.

The next maturity level, which describes CSR-related activities and initiatives in a firm, is labeled the *moderate* level (level 2). It represents those organizational activities which exceed basic CSR requirements and needs that are outlined in established CSR regulations, recommendations and standards. In addition, those CSR-related activities, which are initiated by a company on a voluntary basis in case no relevant regulation, recommendation or standard exist, can also be associated with *moderate* maturity level.

Another maturity level for CSR-related activities and initiatives undertaken in a company corresponds to the extremum “do much” and is called the *professional* level (level 3). This maturity level is assigned to those activities which are implemented to the extent where a company not just goes beyond established CSR regulations, recommendations and standards and takes additional responsibilities, but also manages to benefit financially (e.g. in a form of cost reduction or revenue increase) and/or reveals new business opportunities (e.g. in a form of new product or new market niche).

Conclusions on the maturity of CSR-related activities and initiatives (and, consequently, on the CSR category they represent) can be made only if such activities are in place. However, since it is suggested that those activities be used for subsequent evaluation of the organizational CSR portfolio they constitute, a maturity level of 0 (*neglecting* level), indicating that a certain CSR category is missing or is not reflected in the organizational CSR portfolio, must be included (i.e. no (important) activities for that particular category have been undertaken in a company). That is why level 0, which corresponds to the extremum “do nothing”, is introduced in the classification of maturity levels.

Table 2.3.2-2 illustrates the location of the four maturity levels, which have been proposed for CSR-related activities, on the responsiveness continuum.

Table 2.3.2-2 Maturity levels for CSR-related organizational activities and initiatives

	Do nothing →			
	Reactive	Defensive	Accommodative	Proactive
Maturity levels for CSR-related activities	level 0 <i>Neglecting</i> (no (important) activities undertaken)	level 1 <i>Elementary</i> (activities undertaken in order to comply with CSR-related regulations/recommendations)	level 2 <i>Moderate</i> (voluntary activities which exceed established CSR-related regulations/recommendations)	level 3 <i>Professional</i> (CSR activities which financially benefit the company and/or offer business opportunities)

The suggested maturity classification of CSR-related activities and initiatives demonstrates the possibilities a company has to choose from when making a decision regarding to what extent CSR activities should be implemented and how particular CSR category should be reflected in an organizational CSR portfolio. If most of the categories, compiling a particular CSR aspect, are

represented by activities and initiatives of a particular maturity level, then a certain conclusion on a company's approach to and priorities within and among economic, environmental and social responsibilities can be made. A conclusion regarding the maturity of the CSR aspects in the portfolio can be associated with the CSR strategy idea. An inspiration for shaping those strategies can be found in the work of Baumgartner and Ebner (2010) who developed several CSR strategy types.

The first strategy introduced by Baumgartner and Ebner (2010) is an introverted strategy. It focuses on a very low standard of CSR and aims at simple risks mitigation. Therefore, it embraces only essentials (such as compliance with CSR-related standards and regulations) and demonstrates no deeper understanding of CSR principles. Another strategy identified by Baumgartner and Ebner (2010) is an extroverted strategy which aims at obtaining a license to operate. A company choosing this strategy communicates its CSR commitment in order to increase its credibility. Such a company takes CSR principles further than required by existing standards and regulations and often positively influences the basic conditions of CSR. The next two strategies presented by Baumgartner and Ebner (2010) are a conservative (efficiency) strategy and a visionary (holistic) strategy. The main focus of the conservative strategy is cost efficiency; therefore a company applying this strategy is highly oriented towards well-defined internal processes and measures. The visionary strategy, in contrast, is based on market opportunities where an organization makes beneficial offers to its stakeholders and where competitive advantages are derived from differentiation and innovation. A company, exercising visionary strategy, aims at becoming a market leader in CSR issues and turning these CSR issues into market opportunities and a unique competitive position (Baumgartner and Ebner 2010).

Adjusting those strategies for the purpose of the CSR portfolio and, consequently, for evaluation of a company's approaches to the CSR aspects, an analog for the introverted strategy can be suggested – the *CSR beginner strategy*. This strategy reflects the situation where a company builds its CSR portfolio mostly on activities of an *elementary* maturity level (level 1). Organizational CSR efforts are mainly aimed at mitigating or preventing harm and violations of existing norms and standards. A company does not need to be creative in setting its CSR agenda and goals and does not need to take any additional responsibilities which go beyond those already suggested by CSR-related standards and regulations. Thus, a minimum level of creativity and voluntarism is expected. A company which exercises this strategy demonstrates limited acceptance of economic, environmental and/or social responsibilities.

Following the logic of Baumgartner and Ebner (2010), an analog for an extroverted strategy would be the *CSR user strategy* where a company compiles its organizational CSR portfolio (i.e.

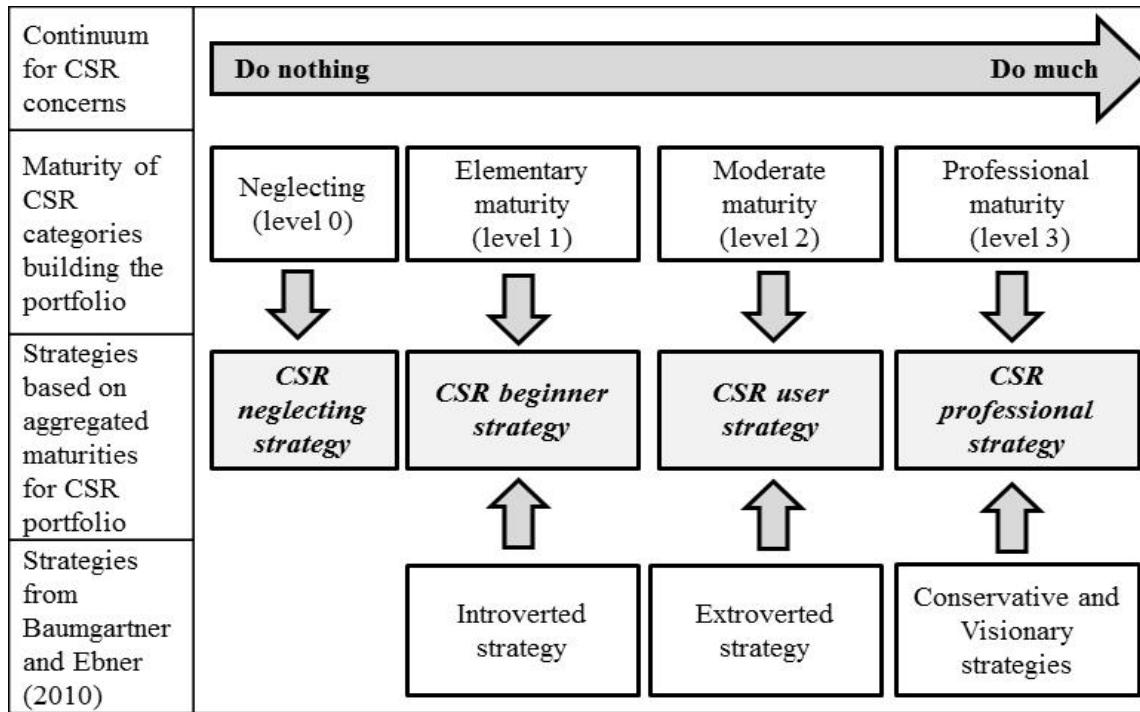
economic, environmental and social CSR aspects) primarily from *moderate* activities (maturity level 2). Organizational CSR efforts mainly aim to improve and develop relevant areas, rather than just mitigate creating harm. Therefore, experimenting and exceeding established standards and recommendations are relevant for this strategy. A company choosing this strategy demonstrates moderate acceptance of economic, environmental and/or social responsibilities.

Elements of Baumgartner and Ebner's (2010) conservative and visionary strategies can be adapted and transformed into the *CSR professional strategy* where a market-based view is supplemented with a resource-based view, and where a company would build the aspects of its CSR portfolio mainly from activities at the *professional* maturity level (level 3). A company exercising this strategy perceives social and environmental issues not as a potential money loss and problems but rather as business opportunities and a source of innovation. The emphasis is on the win-win solution, meaning that a firm will try to develop new business models for solving social and environmental problems and, simultaneously, create revenue. This approach requires a company to demonstrate a high level of proficiency in CSR matters to be able to reveal new business opportunities and to find a way to benefit financially from being socially, environmentally and economically responsible.

Acknowledging that a company might choose to have no CSR activities and initiatives in the categories of a particular CSR aspect, additional strategy – the *CSR neglecting strategy* – which corresponds to the 0 maturity level and has no analog in Baumgartner and Ebner's (2010) work should also be introduced. This strategy reflects the company's position when it does not see its resources as appropriate for CSR spending and denies its economic, environmental and/or social responsibilities.

Thus, the link between CSR strategies and the extent to which a company might decide to implement particular CSR-related activities and initiatives shaping the three CSR aspects from the portfolio has been made. This means that CSR strategies can also be associated with the continuum for the levels of CSR concerns, where *neglecting strategy* corresponds to the “do nothing” extremum and *professional strategy* corresponds to the “do much” extremum. The illustration of the above is provided in Figure 2.3.2-1.

Figure 2.3.2-1 The maturity for CSR-related activities associated with CSR strategies



The proposed maturity levels and CSR strategies can be used for a qualitative-based evaluation of CSR categories and for the organizational approach to the three CSR aspects respectively. Together with the organizational CSR portfolio structure it should be regarded as a tool which allows concluding on companies' CSR choices and decisions and comparing results with the ones from previous periods or from other companies.

This tool will help address *specific research questions* raised in the Output stage of the “Black Box” model:

- 3a) *What do the organizational CSR portfolios of large Danish companies consist of?*
- 3b) *How have organizational CSR portfolios of large Danish companies been changed over the years?*

These questions acknowledge the research context chosen (see section 1.5) and respond to the last facet of the research focus – the set of CSR-related activities and initiatives (see section 1.3).

To conclude, the organizational CSR portfolio structure has been suggested and described through the three CSR aspects (i.e. economic, environmental and social) and categories for CSR activities and initiatives within those aspects (section 2.3.1). Then, four maturity levels for CSR-related activities were proposed: neglecting, elementary, moderate and professional maturity (section 2.3.2). Four CSR strategies corresponding to these maturities, which enable the evaluation of the organizational approaches to the three CSR aspects, have also been suggested; these

strategies are CSR neglecting strategy, CSR beginner strategy, CSR user strategy and CSR professional strategy (section 2.3.2). The CSR strategies presented describe generic possibilities of how companies might deal with CSR challenges and imply a progressive integration of CSR concerns into organizational decision-making processes. The empirical part of the research will employ suggested tool for investigating CSR-related decisions in the form of CSR activities and initiatives; for subsequent evaluation of their maturities; for concluding over organizational approaches in relation to the three CSR aspects and related CSR strategies; and for revealing possible historical changes in those approaches and strategies.

Chapter 3. Methodology

This chapter introduces the methodology applied in this study. First, it argues for the choice of the qualitative approach (section 3.1), in particular for the choice of multiple-case studies (section 3.2). Then, the chapter describes the methods used for the data collection and data analysis (section 3.3) – both for the interviews (section 3.3.1) and for the organizational CSR-related reports (section 3.3.2). Finally, the chapter discusses the reliability and validity tests employed in the research and refers to the pilot test which preceded the study (section 3.4).

3.1 Qualitative approach and role of the theory

Eisenhardt and Graebner (2007) state that in order to maintain flexibility when approaching complex social processes, qualitative data should be collected and investigated. Therefore, to enable such flexibility when exploring CSR-related decision-making processes in organizations and to comply with the uniqueness of corporate CSR policies and practices, a qualitative approach was chosen for this research.

Qualitative research can be conducted using different methods: case studies (e.g. Eisenhardt 1989), action research studies (e.g. Coughlan and Coghlan 2002), grounded theory studies (e.g Glaser and Strauss 1967) and others. Different methods should be used for different research purposes, and the choice of research method is usually determined by the research question (Eisenhardt and Graebner 2007). The research aim of this study implies the question “how?” and implicates the exploration of the organizational CSR-related decision-making (see section 1.3), which makes case studies suitable as a research method. In addition, taking the poorly defined CSR concept and organizational external contexts into account, the qualitative case study approach becomes particularly useful, since it allows an in-depth understanding of the phenomenon of interest (Eisenhardt 1989, Blaikie 1993).

Research which employs theory building from cases is often considered the most interesting (Bartunek et al. 2006). Eisenhardt (1989) describes it as a research strategy that is based on empirical evidence from one or more cases which is used for developing theoretical propositions, constructs and mid-range theory. According to Andersen and Kragh (2010), theory building is “*the processes through which researchers seek to make sense of the observable world by conceptualizing, categorizing and ordering relationships among observed elements*” (p. 50). So here the theory appears from uncovering the patterns in the relationship (as well as the logic behind those patterns) among various constructs within and across the cases (Eisenhardt and Graebner 2007).

Scholars who aim at developing theory from case studies often face a dilemma: “*how to use existing theoretical frameworks in case study research and still remain flexible in their theorizing efforts?*” (Andersen and Kragh 2010, p. 49). On the one hand, inductively oriented qualitative research demands that scholars refrain being too theoretically driven, since it might limit the analytical focus and hinder discovering new theoretical insights (e.g Glaser and Strauss 1967). Andersen and Kragh (2010), for example, state that researchers avoid employing pre-existing theoretical frameworks in qualitative research either because some regard it as incompatible with the explorative nature of such research, or because it is confused with the ideas of proposition testing. On the other hand, however, scholars rarely enter the field without any prior knowledge and theoretically-based expectations (Burrell and Morgan 1979). Some scholars (e.g Suddaby 2006) actually even argue against the existing theory appearing only at later stages of the analysis stating that it will result in unstructured research and reveal already known inferences. Andersen and Kragh (2010) support this by emphasizing that the lack of theoretical background and unspecified expectations in qualitative research might result in producing “*massive amounts of data without any clarity with respect to how this data can lead to novel insights*” (p. 49).

Indeed, theory might offer guidance for a researcher in approaching an empirical world (Blumer 1954). “*The work needs to have some purpose and direction behind it and the purpose and direction comes from the analytical frame*” (Thomas 2011, p. 17). In order to collect data systematically and to avoid being swamped by the volume of data, Mintzberg (1979) also advises entering the field with a well-defined research focus. This is supported by Eisenhardt (1989) who states that it can help a researcher specify the type of company which should be investigated and the type of information which should be gathered. To address this proposition, the research focus of this study has been defined (see section 1.3) and then used to suggest a model to indicate which kind of information should be collected (see section 1.4) and to specify which kind of organizations to explore (see section 1.5).

In addition, Eisenhardt (1989) argues that “*a priori specification of constructs can help to shape the initial design of theory-building research*” (p. 536); uncovering potentially important variables from the extant literature allows subsequent measurement of these variables during the data collection process and, thus, provides a more solid foundation for theory building (Eisenhardt 1989). As a response to this, the theory review chapter defined potentially important constructs and, when necessary, summarized them under typologies (see sections 2.1.3, 2.3.1 and 2.3.2) which should be regarded as data collection tools useful for subsequent qualitative measurement of the constructs.

3.2 Research questions and multiple-case studies

The research aim of this study is of an explorative nature where the intention of the main research question (see section 1.3) is to understand:

- *How companies make CSR-related decisions and choices and transform general, abstract notion of CSR into a particular, company-specific set of CSR-related activities and initiatives while reacting on changeable stimuli from the external environment?*

After an overview of the theory in the CSR field and also in organizational decision-making, the main research question was decomposed into specific research questions (see sections 2.1.3, 2.2.3 and 2.3.2) as follows:

- 1a) *To what extent do different external factors influence CSR-related decision-making in large Danish companies?*
- 1b) *How has the influence from different external factors on CSR-related decision-making in large Danish companies changed over the years?*
- 2) *How do large Danish companies approach the organizational CSR-related decision-making process?*
- 3a) *What do the organizational CSR portfolios of large Danish companies consist of?*
- 3b) *How have organizational CSR portfolios of large Danish companies been changed over the years?*

Case studies constitute a particularly good method for answering these specific research questions, because this method is appropriate for exploring the details of something that is happening and for understanding the rationale behind it (e.g. Edmondson and McManus 2007) especially “*when “how” and “why” questions are being proposed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context*” (Yin 1994, p. 9). Also, to answer the “what is it about?” and “how?” questions requires that organizational CSR-related decision-making be approached from multiple perspectives. Case studies offer this opportunity since, according to Thomas (2011, p. 4), the assumption in a case study is that “*looking at our subject from many and varied angles, we can get closer to the “why” and the “how” and that “a more rounded, richer, more balanced picture of the subject can be developed*” which leads to “*a three-dimensional view*”.

Normally, multiple-case studies are regarded as capable of providing a more solid ground for theory development (e.g. Bourgeois and Eisenhardt 1988, Yin 1994), which is explained by the fact that this research design permits a replication logic when each case is intended to confirm or reject statements concluded from previous cases (Yin 1994). Indeed, multiple cases enable a

researcher to contrast results and clarify whether the findings are replicated by several cases or whether they are just endemic to a particular case (Eisenhardt 1991). Thus, multiple-case studies make self-delusion less likely (Miles 1979) and ensure that empirical evidence is richer and more varied than in single-case studies. So, to be able to compare how different companies transform general CSR notion into company-specific CSR activities and to ensure a more diverse perspective on organizational CSR-related decision-making, empirical research was chosen to be shaped as multiple-case studies.

The selection of cases is an important step. In this research, a random choice of cases is “*neither necessary, nor even preferable*” (Eisenhardt 1989, p. 537). Instead, theoretical sampling should be employed so that cases are chosen in accordance with their likelihood of providing valuable theoretical insight (Eisenhardt and Graebner 2007). In other words, when selecting cases, emphasis should be on their potential contribution to theory building. According to Yin (1994), a set of cases can be compiled for several theoretical reasons: theory extension, replication, contrary replication and elimination of alternative explanations. This research includes cases which are likely to extend and replicate emergent theory.

Following the example of Harris and Sutton (1986), diverse companies were purposefully chosen for the research in order to extend emergent theory as regards organizational CSR-related decision-making. Similarly to Hubbard’s (2011) choice of business sectors used for the investigation of sustainability reports, the case companies were chosen from three industries: the manufacturing industry, the banking industry and the extraction industry. Hubbard (2011) concluded that these business sectors are very different – organizations from the manufacturing industry are traditional, product-oriented companies, while firms from the banking industry are service-oriented. Companies in the extraction industry differ from the others in the sense that they are business-to-business companies (B2B) often operating in remote areas in developing countries; these organizations face poor infrastructure and specific environmental challenges. Such choice of business sectors for the research provides an opportunity for an investigation of CSR development in different dimensions – environmental, social and economic – in very different business settings. Since this is an explorative study, organizations belonging to such diverse industries were chosen not to attempt generalizability but rather to offer insight into organizational CSR-related decision-making in various business contexts.

In order to enable theory replication and correspondence to the research context (see section 1.5), the cases were selected from a population of large companies headquartered in Denmark, with several years of documented experience in the field of CSR. Defining the population in this way outlines the realm of the findings relevant for large, CSR-experienced companies. Assuming that

companies start voluntary, non-financial reporting⁵ when CSR becomes a regular organizational practice, years of publishing non-financial reports were taken as an indication of CSR experience. Companies having published such reports for at least five years qualified as CSR-experienced and as appropriate for the research purposes. So, acknowledging the reasons for possible theory extension and replication, the set of case companies was compiled. A brief introduction of the case companies selected for the analysis is provided below and summarized in Table 3.2-1.

The first company, The Maersk Group, is a global conglomerate founded in 1904 and headquartered in Copenhagen, Denmark. It operates in more than 130 countries, generates the revenue of app. USD 47.6 billion yearly and employs around 89,000 people⁶. The company has a B2B focus, provides services to organizations of all sizes and belonging to various industries and is involved in a wide range of activities. To be more specific, The Maersk Group comprises of five core businesses: Maersk Line (the largest container shipping company offering ocean transportation worldwide); APM Terminals (the global, leading port developers and operators); APM Shipping Services (includes Maersk Supply Service, Maersk Tankers, Damco and Svitzer); Maersk Oil (the company which is actively involved in all stages from oil exploration to oil production, both onshore and offshore); and Maersk Drilling (the world's leading drilling contractor which provides offshore drilling services to oil and gas companies). By joining the UN Global Compact in 2009 Maersk officially confirmed its support of international principles regarding human rights, labor standards, anti-corruption and the environment. Even earlier –in 2007 – the company published its first CSR-related report. Today, Maersk issues annual reports describing its CSR practices applying the GRI (Global Reporting Initiative) principles recognized in the CSR field.

The second company, Danske Bank, is one of the leading financial institutions in Northern Europe and the largest bank in Denmark. The company is headquartered in Copenhagen and operates in fifteen countries including Norway, Sweden, Finland, Northern Ireland, Latvia, Estonia and Lithuania. It has 19,000 full-time employees and serves app. 3.7 million customers⁷ as well as small and large businesses and institutional clients. Danske Bank offers a full range of banking services in the international financial markets. In addition, the company provides services in such areas as asset management (Danske Capital), mortgage finance (Realkredit Danmark), real estate and leasing (Nordania Leasing) and life insurance and pensions (Danica Pension). In 2007 Danske

⁵ By non-financial reporting I understand all kinds of special annual reports revealing corporate performance in terms of social, environmental and economic activities: CSR/Sustainability/ Corporate Responsibility/Corporate Citizenship/etc. – also referred in the research as organizational CSR-related reports.

⁶ <http://www.maersk.com/en> accessed 04/04/15

⁷ <http://www.danskebank.com/en-uk/About-us/Pages/About-us.aspx> accessed 04/04/15

Bank joined the UN Global Compact, thus, demonstrating its support for the ten principles in human rights, anti-corruption, labor standards and the environment. The company also issues yearly CSR-related reports prepared in accordance with the GRI principles and completes the Financial Services Sector Supplement which addresses industry-specific indicators. The “2008 Corporate Responsibility Report” was already the third one published by Danske Bank.

The third company, The Lego Group, is a global enterprise with headquarters in Billund, Denmark. It is a family-owned company founded in 1932 by Kirk Kristiansen coming a long way from a small carpenter’s workshop to one of the major players in the toy industry – today Lego is the third-largest manufacturer of toys and one of the most well-known brands in the world. The company operates in more than 140 countries, employs approx. 12,600 people and earns a yearly revenue of DKK 28.6 billion⁸. Lego’s main activity revolves around the development, production, marketing and sale of play materials for children, in particular, of the Lego brick which remains the company’s most important product. Apart from that, the product range covers pre-school products, board games and digital games, series of licensed products including books, video games, storage solutions, apparel, bags, stationery and smaller accessories. The company also runs Lego theme parks and recently released the Lego movie. In 2003 Lego signed the UN Global Compact becoming the first organization in the toy industry to join the initiative. Thus, the company confirmed its support of anti-corruption, labor standards, human rights and environment issues. In 2008 Lego published its first “Progress Report” that addressed CSR-related issues replacing its “Sustainability Report” where environmental matters were described before (since 2006). Today, its CSR-related report is published every year and is created using the GRI principles and the AA1000 Accountability principles.

Table 3.2-1 The case companies

Company	Business Sector	First CSR-related report published	Headquarters
The Maersk Group	conglomerate, B2B (incl. extracting)	2007	Copenhagen, Denmark
Danske Bank	banking	2006	Copenhagen, Denmark
The Lego Group	manufacturing	2006	Billund, Denmark

The three companies described above are among the leading companies in the business sectors which they represent. All three are headquartered in Denmark and have a rich history in the country; today, however, the case companies operate globally and so have international branches all

⁸ <http://www.lego.com/en-us/aboutus/> accessed 04/04/15

over the world. Over a period of more than five years the companies have been the members of the UN Global Compact and report about their organizational CSR practices applying GRI principles. Since these organizations have gained more than five years of experience with CSR issues, they allow for a longitudinal study and were chosen to be used for answering the specific research questions stated above.

To summarize, multiple-case studies were argued to be an appropriate research method for exploring organizational CSR-related decision-making. The cases for the research were chosen using theoretical sampling and with respect to the research context indicated in the introduction chapter. Three large Danish companies, which belong to different business sectors, were thus strategically selected: The Maersk Group, Danske Bank and The Lego Group. This choice was made with an intention to enable theoretical generalizability which goes beyond a single particular industry.

3.3 Data collection and analysis methods

This section is devoted to the data collection and analysis methods used in the research. Yin (1994) defines case studies as empirical descriptions of a phenomenon of interest coming from different data sources. According to Myers (1997), empirical material can be divided into primary (collected directly) data and secondary (published) data. Also, data collection methods in case studies may vary, i.e. interviews, observations, documents, surveys and others (Eisenhardt and Graebner 2007). Often, use of several data collection methods is recommended in order to provide a differentiated picture (Gillham 2000).

In this research, the primary data were obtained during interviews in the case companies (section 3.3.1), while secondary data were extracted from organizational CSR-related reports (section 3.3.2). The aim of the data collection process was to address the specific research questions (see section 3.2). The interviews were used for questions regarding organizational CSR-related decision-making (RQ 2) and the external factors influencing the process (RQ 1a and 1b), while the corporate CSR-related reports were investigated in relation to the questions about CSR decisions and choices in the form of CSR-related activities and initiatives (RQ 3a and 3b).

Eisenhardt (1989) identified two key steps in multiple-case study analysis: analyzing within-case data and searching for cross-case patterns. In the first, the data are summarized and preliminary findings are developed for each case company. This step mainly implies data presentation of each case, which often resembles pure description; it is, however, important for insight generation

(Gersick 1988, Pettigrew 1988). Unique patterns for each case in relation to organizational CSR approach and related decision-making may appear from this stage.

The second step, in contrast, accommodates a cross-case search for patterns where scholars should approach the data from different perspectives and look from different angles (Eisenhardt 1989). During the cross-case analysis, the outcomes of the within-case analyses are contrasted. That is, the data obtained from organizational CSR-related reports from the different case companies were compared in an attempt to reveal tendencies and patterns. The same was done for the data from the interviews. It allows improving the rigor and the quality of the results (Maon et al. 2009) and increases the probability of building an accurate and reliable theory (Eisenhardt 1989). So, at this step an attempt to reveal and understand similarities and differences in the ways case companies transform general notion of CSR into specific organizational CSR approach is undertaken.

The following sections will elaborate on the data sources and the data collection approach applied as well as on how the data from organizational CSR-related reports were evaluated (section 3.3.2) and, also, how the information obtained from the interviewees was analyzed (section 3.3.1).

3.3.1 Interview data

Interviews provide an opportunity “*to find out those things which we cannot directly observe*” (Patton 2002, p. 341), so when decision-making is in focus, this data collection method becomes the main one (Eisenhardt and Graebner 2007). In this study, interviews were employed to gain an understanding of the processes behind organizational CSR-related decisions and choices as well as to reveal external factors which might affect those processes.

The interviews were semi-structured and based on an interview guideline (see Appendix 1). The questions of the interview guideline were open and, consequently, the responses to those questions had an open direction and nature; this provided an opportunity for obtaining unique insights as regards CSR decision-making in the case companies. Flexibility is an acknowledged advantage of semi-structured interviews (Mowday and Sutton 1993), so the order of the questions was not strictly followed thus allowing respondents to develop their explanations concerning issues raised during the conversation and possibly guiding the discussion in unexpected, interesting directions.

In line with qualitative interviewing methods (Patton 2002, Gillham 2005), key questions constituting the guideline were grouped thematically (see Appendix 1). The first group contained questions aiming to answer how a case company defines CSR, so that organizational view on

general CSR notion can be revealed prior to investigation of how it is transformed into company-specific CSR activities and initiatives.

The second group forming a main body of these data was devoted to CSR-related decision-making issues (related to RQ 2): how decision-making takes place in the case company, what is the role of the interviewee in this process, who initiates/approves/implements CSR decisions and choices, what are the choice criteria for a CSR activity/initiative to be included in the CSR agenda and, finally, what are the origins of decision alternatives. These questions were asked to enable a description of CSR-related decision-making processes and, possibly, to compare them with those from a rational perspective on organizational decision-making (see sections 2.2.2 and 2.2.3).

The third group of questions dealt with the main changes in the organizational CSR strategy and CSR agenda over the last 5-6 years; the purpose of these questions was to explain and strengthen the historical data obtained from the companies' CSR-related reports for that period (e.g. the interviewees were asked to comment on the main trends revealed in the report analysis) (related to RQs 3a and 3b).

A specific part of the interview was devoted to external factors which might affect organizational CSR-related decision-making; the respondents were asked to measure the influence from these factors on their CSR choices (related to RQs 1a and 1b). For that purpose, the respondents were provided with a table in which key external factors were listed in the leftmost column and the range of degrees of influence coming from those factors was listed in the top row of the table (see Appendix 2). The typology of the external factors, which this data collection tool is based on, was suggested after an overview of the pre-existing theories and includes government-related, business-related and society-related groups of external influencing factors (see section 2.1.3). The degrees of influence vary, i.e. no (no influence so the factor can be neglected in CSR-related decision-making), little (the factor can be considered, however, it has a minor influence on key CSR decisions), some (the factor should be considered since it affects key CSR decision-making) and decisive (the factor must be addressed since it drives key CSR decisions).

The respondents were asked to evaluate three time periods (see Appendix 2), so the data were collected for the past years (2008-2010) as well as for the recent (2011-2013) and future periods. This was done to enable comparison of the data for influencing external factors with the data from CSR-related reports regarding CSR activities and initiatives and, possibly, to conclude about major trends.

This table-based question was sent to the interviewees beforehand, and then the answers were discussed during the interviews. That is, the informants were asked to comment on the external factors and their influence on organizational CSR-related decision-making. This made it

possible to collect not just evaluations of the influence, but also the rationale behind those evaluations (Bourgeois and Eisenhardt 1988).

In order to limit bias during the interviews and get reliable data, Eisenhardt and Graebner (2007, p. 28) suggest using several highly knowledgeable respondents who can offer diverse perspectives, such as “*organizational actors from different hierarchical levels*”. Following this recommendation, in each case company interviews were carried out with several employees responsible for CSR issues and representing different levels of the organizational structure (Table 3.3.1-1). In total, 10 interviews were conducted in the autumn of 2013; all interviews were carried out at company premises. One respondent participated in each interview, the duration of which varied from 45 to 60 minutes. The collected data were stored in the form of digital voice files, which were fully transcribed and coded using the Nvivo 10⁹ software.

Table 3.3.1-1 List of the interviewees

Case company	Respondents' job title	Code	Hierarchical level	Transcribed report, pages
The Maersk Group	Lead Advisor in Reporting	M1	Specialist	11
	Lead Advisor in Governance	M2	Specialist	13
	Lead Advisor in Communication	M3	Specialist	12
	Director of Group Sustainability	M4	Top manager	12
Danske Bank	Corporate Responsibility Communication Coordinator	D1	Specialist	17
	Corporate Responsibility Communication Coordinator	D2	Specialist	13
	First Vice President, Group Communications	D3	Top manager	9
	Senior Vice President, Corporate Affairs	L1	Top manager	13
The Lego Group	Senior Director, Social Sustainability	L2	Middle manager	12
	Communication Manager, Corporate Communications	L3	Specialist	13

The analysis of the interviews started with the coding process. Coding serves to split the data and reorganize it in an analytical way to allow different constructs and themes to emerge. This enables interpretation of the data, drawing conclusions and building the theory (Miles and Huberman 1994, Coffey and Atkinson 1996). Saldana (2009) describes the coding process by

⁹Nvivo 10 is a qualitative analysis software used for information retrieval and coding and for data management.

dividing it into two cycles. In the first cycle, the data are classified in accordance with the central themes which are related to the research aim. Open coding, which assigns basic labels, is applied – it associates a class of phenomena to a particular part of the information collected and implies little interpretation (Saldana 2009). Open coding was undertaken during the first steps of the interview analysis when the interview transcripts were coded using the themes from the interview guideline (e.g. CSR definition, CSR-related decision-making processes, major changes in organizational CSR strategy, comments on the influence from external factors, etc. – see Appendix 1). Such coding helps to structure the presentation and the analysis of the data (MacQueen et al. 1998).

In the second cycle, the data are summarized in line with the themes which lead to interpretation (thematic coding). According to Gibbs (2008), the purpose of this coding stage is to grasp the main thematic ideas presented in the textual data. Thematic coding enables the researcher to develop themes both inductively (from the empirical material) and deductively (from the existing literature) (Lapadat 2009, Saldana 2009). The inductive approach of thematic coding was employed in the second step of the interview analysis. Themes as, for example, department with CSR function, materiality assessment/analysis, top-down approach to decision-making, delegation to a company's branches, etc. appeared and were used for the description of CSR-related decision-making processes. With respect to the coding procedures suggested by Miles and Huberman (1994) and Saldana (2009), the information collected for the individual cases was coded and analyzed first followed by a cross-case analytical comparison.

Table 3.3.1-2 Scale for evaluation of the influence from external factors

Grade	Description
0	no influence, so the factor can be neglected in CSR-related decision-making
1	little influence, so the factor can be considered, however, it has a minor influence on key CSR decisions
2	some influence, so the factor should be considered since it affects key CSR decision-making
3	decisive, strong influence, so the factor must be addressed, since it drives key CSR decisions

For the data collected in a tabular form (see Appendix 2), a four-grade scale was introduced (Table 3.3.1-2) to enable a comparison of the influence from external factors on organizational CSR-related decision-making so that the hit marks (+) from the data collection step can be turned into numbers.

In order to enable both within (across different time periods) and cross-case (among different companies) comparison, a consolidated evaluation of the external pressure from each factor on a company is necessary. So, a consortium for respondents' opinions within each

organization is needed. For this purpose, the summary of respondents' evaluations regarding each factor was calculated for each company¹⁰. The aggregated opinions should also be associated with the four-graded scale suggested for the evaluation of external influences. For this purpose, the range of possible summary evaluations (from 0 to 9) was split into four equidistant intervals (Table 3.3.1-3) which can be referred to the four-graded scale proposed above¹¹. This evaluation provides an understanding of the influence from a particular external factor on a company's CSR-related decision-making.

Table 3.3.1-3 Intervals for calculated sums

Calculated sums interval	Description
[0; 2,25]	no influence, so the factor can be neglected in CSR-related decision-making
(2,25; 4,5]	little influence, so the factor can be considered, however, it has a minor influence on key CSR decisions
(4,5; 6,75]	some influence, so the factor should be considered since it affects key CSR decision-making
(6,75; 9]	decisive, strong influence, so the factor must be addressed, since it drives key CSR decisions

To summarize, this section first described how the interviews in the case companies were conducted and how the data were collected; and, second it explained how the information was coded and analyzed. In addition, the scale, which is used for evaluation of the external pressure on organizational CSR decision-making, was introduced. The following section will be organized in a similar way and will elaborate on the data collection and analysis methods applied for organizational CSR-related reports.

¹⁰ To make the data comparable across the three cases, one respondent from the Maersk Group should be excluded from the analysis of external influencing factors. It was decided not to consider M1's evaluation, since this respondent was less knowledgeable about the topic in interest.

¹¹ Since I am dealing with personal statements from several informants, it does not seem appropriate to calculate the averages in order to get aggregated opinions. For example, if I received evaluations from three respondents from the case company which are 0, 0 and 2 as regards the same external factor, I would be careful to conclude that because the average can be rounded to 1 the company experiences little pressure from that factor; I would rather suggest that the factor has no influence since two out of three informants claim so. That is why it was decided to use the summaries. So that, in the example provided, the summary would be 2 and, if it is built from the grades 0, 0 and 2, it points to no influence. However, it might appear that the same summary is calculated from 1, 1 and 0 personal evaluations which indicate that the factor rather has little influence. Thus, it is difficult to decide whether the summary grade 2 should correspond to grade 0 for personal evaluations or it should correspond to grade 1. So, in an attempt to avoid biases, it was suggested to split the full range of possible summary evaluations in four equidistant intervals and associate these intervals with four grades from Table 3.3.1-2.

3.3.2 Data from the CSR-related reports¹²

According to Hubbard (2011), organizational CSR-related reports are the major current vehicle for disclosing strategically important information concerning organizational non-financial performance. However, due to the common critique of non-financial reports concerning their “green-washing” role and overly positive picture of organizational performance, there is relatively little analysis of such reports in the CSR literature, even despite the rapidly growing prevalence of these reports and their potential importance as an information source for describing companies’ CSR approach (Hubbard 2011).

This study supports Hubbard’s (2011) view and takes advantage of using organizational CSR-related reports as the main information source revealing CSR-related initiatives and activities implemented in a company and of viewing them as a reflection of organizational CSR portfolios. The critique stated above is taken into account, i.e. no questions regarding evaluation of results from CSR initiatives are raised, nor are exact numbers associated with financial, environmental or social data requested. Thus, the parts where companies might hide undesirable numbers or exaggerate favorable results are not analyzed. Instead, the focus is on the types of activities described and included under the organizational CSR umbrella. So, organizational CSR-related reports should be considered here as a way for a company to signal its CSR efforts and provide a better understanding of corporate priorities in CSR.

To grasp these CSR priorities, the framework suggested for an organizational CSR portfolio (see sections 2.3.1 and 2.3.2) was used as a tool for data collection and subsequent analysis. That is, companies’ CSR-related activities and initiatives described in the reports can be investigated versus 15 portfolio categories (economic aspect – three categories, social aspect – six categories and environmental aspect – six categories) and four maturity levels (neglecting, elementary, moderate and professional) (see Appendix 3). If a category is presented in a report by specific CSR-related activities, then the category is marked (+) in the cell related to the corresponding maturity level¹³.

¹² The essence of this section was published in a single-author paper (Vashchenko 2015)

¹³ To be able to differentiate between maturity levels 1 and 2, knowledge of particular CSR regulations/standards is not required since this information is normally included in CSR-related reports (i.e. information about a standard/requirement, about organizational status in terms of that requirement and about relevant activities/projects and organizational goals). To be able to detect maturity level 3, it is necessary to look for information concerning cost reduction or revenue increase clearly linked to the CSR-related activities/initiatives (as regards financial benefits expected in the long term, description of the revealed business opportunities/business projects launched in relation to CSR can be an indication – at this level companies are usually able to spot and describe even indirect benefits, if any).

In principle, it might happen that one CSR activity/initiative can be associated with several different categories within one or several CSR aspects (thus overlapping environmental/economic/social domains). If so, it should be marked and graded accordingly within each relevant category in the portfolio since it signals a company's efforts in multiple CSR directions. If a report does not describe specific activities within a category, then either a company considers this category as not important enough to address or no activities are undertaken and so the category receives grade 0 (level 0) during the evaluation (similar to Pedrini and Ferri 2011). Also, only historical data are evaluated – any future prospects and planned activities are not acknowledged due to their limited credibility.

CSR activities of varying maturity are not necessarily separated from one another – a CSR portfolio may be constructed from the activities conforming to different maturity levels in the same category. For instance, established activities related to the *moderate* level might precede new activities related to the *professional* level. This implies that organizations which already go beyond CSR-related standards and take additional responsibilities have enough experience with CSR to see business opportunities as well as innovative solutions as regards environmental and social issues. In this case, former *moderate* CSR activities might coexist with new CSR *professional* activities in the same organizational portfolio. However, different CSR action types in one organization should not be an obstacle for evaluating a CSR portfolio – this can be done based on which CSR maturities prevail in a particular CSR category and CSR aspect.

Since one of the specific research questions (3b) is intended to explore historical changes in organizational CSR portfolios (see section 3.2), a longitudinal study should be performed. Accordingly, CSR-related reports of the case companies were investigated over three time periods: 2008, 2010 and 2012. 2008 is the first period for which data could be compared across all three case companies. 2012 is the period with the latest CSR-related reports available at the time of analysis. Uncovering major trends does not require a yearly examination of reports – actually most of the companies publish non-financial reports only once every two years. This is why it was decided that adding only one midline report for 2010 to the study was sufficient.

Thus, three CSR-related reports for each case company were investigated. Because of the length of the reports (60-100 pages each), their complexity and variety of issues presented as well as the lack of common structure in their reporting style and content, seven to nine hours were spent on each report. The data from the reports were uploaded to the Nvivo 10 software package. For the study of the reports, the systematic coding process was carried through by creating an advanced code structure – codes and nested sub-codes (tree nodes). This code structure was established in

accordance with the three CSR aspects and fifteen CSR categories from the organizational CSR portfolio framework (see Appendix 3).

After collecting the data related to organizational CSR activities/initiatives, an evaluation of these data is required. Thus, to enable CSR portfolio evaluation and comparison, a four-grade scale was introduced (Table 3.3.2-1). This scale reflects the nature of the maturity levels proposed for the CSR categories (see section 2.3.2). The scale should be applied for each of the fifteen categories from the organizational CSR portfolio in order to transform hits (+), added during the data collection phase, into numbers necessary for the analysis phase of this study¹⁴.

Table 3.3.2-1 Scale for the evaluation of the categories constituting the organizational CSR portfolio

Grade	Description
0	no (important) activities are undertaken for the category – corresponds to maturity level 0
1	activities within the category mainly aim to comply with various regulations/recommendations/standards/etc. (either imposed on the company from outside or established internally for covering basic CSR needs and requirements) – corresponds to maturity level 1
2	activities within the category are initiated by the company on a voluntary basis (no relevant regulation exists) or the activities exceed its normal obligations (go beyond requirements described in existing norms/ recommendations/ standards/ etc.) – corresponds to maturity level 2
3	voluntary activities within the category are employed as a part of the organizational business model and benefit the company financially (cost reduction/ revenue increase/ new business opportunities/ etc.) – corresponds to maturity level 3

To consolidate results, average grades can be calculated afterwards for each of the CSR aspects: economic, environmental and social (Table 3.3.2-2). These averages characterize the position of the majority of CSR activities within the aspects and also across the company. No weights are used when calculating the averages for CSR aspects since all CSR categories in the aspects are considered equally important and represent different facets of CSR which should be addressed if the CSR approach is holistic (Graafland et al. 2004).

In order to differentiate companies according to various CSR approaches and experience, a classification was suggested based on the CSR strategies proposed in the theory overview chapter (*CSR neglecting, CSR beginner, CSR user and CSR professional strategies* – see section 2.3.2).

¹⁴ Organizational CSR-related activities are measured using the scale only in relation to the companies' efforts and experience with CSR, not in relation to a particular quantifiable outcome of those activities.

While the averages range from 0 to 3, the intervals suggested are built around a number that the average can be rounded to – 0 , 1, 2 or 3 – corresponding to the maturity levels 0, 1, 2 and 3, which lay in the base of the CSR strategies classification.

Table 3.3.2-2 Intervals for calculated averages that indicate organizational CSR approach

Calculated average interval	CSR approach/experience characteristics
[0; 0,49]	The average can be rounded to 0. A company has no/ minimum relevant initiatives and experience with CSR. In this case, a firm exercises <i>CSR neglecting strategy</i> .
[0,5; 1,49]	The average can be rounded to 1. A company has some experience with CSR, though efforts are mainly aimed to mitigate/prevent harm and violations of existing norms/standards. Minimum creativity and initiative are involved. In this case, a firm exercises <i>CSR beginner strategy</i> .
[1,5; 2,49]	The average can be rounded to 2. A company has experience with CSR. Efforts are mainly aimed to improve and develop relevant areas rather than just mitigate harm. A company is experimenting and goes beyond established standards. In this case, a firm exercises <i>CSR user strategy</i> .
[2,5; 3]	The average can be rounded to 3. A company has learned how to combine good social and environmental practices with financial benefits and business opportunities. In this case, a firm exercises a <i>CSR professional strategy</i> .

This classification can be applied as a comparison base for the estimated averages and can be used for drawing conclusions about organizational CSR priorities and the type of CSR strategy regarding a particular CSR aspect. Changes over time may also be tracked to get a historical perspective.

To summarize, this section described how the information from the companies' CSR-related reports was collected and coded, and then how it was analyzed and evaluated. Also, the scale, which is used in the research for the analysis of the CSR categories, was presented. This scale is necessary to conclude about organizational CSR priorities and a company's approach to the three CSR aspects: environmental, economic and social. The quality of these conclusions and the research results in general will be discussed in the next section.

3.4 Research validity and reliability

Qualitative methods are often criticized for their lack of methodological rigor. Analysis of qualitative data, in contrast to the analysis of quantitative data, requires a clear guideline in order to

establish validity and reliability of research results (Miles 1979, Miles and Huberman 1994, Strauss and Corbin 1998). Accordingly, four tests are usually employed in case studies to ensure the quality of the research design and execution – internal validity, external validity, construct validity and reliability (Yin 2009).

The internal validity test, according to Yin (2009), is applicable for explanatory case studies and not for exploratory ones; as a consequence, this test was omitted. The external validity test, which defines the extent of generalizability and which is particularly important for theory-building, was ensured, first by choosing a multi-case study research approach; and second by selecting case companies of relatively similar size, CSR ambitions and years of CSR experience thus enabling analytic generalization (Yin 1994).

The reliability test, which demonstrates that the study can be repeated by another researcher, is a challenge for every case study since the results are highly dependent on the data interpretation (Yin 2009). Here reliability was enhanced, first by applying the same data collection and data analysis tools for each case company and by providing detailed descriptions of those tools; and second by documenting the preliminary results at different stages, by transcribing the interviews and by coding of both the transcripts and the CSR-related reports.

The last test, the construct validity test, describes how the researcher solves the problem of his/her own subjectivity and, also, the problem of operationalization of the phenomenon of interest (Yin 2003). The subjectivity was reduced by gathering the data from multiple information sources. In order to improve methodological rigor and to assist in the development of rich insights, both secondary (CSR-related reports) and primary (interviews) data sources were used. In addition, several data collection instruments were employed and several informants within each case company were interviewed. Subsequently, the information was cross-checked in order to reduce selectivity and reporting bias and to get stable and exact data.

The operationalization problem was mitigated, first by employing the constructs previously discussed and used by business scholars; and second by pre-testing the constructs suggested as part of the data collection or data analysis tool. In particular, to ascertain the accuracy and fullness of the framework suggested for an organizational CSR portfolio and its applicability as a data collection tool for this study, a pilot test, where I worked recursively between the existing literature and empirical data, was conducted (Vashchenko 2012).

For this pre-test, 25 large international companies operating in various industries and different countries were chosen and their CSR-related reports for the year 2010 were analyzed using the suggested structure for the CSR portfolio. The scale used for the analysis was very different from the one applied in the thesis. Primarily, it measured the quality of the information published in

the CSR-related reports and consisted of four levels: descriptive level (statements and stories), statistical level (basic quantitative data), analytical level 1 (percentage distributions, changes over time, etc.) and analytical level 2 (impact estimation, cause and effect analysis, etc.). This evaluation was beneficial for the CSR portfolio analysis since it provided an understanding of what kind of information can be found in regard to the CSR categories. It also gave an indication of organizational CSR approach (i.e. whether large companies collect, monitor and analyze CSR data which enables a CSR proactive approach or whether they focus on story-telling and/or on requirement fulfillment), thus serving as an inspiration for the development of maturity levels and relevant scales used in the portfolio analysis.

Additionally, the pre-test provided the opportunity to check the applicability of the categories of CSR-related activities and initiatives for organizations in different contexts. It was found that some of the activities acknowledged by the theory as CSR relevant were underrepresented in organizational CSR-related reports or received limited attention. Thus, business practice did not correspond to the normative CSR theory in full. This, however, does not mean that the companies' CSR efforts fail; rather it points at the importance of the context in which a company operates. Taking this into consideration and to allow a certain flexibility (which is vital for the CSR contextual approach), it was decided to combine some of the CSR categories (e.g. "emission" with "waste", "energy" with "water", "materials" with "packaging", "biodiversity" with "other environmental activities"). In addition, the CSR-related activities/initiatives which precisely described the CSR categories were turned into an exemplification of what can be done within a particular category in the CSR portfolio.

The components of the organizational CSR portfolio were presented and discussed with the CSR research community, in particular at the Corporate Responsibility Research Conferences 2012 and 2013. Thus, the pilot test along with these discussions allowed concluding the verified structure of an organizational CSR portfolio, which was used as a data collection and data analysis tool in the subsequent stages of this research.

To conclude, the external validity test, the reliability test and the construct validity test were employed and briefly described above. Moreover, to lessen the operationalization problem, a pre-test of the data collection and analysis tool was conducted, in particular the framework suggested for the organizational CSR portfolio and the scale developed for the CSR category evaluation were tested. Together these should ensure the quality of the research design and, subsequently, the quality of the research results.

Chapter 4. Analysis

The following chapter uses information collected from the case companies to investigate how organizations transform a general CSR notion into company-specific CSR-related activities and initiatives. To answer the specific research questions 1a and 1b (see section 3.2), the Input for CSR-related decision-making in the form of influencing external factors is analyzed (see section 4.1, analysis is based on the interview data). Similarly, the Output in the form of an organizational CSR portfolio is investigated (see section 4.3, analysis is based on the data from CSR-related reports) to answer the specific research questions 3a and 3b (see section 3.2). Section 4.2 (analysis is primarily based on the interview data) is intended to reveal CSR-related decision-making processes in the case companies and to answer the specific research question 2 (see section 3.2). The Input, the Output and the decision-making processes will be analyzed and presented separately in the respective sections; afterwards, the relationship among the three will be explored at the end of the chapter (see section 4.4, analysis is based on all of the information collected).

4.1 Input: External factors

This section presents the case companies' perceptions of the influences from different external factors on organizational CSR-related decision-making based on the interview data which were collected in a tabular form (see Appendix 2). External factors which might affect CSR choices in a company were classified into three groups: government-related factors, business-related factors and society-related factors (see section 2.1.3). The data collection tool and the evaluation approach, which quantifies the data, were described in the methodology chapter (see section 3.3.1). The summary of respondents' evaluations regarding *each* factor was placed in one of the intervals: from 0 to 2.25 (no influence), from 2.25 to 4.5 (little influence), from 4.5 to 6.75 (some influence) and from 6.75 to 9 (decisive for CSR-related choices). Also, the summary of evaluations for all factors from the three groups was calculated and used to conclude about a company's priorities among government-related, business-related and society-related factors.

Within-case analysis is performed first for each company and then followed by a cross-case comparison. Diagrams structuring the information in an analytical way are provided in this section, while the raw data, both for individual responses and for consolidated company opinions, can be found in Appendix 4.

4.1.1 The Maersk Group

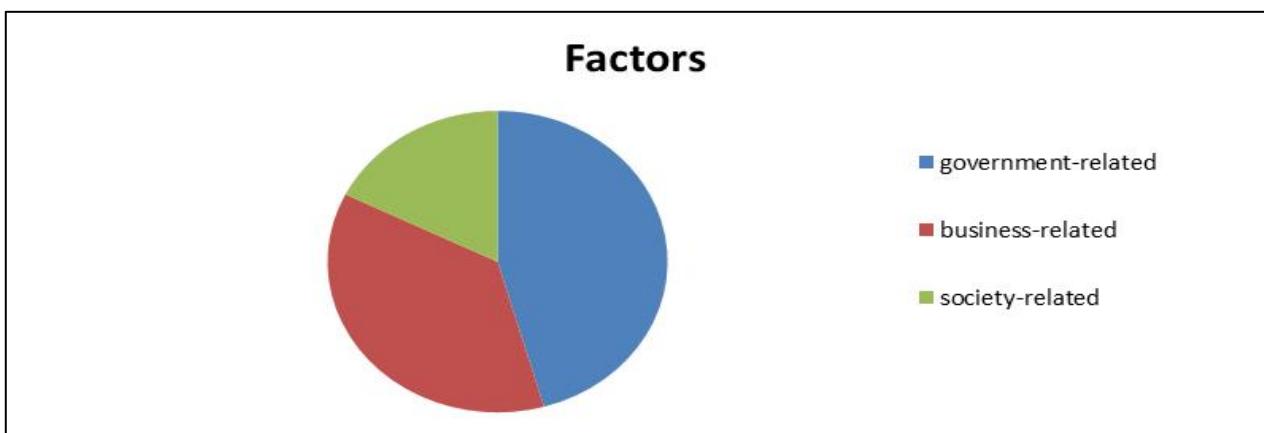
The Maersk summary grades for each group of external factors are presented below (Table 4.1.1-1). The higher the summary grade, the higher the perceived importance of a particular group for organizational CSR decision-making.

Table 4.1.1-1 The Maersk Group: Summary grades reflecting the influence from the groups of external factors on CSR decision-making

External factors	Past 3-5 years (2008-2010)	Recent period (2011-2013)	Future
Government-related	31	31	28
Business-related	25	25	30
Society-related	12	12	10

The data demonstrate identical results for summary grades in Maersk in the past (2008-2010) and recent (2011-2013) periods. In these periods, government-related factors, as a group, were considered more influential for CSR decision-making than business-related factors, and business-related factors, in turn, were agreed to be more influential than society-related factors (Figure 4.1.1-1). However, Maersk's future expectations indicate a change of focus of attention: business-related external factors will guide CSR decisions and choices, while government-related factors will take a step back. Society-related factors will still take the least influential position for CSR decision-making and will even lose some importance points.

Figure 4.1.1-1 The Maersk Group: Summary grades reflecting the influence from the groups of external factors on CSR decision-making, Recent period (2011-2013)



The analysis of the factors belonging to the government-related group showed that the reason why their influence on CSR decision-making in Maersk is expected to decrease (i.e. summary grades for the group) is that local and national governmental CSR-related regulations are

considered to be less important for the company in the future (Figure 4.1.1-2); the evaluation of the influence for these two factors moved from “decisive” (interval from 6.75 to 9) to “some” importance (interval from 4.5 to 6.75). This was explained during the interviews in Maersk as follows:

“I think this [governmental influence]¹⁵ depends on what kind of company you are. Because if you are an average follower company that just wants to do a good job, then that [governmental CSR regulations] would affect you a lot...but us – not that much anymore, because we would be ahead of [CSR-related] legislation...”(M4)

Similarly, international CSR guidelines and principles are expected to be less influential for the company: the evaluation of the pressure moved from “some” to “little” (interval from 2.25 to 4.5). Although Maersk acknowledges that international guidelines (such as Global Compact) did to some extent affect the company’s CSR decision-making in the past, it does not anticipate much influence coming from those guidelines, rather the opposite:

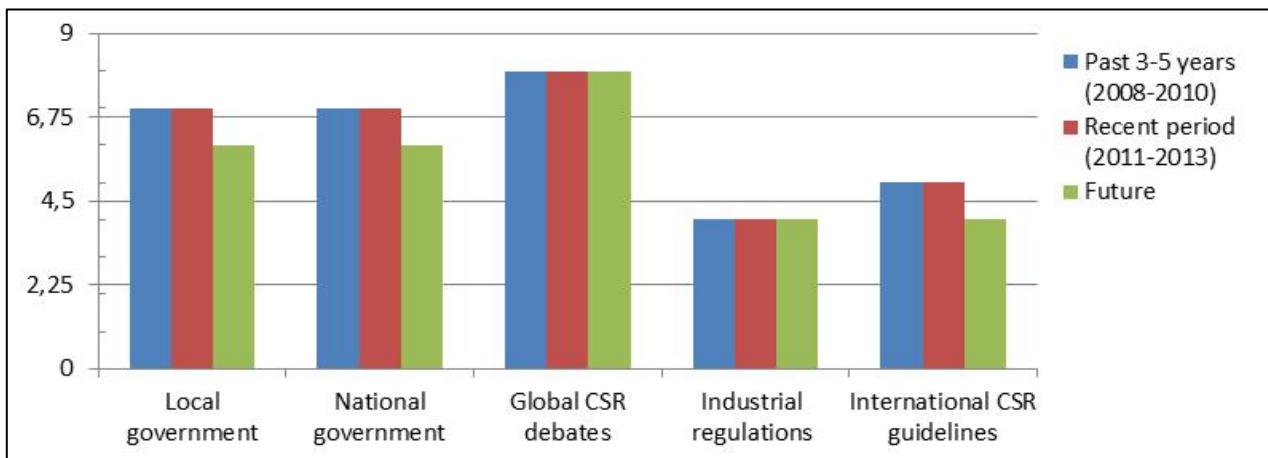
“...If you are a follower company, then it [Global Compact] affects what you do. If you are a leadership company, then you will affect what the Global Compact does. The Global Compact has created the lead group that we are in. That’s really the space, the lab, where we want to develop new things...a lot of the new [CSR] initiatives really come from this group of leadership companies.”(M4)

In contrast, the factor which was critical for Maersk when building an organizational CSR agenda and which will maintain the highest position in the future is CSR debates and concerns on a global political level. By following these debates, the company can be forewarned about the new CSR issues entering global agenda, and so be proactive:

“...It is a big [CSR] topic, if it’s discussed on a global level...Sustainability topics that are coming on the radar... have a lot of impact on whether you’re a fast mover...It [global CSR debate] has and it will have a big importance for us.” (M3)

¹⁵ Here and below the information in brackets is added by the author for clarification of the interviewees’ responses.

Figure 4.1.1-2 The Maersk Group: External factor influence on CSR decision-making from the government-related group



The influence from business-related factors on CSR choices is expected to increase since almost all the factors in the group (except for economic climate) will rise in importance (Figure 4.1.1-3). However, requirements resulting from membership of professional associations along with CSR concerns expressed by investors are not believed to affect CSR choices. As the company's CSR specialists comment:

"Business associations would not have [CSR] requirements as such. In general, you often find that industry is being more reactive, setting a lower bar, because...everybody has to be included. So, for example, the Danish Shipowners' Association, which is also working on CSR matters, will have lower requirements than we would have in our company...we're ahead of them." (M2)

"Mainstream investors are not interested [in CSR], not yet. There are only the few ethical investors and the one big investor which is the second largest one, ATP (the largest Danish pension fund), who asks us responsibility questions... So, the share of investors interested in this [CSR] is very small." (M4)

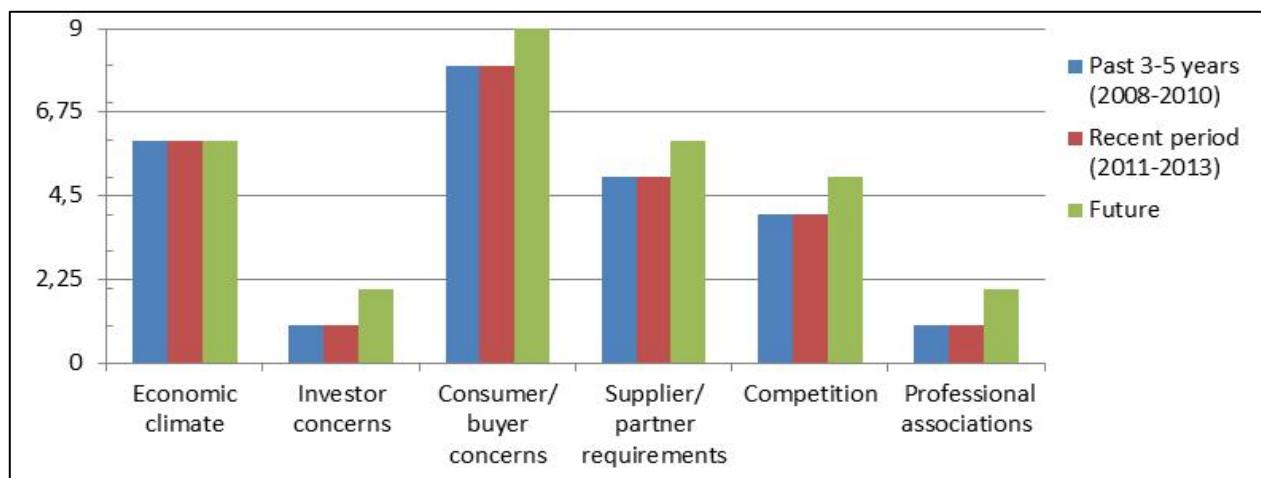
Conversely, CSR concerns among consumers/buyers are expected to reach the highest position and to become the main external driver for CSR-related decisions in Maersk. The reason why this factor is gaining more importance is that more business customers include CSR in their strategy and, consequently, demand that CSR principles be applied throughout their supply chains:

"BP and Shell and many others have come up with a standard system for their suppliers which is very strict and has all sorts of requirements...particularly, as regards safety and environment operations. So, Maersk Line has to live up to those requirements." (M2)

“... [there is] a lot of engagement and meetings with some of the key clients like Unilever, Marks and Spencer, etc.... So, Maersk Line gets ideas for what would be useful for them to work on [CSR wise]. And that’s also the case for the oil side where... the customers...would be the government...It might have [CSR-related] requirements...as a part of the concession... For instance, it might be a requirement to develop an oil field; in the contract the government can stipulate that...we must make...a social investment.” (M2)

“Customers are obviously very important...Just an example, Damco (logistics provider within Maersk) has introduced the green logistics model and our customers use it to show their customers how much, for instance, CO2 their goods emit on the way to the stores. Maersk Line customers also want to make sure that we emit the smallest amount of CO2 possible...For instance, IKEA requests a lot of from Maersk Line, because they focus on sustainability and are well-known for it...and they want details about our shipping... So, it [CSR] becomes a part of our business proposal.”(M1)

Figure 4.1.1-3 The Maersk Group: External factor influence on CSR decision-making from the business-related group



In general, the society-related factors have little influence on CSR decision-making (Figure 4.1.1-4). However, the pressure from NGOs and social movement organizations determines Maersk's CSR choices to some extent and will remain in force.

“For example, IBIS in Denmark has done a great job in terms of setting tax on the agenda...It wasn’t the first time we heard about it, but we wouldn’t have focused on it... They’ve managed to create...an increased interest in society... and actually framed tax as a CSR issue... not just a compliance issue...That’s a big difference. And

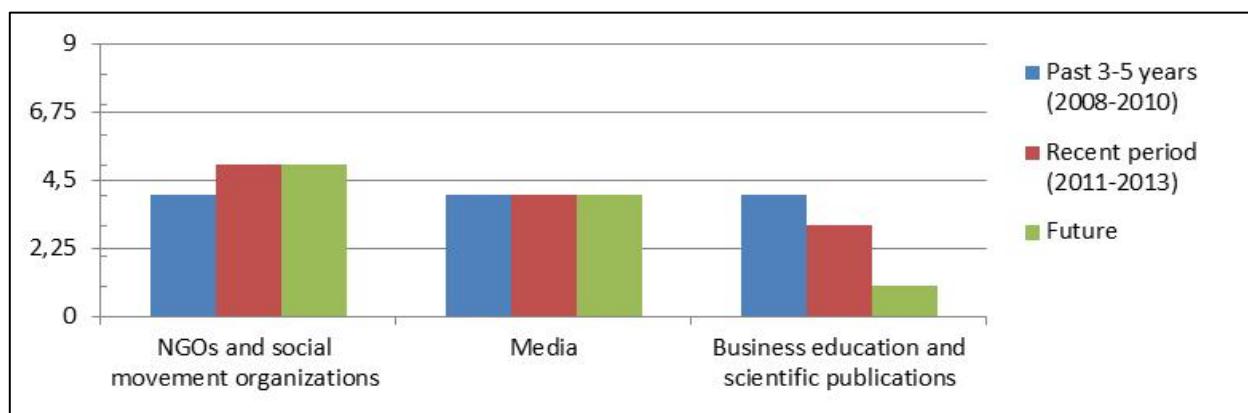
companies have to relate to that in a different way than they normally would relate to tax. And I think that's pushing some interesting thinking in the company, even though it's uncomfortable." (M4)

In contrast, business education and scientific publications gradually lose their importance in defining the organizational CSR agenda and are not believed to affect CSR decisions in Maersk in the future. The explanation provided by the CSR specialists is that the company is experienced with CSR enough not to rely much on academic perspective anymore:

"I think that now it [CSR] is just mature in companies and CSR departments or sustainability departments are doing it on their own. They don't necessarily need input from academia, or academic experience, or education in CSR in order to drive this forward in the business. So, it [scientific and professional publications] is probably less of a driving force than it used to be." (M3)

"Most of what these [scientific/professional] journals print is usually something that has been going on in companies for years. And then some academic picks it up and describes it and categorizes it in a way which we wouldn't have done, which probably makes it clearer. Then you can use it in new ways, or other companies can use it. But if you are pretty well linked into the leadership companies and to what is going on in CSR/sustainability area, you'll know about these notions ...before they come out in business publications." (M4)

Figure 4.1.1-4 The Maersk Group: External factor influence on CSR decision-making from the society-related group



To summarize, external factors which affected CSR decision-making in Maersk in 2011-2013 are the same as those in 2008-2010. The most influential group of factors was the government-related group; in particular, CSR debates and concerns on a global political level as well as local and national government CSR recommendations and regulations were decisive when making CSR choices. However, according to the respondents' evaluations, the situation is going to

change and business-related factors will gain more importance in organizational CSR matters, mainly due to the stronger position of consumers/buyers and other business partners. Society-related factors as a group have no strong effect on Maersk; pressure from NGOs and social movement organizations are acknowledged though.

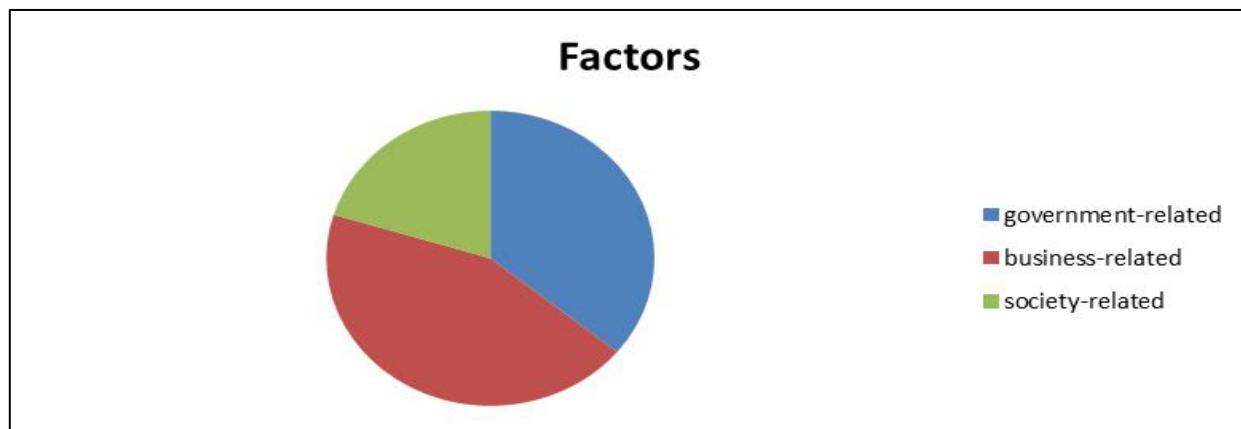
4.1.2 Danske Bank

The Danske Bank summary grades for each group of external factors are presented below (Table 4.1.2-1). The higher the summary grade, the higher the perceived importance of a particular group for organizational CSR decision-making.

Table 4.1.2-1 Danske Bank: Summary grades reflecting the influence from the groups of external factors on CSR decision-making

External factors	Past 3-5 years (2008-2010)	Recent period (2011-2013)	Future
Government-related	31	32	32
Business-related	35	39	45
Society-related	15	18	21

Figure 4.1.2-1 Danske Bank: Summary grades reflecting the influence from the groups of external factors on CSR decision-making, Recent period (2011-2013)



The data show that historically CSR-related decision-making in Danske Bank was mainly affected by the business-related group of factors; this trend will continue in the future and business-related factors will gain even more strength than before. Government-related factors are in second place in terms of influence on organizational CSR-related choices (Figure 4.1.2-1); according to the interviewees' expectations, this group will maintain its position. The society-related group plays the least powerful role among the external factors in relation to organizational CSR decision-making; however, the pressure from this group is increasing gradually.

National government CSR recommendations and regulations together with CSR debates and concerns on a global political level have influenced Danske Bank's CSR-related choices to a high extent. These two factors have kept and enhanced their decisive position (Figure 4.1.2 -2). According to the company's CSR specialist, this reflects Danske Bank's fundamental role in the economy and its aim to build professional relationships with governmental bodies:

"...when you are a big bank like Danske Bank, then the national government is definitely very important...and the importance just keeps increasing, because we more and more professionalize our relations with the government."(D1)

"...the global CSR agenda... I think this also reflects our position...In the beginning...we just compiled a [CSR] report, and now we're becoming more and more involved in being a discussion partner with the EU...Just to be very specific, we have a EU public affairs coordinator and we didn't have that in 2008. So, this just tells you that this [global debate] has become more and more of a decisive issue."(D1)

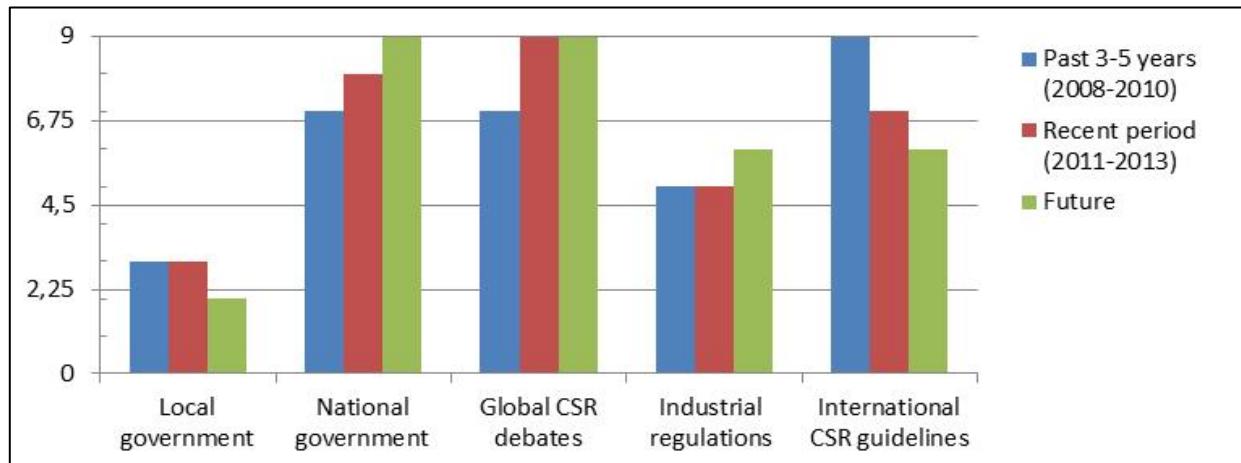
In contrast, international CSR guidelines and principles, which was the most influential factor in 2008-2010, lost its strong position over the period investigated. This happened because Danske Bank matured in respect to CSR matters and became more independent. Moreover, respondents expect that this factor will only play a limited role in future CSR decision-making processes:

"I think this [international CSR guidelines] was very important in the time when CSR started and we all had to have some sort of benchmarking way of gathering, be able to compare things...but I also think that they [international guidelines] are becoming less important now."(D2)

The factor of least importance for Danske Bank's CSR choices within the government-related group is local government CSR recommendations and regulations. The company's CSR specialists explained that these legislations are considered having a secondary role to the national and international ones:

"I think local government has little influence and also did so in the past. And it is on the decrease, because most of the initiatives originate from the national government and increasingly so from supranational ones like the European Union." (D2)

Figure 4.1.2-2 Danske Bank: External factor influence on CSR decision-making from the government-related group



Respondents' evaluations regarding the business-related group showed that four out of six factors are acknowledged as decisive for CSR decision-making (Figure 4.1.2-3). Moreover, the importance of two of those factors – “consumer/buyer CSR concerns” and “level of competition and competitors’ CSR experience” – has been gradually increasing. The first one – because of the growing customers’ interest in CSR:

“...Our customer relationship advisors... apparently think it [CSR] is something that is very great to draw into discussions with our customers...It has a great interest...So, it’s definitely a decisive issue.”(D1)

The second one – due to the strong benchmarking tradition in the industry and the active role of the ranking agencies:

“There is a lot of benchmarking. And that has a strong regulating effect, because everybody in the financial sector will look at each other.” (D2)

“...For example, within climate issues there is a lot of rankings, because a lot of external agencies are looking at the various financial companies and they rate them up against each other...We are likely to be behind Nordea on this parameter...So, obviously it becomes very important in what we are doing.” (D1)

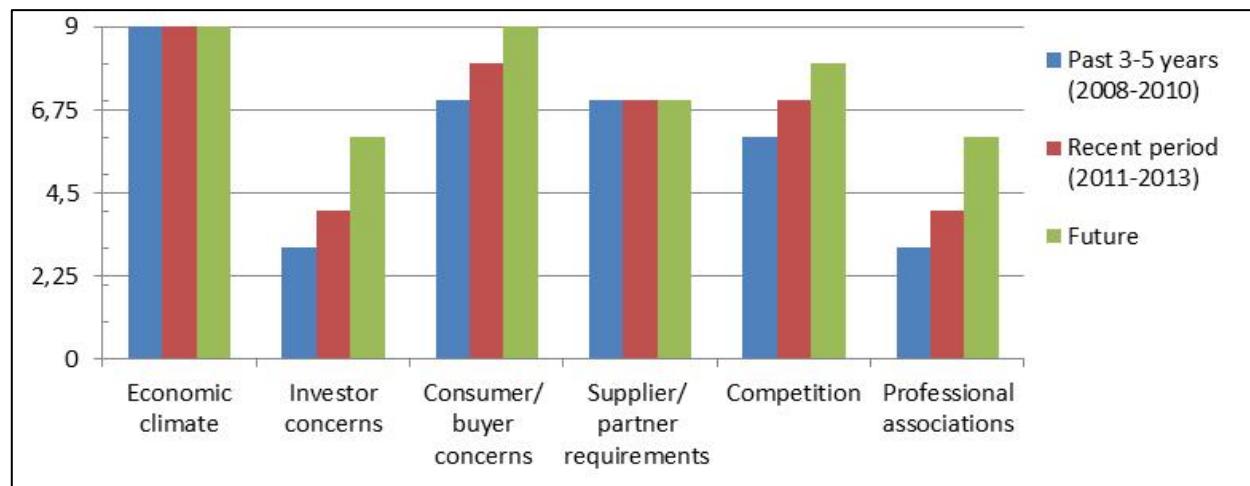
The influence from the other two decisive factors – “economic climate in the country” and “CSR requirements from suppliers and business partners” – was on an invariably high level. The company’s CSR specialists associated such strong pressure with the nature of the business and high level of responsibility expected from a bank:

“For a lot of companies it’s relevant who is their banking partner in terms of CSR issues...If Danske Bank has a poor image CSR-wise then it will affect our reputation and our business partnerships.”(D1)

“Giving the nature of our business, it [economic climate] is a decisive factor and it could be even more decisive, because I think we are required to relate much more to our impact on the national economy than we were five years ago.” (D2)

Overall, the dynamism for most of the factors within the group is positive, which, in turn, determines the strengthening of the role of business-related group of factors in Danske Banks’ CSR decision-making.

Figure 4.1.2-3 Danske Bank: External factor influence on CSR decision-making from the business-related group



Although the society-related factors as a group is the least powerful one in relation to CSR decision-making in Danske Bank, particular factors within the group received high grades from the company’s respondents (Figure 4.1.2-4). Thus, both pressure from the media and pressure from NGOs and social movement organizations appeared to be of high importance for the organizational CSR choices. The CSR specialists commented that NGOs facilitates many CSR-related projects in Danske Bank:

“It [NGOs] is becoming a more and more decisive factor, because...we start developing partnerships with NGOs. So, it’s not just an issue about them stating critical objections...For example, we just had a meeting with the DaneAge Association about what we can do for the elderly and online banking and what are their needs... It’s like a partnership.” (D1)

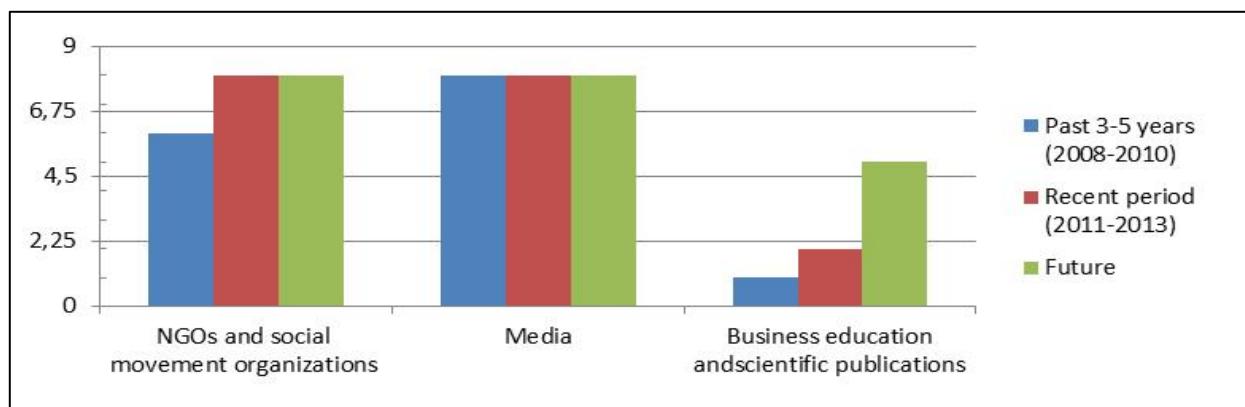
The media, in contrast, is perceived as a factor that hampers CSR development and diminish organizational motivation for CSR:

“I would definitely say the media do have an influence. The thing is that it’s tough going with media...At least we’ve experienced that even when we were doing something good, they actually always like to give it a negative angle. I believe that

they might actually make it hard to do the good things. In contrast, if you are just silent... and/or don't do anything [CSR related], then it doesn't matter [to the media]...So, afterwards, you can have a lot of people internally ask why are we actually doing it [CSR] if we only get negative press coverage anyhow?" (D3)

Business education and business and scientific publications did not affect Danske Bank's CSR choices. However, it is expected that the position of this factor will be enhanced and that it will be playing a certain role in CSR decision-making in the future, in particular, due to the fact that new graduates who are joining the company have a business school background and some knowledge of CSR; that was not the case when Danske Bank started dealing with CSR issues.

Figure 14.1.2-4 Danske Bank: External factor influence on CSR decision-making from society-related group



In conclusion, respondent evaluations revealed a lot of dynamism in Danske Bank regarding the influence from external factors on organizational CSR decision-making both in terms of the changes from past to recent periods and changes from recent to future periods. Only three factors – “economic climate in the country”, “CSR requirements from suppliers and other business partners” and “pressure from the media” – maintain their stable positions over the three periods. Moreover, these three factors are decisive for Danske Bank’s CSR agenda as well as the other three factors from the government-related group, two factors from the business-related group and one factor from the society-related group, which have been fluctuating. The revealed dynamics is positive for both the business-related and the society-related groups of factors, while for the factors belonging to the government-related group the dynamics is not homogeneous: three factors strengthened their positions, contrary to the other two factors which lost their importance grades. Overall, the business-related group is the most powerful in terms of its influence on Danske Bank’s CSR decision-making, followed by the government-related and society-related groups taking the second and third places accordingly.

4.1.3 The Lego Group

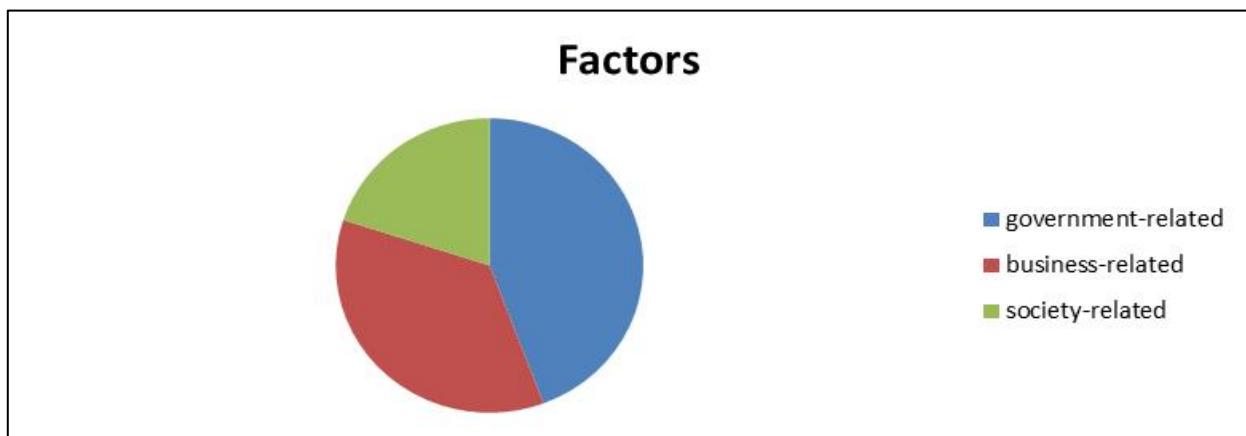
The Lego summary grades for each group of external factors are presented below (Table 4.1.3-1). The higher the summary grade, the higher the perceived importance of a particular group for organizational CSR decision-making.

Table 4.1.3-1 The Lego Group: Summary grades reflecting the influence on CSR decision-making from the groups of external factors

External factors	Past 3-5 years (2008-2010)	Recent period (2011-2013)	Future
Government-related	28	31	35
Business-related	20	25	33
Society-related	12	14	17

The data demonstrate that CSR-related decision-making in Lego has mainly been affected by the government-related group of external factors – in that sense, in spite of the dynamics, the situation has remained unchanged since 2008. The position of this group is expected to be enforced in the future. The business-related factors also contribute to the choice of organizational CSR-related activities, but, in spite of the growth of influence from this group, always having second importance (Figure 4.1.3-1). The power of the society-related factors is also increasing; however, this group takes a third place in relation to influence on forming Lego's CSR choices.

Figure 4.1.3-1 The Lego Group: Summary grades reflecting the influence on CSR decision-making from the groups of external factors, Recent period (2011-2013)



Analysis of the factors from the government-related group showed that both local and national government CSR recommendations and regulations are key in Lego's CSR decision-making (Figure 4.1.3-2). As the company's specialists explained, Lego's business (toys manufacturer) is connected closely to a notion of responsibility; the organizational prosperity largely depends on compliance with CSR-related regulations:

"I think the regulations are decisive, they drive forward most [of CSR]...And this still will be the major part...If we don't fulfill the law, then we are out of business." (L1)

The company aims at being proactive in dealing with regulations, so CSR debates and concerns on a global political level also becomes a decisive factor for organizational CSR decision-making:

"For instance, an area we have worked a lot on and where we have been progressive is product safety. We have been doing a lot of engagement at the EU level...to make sure that we as a company have the right capabilities in place to meet future legal requirements. Our key word has been "no surprises" at the legislative level." (L3)

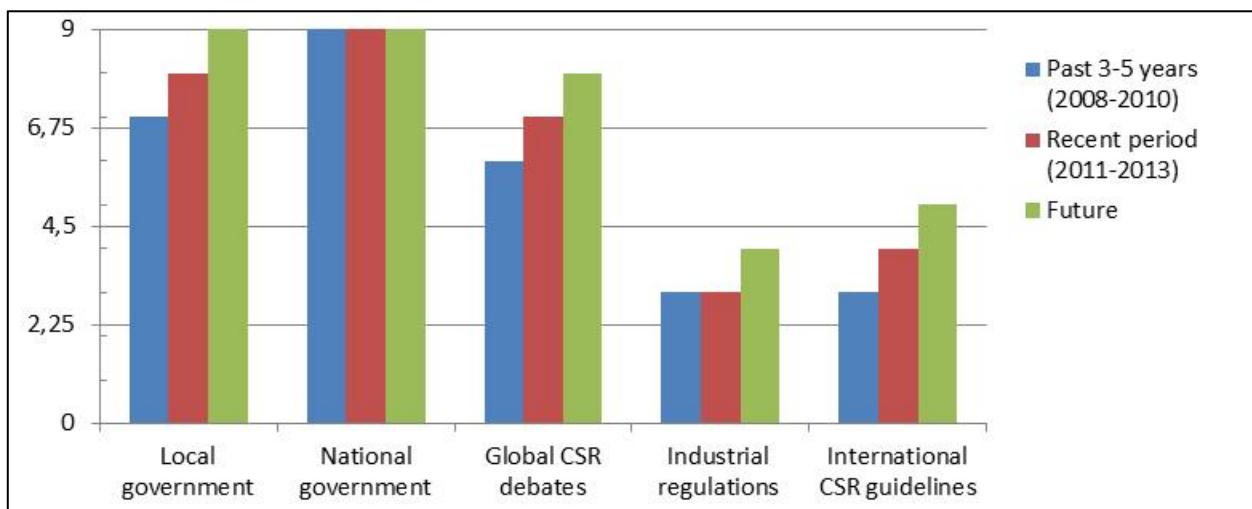
In contrast, industrial CSR regulations have little influence on CSR choices in the company, because Lego is usually far ahead of industry requirements:

"...we leverage them [industry associations] on certain specific topics which are common to the industry and where we can work together, but they are not really decisive in terms of our [CSR] activity, because we build a lot of activity on top of that...Our activities with the professional association is a basic minimum, everybody in the toy industry needs to do that." (L2)

International CSR guidelines and principles, however, are expected to have some influence in the future. The company's CSR specialist commented on that as follows:

"...UN guiding principles adopted by the United Nation Council is something, I think, we have looked at...It's also the reason why we are about to develop a human rights policy and why we are launching a human rights strategy. And so we will look into the guiding principles in terms of what are the components of that strategy." (L3)

Figure 4.1.3-2 The Lego Group: Influence on CSR decision-making from the external factors in the government-related group



The only factor in the business-related group which is decisive for Lego when making CSR choices is CSR concerns expressed by the company's investors (Figure 4.1.3-3). This is not a surprising result, since Lego is established and owned by a family with strong CSR beliefs:

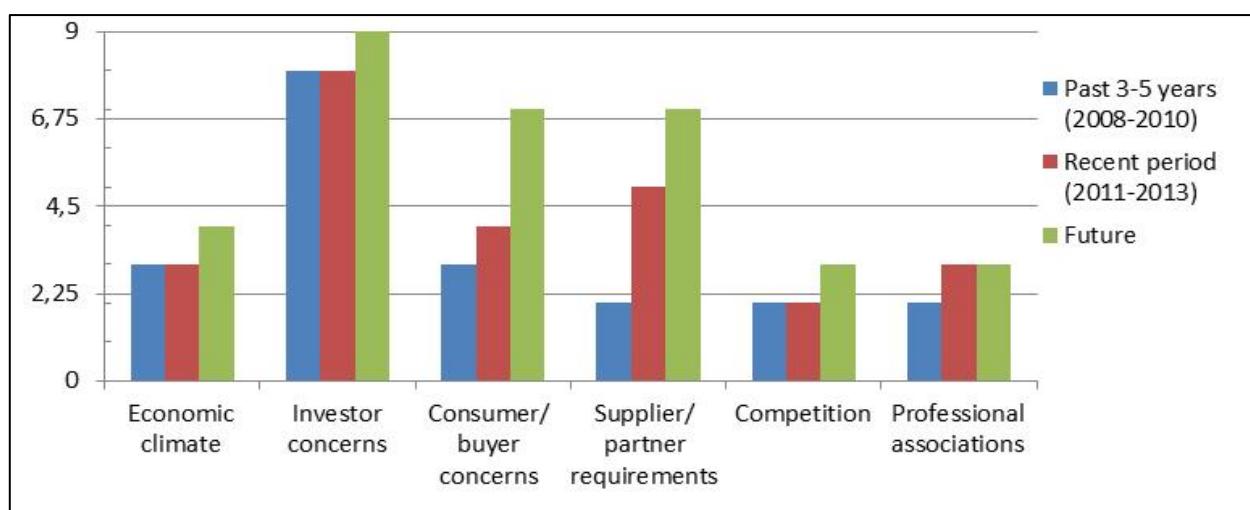
"...it is a family-owned company – there's only one investor and that's the family. So, they decide on everything." (L1)

The rest of the factors from this group play a minor role in organizational CSR decision-making; however, a growth in importance is observed for each factor. In particular, it is expected that CSR concerns among consumers/buyers as well as CSR requirements from suppliers and other business partners will reach a decisive level in the future. The first one is explained by the company's decision to change its CSR strategy and to make it more customer oriented; and the second one is explained by an increased interest in CSR from the large retailers:

"Until now, most activities have been done through the lenses of lead regulation. It's the same as what consumers want...product safety. But...all the initiatives back through history have mainly been done through legislation. Now I think we will do more that makes sense to our consumers. So, that might be to put more focus on the social benefits – on the value of play and learning." (L1)

"They [business partners] used to have little influence and now they will have some...For instance, our dealings with Walmart: they put a lot of requests into our system on how we handle and what we do and stuff like that. And we have to deal with that... otherwise we'll risk losing [the partner]." (L1)

Figure 4.1.3-3 The Lego Group: External factor influence on CSR decision-making from the business-related group



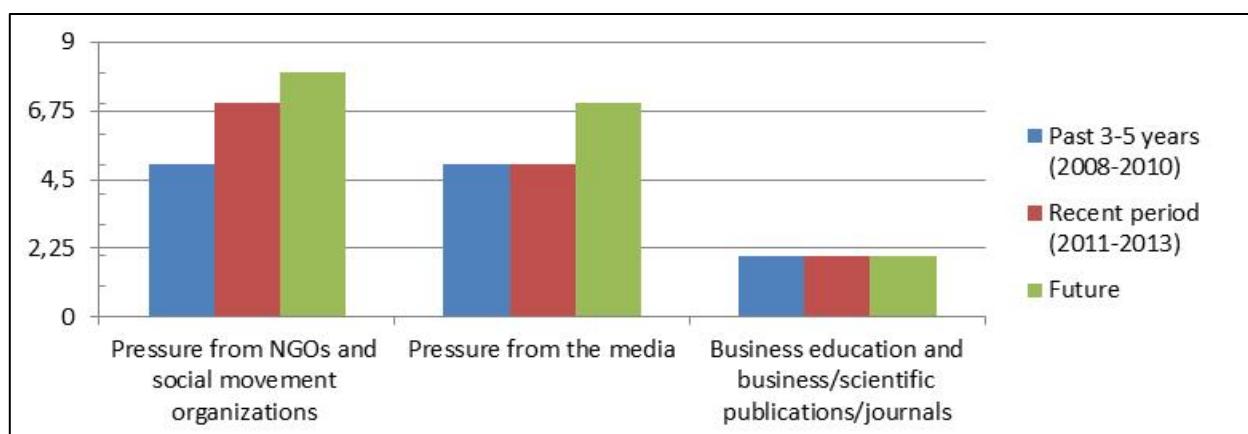
Pressure from the society-related group of factors on Lego's CSR decision-making is characterized by gradually increasing influence of NGOs and social movement organizations taking a decisive position in relation to CSR choices (Figure 4.1.3-4). This is explained by the NGOs' willingness to build partnerships with the company:

"I think the NGOs played themselves hard against the companies. Now they are trying to work with the companies more, but without losing their credibility. So, we engage with UNICEF, WWF, Greenpeace and so on... We are in dialogue with them...and have good relations with... major global brands within the NGO world. So, we know the people and we attend lots of their meetings and so on." (L1)

Contrary to this, business education and scientific publications have no importance and, thus, are not acknowledged when making CSR-related decisions in Lego. The company's CSR specialist stated that these readings can be inspiring, but only so implementation-wise:

"The reason why I write that business education and publications have little impact on our CSR activities is that they are more a source of inspiration...But it's really not decisive in sort of the focus areas...It's more influential in terms of how can you go about doing things [within chosen focus areas]." (L2)

Figure 4.1.3-4 The Lego Group: External factor influence on CSR decision-making from the society-related group



To summarize, no external factor is losing importance in terms of influence on CSR decision-making in Lego. Moreover, only national government CSR regulations and recommendations (the most influential factor) and business education and scientific publications (the least influential factor) remained unchanged over three periods analyzed; for the rest – positive dynamics is shown. Overall, the government-related group is the most important one when making CSR choices, while the society-related group plays the lesser role. External factors belonging to the business-related group take the middle position as regards their influence on CSR agenda in Lego.

4.1.4 Cross-case comparison

In this section, the data regarding the influence of external factors on organizational CSR-related decision-making collected for Maersk, Danske Bank and Lego are analytically structured and presented to enable a cross-case comparison. First, a comparison is made for the companies in relation to groups of external factors – government-related, business-related and society-related – in three periods analyzed. The figures below (Figures 4.1.4-1, 2, 3) illustrate the evaluations made by company respondents for the past three to five years, for the recent period and for the future.

Overall, external factors influence CSR decision-making in Danske Bank more than in the other two case companies – its summary grades normally exceed the ones of Maersk and Lego. Those two companies reported similar influences in 2011-2013 (Figure 4.1.4-2); however, in the past period pressure from each group of external factors was higher in Maersk than in Lego (Figure 4.1.4-1); the opposite is shown for future expectations where Lego will be affected more (Figure 4.1.4 -3).

In regard to prioritizing a particular group of factors when making CSR choices, business-related factors are acknowledged to be the most important for Danske Bank in all periods analyzed. Maersk and Lego are mainly influenced by the government-related group considering business-related factors secondary; this disposition is not stable and there is a tendency toward the business-related group taking a leading role in the future (Figure 4.1.4-3). In turn, society-related factors as a group are placed on the least powerful position in relation to CSR decision-making in all three case companies.

Concerning the group dynamics, the business-related factors gradually grew in importance in each company. In comparison, the changes in the government-related group are not one-directional: it is expected that in Maersk this group will lose some importance, in Danske Bank its initial position remains almost at the same level, while in Lego a constant growth of its influence can be observed. The situation is not homogeneous in the society-related group of factors either; thus, pressure on Maersk's CSR decision-making is going to decrease, while Danske Bank and Lego, in contrast, confirm continual increase of the influence of this group.

Figure 4.1.4-1 Summary grades reflecting the influence from the groups of external factors on CSR decision-making in Maersk Group, Danske Bank and Lego Group in past period (2008-2010)

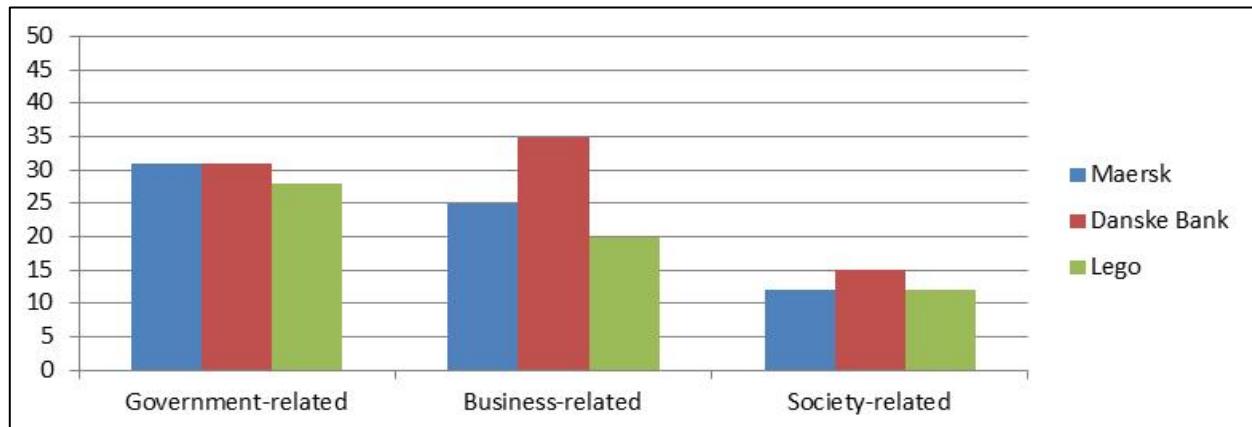


Figure 4.1.4-2 Summary grades reflecting the influence from the groups of external factors on CSR decision-making in Maersk Group, Danske Bank and Lego Group in recent period (2011-2013)

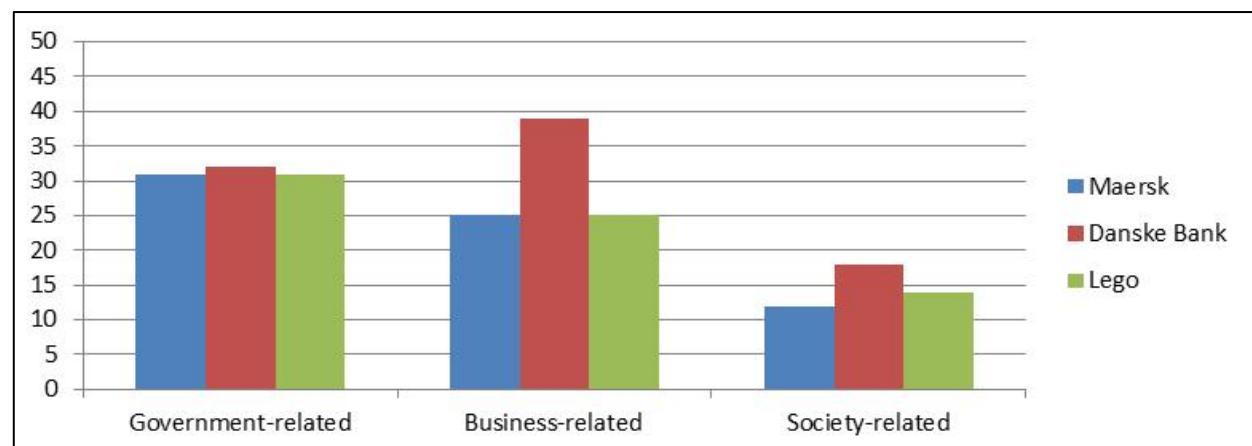
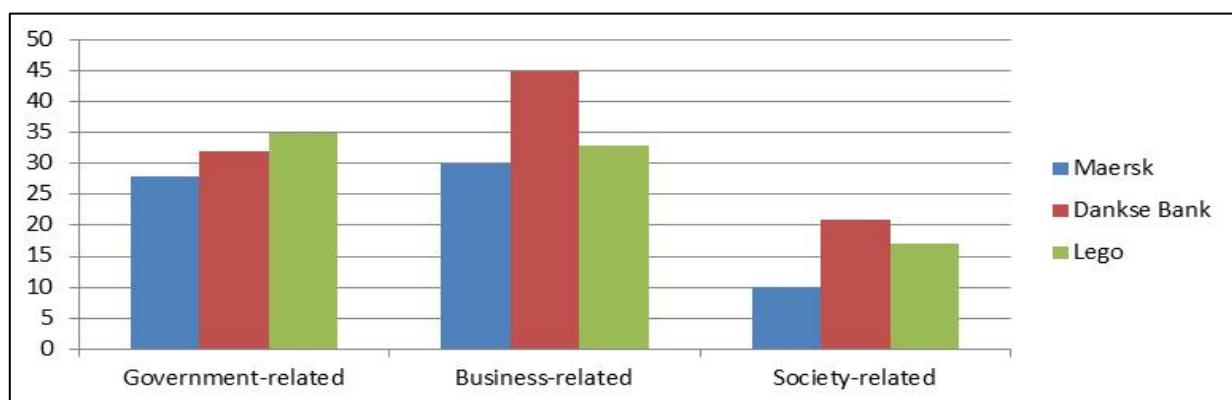


Figure 4.1.4-3 Summary grades reflecting the future influence from the groups of external factors on CSR decision-making in Maersk Group, Danske Bank and Lego Group



In order to elucidate these differences and uncover the reasons for the uneven dynamics of the groups of external factors, an analysis of the factor dynamics within the groups was performed. First, the government-related factors were investigated. The figures below (Figures 4.1.4 - 4, 5, 6) illustrate the influence of the external factors from this group on CSR choices in Maersk, Danske

Bank and Lego in the three periods, the purpose being to demonstrate the dynamics of each factor for each company and to compare the pressure from the same factor on the case companies.

Three factors in the government-related group determine that this group's influence on the case companies' CSR decision-making cannot be characterized unambiguously. Local government CSR recommendations and regulations is the first one; the importance of this factor is expected to decrease for both Maersk and Danske Bank in the future (Figure 4.1.4-6), while in Lego its pressure is constantly increasing (Figures 4.1.4 - 4, 5, 6). Moreover, the case company respondents provided a highly distinct evaluation of this factor: it was mentioned during the interviews in Lego that it had always had a "decisive" position, since the company has operations in many different countries with many diverse local legislations which must be acknowledged. The same applies to Maersk; however, the CSR specialists stated that after gaining a certain experience with CSR, the company became more responsible than usually required by local regulations, so the influence of this factor on CSR decision-making decreased from "decisive" to "some". In Danske Bank the influence also decreased, but from "little" to "no", because the company considers local legislation just an extension of the national or the global ones.

Controversial dynamics was also observed for national government recommendations and regulations. The influence of this factor on Danske Bank's CSR choices was gradually growing, and in future it will be one of the most powerful external factors, since, due to increased expectations regarding its role in the economy, the company has professionalized its relationship with the government. Similarly, this factor is a top priority in Lego; its position has, however, always been stable. In Maersk national government regulations were acknowledged to be "decisive" in the past and in the recent period as well. However, in the future this factor is expected to decrease in power, because, as stated above, Maersk is matured with CSR to an extent where it is usually ahead of related regulations.

The third factor contributing to inconsistent influence from the government-related group is international CSR guidelines and principles. According to Maersk's expectations, the value of this factor for CSR decision-making will lessen and drop from "some" to "little", since the company positions itself among the leadership organizations affecting international CSR guidelines. In contrast, in Danske Bank it was evaluated to be "decisive" in past and recent periods, going down to "some" position in the future though. As the CSR specialists explained, this factor played an important role when the company started their CSR work, since it needed to benchmark. However, at the stage where Danske Bank is now CSR wise, there is no need to rely on international guidelines anymore, so the factor's influence was constantly decreasing. This is opposite to the situation in Lego where its pressure was growing all the time and moved the factor from a "little" to

a “some” level, since the company is consulting with international CSR guidelines now to develop a human rights strategy.

Figure 4.1.4-4 External factor influence from the government-related group on CSR decision-making in Maersk, Danske Bank and Lego in past period (2008-2010)

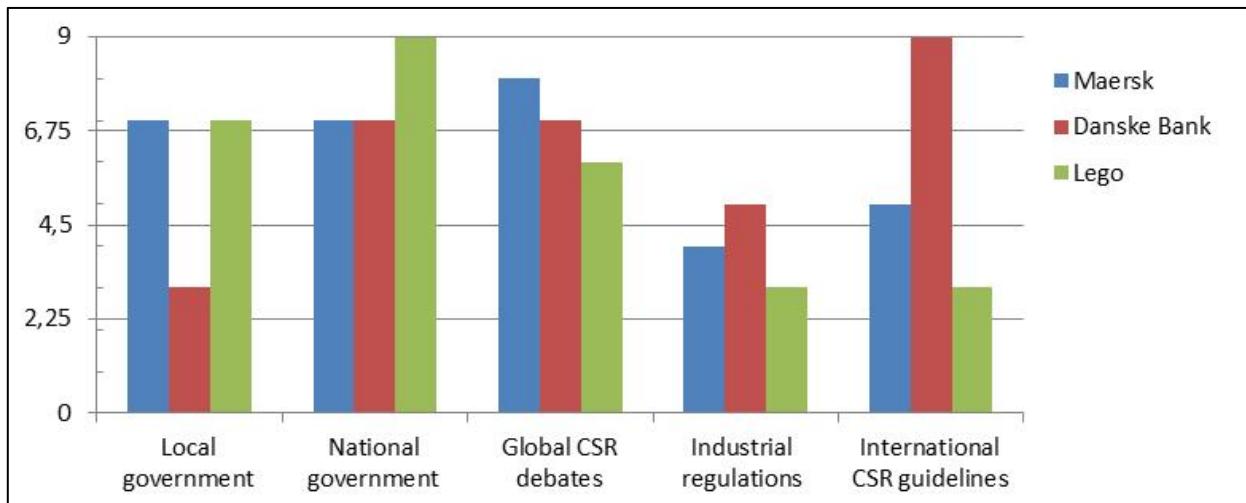


Figure 4.1.4-5 External factor influence from the government-related group on CSR decision-making in Maersk, Danske Bank and Lego in the recent period (2011-2013)

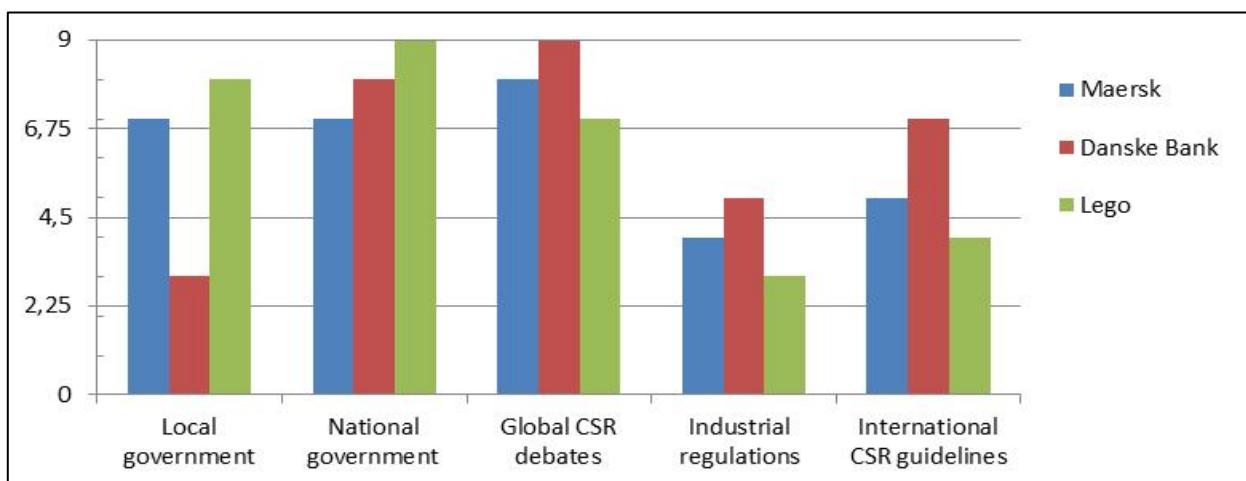
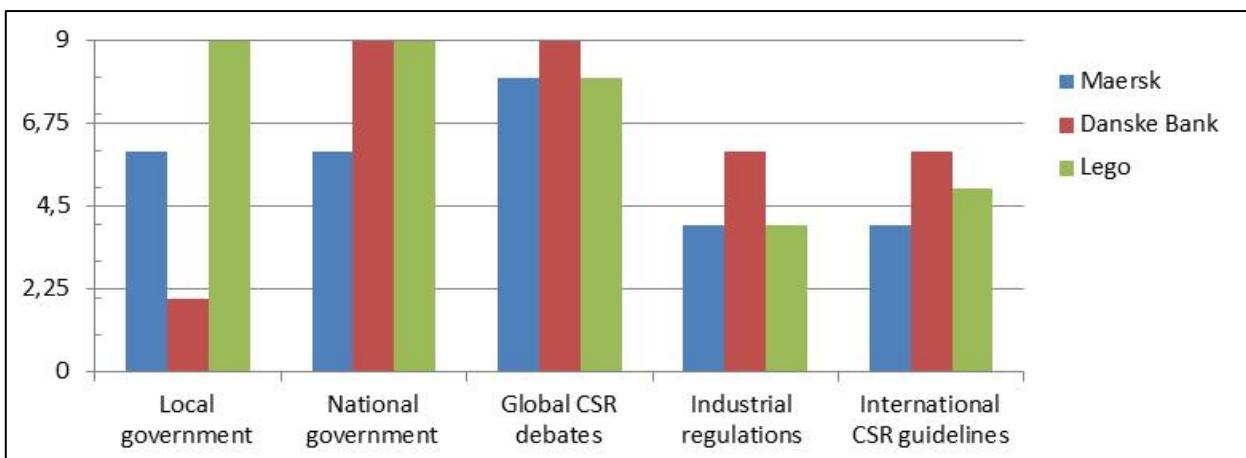


Figure 4.1.4-6 External factor influence from the government-related group on CSR decision-making in Maersk, Danske Bank and Lego in the future



Although the dynamics in the business-related group is one-directional and most of the external factors rose in power in relation to their pressure on organizational CSR decision-making, respondents' evaluations of some factors within the group vary a lot across the case companies (Figures 4.1.4-7, 8, 9). For example, the economic climate had "little" influence on Lego's CSR decision-making, because the company has not been in a financial crisis – it has had a strong financial position. Maersk' CSR choices, in contrast, were to some extent affected by the economy; in particular, the company's CSR efforts became more focused and connected to the business. For Danske Bank this factor has always been decisive; due to the nature of its business, the company has a lot of expectations as regards its impact on the national economy.

The issue of investors' CSR concerns is also controversial. Thus, in Lego this factor is considered to be decisive, since the company is owned by a family with a CSR mindset; while in Maersk the company's investors have no influence on organizational CSR decision-making. Danske Bank reported "little" to "some" pressure from this factor stating that CSR awareness in society is growing slowly.

Another factor in the business-related group, which the case companies positioned in different evaluation intervals, is the level of competition and competitors' experience with CSR. This factor was acknowledged to be decisive in Danske Bank as there is a lot of benchmarking in the financial industry. In contrast, it is difficult for Maersk to benchmark against competitors, since the company is a conglomerate and is operating across different business sectors; so, the factor was given a position from "little" to "some". However, Maersk would like to use CSR as a competitive advantage, hence the importance of this factor increased. Lego has similar aspirations; the company's CSR specialists stated, though, that the industry is not advanced CSR wise, so comparison with competitors would not be very valuable for CSR decision-making (from "no" to "little" influence):

"I think that we will look more into what they [competitors] are doing vis à vis what we are doing. Because if we want to use responsibility as a competitive advantage, we will have to look into what our competitors are doing in that area...although, the toy industry is relatively reactive on the sustainability agenda if you compare to other sectors." (L3)

Figure 4.1.4-7 External factor influence on CSR decision-making from the business-related group in Maersk, Danske Bank and Lego in the past period (2008-2010)

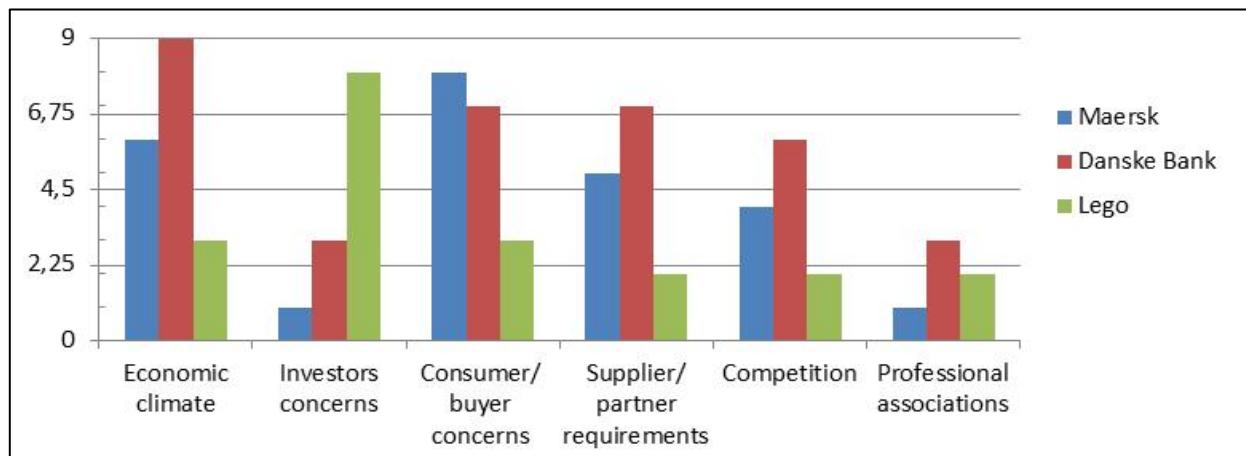


Figure 4.1.4-8 External factor influence on CSR decision-making from the business-related group in Maersk, Danske Bank and Lego in the recent period (2011-2013)

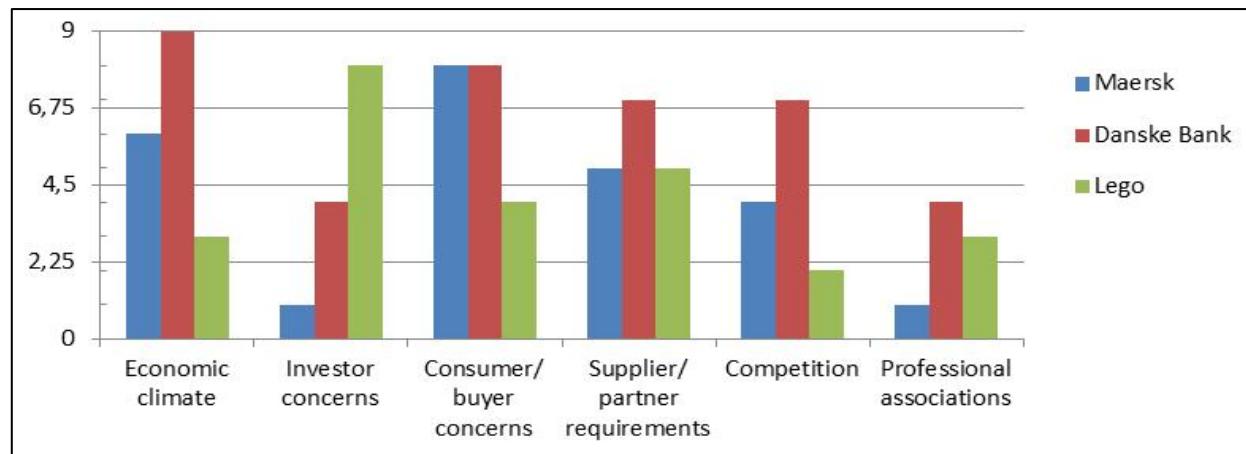
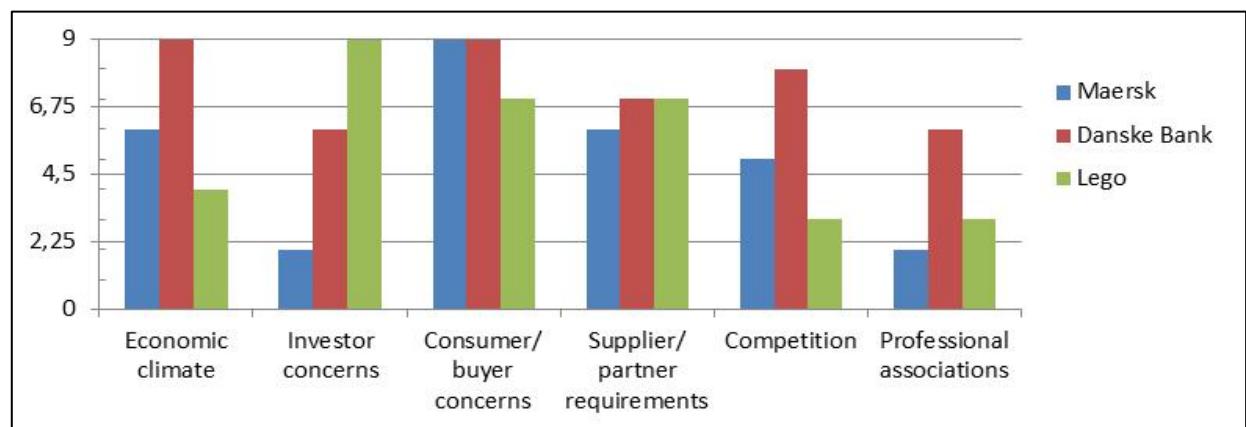


Figure 4.1.4-9 External factor influence on CSR decision-making from the business-related group in Maersk, Danske Bank and Lego in the future



The society-related group of factors also demonstrated uneven influence on companies studied mainly due to diverse evaluations of the role of business education and scientific publications in organizational CSR decision-making. In Lego this factor was reported to be of no

importance (Figure 4.1.4-10, 11, 12), in Maersk it was placed on the “little” and “no” positions, while in Danske Bank it varied from “no” to “some” influence. Thus, the dynamics of this factor also differs among the case companies. Lego reported no changes in its influence on the CSR choices over the period investigated, while in Maersk the pressure from this factor was gradually decreasing. According to the company’s CSR specialists, this is because Maersk has matured in terms of CSR and does not need to rely on theoretical perspectives anymore. The opposite situation was observed in Danske Bank where the importance of this factor was constantly increasing due to an increasing number of graduates with CSR knowledge joining the company and providing the related decision-making with valuable insights.

Figure 4.1.4-10 External factor influence on CSR decision-making from the society-related group in Maersk, Danske Bank and Lego in the past period (2008-2010)

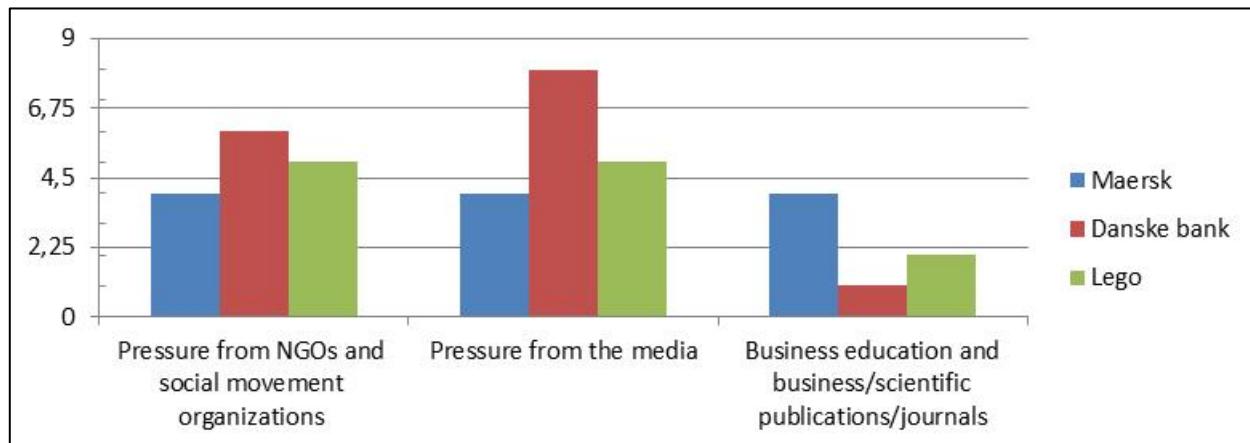


Figure 4.1.4-11 External factor influence on CSR decision-making from the society-related group in Maersk, Danske Bank and Lego in the recent period (2011-2013)

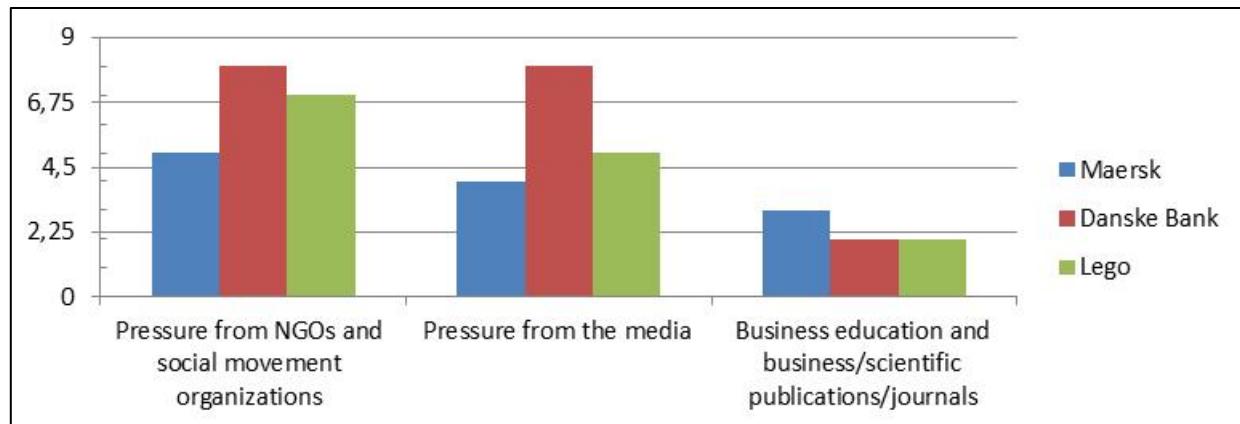
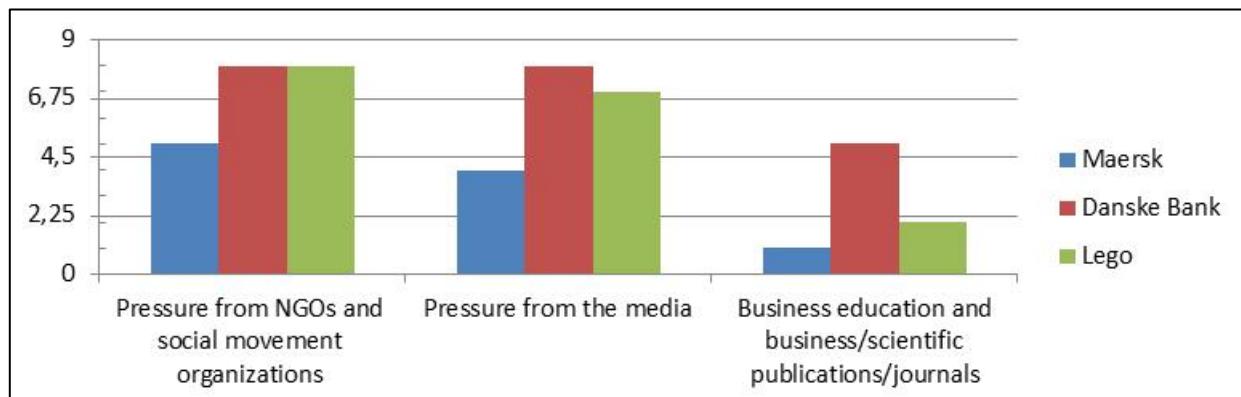


Figure 4.1.4-12 External factor influence on CSR decision-making from the society-related group in Maersk, Danske Bank and Lego in the future



To complete the cross-case analysis, it is worth comparing particular external factors that influence CSR decision-making in the case companies the most and the least. Below, the ratings of external factors for Maersk, Danske Bank and Lego are provided (Figures 4.1.4-13, 14, 15); rating is based on evaluations for the recent period (2011-2013).

Figure 4.1.4-13 Rating of the external factors influencing CSR decision-making in The Maersk Group

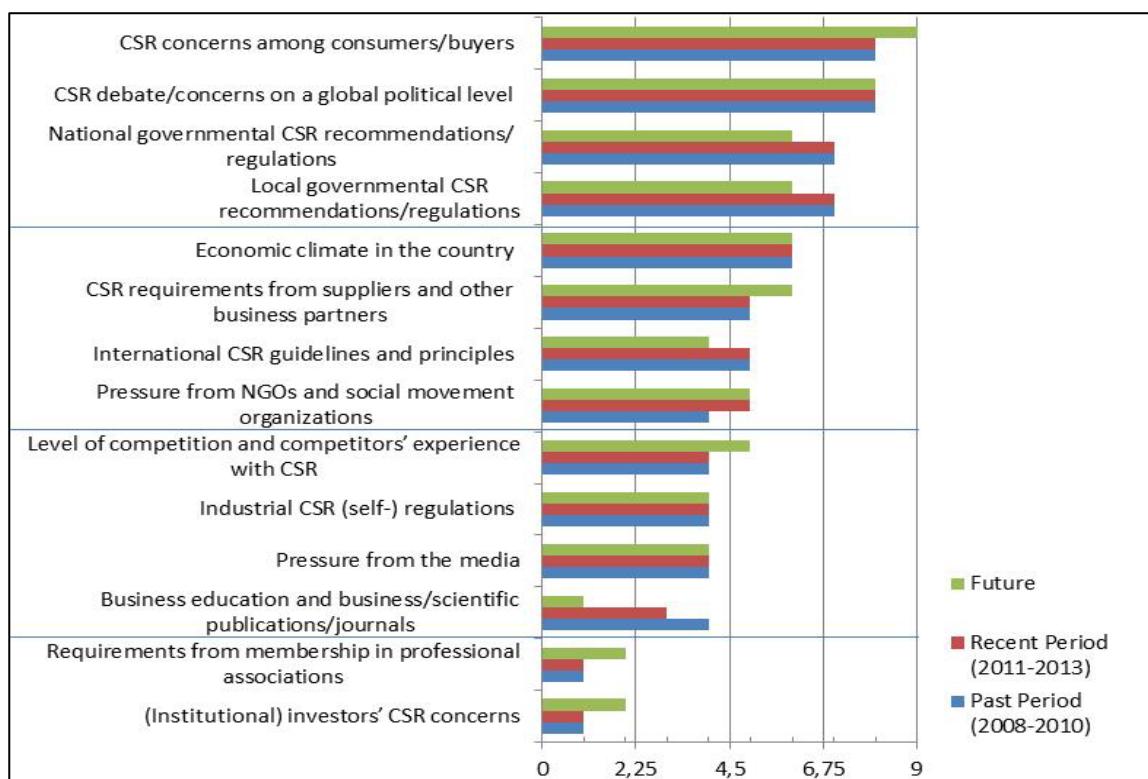


Figure 4.1.4-14. Rating of the external factors influencing CSR decision-making in Danske Bank

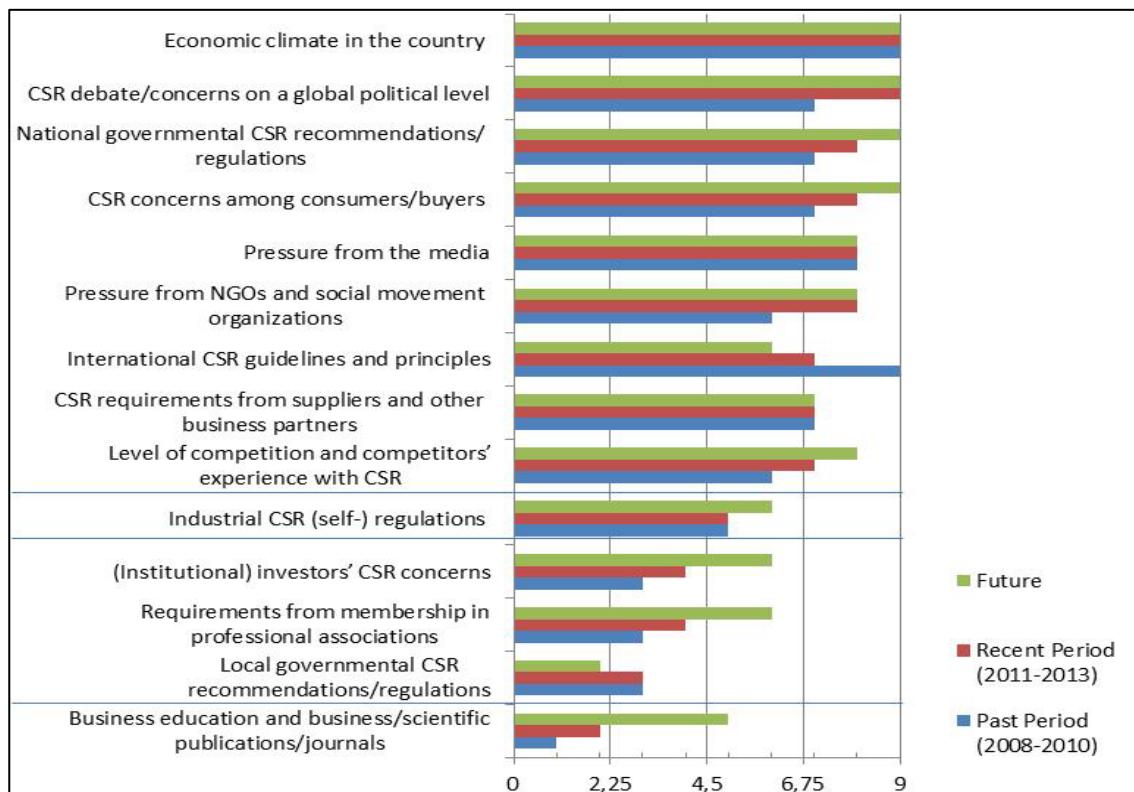
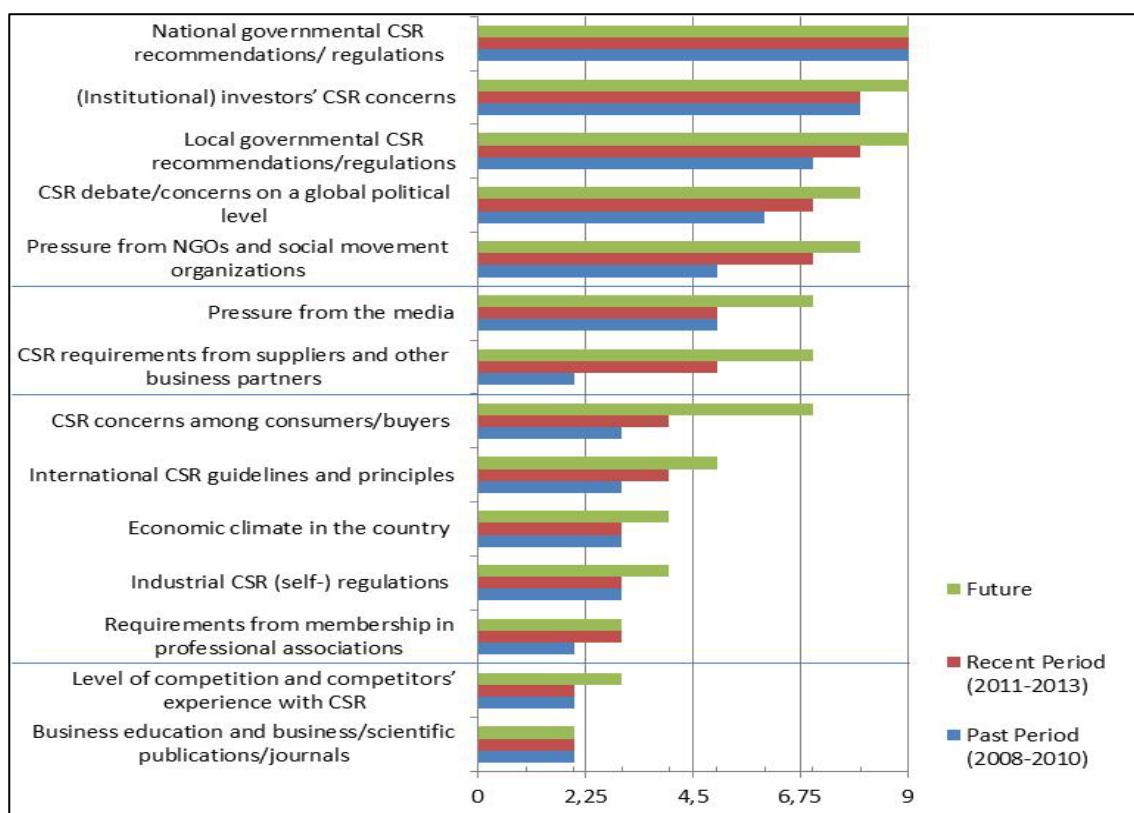


Figure 4.1.4-15. Rating of the external factors influencing CSR decision-making in The Lego Group



The analysis showed that there are two factors which were decisive for each case company when building their CSR agenda in 2011-2013; these are national government regulations and recommendations and CSR debate and concerns expressed on a global political level. Two out of three companies also acknowledged much pressure from NGOs and importance of local government regulations and recommendations as well as of CSR concerns among consumers. In addition, suppliers and other business partners along with the media might play a decisive role in CSR decision-making in the future. There are also two external factors from the top of the ratings which are unique for particular companies – the economic climate for Danske Bank and investors' CSR concerns for Lego. Their strong influence on CSR choices can be explained by organizational specifics (financial industry and family-owned business, respectively) and do not apply to other case companies. The least powerful factors in relation to CSR decision-making are similar for all three companies; they had business education and scientific publications together with requirements from membership in professional association among the last three positions of the companies' ratings.

To summarize, the case companies experienced different pressures on CSR decision-making from a number of external factors such as: economic climate, competitors' CSR policies, investors' CSR concerns, business education and scientific publications, national and local government recommendations and regulations and international CSR guidelines. Dynamics for most of these factors also differs among the companies investigated and is not one-directional; this, in turn, affects the groups' dynamics for external factors. So, changes in government-related and society-related groups are not homogeneous; however, according to the respondents' evaluations, pressure from the business-related group has been constantly increasing in all three companies.

4.1.5 Conclusion

The analysis revealed several important findings in connection with the influence of external factors on CSR decision-making in the case companies. The first one concerns the business-related group of factors: the data showed that the pressure from this group on CSR-related decisions has been constantly increasing for all companies over the period investigated. In particular, CSR concerns among consumers/buyers have played a significant role. It might indicate that for the case companies, CSR becomes a business need and a condition that is necessary to satisfy to keep their competitive positions on the markets.

The second observation regards the role of government. In spite of being headquartered in the same country (Denmark), the experience of the case companies varied in terms of pressure from

the government-related group of factors. They also reported different influence dynamism for this group: Danske Bank perceives the pressure as constant, while Maersk prognoses decreasing influence from government-related factors; in contrast, Lego views it as growing gradually. It implies that various CSR regulations/recommendations do not affect all companies in the same country equally; it is likely that sector affiliation and business specificity make some companies more sensitive to CSR regulations than others. For example, environment standards which are crucial for CSR decision-making in production firms (e.g. Lego) are not applicable to financial organizations (e.g. Danske Bank). Another possible explanation of the different perception of the influence lies within the CSR strategy: if a company sees itself as a trendsetter and has gained enough experience to be ahead of CSR standards (e.g. Maersk), it senses low pressure from government-related factors on its CSR decision-making.

It was also revealed that the case companies have experienced a strong influence of CSR debate/concerns on a global political level on their CSR decisions. Although this external factor has no administrative power, it has played a decisive role in CSR decision-making of the three companies; moreover, for two of the organizations (i.e. Lego and Danske Bank) its pressure has been increasing. It might indicate that the case companies prefer being aware of international CSR trends including them in their decision-making today in order to anticipate tomorrow's national and local CSR regulations.

Another interesting finding is related to the role of business education and scientific publications in organizational CSR decision-making. It was found that this "educational" factor has the least power in the case companies. So, CSR-related theories, classifications and discussions are rarely taken into consideration by those organizations when making CSR choices. The company managers say that this happens because scientific publications often describe "what is already there", so they stand on a retrospective position rather than on a perspective one. This implies that the companies investigated do not base their CSR understanding and strategies on established knowledge and theories; instead, they try to be attuned to rapidly changing CSR trends and business realities.

4.2 The Black Box: CSR decision-making processes

This section aims to explore organizational decision-making related to CSR both in terms of organizational structure and processes. It starts with a within-case description and concludes with a cross-case comparison. The information was retrieved from interviews with CSR specialists and managers from the case companies. The data collection and analysis technique can be found in the methodology chapter (section 3.3.1).

“To arrive successfully at your destination you need to be clear about who is in charge and who is making the decisions on how to get there.”¹⁶

4.2.1 The Maersk Group

In 2008 a special department with CSR-related functions was included in the Maersk governance structure. This department, called the Group Sustainability Team, replaced the HSSE¹⁷ department as the company extended its understanding of business responsibilities; the new structure unit still works with health, safety and security, but it also deals with other social and environmental concerns and responsible business practices. The Group Sustainability Team consists of several Lead Advisors: in social issues, in climate and environment, in safety, in reporting, in communication and in governance. The role of these advisors is to coordinate relevant CSR areas across the group:

“Our responsibility is to set the overall strategy and direction and also to specify the minimum requirements for the business units. So, when we do that we consider everything that is potentially relevant within sustainability. But we are not functionally responsible for implementing it.” (M2)

The Group Sustainability Team is in charge of spotting the main priorities for CSR-related activities and setting the overall requirements across the company; however, the team does not define specific CSR projects and goals – these have to be decided by each business unit which is part of The Maersk Group:

“Each business unit within the group – Maersk Line, Maersk Oil, etc. – they are all responsible for implementation within their own organizations. And that includes making their own strategies, setting their own targets, implementing their own systems,

¹⁶ Taken from Maersk Sustainability Report 2010

¹⁷ Health, Safety, Security and Environment

because the whole group is run in a very decentralized way. So again, everything we do about sustainability, we have to adapt. Because it's very contextual, we have to make sure it fits into the organization.” (M2)

Thus, each business unit has its own CSR function which is responsible for translating the group's CSR notion into specific CSR activities in the unit in question. Lead Advisors coordinate such translation processes across different business units by setting up corresponding working groups:

“We usually collaborate; we have sort of a key sustainability contact who is head of sustainability or CSR or whatever they call it in the business unit. So, we mostly work together with the sustainability teams within the business units. And they, in turn, coordinate with their country structures and with their functional structures.” (M2)

Particular CSR spheres might also be delegated to a group function level. For example, the group HR department can be assigned to implement global labour standards across Maersk. In this case Lead Advisors will act similarly and coordinate functional decisions on the group level and on the level of business units:

“These things [CSR-related issues] should also reside where they can be executed most efficiently. So, for instance, responsible procurement is in procurement, anti-corruption sits in legal service – these people would be the people responsible for making decisions that are linked to their efforts. So, it's not a central CSR workforce that plans and executes and decides on everything.” (M3)

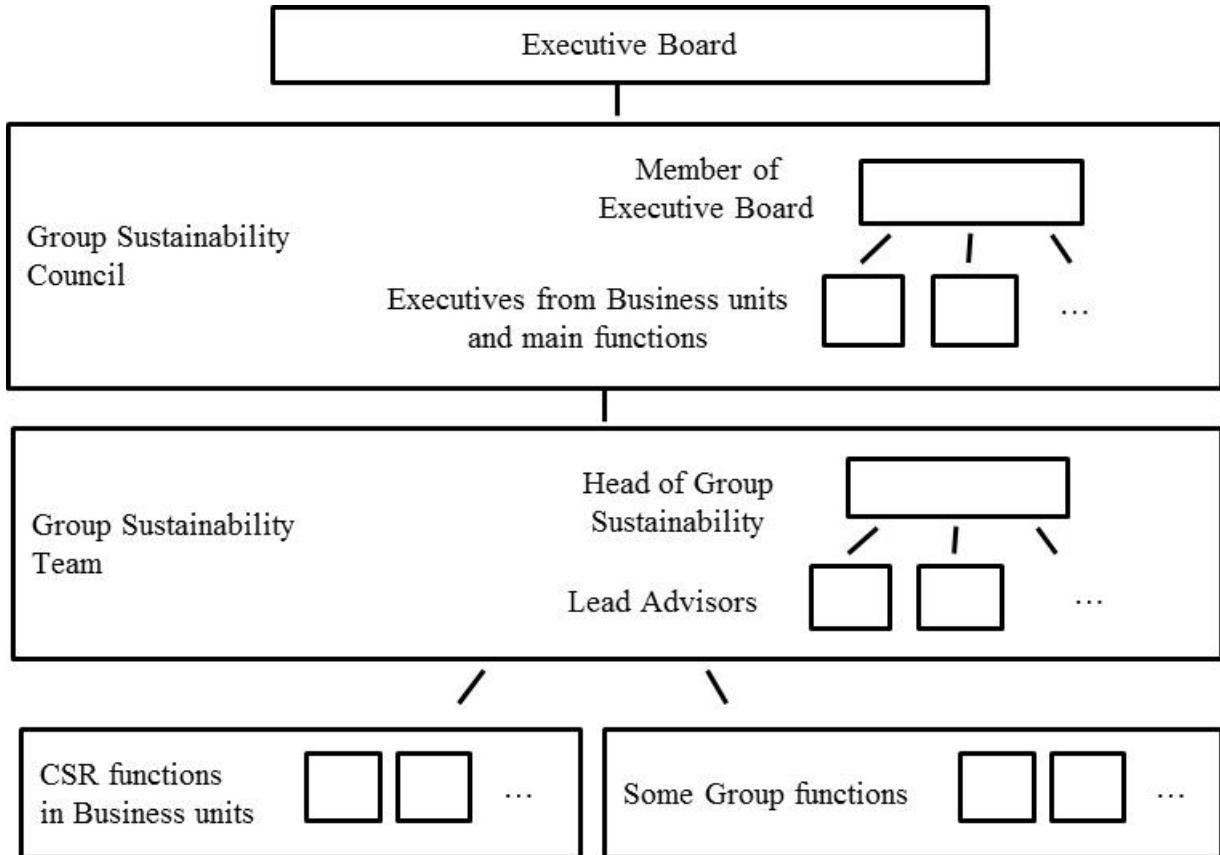
Although there is no central CSR workforce that decides everything, there is a governance body which “ties ends together” called the Group Sustainability Council. The council is chaired by a member of the Executive Board and includes executives from the main business units and some of the group functions. The Group Sustainability Council receives mandate from the Executive Board in this way making the main CSR-related decisions on its behalf:

“By definition we [the Group Sustainability Team]¹⁸ are the secretariat to the Sustainability Council, but we also have an ownership function in general in the sustainability group. So, it's not that everything we do has to come to the Sustainability Council for approval, but it's a function that oversees the general development of sustainability in Maersk.” (M4)

¹⁸ Here and below the information in brackets is added by the author for clarification of the interviewees' responses.

Based on this information, parties involved in organizational CSR decision-making in Maersk have been placed in the chart below (Figure 4.2.1-1).

Figure 4.2.1-1 The Maersk Group: Governance structure related to CSR decision-making



The Group Sustainability Team is mainly responsible for CSR trend-spotting and identifies the directions in which Maersk as a group should direct its CSR efforts. For that purpose the team, aided by KPMG Consulting, developed a tool which enables acknowledging stakeholders' demands on the one hand and business interests on the other, thus ensuring CSR decisions in the areas where the company has the biggest impact. This is so-called materiality assessment or analysis:

"We have gone through a process where we look at the entire range of sustainability issues and then map them against how important they are to our business in terms of cost, revenue, potential impact on reputation, compliance standards, all these different aspects, and then the other dimension is how important they are to our stakeholders....You end up having a matrix where you see stakeholder importance on the x axis and business importance on the y axis. Then you get a scenario where you can see which are the top most critical business issues and stakeholder issues that go together. This will then guide us in terms of what to focus on." (M3)

The first record regarding a materiality analysis appeared in Maersk's CSR-related report in 2008. In 2012 the company report elaborated on that account; the materiality analysis process and the materiality matrix were illustrated and described in detail:

"While preparing our environmental strategy in 2007, we assessed the most important environmental issues facing A.P.Moller-Maersk Group by identifying the main activities and environmental impact of each of our business units. In late 2008, we started a high-level materiality review of the Group in order to have a better understanding of all the important issues around our businesses. This involved identifying both our major stakeholders and the significant environmental and social responsibility aspects of the company and its operations; the purpose was to provide an overview of the main issues which are material to our businesses from a sustainability standpoint. The issues were then prioritized." (Maersk Health, Safety, Security and Environment Report 2008)

*"A dedicated tool was developed to support the materiality analysis and process".
(Maersk Sustainability Report 2012)*

The materiality analysis in Maersk appeared after several years of dealing with CSR issues and can be seen as a sign of maturity. The company needed a tool that would allow working with CSR in a more systematic way and attuning its CSR efforts to the company's businesses:

"When you start out on your sustainability work, you look around...for example, at the UN Global Compact and its requirements... And then, as you mature, you have the ability to do your own materiality assessments and look in a more sophisticated way on the business case involved and on what the business value is and on what are our customers and our government partners and other stakeholders looking for." (M2)

Hence, stakeholders' CSR concerns enter the company as a part of the materiality analysis: the Maersk CSR specialists evaluate stakeholders' requirements which are collected through either routine collaborations or special meetings and assessments:

"...this [materiality analysis] is something we have done now systematically for two years. The first year...we estimated how important the [CSR] issue would be for our stakeholders based on the regular meetings that each of our issue experts usually has with his or her stakeholders ... But still it was a group exercise where we calibrated the views... and then agreed on the stakeholder interests... We didn't ask them specifically. And then this year we did another exercise... We asked the stakeholders in the industries where we operate "What are the most important sustainability issues for you?" and

“How would you evaluate Maersk’s performance in this regard?”... We did this in three workshops: one in Africa, one in London and one in Copenhagen ... We invite their feedback in that way...and then we feed it into the materiality process.” (M3)

So, the materiality analysis allows the company to be closer to its stakeholders and understand their needs more effectively. Such an approach leads to more targeted CSR activities and helps Maersk to be on the alert to new trends:

“We have to be proactive – we make a materiality analysis so that we know what’s important to us, but also to spot trends and be engaged with all the relevant stakeholders, because often they are the ones bringing issues to the table. And then you can either fight it or go along with it, and that’s a much better position to be in than just to wait for legislation to hit you from behind.” (M4)

CSR issues, which are worth considering, usually appear from this materiality assessment. After mapping the impact which the issue could have on Maersk businesses, any gaps where the company does not meet the needs are identified and corresponding action in the form of a strategy, a plan or a project is taken:

“If it’s something that our stakeholders are increasingly demanding, or requesting, or being concerned about, then we should wave the flag. If it’s something that can cause business disruptions, or can harm our representation, or can be of any specific risk as such, then, of course, that will go into the decision-making process. But it could also be on the positive side, that there are good opportunities.” (M3)

In order to identify CSR-related opportunities, Maersk performed an impact analysis as a part of its materiality assessment. The CSR specialists explained that this analysis enabled the company to spot the key areas for its CSR efforts:

“...we need to work with the business opportunities. So, we spent two years in the last strategy period [2011-2012] preparing for today actually. And what we did was to start undertaking social economic impact studies in a number of countries and across industries. This has helped us understand where we can have a positive impact on society and also where we can accelerate this impact.”(M4)

Since Maersk is a conglomerate, there is no “one size fits all” approach to CSR priorities. The company can prioritize some CSR issues over the others in one business unit, while in another business unit the situation might be the opposite:

“Because we are a conglomerate of very different businesses, it’s also about making [CSR] decisions as to where we as a group might have the biggest impact. For instance, if you take the case of CO₂ emissions, it’s really in Maersk Line where focusing on this could have the biggest impact, because they have more than 80% of the group’s CO₂ emissions. So, a Council decision could be that this is an effort to pursue in the shipping business, but not in oil and gas, where other [CSR] issues are more important.” (M3)

That is why not only the Group Sustainability Team undertakes the materiality analysis, the business units are also required to make similar assessments. They do not always use the same comprehensive tool, but the Group Sustainability Team is working constantly on improving and integrating the materiality analysis throughout the Maersk Group:

“We have set the minimum group standard for safety, for responsible procurement, for anti-corruption, for global labour, etc....These are the core requirements and these are mandatory, everybody [each business unit] has to do that. But on top of that, the business units have to do their own materiality assessment and to identify their own key [CSR] focus areas... We [Group Sustainability Team] have held workshops for them about... how to do a proper materiality assessment. We also have a system where we have review sessions with the business units including the CEOs...on an annual basis. In addition ...we ask them to do a self-assessment twice a year and then that’s compiled on an overall level and handed over to the Sustainability Council... We also have more in-depth sessions where we talk about their performance and their progress and the challenges. If there are [CSR] issues which to us would be obvious that they should be handling, but which are not included in their materiality assessment, then we might challenge them.” (M2)

Thus, the materiality analysis helps Maersk to match various CSR issues to different business units based on the relevance of the issue for the business and the unit’s ability to bring the largest positive impact as regards this issue. The materiality assessment also allows the company to resolve any possible conflicts by specifying the group’s CSR-related objectives:

“It’s very rare, but there have been a few issues, for example in relation to environmental regulations, where some business units have had an interest in being very proactive...when it comes to implementing regulations and other business units...wanted to be a little more reactive or not stepping up to the plate so eagerly. So, that’s the type of situation where we [Group Sustainability Team] would want the

Sustainability Council to discuss what is our position and what are we going for as a group, and then that will be the decision from them.” (M2)

That is, the materiality analysis is a management tool which helps Maersk deal with the complexity associated with CSR decision-making. In addition, the company uses this tool to guide its CSR-related communication and reporting:

“The whole notion of having a materiality analysis is...first, we are a conglomerate of so many different businesses and that means so many different sustainability issues and so many different stakeholder interests, so there is a lot of [management] challenges... second, it is our [CSR] reporting, in order for a report to be readable and digestible...we have to just cut to the point...So, this [materiality analysis] guides us in terms of what we focus on both in our [CSR] efforts and in our [CSR] reporting.” (M3)

As demonstrated above, the CSR priority list, as well as CSR decision-making in Maersk, is characterized by a certain flexibility – CSR-related projects and decisions can be initiated on both group level and on business unit level. For example, if there is a new safety requirement coming up, then the Group Sustainability Team will suggest changes and follow them up across Maersk's businesses. But if, for instance, a particular business unit sees a business case in a partnership with its customer, then it may make such a decision ensuring with the Group Sustainability Team that it does not go against group strategy and established standards:

“There are two ways basically. Either the initiative comes from us [Group Sustainability Team], which it typically does, or it can come from a business unit. But they would also involve us in taking the lead on something...So, the business unit sustainability function really has two levels: one is what we require them to do and the other one is what they’re required to do because of the industry that they’re in.” (M4)

To illustrate these CSR decision-making processes in Maersk, Figure 4.2.1 -2 and Figure 4.2.1-3 have been created.

Figure 4.2.1-2 The Maersk Group: Decision-making process for ordinary CSR decisions, the initiative comes from the Group Sustainability Team

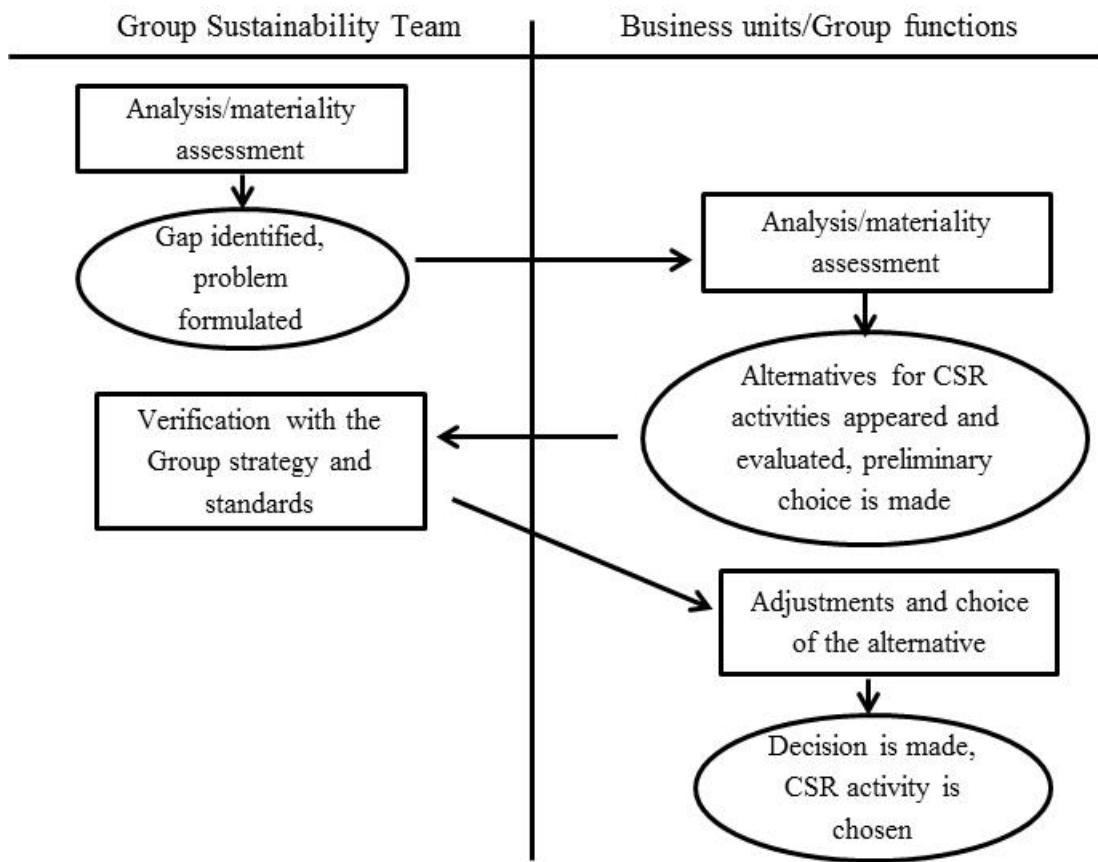


Figure 4.2.1-3 The Maersk Group: Decision-making process for ordinary CSR decisions, initiative comes from Business units/Group functions

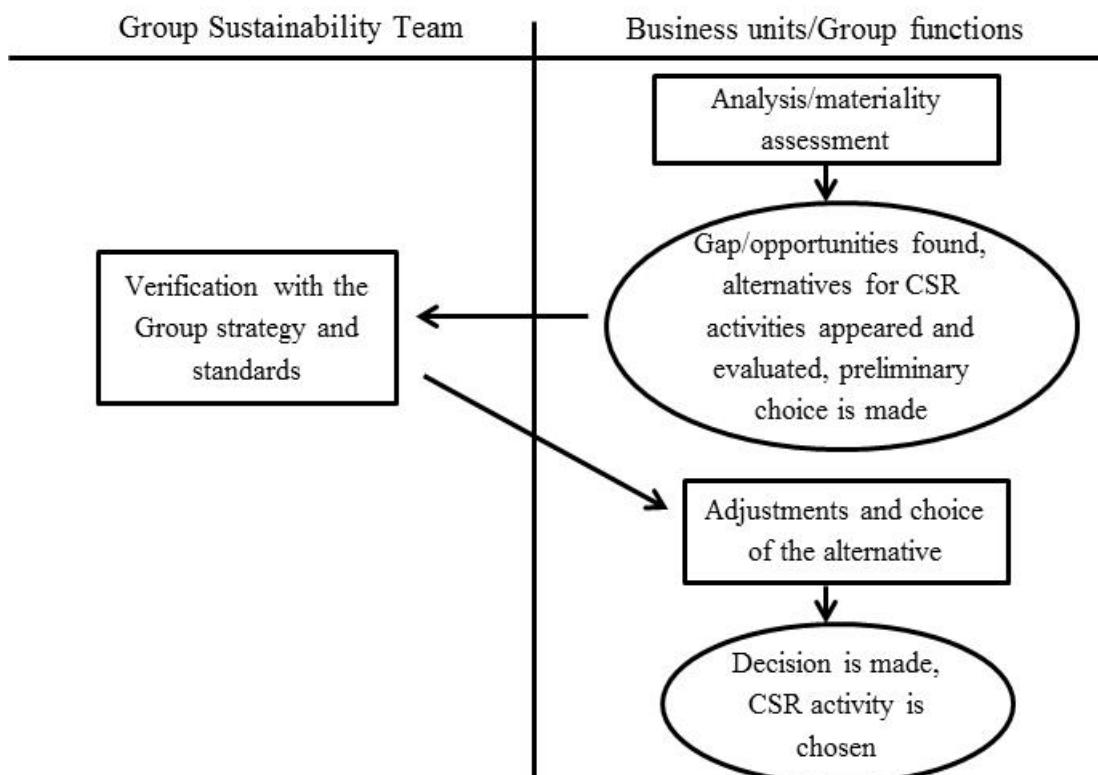
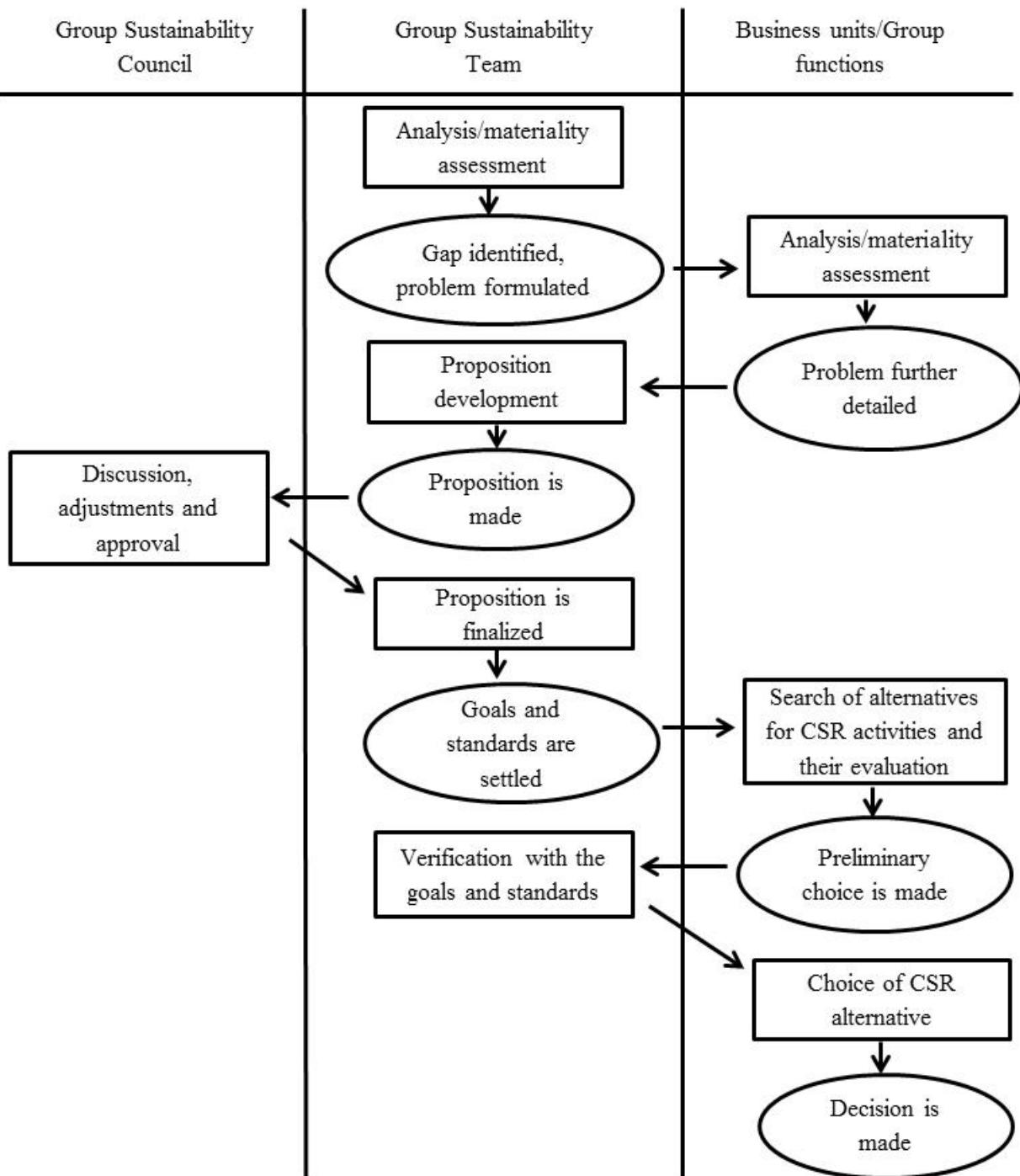


Figure 4.2.1-4 The Maersk Group: Decision-making process for major CSR decisions



In case there is a CSR-related decision which potentially affects the whole group or has strategic importance, it should be sent to the Group Sustainability Council. However, the analysis which serves as foundation for that decision is performed at both group and business unit levels beforehand (Figure 4.2.1-4). When the decision is approved by the Council, it is followed by further detailing and adaptation by Maersk's business unit under the guidelines of Lead Advisors:

"When we [Group Sustainability Team] have a major policy or big change or new strategy, we would definitely discuss it with the Sustainability Council and then we

approach the Executive Board for final approval. But before it comes to that, there has been an extensive round of consultations with all the business units, and so when something is finally proposed by us to the Council or to the Executive Boards, it has already been dealt with in the different business units and everyone has agreed and said yes, this is possible... the [Group Sustainability] team heads those new projects and developments, but it involves many of the business units all the time...it's then really up to the heads of each of the sustainability functions in the business units to drive in their organization whatever is needed.” (M4)

To sum up, the Maersk Group established a cross-business and cross-functional department for CSR-related issues called the Group Sustainability Team. It has Lead Advisors specialized in different areas of CSR; their main responsibility is to track everything relevant to their particular field and set the main priorities and minimum requirements for CSR-related activities in the group. These are then transferred to the level of business units/functions where further analysis should be performed and relevant CSR activities are suggested. Suggestions for CSR priorities and related activities normally appear from the materiality analysis, which matches stakeholder CSR demands and business interests and which is performed on both group and business unit/function levels. Thus, the initiative for CSR-related activities might come directly from the businesses; however, it should be verified with the group strategy. The Group Sustainability Team serves as the secretariat for the Group Sustainability Council which consists of the group executives and has the overall responsibility and approving role in major CSR-related decisions in the company.

4.2.2 Danske Bank

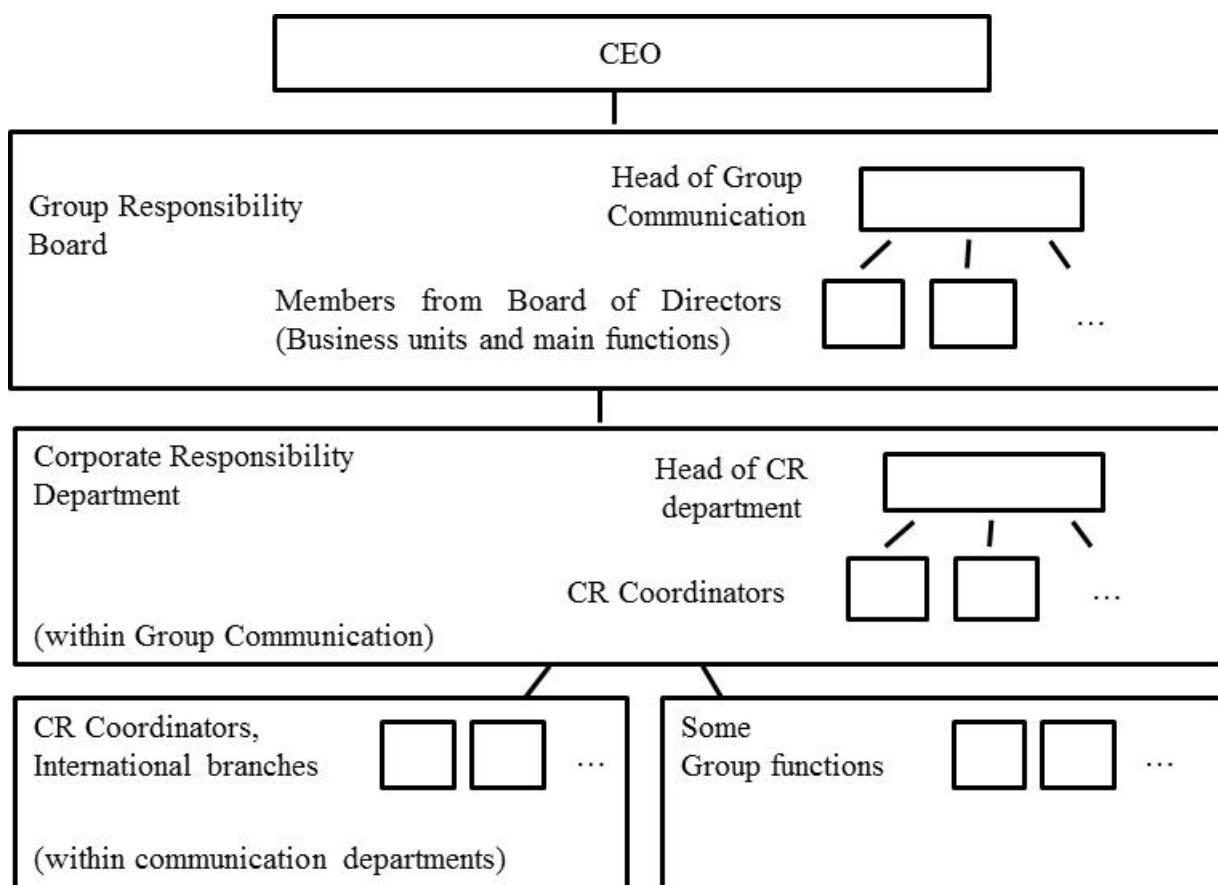
The CSR-related function in Danske Bank is assigned to Group Communication; it has, among others, the Corporate Responsibility Department under its governance. The department consists of Corporate Responsibility Coordinators who develop CSR initiatives and serve as both project and communication managers for those initiatives; they translate group CSR decisions and goals to Danske Bank’s branches:

“We have banks throughout northern Europe, so I have Corporate Responsibility Coordinator colleagues in all of the banks internationally...And they are all located in Communication in their markets...So, they have someone working with climate and social issues and so forth in Sweden, Finland, in Northern Ireland, etc. But we [Corporate Responsibility Department] are sort of the mother ship.” (D1)

The Corporate Responsibility Department also functions as the secretariat for the Group Responsibility Board which is top management for everything concerning corporate responsibility (Figure 4.2.2-1). The Board refers directly to the CEO of Danske Bank and includes members from the Board of Directors:

“The [Group Responsibility] Board is headed by the Head of Communications... And it includes the top executives from the business units. So, the bank is divided into three business units...One part takes care of all private customers, one part takes care of business customers and one takes care of the large corporations and institutions. So those three heads are also present in the Board to represent the business. Then we have our head of risk and credit... Then we have our representative from...our asset management function. And we are dealing a lot with the investment side and also social responsible investments. Then we have the head of our pension company...and our head of HR... and the head of operations.” (D3) “...so, those from selected departments that are relevant for corporate responsibility issues.”(D1)

Figure 4.2.2-1 Danske Bank: Governance structure related to CSR decision-making



Particular CSR-related issues may also land at group function level. For instance, if a CSR initiative is targeted at Danske Bank's employees, then it will be delegated to the group HR department with participation of Corporate Responsibility Coordinators:

"I think they have one person in HR right now who deals with corporate responsibility. But this person is not a part of our little unit of four/five people [Corporate Responsibility Department]." (D1)

CSR-related decision-making in Danske Bank seems to be both top-down and bottom-up driven. Ideas for CSR-related activities can appear in the Group Responsibility Board. For example, top managers may meet with a non-governmental organization where they might agree on some partnership and then the project arises out of that. However, normally CSR-related activities are suggested by the Corporate Responsibility Department, while the Group Responsibility Board has the overall responsibility for CSR decision-making:

"We do it [develop a proposal for CSR activities/projects] within the [Corporate Responsibility] department and then we present it to the [Group Responsibility] Board. And then they approve, or they discuss and then approve. You could say it's a formal procedure." (D3)

"If it's a big decision, then we take it to the [Group Responsibility] Board...And if it's smaller decisions, then we just take it to our head (of Corporate Responsibility Department) and then we get a "go". So it varies." (D2)

Thus, CSR-related decision-making processes differ depending on whether it is an ordinary or a major decision and whether the initiative comes from the Corporate Responsibility Department or from the Group Responsibility Board (Figures 4.2.2-2, 3, 4). In any case, when a proposal for CSR-related activity is approved, it is refined and disaggregated by the Corporate Responsibility Coordinators who work as project managers and adapt it for use at Danske Bank's international branches:

"We [Corporate Responsibility Coordinators] develop it [a proposal for CSR activities/projects] further in cooperation with our colleagues in the markets ... in Finland and Northern Ireland and the Baltic countries and elsewhere – we have eight main markets for corporate responsibility... What we develop is very often implemented in all countries where Danske Bank is present." (D1)

Figure 4.2.2-2 Danske Bank: Decision-making process for ordinary CSR decisions

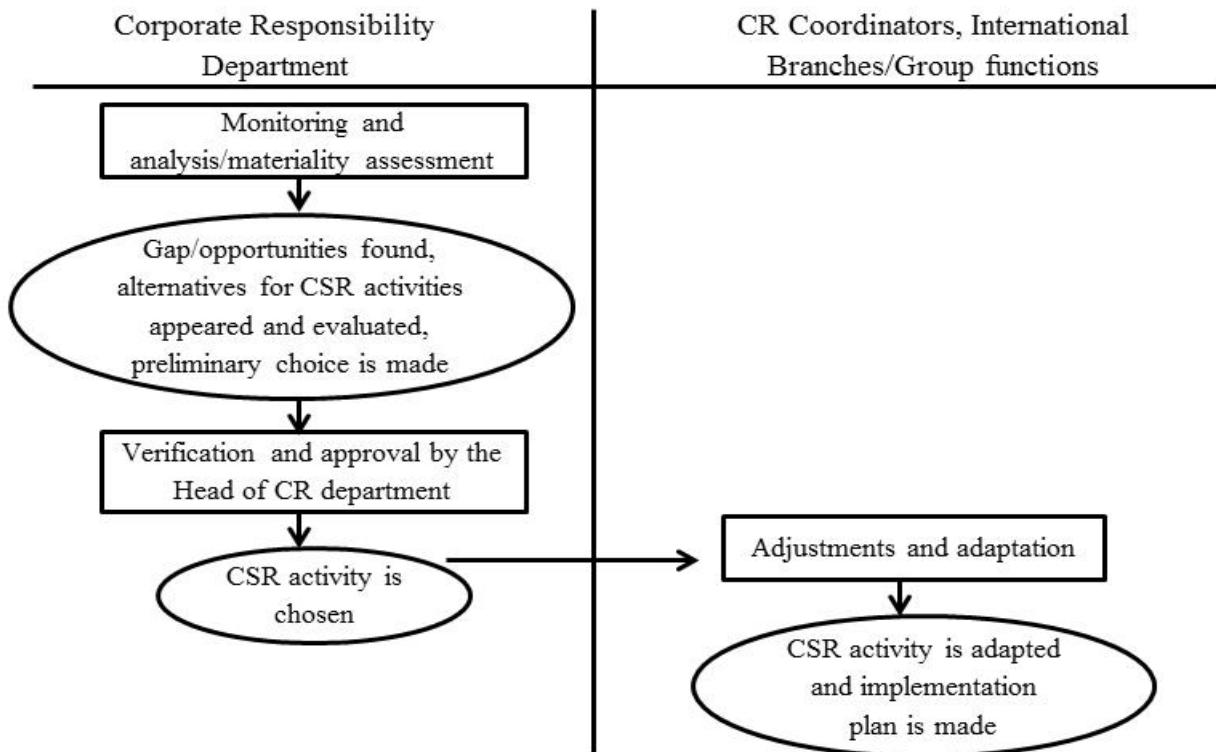


Figure 4.2.2-3 Danske Bank: Decision-making process for major CSR decisions, initiative comes from the Corporate Responsibility Department

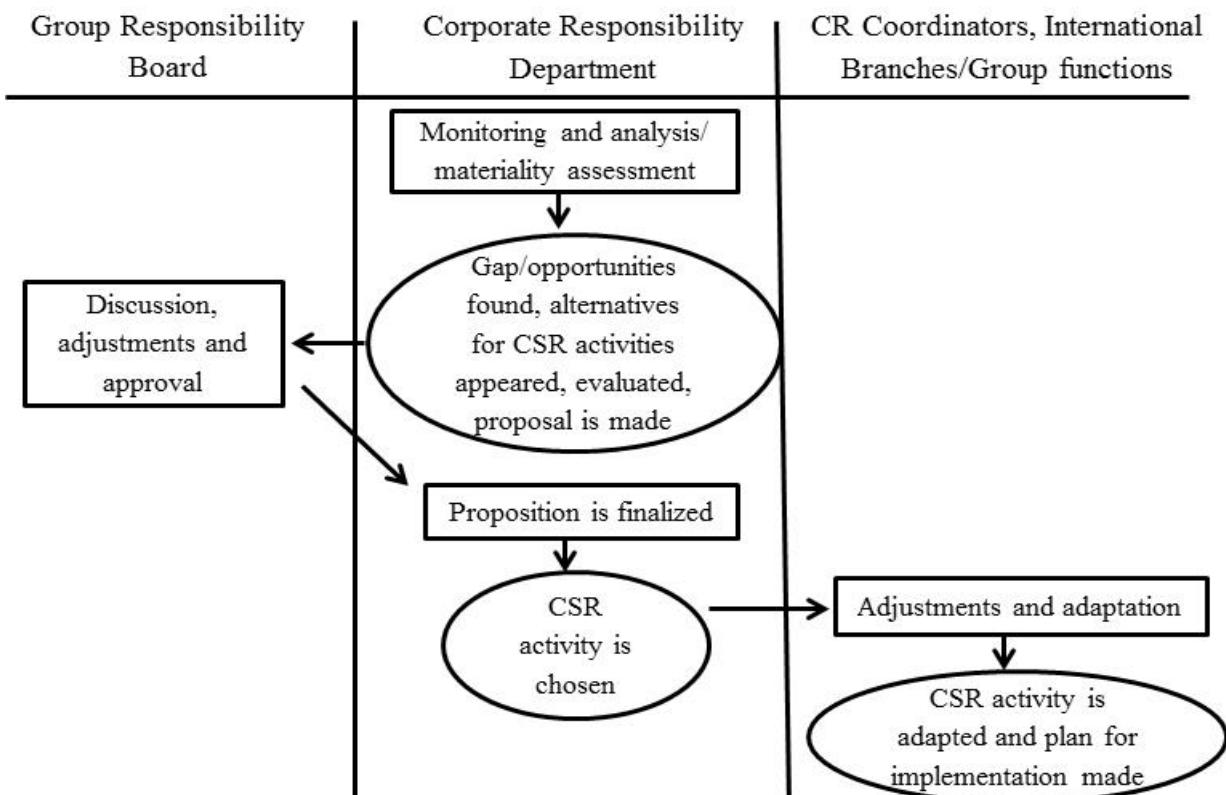
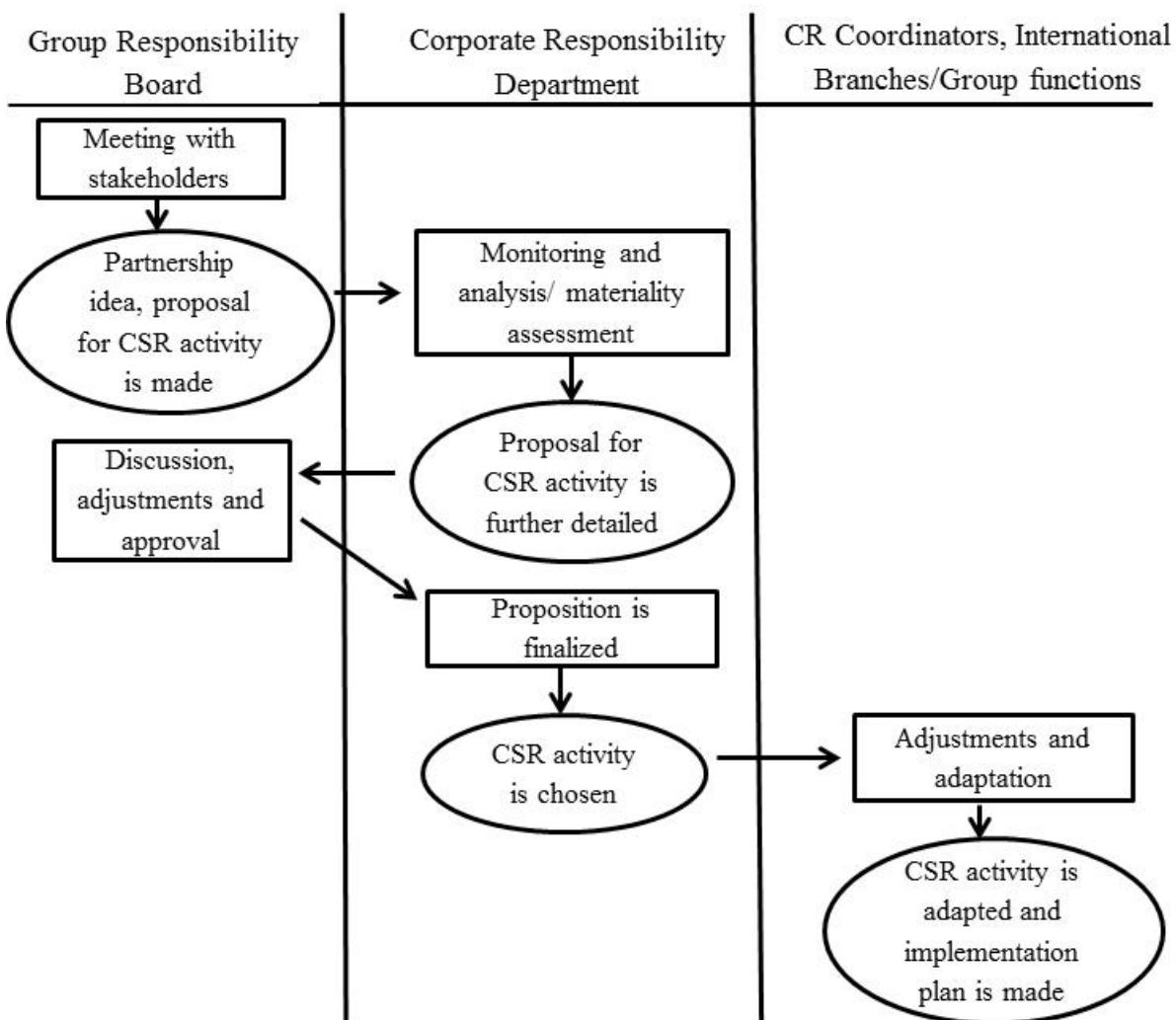


Figure 4.2.2-4 Danske Bank: Decision-making process for major CSR decisions, initiative comes from the Group Responsibility Board



In 2013 the Corporate Responsibility Department employed a materiality analysis where CSR-related demands from Danske Bank's external stakeholders were mapped against business interests:

"This year we actually undertook a three-month analysis...a materiality analysis... We did it for the first time... [it consists of] importance to our business, and importance to our stakeholders, and value chain impact – these are the three dimensions." (D2)

As a result, instead of allocating organizational resources to CSR projects such as ballet or arts sponsorship, which are not connected to the company's main activities, Danske Bank focuses on CSR initiatives that are more related to the business:

"An [CSR-related] idea gets rejected if it is too remote from the business...We could support whatever initiative...Access to clean water for example. But it's not just that important and material for a bank. What we should do is perhaps look at investments

that would support access to clean drinking water... It must be tied to our business model in some way.” (D2)

When preparing a CSR-related proposal, the risk part and the opportunity part are taken into account. From the risk perspective, the Corporate Responsibility Coordinators undertake monitoring to uncover stakeholders' expectations and any gaps in meeting those expectations in order to forestall possible reputational risks. From the opportunity perspective, they try to find a window of opportunity for the business, often by engaging in a dialog with stakeholders:

“First of all, it [CSR activities/projects] transpires from our business priorities, and then how will it impact our stakeholders. Then we start looking for our part of the responsibility; we look at society, we talk to NGOs... I think it is very much about communication with the stakeholders to find out what is the right thing...But it starts with the business. What are our business priorities? And then what does that mean to our stakeholders? That is where we give our input...We often come up with suggestions in collaboration with them [stakeholders].” (D3)

Thus, stakeholder relationships have become more formalized in the company; the CSR concerns expressed by stakeholders are better tracked and addressed, since these are included as input in the materiality assessment:

“We gather information from people who are involved with our stakeholders in different ways: we have our customer forum, we have online accessibility, and via phone we talk to people and get feedback about what are their concerns... And we look back at one year of newspaper articles about everything related to us to get an idea of what the media conveyed in terms of what people think of us.” (D2)

The Danske Bank CSR specialists indicated that the materiality analysis is also helpful if conflicts among the company's decision-makers should arise, because it provides an analytical ground for a justification of CSR choices:

“We are a large organization – some parts of the business may think it is a good idea... some parts may think it's not a good idea...Some activities are more easily accepted than others...like investments for example. One of the recent cases... is a discussion in the Corporate Responsibility Board about investment in nuclear weapons or not. This was...where they didn't agree... Some say yes and some say no. We [Corporate Responsibility Department] thought that we should definitely ban our investment... We have to do this due to our stakeholders' expectations, and based on what our

competitors are doing, and based on our moral obligations... Finally, it was decided to put a ban on this... It's very much an issue how it will affect business and again how will it affect our image and our social position.”(D1)

According to the CSR specialists, the idea of materiality was there well before 2013, but it has been a bit of a “voyage” to make people in the Group Responsibility Board understand that Danske Bank should look at what is material to its business when developing CSR-related activities rather than at what is popularized in society and business communities:

“... [environmental issues] was the focus of CSR mostly in Denmark at that time...it had something to do with the environment, you should accept that as a business you have responsibility and an impact...So, Danske Bank started with environmental issues...But only in the recent year we’re beginning to understand, really understand, and map how our business is affecting society or economic stability....I think it’s just a reflection of the development.” (D2)

So, with gaining more experience with CSR, the company was able to conduct the materiality analysis and, thus, identify the areas where Danske Bank has an impact on society and where it should take more responsibility:

“...it took some time for our business to realize what it [CSR] is about...I think now it is definitely more clear...we are much closer to what is the core of business responsibility.” (D3)

To summarize, Danske Bank has a department within Group Communication dedicated to corporate responsibility. This department, which consists of the Corporate Responsibility Coordinators, monitors CSR-related issues and CSR-related stakeholders’ concerns and conducts the materiality analysis which allows identifying what is most relevant for the bank’s CSR areas. Then, based on this information, it prepares proposals for CSR-related activities; these are sent to the Group Sustainability Board. The Board is top management for corporate responsibility and can also initiate CSR activities; however, its main function is making major CSR-related decisions. Ordinary decisions may be made in the Corporate Responsibility Department without referring to the Board. When a CSR decision is made, it is announced to Danske Bank’s branches/involved functional departments and is coordinated by the specialists from the Corporate Responsibility Department.

4.2.3 The Lego Group¹⁹

In the Lego Group the Corporate Affairs department accommodates the CSR-related function; it encompasses Social Responsibility, Environmental Sustainability, Corporate Communications and External Relations. The managers of these sub-departments, together with the CSR director who is also a part of the Corporate Affairs, form the Corporate Affairs Leadership Team:

“Corporate Affairs has Corporate Communications, External Relations, and also EST responsibility (so a team on Social Responsibility and a team on Environmental Sustainability) and then a CSR director... The CSR director has a more strategizing function, because working with Lego’s responsibility and reputation agenda cuts across all these four areas, so this is really a strategy...Integrating and strategy role...This person does not decide what these people need to do...but facilitates the Lego responsibility and sustainability priorities and builds our strong corporate reputation. That’s the combined function of those four.” (L2)

The experts from the Corporate Affairs sub-departments have a facilitating and enabling role; while the Corporate Affairs Leadership Team is in charge of carrying through Lego’s commitments, governing deliverables, setting ambitions and aspirations regarding CSR-related issues and tying it together in a strategy, which is, in turn, moved further to Corporate Management for clarification and approval:

“Defining our responsibility priority areas has been a process for us as experts giving input... We need to identify some [CSR areas] that we believe are the most important for Lego. And then, of course, we have to discuss it with Corporate Management, what do you think, what do you feel is important? And then we selected a number of areas where we said: in this area we want to be this ambitious, in this area we want to be this ambitious...So, it’s been very much a senior-led decision with expert input from the various experts working on code of conduct, human rights, environmental efficiency, etc.” (L3)

When setting CSR directions, Lego employs internal experts (from Corporate Affairs sub-departments) enforced with the help of external experts. Thus, in many CSR-related areas the

¹⁹ This section is more extensive than the previous two, because the governance structure related to CSR decision-making in Lego is more complex than it is in Maersk and Danske Bank; and, consequently, the decision-making processes are more diverse.

company works through social networks, so-called global communities, which are comprised by the most senior leaders in the area. These leaders together with internal experts and representatives from the Lego global facilities (business units in charge of the physical footprint) discuss CSR-related priorities, feasibility of plans and the company's progress:

"We [Corporate Affairs] provide a strategy, but also support to the business. So, we are responsible for saying this is our direction, this is the recommended expectation...But it's the organization that has to do the implementation. So, if you take EHS²⁰ as an example, I set the overall course as such. And then we have something called the global EHS community. So, we have two people in my team [Social Responsibility] working with EHS facilitating, and the global EHS community, and then at the different sites we have local EHS persons working with local EHS. And they report to HR, but they also have a dotted line into my organization [Social Responsibility], because they have to ensure that the local EHS strategies are aligned with the global direction that we take."

(L3)

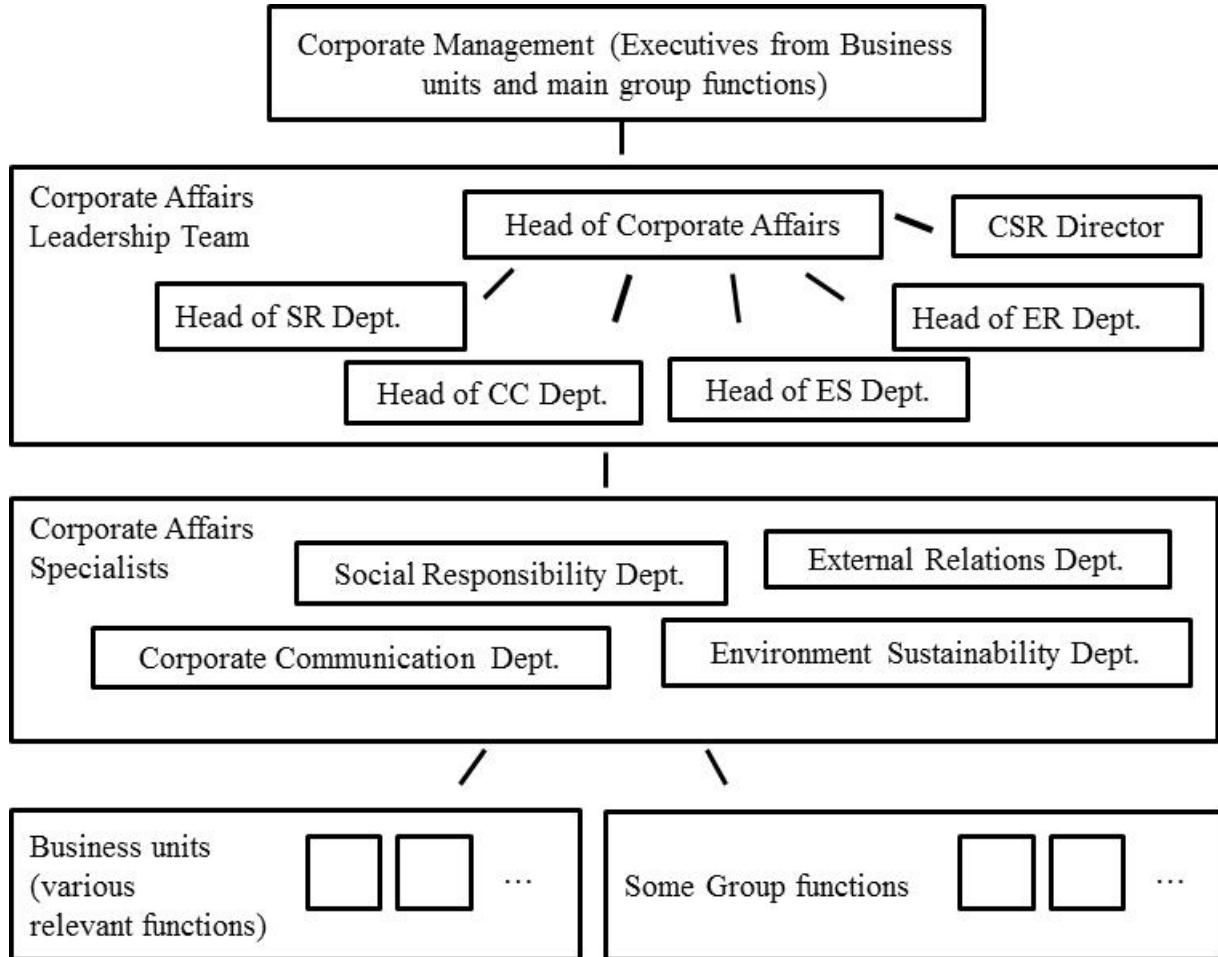
Particular CSR-related issues can rest with different functions. For example, supplier code of conduct is assigned to procurement, operational footprint sits in operations, etc., so line management is accountable for ensuring the progress. This is done to integrate CSR into the business more efficiently. Also, Lego's business units have no specific CSR department; rather this function is assigned to other function departments that might be responsible for different CSR-related issues:

"So, Corporate Affairs is headquarter based, we have the broad spectrum of the different [CSR-related] issues. And then, depending on the issue, there is an EHS person at the production site, or a code of conduct person in China at our procurement office...So, you don't have a social responsibility person at all of our sites, it depends very much on the area." (L3)

This information has been transformed into a chart that presents organizational parties involved in CSR decision-making at Lego (Figure 4.2.3-1).

²⁰ Environment, Health and Safety

Figure 4.2.3-1 The Lego Group: Governance structure related to CSR decision-making



CSR-related projects are normally initiated by Corporate Affairs Specialists who take a leading role in uncovering the largest risks and opportunities within the responsibility agenda, stay in close cooperation and maintain ongoing discussions with the business units and prepare a commercially-based proposal. However, the Corporate Affairs Specialists can also take over projects which are recommended by management:

"It goes both ways. The Corporate Affairs headquarter function makes the business plans and everything, and then we [specialists with CSR-related functions] do our projects – be it from communications or from the environment or from the social part. We initiate it and then go into the business and discuss. And agree on scope and budget and so on... It might also be from the top... that they want certain projects and then, of course, we implement those." (L1)

In both cases, the CSR-related proposal prepared by the Corporate Affairs Specialists and anchored by the Corporate Affairs Leadership Team is transferred to Lego's Corporate Management. There it undergoes a consistency check with the organizational strategy and the business plan and it is discussed whether the company has the capacity to raise the ambition level proposed. However, if it is a minor issue, the CSR-related decision is made by the Head of Corporate Affairs:

"I [Head of Corporate Affairs] am a decision-maker...But I must also propose these [major CSR] initiatives once a year in the annual planning process where we set up budgets and everything else... I'll propose these to Corporate Management... and say "Here are the proposed actions and deliverables that will drive these and these budget requirements in these and these areas of the organization, so unless you violently disagree or if somebody has a problem making these deliverables, now is the time to raise your hand".... When I take it to the Corporate Management team, it's not like a desk exercise where I have been dreaming with the team "Oh, it would be nice to do this". The beauty of this model works through the day to day collaboration with the business. And that also means that we have a very good idea about our most urgent [CSR-related] priorities to move on and the best opportunities to move on." (L2)

After a CSR-related project has been accepted and approved by the Corporate Management, it goes to Lego's business unit level (or, sometimes, group function level). The unit then must choose CSR-related activities that allow achieving the goals set in the project proposal. Corporate Affairs Specialists are there to offer local managers support and to empower them to make the right decisions:

"When you go to the factory level saying we need to achieve, for example, 2.5 % energy efficiency, there might be fifty projects proposing how we can achieve this. That's purely at the discretion of the local management to figure out what are the right projects to deliver on the target... Ultimately, the business needs to decide, because it's really those closest to the production machines who know which projects can deliver the benefits or the outcomes we are seeking. My team [Corporate Affairs Specialists] must be in sufficiently close collaboration that they understand the business and the business capability and capacity to deliver on the outcomes." (L2)

Local managers can initiate CSR-related activities. For example, they can bring up CSR-related issues they would like to work with having found them important to address. The Corporate Affairs Specialists discuss the issue with the appropriate line managers and help them develop a proposal, and subsequently the Corporate Affairs Leadership Team will decide whether to proceed:

"It works both ways you could say, it's not like we decide everything in the corporate headquarter. It's very important that we are open towards what goes on the floor...I [Head of Social Responsibility] have a veto if it's not aligned with our strategy...The fact that they [business units/functions] can identify issues for concern, that they think of what they want to work with, that they can see what is not working – it's good, because it shows that we have an embedded awareness and a sense of urgency around the various issues." (L3)

The different types of CSR-related decision-making processes in the Lego Group are illustrated below (Figures 4.2.3-2, 3, 4, 5).

Figure 4.2.3-2 The Lego Group: Decision-making process for ordinary CSR decisions, initiative comes from Corporate Affairs Specialists

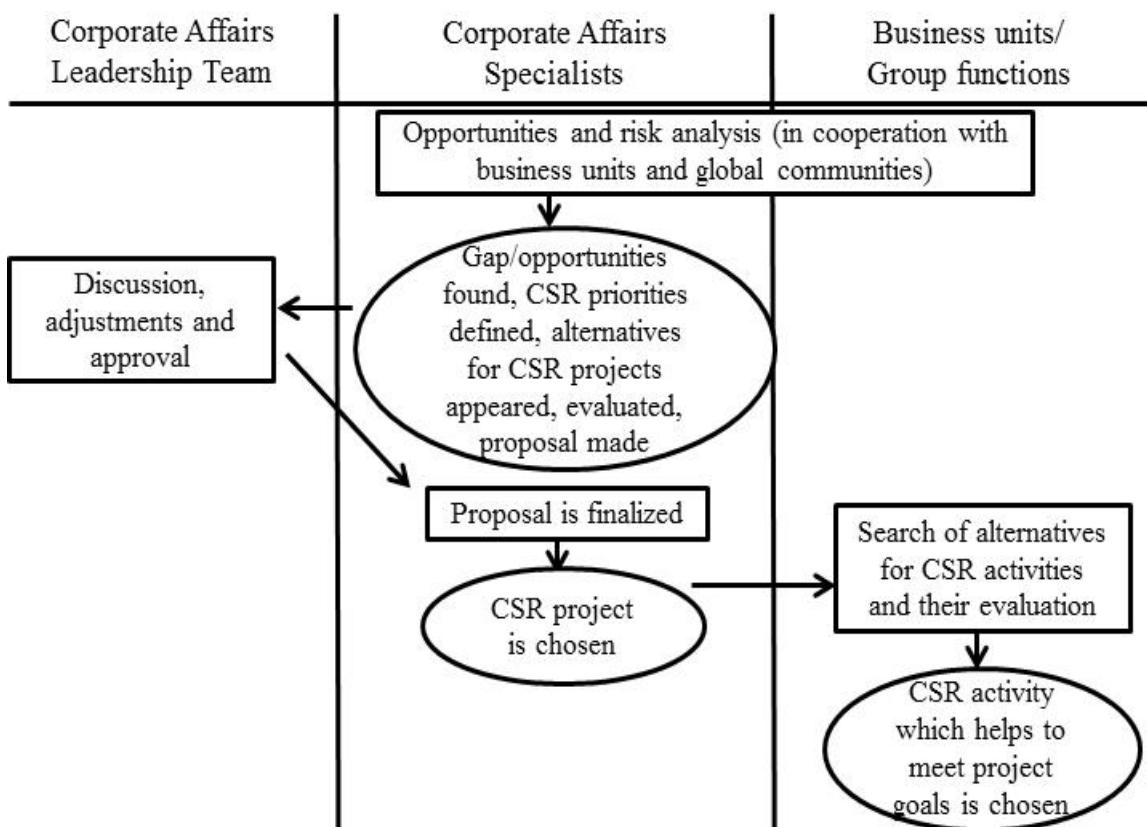


Figure 4.2.3-3 The Lego Group: Decision-making process for major CSR decisions, initiative comes from the Corporate Affairs Specialists

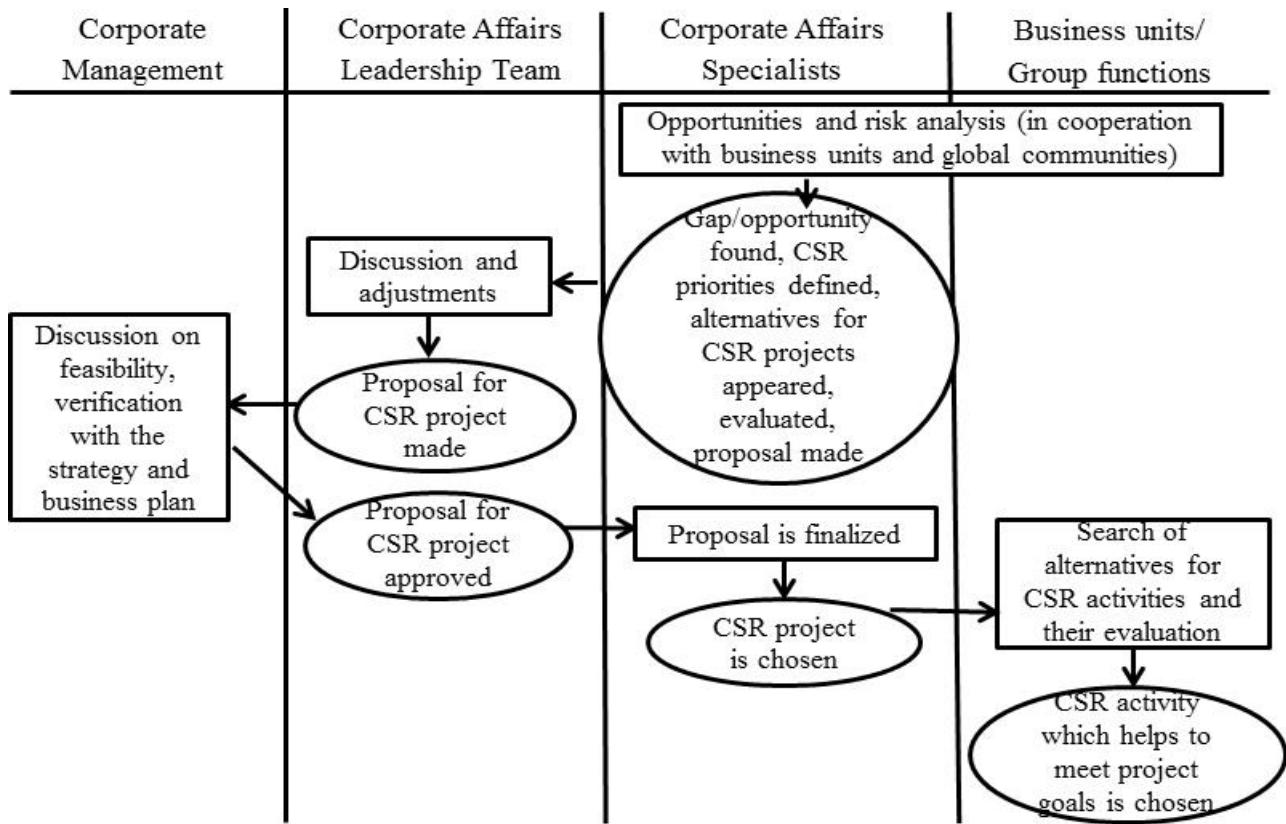


Figure 4.2.3-4 The Lego Group: Decision-making process for ordinary CSR decisions, initiative comes from the Corporate Affairs Leadership Team

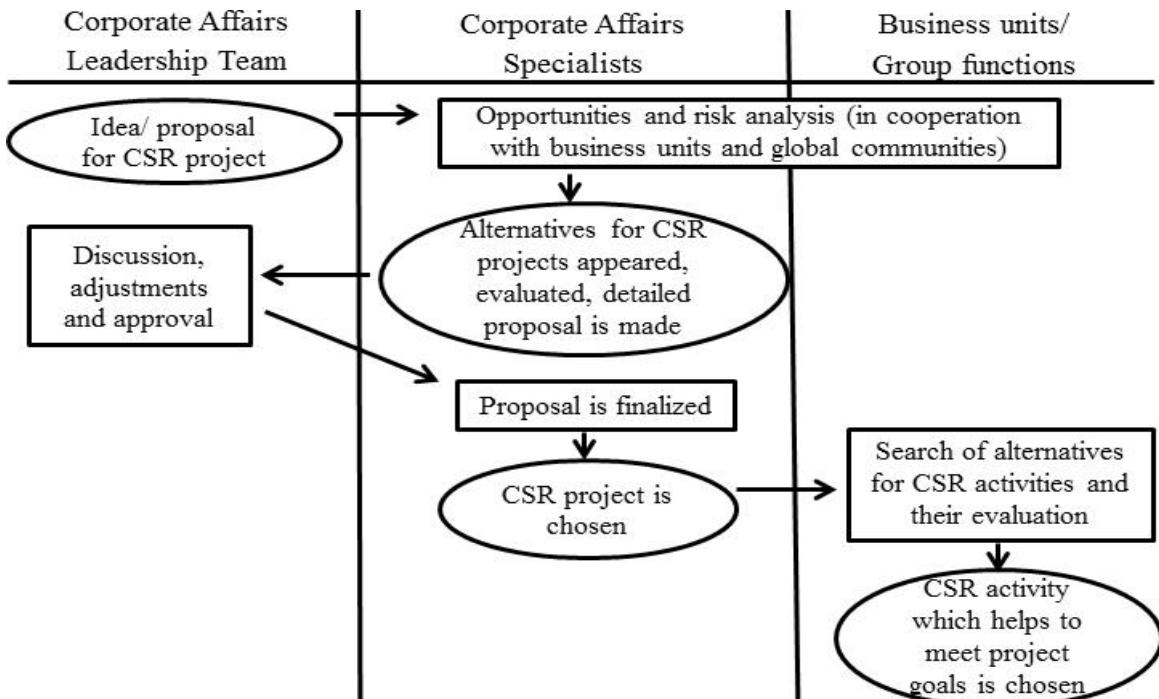
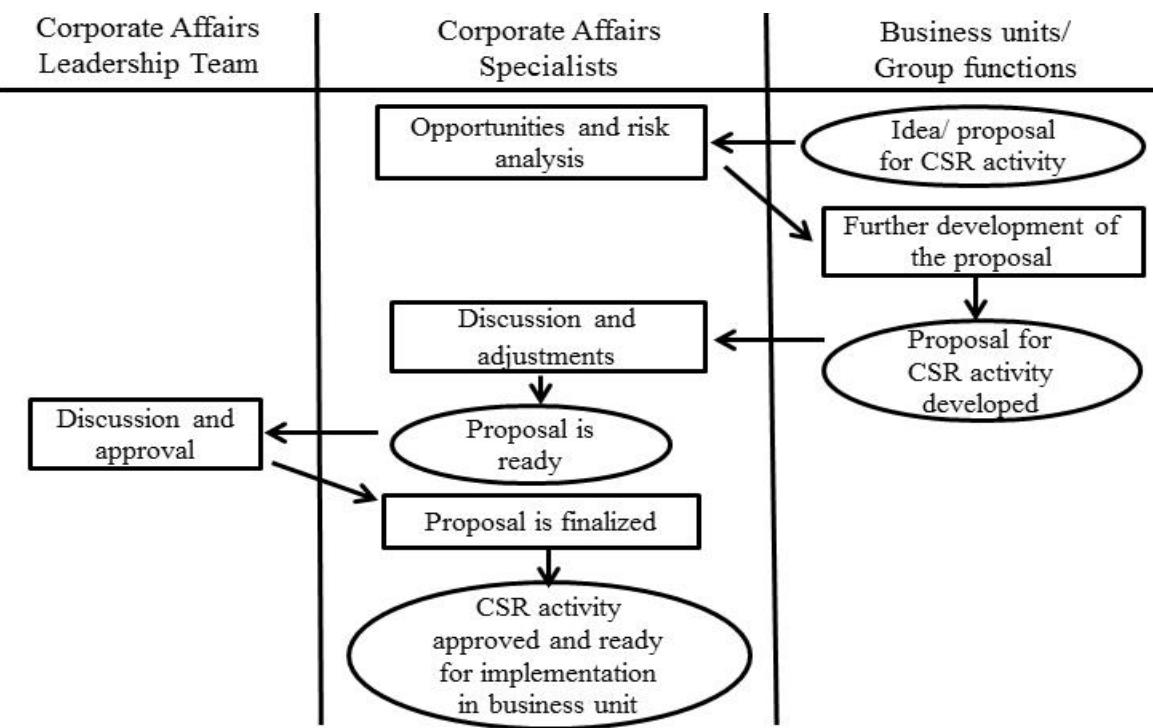


Figure 4.2.3-5 The Lego Group: Decision-making process for ordinary CSR decisions, initiative comes from the business units



The choice of CSR-related priorities and strategies is based on a materiality analysis of what Lego sees as most important and what the customers, retailers, NGOs and the general public consider most important for the company. The materiality assessments performed for each issue define the areas where extra consideration should be taken and the areas that are not urgent and might not be included in CSR portfolio, since they are not material for the Lego Group:

“Personally I believe very much in materiality analysis where you can do an evaluation of impact and you can also calculate your CO2 inventory etc. for the environment and stuff like that – so that’s one side of that. The other side is slightly more intangible where you need to be in a stakeholder dialog about what are the true material issues seen from the outside-in and material issues seen from the inside-out. So, it’s back to the owner family, to management, to the culture in the company – what are the important issues that we believe we must act on. And that you need to put in the mixer and boil into something that makes sense.” (L2)

In Lego’s 2010 CSR-related report the materiality assessment/analysis is referred back to the publication called “Redefining Materiality”, which was published by the Institute of Social and Ethical Accountability (AccountAbility 1 July 2003). This document suggested reconsidering the materiality-based approach, which previously was used only for accountancy, taking the social and environmental perspectives. The classic definition of materiality includes three points: intention (i.e.

materiality to whom), subject (i.e. materiality about what) and calibration (i.e. how significant must an issue be to fall within the bounds of materiality). The document then suggested a re-assessment of each of those three main constituents of materiality by considering wider stakeholder interests instead of only shareholder interests under “intention”, by including non-financial aspects of performance under “subject”, and, consequently, changing the base for judgment under “calibration”. Thus, the Five-Part Materiality Test for environmental and social business responsibilities is built on the following steps:

“Test 1: Direct Short-term Financial Impact (short-term financial impact resulting from aspects of social and environmental performance...);

Test 2: Policy-related Performance (...issues are material where the company has agreed policy statements of a strategic nature...);

Test 3: Business Peer-based Norms (...whether a company’s peers are deeming issues and aspects of performance of material importance...);

Test 4: Stakeholder Behavior and Concerns (...practical definition of relevance to stakeholders in terms of reasonable evidence of likely impact on their decisions and behavior....);

Test 5: Societal Norms (...whether there are societal norms that a company has considered. Some of these are already embedded in regulation...there are also aspects of performance that are likely to become regulated in the future....).” (Lego Progress Report 2010)

As described in Lego’s CSR-related report, this test was employed as a guideline for conducting materiality analysis the purpose of which is to define CSR priorities and the direction for organizational CSR-related initiatives:

“We have a range of [CSR] projects that we need to run to maintain our license to operate and to protect us against legislation and against crisis...On top of that, a few prioritized projects which are determined based on what we think and what our stakeholders think is most important. And that work is still in an initial phase...in that way we aim to build our corporate brand through the CSR projects.” (L1)

The choice of CSR-related activities in Lego is thus not randomized, nor is it distant from the business logic; rather it is grounded in comprehensive analysis which the materiality assessment is a part of:

“What is decisive is materiality to the business and the strategic and commercial rational for doing something... So, the choice of our [CSR] activities is rooted in...an impact analysis and then on the strategy that’s rooted in sound commercial logic.” (L2)

“We make a commercial judgment about which are the biggest opportunities, or risks, or cost efficiencies that we need to uncover together with the responsibility agenda which we need to move on...Take the environment, for example – you can chase a thousand of things. So, there has to be somebody who on behalf of the company looks at this in a strategic and commercial perspective...And then pull it together in a framework saying “Given these, this is where we as a company prioritize our [CSR] efforts.”(L2)

Hence, the materiality analysis helps to focus organizational efforts on particular CSR areas which are most relevant for the company's business. According to Lego's CSR specialists, it is a useful management tool that allows reducing complexity, structuring decision-making and embedding CSR in organizational business:

“We need a much more systematic [CSR] approach, we need to embed CSR in our business...Before, we did not have any sort of overall governance taking a systematic and structured approach across all of it [CSR]... But now we look at our impact based on materiality assessment...we detected the nine areas where we have an impact or where we have issues that we need extra consideration or care about.”(L2)

The materiality assessment facilitated effective planning in the company as well as following up the progress in selected CSR areas. In addition, it was used to guide Lego's CSR-related reporting:

“For the 2010 Report, Lego applied the [materiality] model used in 2009 for selection of ESG [environmental, social and governance] content in order to focus the report on the most relevant and current issues.” (Lego Progress Report 2010)

The last time the materiality analysis was fully conducted was in 2008 when Lego formed its CSR strategy and defined nine responsibility areas. The intention, however, is to do parts of this analysis every year by keeping up a dialogue with a number of selected stakeholders, because the materiality assessment requires getting in touch with thousands of people, which is too much work in one go:

"I don't think we are there yet [annual materiality assessment]... We need to be much more systematic in our engagement with existing stakeholders. Last year we tried out with UNICEF and WWF...and asked them to tell us where they thought we were doing well and where they would like to see us improve. We do this as an external check around what do the stakeholders demand and what are the expectations from the external environment, and also to become aware of new expectations." (L2)

Thus, regular dialogue with stakeholders and systematic monitoring of their CSR concerns are important constituents of materiality assessment; it changed Lego's previous approach to stakeholder relationships (when stakeholder engagement was not recorded and systematized) to a more coordinated and strategic one:

"We've just started to explore what it is that they [stakeholders] are actually looking for. We try to do it more systematically... We are doing a stakeholder survey, trying to get information about what is important to them and that will direct, that will inform our decision-making in terms of sustainability activities." (L3)

To sum up, the CSR-related function in Lego is assigned to the Corporate Affairs Department which has two levels: four sub-departments (with specialists in different CSR areas) and the Corporate Affairs Leadership Team (with the sub-department heads and the CSR director as an integrating role). The Corporate Affairs specialists perform risk and opportunity analyses, cooperate with global communities (external experts), create dialogue with relevant functions in business units and initiate CSR-related projects in the priority areas uncovered in the materiality assessment. The Corporate Affairs Leadership Team has the authority to decide on minor projects; as regards major CSR-related projects, the team finalizes the proposal and passes it on to Corporate Management for approval and verification with the company strategy and business plan. When the go-ahead has been given, the business unit managers take over the responsibility for finding and selecting those CSR-related activities that will meet the goals stated in the project; they can, however, initiate CSR-related projects on their own accord.

4.2.4 Cross-case comparison and conclusion

The analysis of CSR-related decision-making in the case companies produced a number of important findings. The first group of findings relates to the organizational structure for CSR. Thus, all investigated companies have a special department taking care of this function: in Maersk it is Group Sustainability Team, in Danske Bank – Corporate Responsibility Department, while in Lego it is called Corporate Affairs. Also, in none of the three companies the specialized CSR department

is isolated, but rather integrated with others and has a cross-functional role. In each case company there are discussion rounds with executives from business units and main functions either via a special Council or Board for CSR-related issues (in Maersk and Danske Bank), or during regularly scheduled meetings with Corporate Management (in Lego). It implies that these companies regard CSR not as an add-on but rather they acknowledge its role in various activities across their businesses and take it as a part of the strategy.

Another common feature is that business units/relevant functions in the case companies are assigned responsibility for implementing CSR decisions; this takes place under the guidance of coordinators from specialized CSR departments. The degree of independence of those business units/functions varies though. Thus, in Maersk they are free to choose CSR activities within defined CSR priorities that suit local business conditions and needs. Business units in Lego have less freedom since, apart from CSR priorities, they normally receive specific CSR-related goals to achieve; however, how they can achieve these goals (i.e. what CSR activities to choose and implement) is not specified. In contrast, in Danske Bank business units usually adapt CSR activities suggested by the group CSR department. These differences might be explained by different natures of the case company businesses. Lego has production facilities in several countries operating in different local contexts; Maersk also has businesses in several countries offering different products and services – for both of them, implementing unified CSR solutions in business units/functions is hardly possible. In contrast, Danske Bank offers similar services and financial products in its international branches; this enables choosing CSR activities at a group level with further adaptation to local conditions. At any rate, the three case companies demonstrated a certain level of flexibility which corresponds to the context-dependency viewpoint on CSR.

The second group of findings refers to CSR-related decision-making processes. In Maersk, Lego and Danske Bank these processes are split into a number of steps divided among several organizational units. The number of steps and the units involved depend on the scope of the decision made. Usually, the CSR department together with the business units/relevant function participates in minor CSR-related decision-making. When it is a matter of major decisions, which may potentially affect organizational strategy, business unit and main function executives also take part through special Council/Board/Corporate Management meetings; since there are more parties involved and more discussion and verification rounds needed, the number of steps increases. Thereby, decision-making in Maersk and Danske Bank has two levels for minor CSR decisions and three levels for major CSR decisions; because of the more complex governance structure, CSR decision-making in Lego has three and four levels accordingly.

Also, the analysis revealed that CSR-related decision-making in the case companies is not a one-directional process. Normally, decision-making starts in the CSR department; however, it can also be initiated by a special CSR Board (in Danske Bank) or by a business units/relevant function (in Maersk and Lego). Thus, it appears that all three case companies use both top-down and bottom-up approaches when making CSR-related decisions. In both cases, the discussion goes back and forth among different organizational units to enable necessary adjustments. Demonstrated flexibility in decision-making processes acknowledges complexity of CSR-related decisions. It can also indicate the companies' intention to tie CSR closer to various business needs and be open about CSR alternatives that might appear from those needs.

Flexibility in the case companies' decision-making also leads to a situation where no unified sequence of steps is established in those processes. However, some common steps can be detected. Thus, in Maersk, Lego and Danske Bank CSR-related decision-making usually starts with an analysis (where the problem is identified and detailed, alternatives produced and evaluated), followed by the proposal formulation, discussions, verifications and adjustments – all or some of those steps may be repeated several times at different organizational levels until the decision is made. Hence, although CSR decision-making seems to be very contextual, it has a certain structure.

The analysis step in organizational CSR decision-making deserves some additional attention since all three case companies mentioned the same tool, so-called materiality assessment or analysis, which is used along with usual cost and benefit analysis. The materiality assessment is employed by Maersk, Danske Bank and Lego to define their CSR priorities and main directions for CSR activities. Thus, alternatives to CSR decisions often occur from it or, if appearing directly from the business needs, go through this standardized procedure which implies evaluation of a CSR issue as regards (i) its importance to organizational stakeholders and (ii) its importance to the business. Notewortily, the materiality analysis appeared in all three case companies after several years of working with CSR issues and is perceived by the interviewees as a sign of maturity and a logical step in the companies' CSR development. The materiality assessment enables the case companies to make organizational CSR activities more focused and business-relevant and to avoid detached CSR projects. By providing a clear procedure as well as clear CSR objectives and priorities, this analysis also reduces complexity and conflicts, adds a structure to CSR decision-making and facilitates further planning and following up. In addition, it systematizes stakeholder dialogue and allows addressing stakeholder CSR concerns more effectively. All in all, the case companies use a comprehensive tool when choosing their CSR-related decision alternatives and attempt to engage with stakeholders in a structured manner.

4.3 Output: Organizational CSR portfolio²¹

This section investigates organizational CSR portfolios through a range of CSR activities and initiatives described in the CSR-related reports from the case companies. The organizational CSR portfolio framework, which is used as a data collection tool, and the scales proposed for evaluation were described in the methodology chapter (see section 3.3.2). The framework is built on the fifteen categories which were developed from the CSR and sustainability literature (see section 2.3.1). These categories point at possible directions for CSR activities and are grouped under three CSR aspects: environmental, economic and social. Depending on the activities presented in a company, each category is assigned a grade (from 0 to 3) corresponding to one of the four maturity levels. Then the average grades are calculated for each CSR aspect in order to conclude about a company's priorities and CSR approach: *CSR ignoramus* (interval from 0 to 0.49), *CSR beginner* (interval from 0.5 to 1.49), *CSR user* (interval from 1.5 to 2.49) or *CSR professional* (interval from 2.5 to 3) (see sections 2.3.2 and 3.3.2). So, the closer the grade is to the score of 3, the closer the company is to a CSR professional approach.

Data were collected for 2008, 2010 and 2012 allowing for a longitudinal study. That enables the comparison of CSR agendas both within one company over the three periods and across the three case companies. This section includes the diagrams and tables which are necessary for the analysis; the rest of the data can be found in Appendix 5.

4.3.1 The Maersk Group

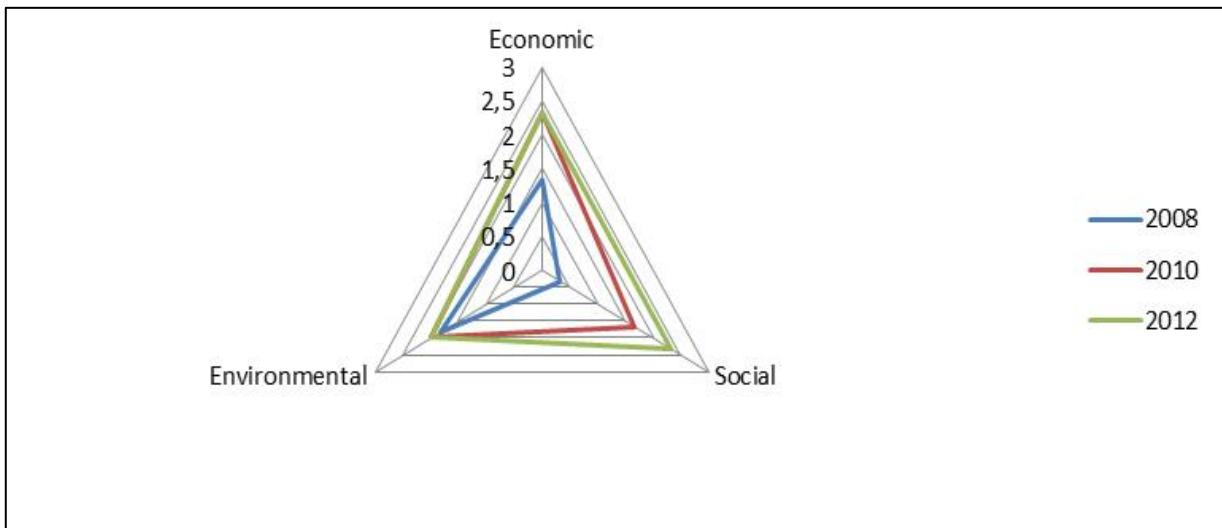
The averages received for Maersk in different years are presented below (Table 4.3.1-1). Figure 4.3.1-1 serves as a more holistic graphical representation of the data.

Table 4.3.1-1 Calculated averages for CSR aspects in The Maersk Group

Average grades for aspects	2008	2010	2012
Environmental aspect	1.83	2	2
Economic aspect	1.33	2.33	2.33
Social aspect	0.33	1.66	2.33

²¹ The essence of this section was published in a single-author paper (Vashchenko 2015)

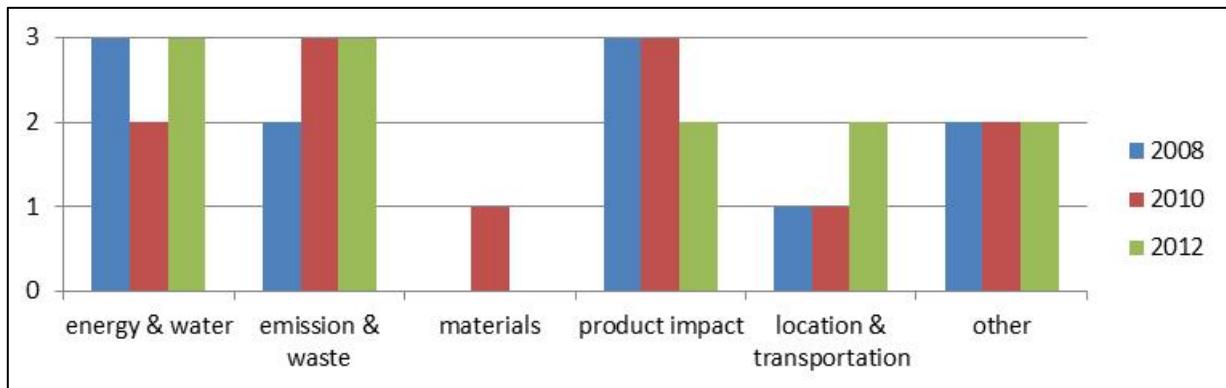
Figure 4.3.1-1 Calculated averages for CSR aspects in The Maersk Group



Maersk published its first non-financial report with CSR-related information in 2007, so by the year 2008 – the first year included in the study – the company had little experience in dealing with CSR in a systematic way. In 2008 the main focus was on environmental CSR activities, some attention was also paid to the economic CSR aspect; social issues, in contrast, were neglected in the main (Figure 4.3.1-1). However, by 2012 the situation in Maersk had changed to the opposite – social CSR initiatives as well as the economic ones prevail over environmental CSR-related activities. The shift in organizational CSR priorities was indicated in 2010 – the company's attention to social and economic CSR issues grew significantly while environmental concerns did not increase much.

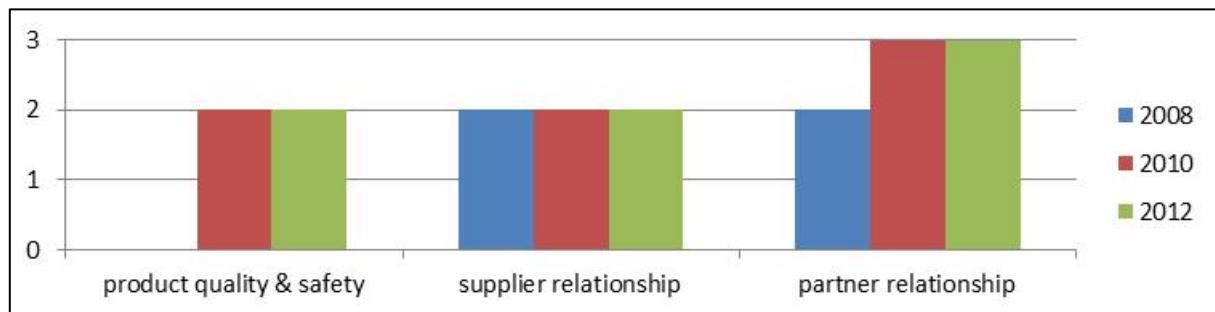
In relation to the environmental CSR aspect in Maersk, certain priorities were given to all categories over the periods investigated (Figure 4.3.1-2). The only exception was “materials/resources/equipment/other objects used” – this was neglected in 2008 and 2012, but in 2010 some initiatives were taken to comply with standards and regulations. Some good results were obtained for “energy & water consumption”, “emission & other waste” and “product/service impact” categories. The company managed to employ some CSR initiatives for its own benefit and thus received grade 3 for these categories over different years. It allowed a calculated average of 2 for the environmental CSR aspect in 2012 falling under the *CSR user* position in the proposed classification.

Figure 4.3.1-2 CSR category evaluation of the environmental CSR aspect in The Maersk Group



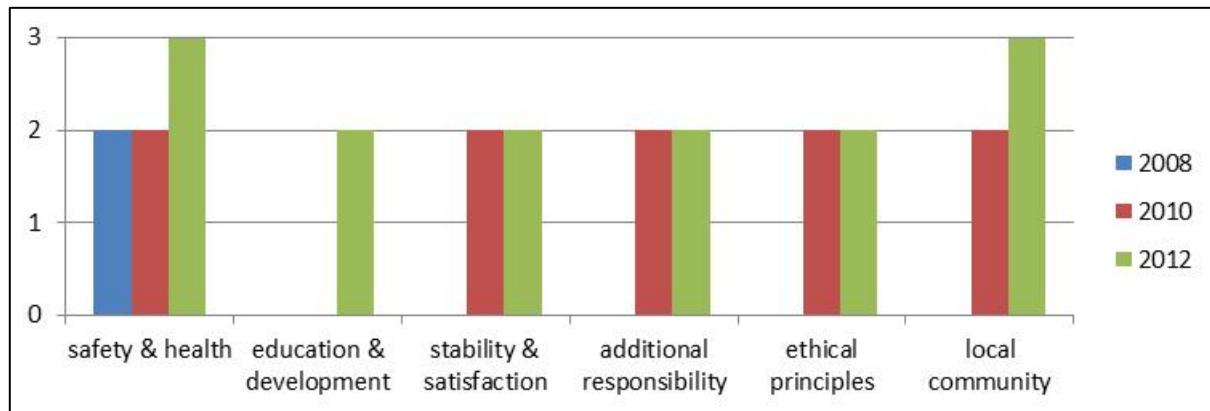
In 2012 Maersk also obtained the strong *CSR user* position for the economic CSR aspect (Table 4.3.1-1). However, more stability in these CSR efforts was noticed: the years 2010 and 2012 yielded similar results and demonstrated better category coverage (“quality & safety of products/services” was included in the CSR portfolio) as well as higher grades (“long-term partnership with other business partners” was assigned grade 3) in comparison to those in year 2008 (Figure 4.3.1-3).

Figure 4.3.1-3 CSR category evaluation economic CSR aspect in The Maersk Group



Maersk's 2008 report was called “Health, Safety and Security Report” and it was a true representation of the company’s focus at that time – initiatives were targeted at “safety & health of employees” neglecting all other social areas (Figure 4.3.1-4). This resulted in a low calculated average for the social CSR aspect – merely 0.33 in 2008 (Table 4.3.1-1). The situation was improved in the next period investigated (2010); the new report name – “Sustainability Report” – indicated more company attention to the other social issues; the “education & development of employees” category remained uncovered though. Year 2012 changed the case and all social CSR aspect categories were represented in particular initiatives. Moreover, CSR activities under two categories – “safety & health of employees” and “local community relationship & philanthropy” – benefited the company financially; as a result these were assigned the highest grade 3. Thus, the calculated average for social CSR aspect rose by 2 points from 0.33 in 2008 to 2.33 in 2012, which corresponds to a strong *CSR user* position in relation to social CSR issues.

Figure 4.3.1-4 CSR category evaluation of social CSR aspect in The Maersk Group



To conclude, Maersk's approach to social CSR issues changed over the period investigated – CSR activities became diverse and exceeded the requirements of standards and regulations. Moreover, CSR initiatives for “employee safety & health” and “local community relationship & philanthropy” brought Maersk some economic benefits. It resulted in a significant move as regards the social aspect: from *CSR ignoramus* in 2008 to a strong *CSR user* position in 2012. The changes in Maersk's CSR strategy were also observed for the economic aspect – the *CSR beginner* approach transformed into the *CSR user* approach by 2012. This was mainly due to the CSR activities in “long-term partnership with other business partners” which created new business opportunities for Maersk. The company's CSR approach as regards the environmental aspect, in contrast, was not changed; however, Maersk strengthened its *CSR user* position. CSR initiatives within the “energy & water consumption” and “emission & other waste” categories allowed Maersk to reduce costs in 2012, letting the company reach the professional maturity level.

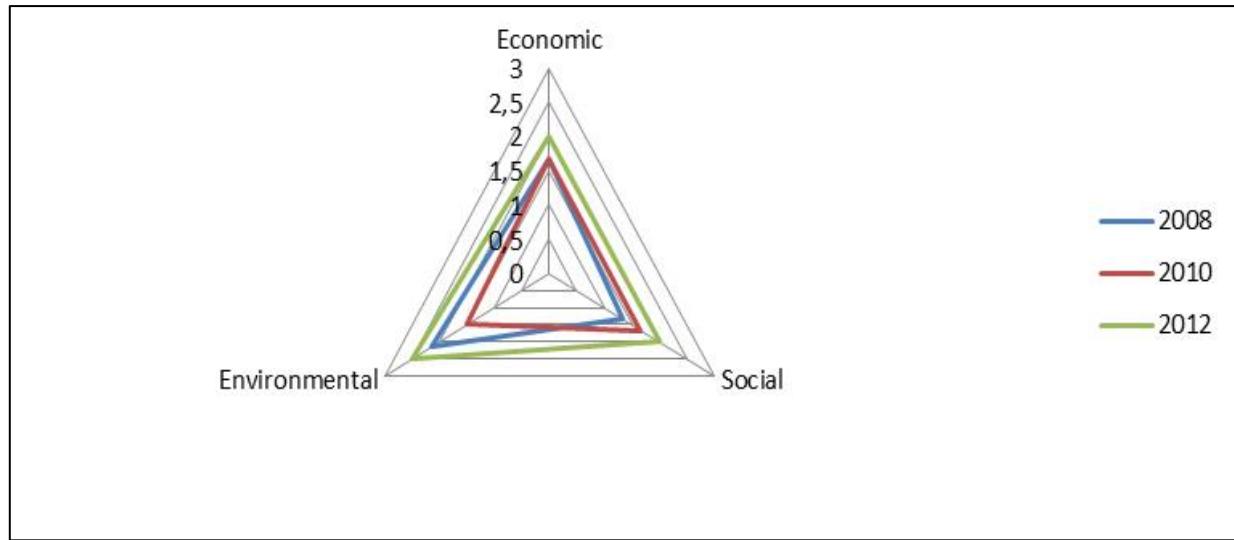
4.3.2 Danske Bank

The “2008 Corporate Responsibility Report” was the third CSR report published by Danske Bank indicating that the company had already gained some experience in CSR matters by that time. According to the calculated averages, in 2008 the company exercised the *CSR user* approach for both environmental and economic aspects while the *CSR beginner* approach was applied to the social aspect (Table 4.3.2-1). Environmental CSR issues, however, had the highest priority in the company (Figure 4.3.2-1), and in 2012 Danske Bank employed a *CSR professional* strategy in this area. The social and economic aspects received similar grades in 2010 and 2012 corresponding to the *CSR user* approach.

Table 4.3.2-1 Calculated averages for CSR aspects in Danske Bank

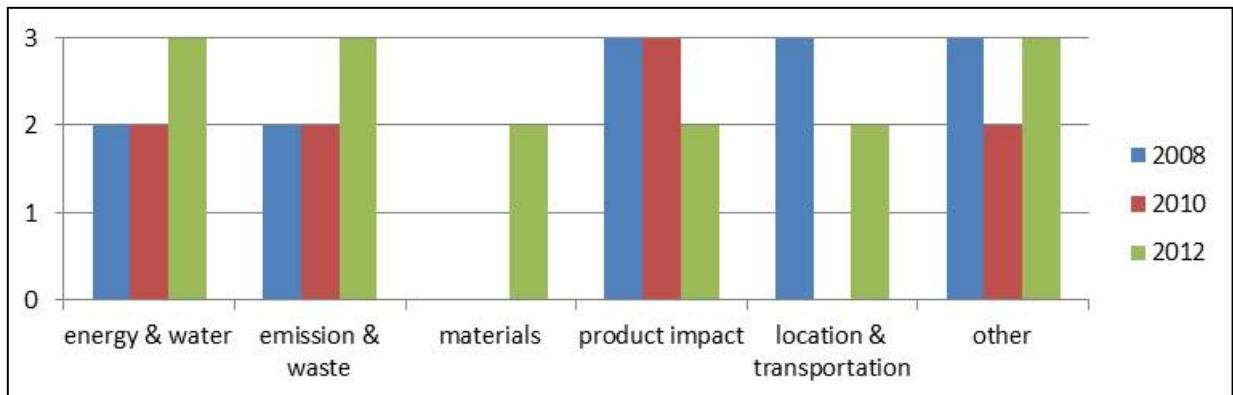
Average grades for aspects	2008	2010	2012
Environmental aspect	2.16	1.5	2.5
Economic aspect	1.66	1.66	2
Social aspect	1.33	1.66	2

Figure 4.3.2-1 Calculated averages for CSR aspects in Danske Bank



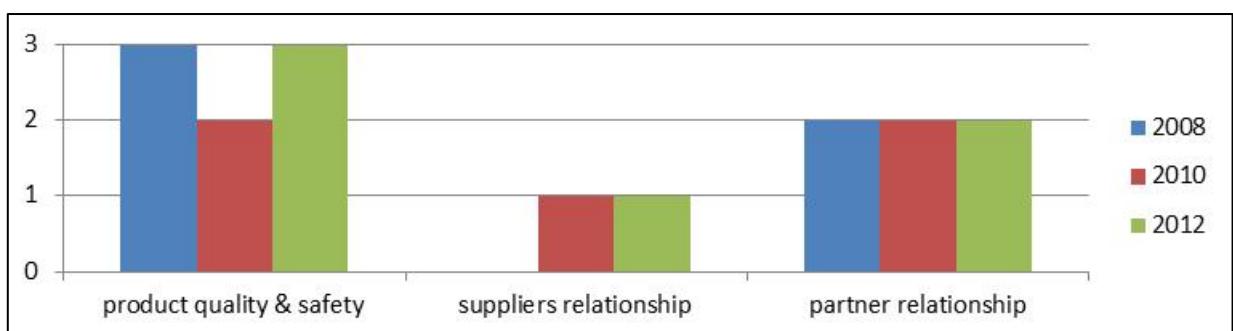
A thorough analysis of the environmental CSR aspect in Danske Bank demonstrated that the category “materials/resources/equipment/other objects used” was not considered in 2008, and the situation was not changed until 2012 (Figure 4.3.2-2). In contrast, CSR initiatives from three categories – “product/service impact”, “location & transportation” and “other environmental activities” – received the highest score 3 in 2008. However, only the “product/service impact” category kept this high position in the next period; CSR activities for the “location & transportation” category were excluded completely in 2010 and were not reintroduced in the company’s agenda till 2012. Overall, the company’s position was rather unstable in this aspect: it dropped significantly in 2010 (from 2.16 to 1.5) and rapidly jumped back in 2012 (from 1.5 to 2.5) resulting in a *CSR professional* level as regards the environmental CSR aspect in the last investigated period (Table 4.3.2-1).

Figure 4.3.2-2 CSR category evaluation of the environmental CSR aspect in Danske Bank



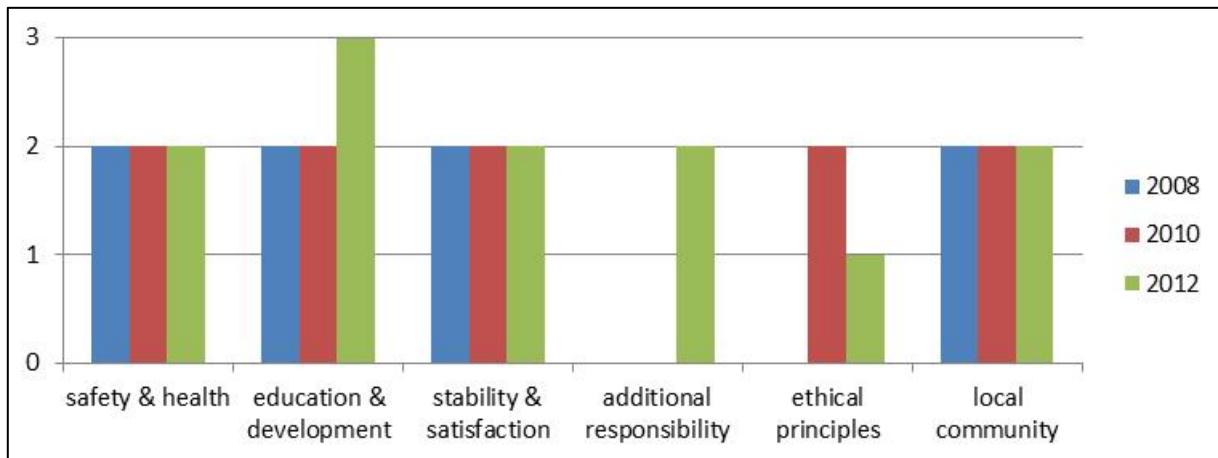
More stability in Danske Bank was noticed for the economic CSR aspect: the calculated average was the same for 2008 and 2010, while in 2012 it rose and reached the score of 2 maintaining the same *CSR user* position (Table 4.3.2-1). The grade assigned to the category “quality & safety of products/services” was at a maximum level (corresponding to professional maturity level) both in 2008 and 2012 indicating that Danske Bank managed to gain economic benefits from the CSR activities in this category; however, there was a drop for this category in 2010 (Figure 4.3.2-3). In addition, the company demonstrated slight interest in “long-term partnership with suppliers” – there was a switch from “neglecting” in 2008 to “complying” in 2010 and 2012.

Figure 4.3.2-3 CSR category evaluation of the economic CSR aspect in Danske Bank



Danske Bank has constantly extended its organizational CSR portfolio within the social CSR aspect – in 2008 there were no activities in the “additional workforce-related responsibility” and “ethical principles & human rights” categories; in 2010 only the “additional workforce-related responsibility” category was left uncovered, but by the end of 2012 all social categories were represented and given a positive grade (Figure 4.3.2-4). Moreover, initiatives from “education & development of employees” brought some positive financial results, and this category was assigned the highest grade 3. Thus, the calculated average for the social CSR aspect grew continually and, finally reached the score of 2 which corresponds to the *CSR user* position (Table 4.3.2-1).

Figure 4.3.2-4 CSR category evaluation of the social CSR aspect in Danske Bank



To summarize, both in 2008 and 2012 the main focus of Danske Bank's CSR activities was on environmental issues, in particular on the "product/service impact" and "location & transportation" categories in 2008, and on "energy & water consumption", "emission & other waste" and "other environmental activities" in 2012. However, in 2010 the environmental CSR aspect got the least attention from the company, and priority was given to economic and social aspects equally. The "product/service quality & safety" category along with "employee education, training & development" category received the highest grades in 2012 indicating professional maturity levels of CSR activities belonging to these categories. Overall, Danske Bank exercised a *CSR user* strategy for all CSR aspects over the period analyzed except for the social aspect in 2008 (*CSR beginner*) and the environmental aspect in 2012 (*CSR professional*).

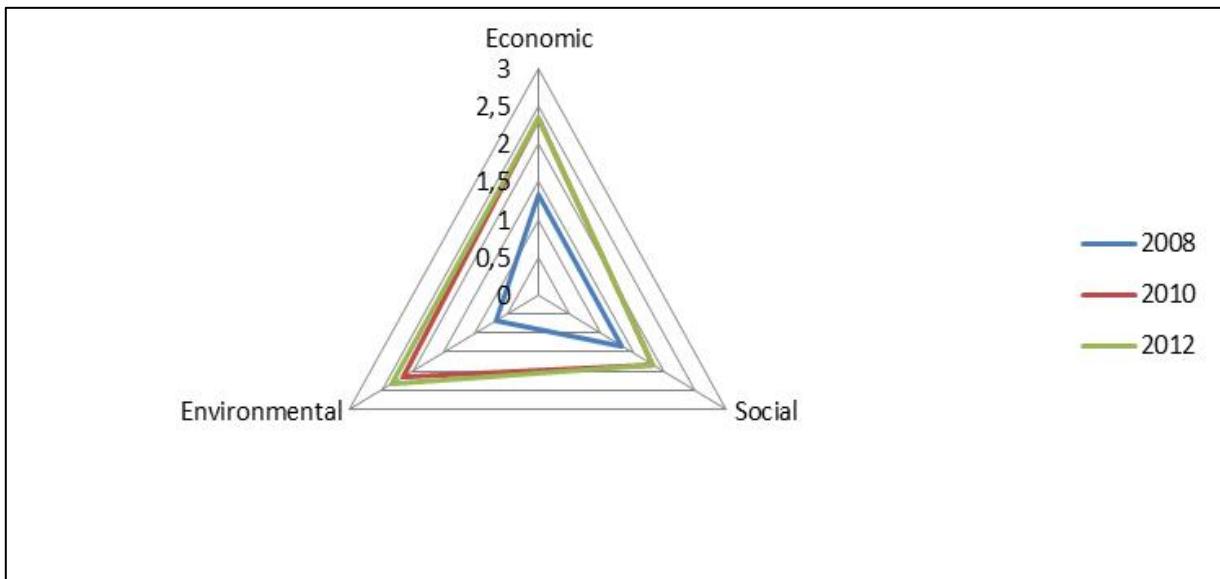
4.3.3 The Lego Group

In 2008 Lego issued its first "Progress Report" replacing its "Sustainability Report" describing CSR matters since 2006. Thus, it was expected that by the first period investigated, the company had already gained some experience with CSR issues. The evaluation, however, evidenced a *CSR beginner* approach for all three CSR aspects in 2008 (Table 4.3.3-1). The analysis of the data from the next periods reveals an important move – Lego took a *CSR user* approach in all CSR aspects and received almost identical average grades in 2010 and 2012 (Figure 4.3.3-1).

Table 4.3.3-1 Calculated averages for CSR aspects in The Lego Group

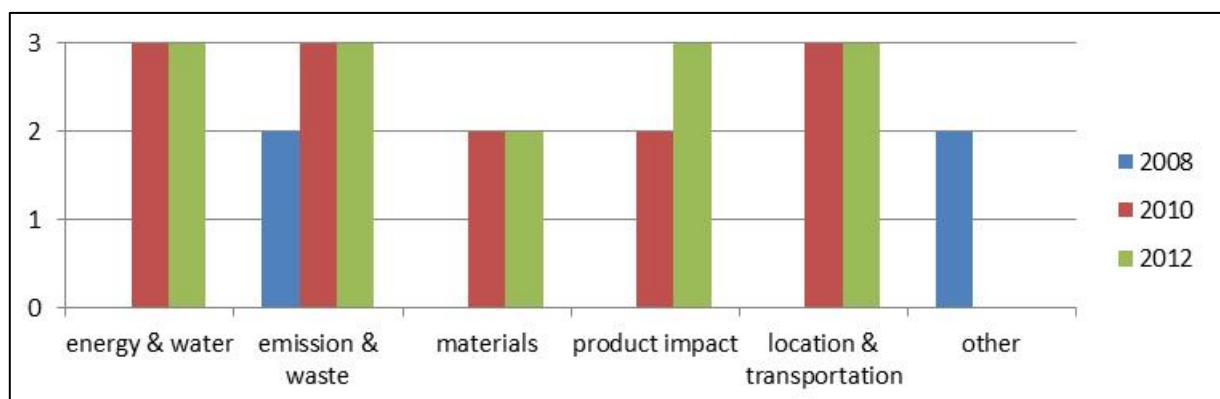
Average grades for aspects	2008	2010	2012
Environmental aspect	0.66	2.16	2.33
Economic aspect	1.33	2.33	2.33
Social aspect	1.33	1.83	1.83

Figure 4.3.3-1 Calculated averages for CSR aspects in The Lego Group



Regarding environmental CSR, most of the categories were not presented in Lego's CSR portfolio in 2008; only two categories deserved some attention: "emission & other waste" and "other environmental activities" (Figure 4.3.3-2). Thus, in 2008 the calculated average resulted in a grade of 0.66 giving a *CSR beginner* position (Table 4.3.3-1). However, the situation changed dramatically in 2010: not only did all uncovered areas gain the company's attention but were also assigned high grades ("energy & water consumption", location & transportation" and "emission & other waste" scored 3). In contrast, the "other environmental activities" category, which had a relatively strong position before, was removed from the company's CSR agenda. The case remained almost unchanged till 2012 and brought Lego a score of 2.33 in calculated average and a strong *CSR user* position in environmental CSR aspect.

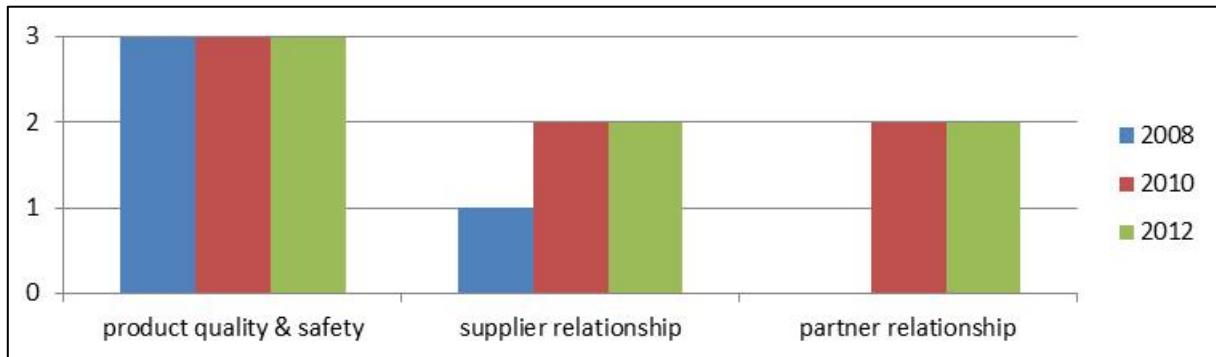
Figure 4.3.3-2. CSR category evaluation of the environmental CSR aspect in The Lego Group



Lego's attention to the activities from the economic CSR aspect increased in 2010 in comparison with 2008; the company obtained the same calculated average score for the last two periods investigated (Table 4.3.3-1). The main focus within the economic aspect was on CSR

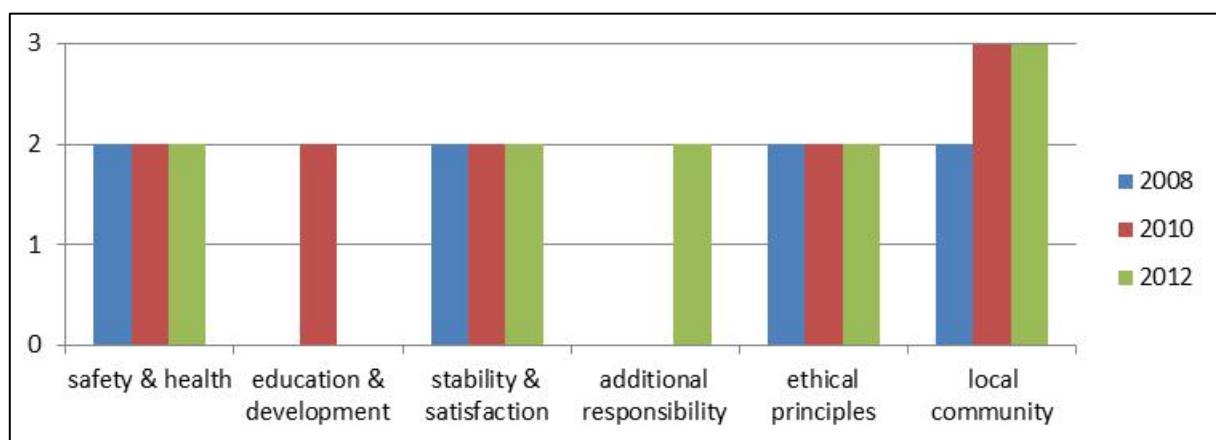
initiatives in the “product/service quality & safety” category which was assigned grade 3 over all three periods analyzed (Figure 4.3.3-3). Starting from 2010, the company also added activities in the category “long-term partnership with other business partners” which had not been considered before. The result was a strong *CSR user* position in the economic CSR aspect by the end of 2012.

Figure 4.3.3-3 CSR category evaluation of the economic CSR aspect in The Lego Group



The social CSR aspect in Lego’s CSR 2008 portfolio was underrepresented in terms of two categories – “education & development of employees” and “additional workforce-related responsibility” (Figure 4.3.3-4). While the situation of the latter was improved in 2012, initiatives for “education & development of employees” appeared in 2010 but were removed in the last period. The highest score was obtained for activities in the “local community relationship & philanthropy” category; this means that Lego managed not only to contribute to society, but also to benefit itself. Overall, the calculated average in 2012 was 1.83 which falls under the *CSR user* position (Table 4.3.3-1).

Figure 4.3.3-4 CSR category evaluation of the social CSR aspect in The Lego Group



To sum up, Lego changed its *CSR beginner* strategy to the *CSR user* strategy in all three CSR aspects from 2008 to 2010; this strategy was maintained in 2012. The company gradually developed its professionalism in environmental CSR issues and, as a result, achieved certain economic benefits while implementing CSR activities in the “energy & water consumption”,

“emission & other waste”, “product/service impact” and “location & transportation” categories. Initiatives in the “local community relationship & philanthropy” category from the social CSR aspect and under “product/services quality & safety” from the economic CSR aspect also brought some positive financial results to the company in 2012. Overall, in the first period analyzed more priority was given to social and economic CSR aspects than to the environmental one. However, in 2012 the situation changed and Lego shifted its focus to activities from the environmental CSR aspect; the economic aspect remained equally important though.

4.3.4 Cross-case comparison

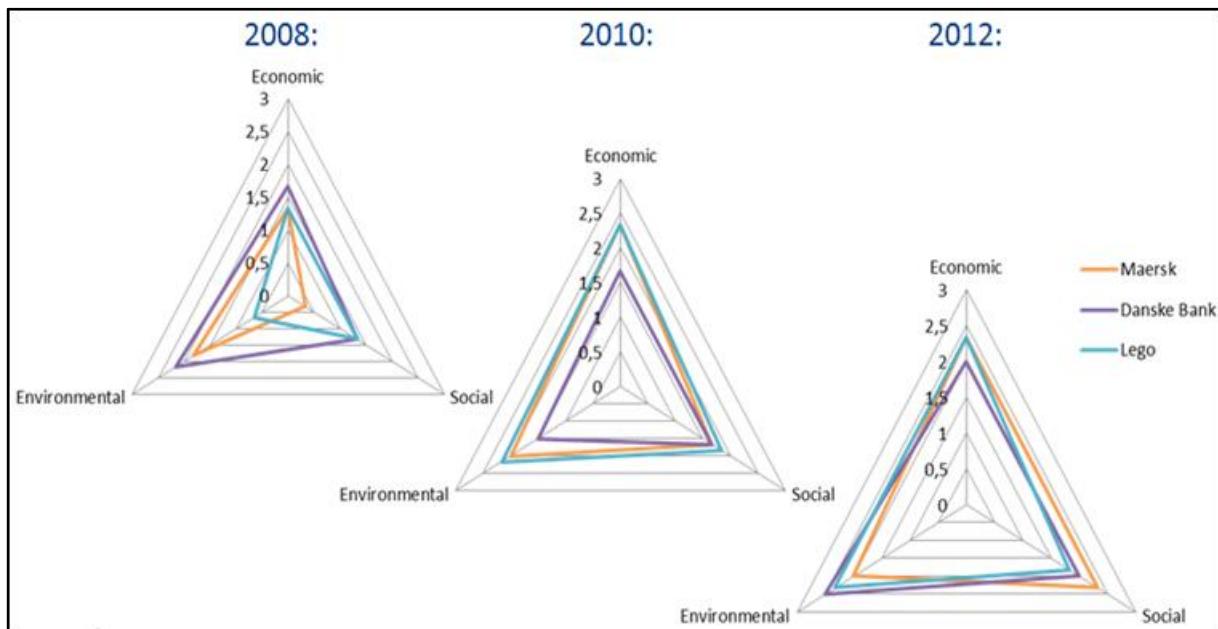
This section presents a comparison of organizational CSR agendas across the case companies over the periods investigated. First, the analysis is performed for the three CSR aspects – environmental, economic and social – in order to compare and contrast general CSR priorities in different companies and, also, to follow how those priorities have changed over the years studied. Similar to the investigation of the CSR portfolio in a particular case company, the cross-case analysis is based on the average grades calculated for each CSR aspect (Table 4.3.4-1); the results are illustrated below (Figure 4.3.4-1). The higher the grade, the more CSR categories from the aspect are addressed or the more CSR activities of a professional maturity level are implemented, so the higher the importance of the issues included in the aspect for a company.

Table 4.3.4-1 Calculated averages for CSR aspects in Maersk, Danske Bank and Lego in each of the three investigated periods

Average grade\ Company	Maersk	Danske Bank	Lego
Environmental aspect			
2008	1.83	2.16	0.66
2010	2	1.5	2.16
2012	2	2.5	2.33
Economic aspect			
2008	1.33	1.66	1.33
2010	2.33	1.66	2.33
2012	2.33	2	2.33
Social aspect			
2008	0.33	1.33	1.33
2010	1.66	1.66	1.83
2012	2.33	2	1.83

While generally demonstrating the same growing tendency towards a more professional overall CSR approach, the companies investigated followed different historical paths in relation to CSR aspects (Figure 4.3.4-1). In 2008 Maersk and Danske Bank highlighted environmental CSR issues through their initiatives and paid less attention to the social ones; this is opposite to Lego's priorities in the same period. The situation changed in 2010 when Lego moved its focus towards environmental CSR concerns, considering social CSR aspect the least important. Danske Bank realized the most balanced approach to the three CSR aspects in that year; however, the company's calculated averages dropped and were below those of Maersk and Lego. In 2012 Danske Bank managed to improve its CSR approach dramatically mainly due to the significant efforts under the environmental CSR aspect, but at the price of losing the achieved equilibrium. Lego and Maersk, in contrast, showed a positive move to the balanced perspective on the three CSR aspects in 2012.

Figure 4.3.4-1 Calculated averages for CSR aspects in Maersk, Danske Bank and Lego in each of the three periods investigated



In order to clarify general CSR priorities demonstrated by the case companies and their dynamics, the evaluations for particular CSR categories within the three CSR aspects can be compared. Thus, the case companies addressed the issues from the environmental CSR aspect in different ways. In 2008 Danske Bank received the highest average grade for this aspect, while Lego's calculated average was the lowest in the period (Table 4.3.4-1). This is opposite to the results obtained in 2010 where Lego was nominated the highest average and Danske Bank was calculated with the lowest score. In 2012 the situation changed again and Danske Bank returned to its leading position in environmental issues; Lego took the second place. Maersk was in a middle position in 2008 and 2010 and came in last in 2012.

Concerning particular CSR categories of the environmental CSR aspect, most attention was paid to “energy & water consumption” and “emission & other waste”; in 2012, for example, all three case companies had CSR activities of a professional maturity level thus enabling cost reduction (Figure 4.3.4-4). In past periods some successful attempts to employ a professional CSR approach under these categories were also detected: for Maersk in 2008 (Figure 4.3.4-2) and for Lego in 2010 (Figure 4.3.4-3). The “impact of product/service” category is also of high priority in the case companies, since each of them implemented CSR activities which brought some economic benefits in deferent periods: to Maersk and Danske Bank in 2008 and 2010 and to Lego in 2012.

In contrast, there are categories of the environmental CSR aspect which the case companies did not acknowledge to any high extent. For instance, there were no initiatives in the “materials/resources/other objects in use” category in any of the 2008 CSR portfolios. CSR activities related to this category appeared in 2010 in Maersk and Lego; Lego kept them in the portfolio, while Maersk eliminated it from its organizational CSR agenda in 2012 passing the baton to Danske Bank.

Another CSR category which was under-presented in the companies’ CSR portfolios is “location & transportation”; this was not addressed by Lego in 2008 and by Danske Bank in 2010. However, Lego turned to this category in both 2010 and 2012 and even employed CSR activities at a professional level at that time. The opposite happened to the “other environmental activities” category which was part of Lego’s CSR portfolio in 2008, but was excluded from it in 2010 and 2012.

Figure 4.3.4-2 CSR category evaluation of the environmental CSR aspect in Maersk, Danske Bank and Lego in 2008

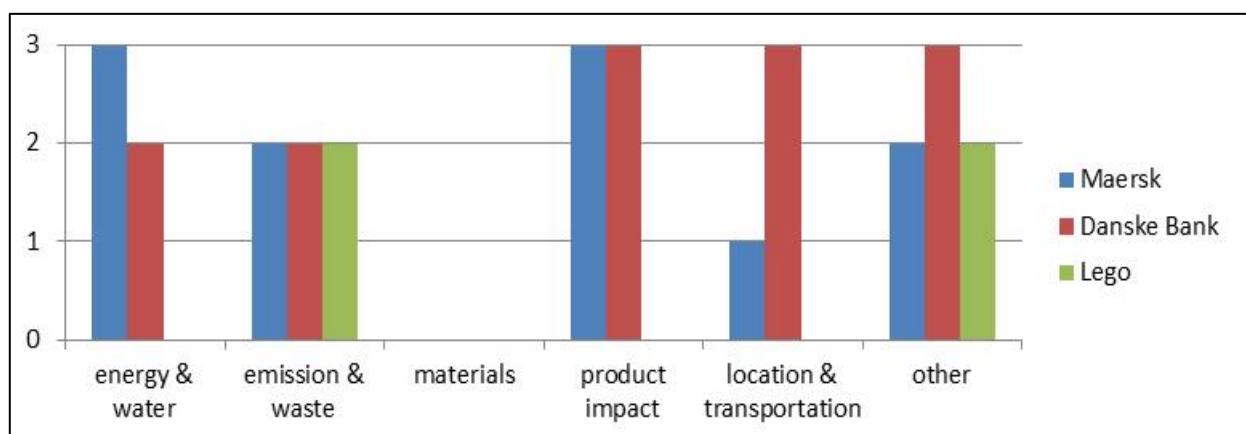


Figure 4.3.4-3 CSR category evaluation of the environmental CSR aspect in Maersk, Danske Bank and Lego in 2010

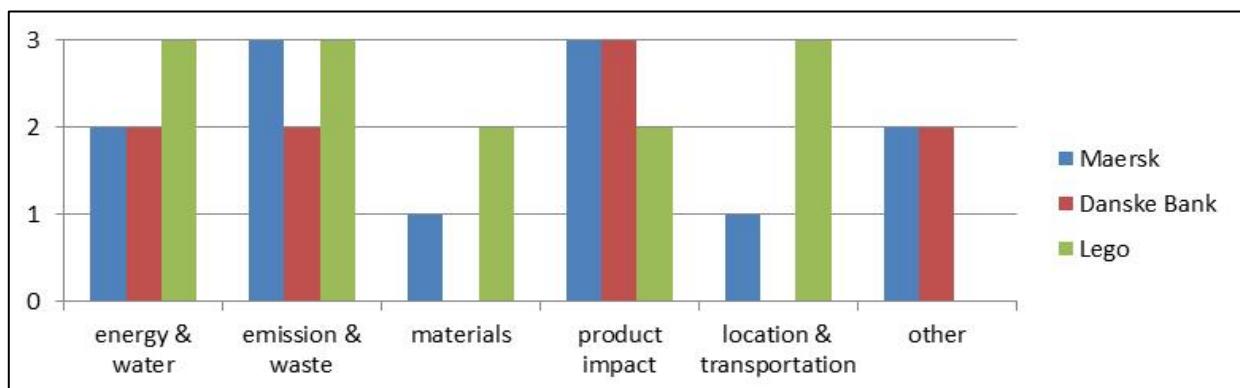
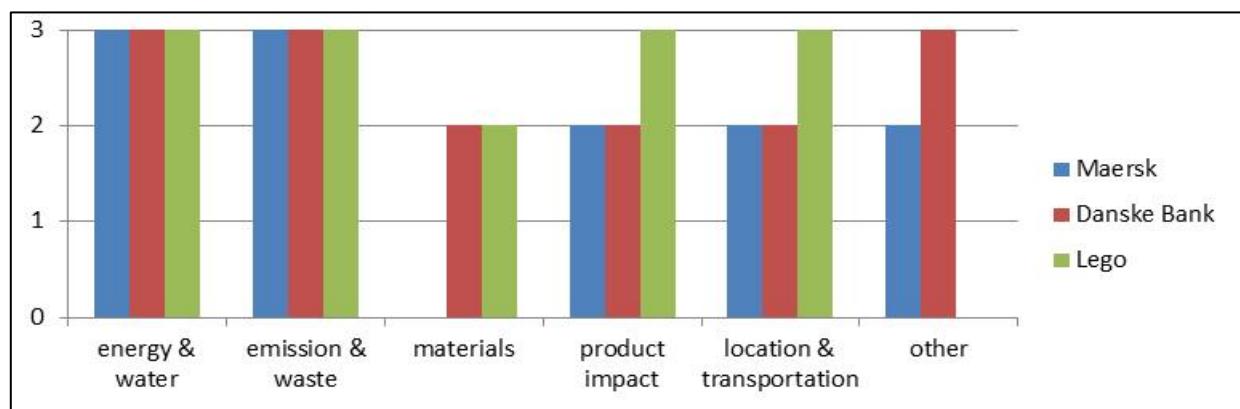


Figure 4.3.4-4 CSR category evaluation of the environmental CSR aspect in Maersk, Danske Bank and Lego in 2012



In relation to the economic CSR aspect, Maersk and Lego demonstrated surprising coherence in the calculated averages in each year of the period investigated (Table 4.3.4-1). Danske Bank showed the least impressive results for economic CSR initiatives in both 2010 and 2012; however, the company obtained the highest average grade for economic CSR efforts in 2008.

In 2010 and 2012 CSR activities in the “product/service quality & safety” and “long-term relationship with business partners” categories were employed by all three case companies at either the moderate or the professional maturity level (Figures 4.3.4-6, 7). This means that those CSR activities exceeded the borders of related regulations and were considered and used as business opportunities. In 2008, however, the first category was not addressed by Maersk, while the second one was not acknowledged by Lego (Figure 4.3.4-5); as a result no corresponding CSR activities were undertaken.

As regards “long-term relationship with suppliers”, this category was the least important within the economic CSR aspect. Thus, in 2008 related CSR activities in Lego were aimed only at complying with regulations; however, this situation was improved in the next two periods and some additional actions pointed towards supporting and developing suppliers were initiated. Danske

Bank, in contrast, did not show any interest in that CSR category in the first year analyzed; the company, however, made some efforts to cover basic CSR requirements to supplier relationship in 2010 and 2012.

Figure 4.3.4-5 CSR category evaluation of the economic CSR aspect in Maersk, Danske Bank and Lego in 2008

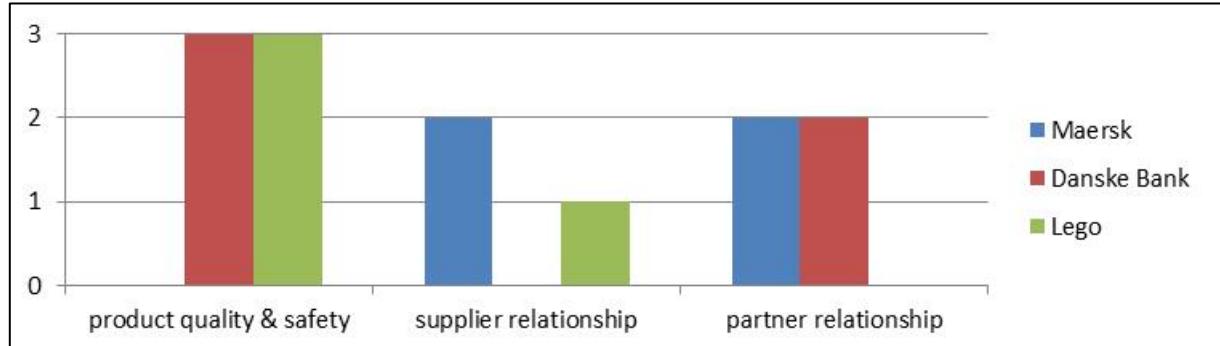


Figure 4.3.4-6 CSR category evaluation of the economic CSR aspect in Maersk, Danske Bank and Lego in 2010

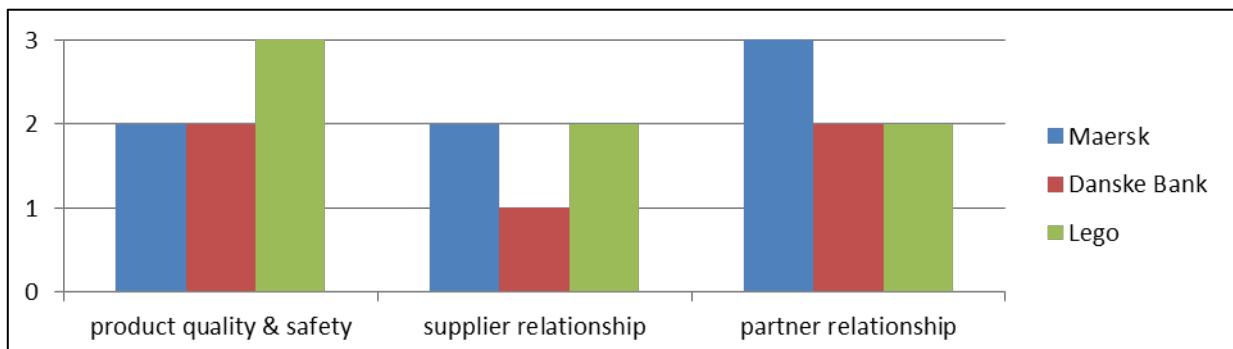
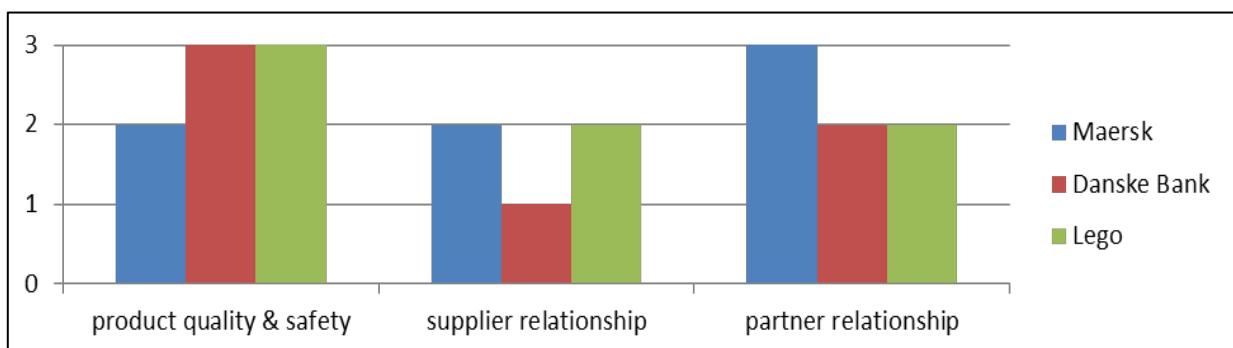


Figure 4.3.4-7 CSR category evaluation of the economic CSR aspect in Maersk, Danske Bank and Lego in 2012



The case companies demonstrated a certain agreement about the importance of the social CSR aspect: the same average grades were calculated for Danske Bank and Lego in 2008 and for Maersk and Danske Bank in 2010 (Table 4.3.4-1). In 2012 Maersk received the highest average; this is in contrast to its position in 2008 when the company barely responded to social CSR concerns. An ambiguous situation was also revealed for Lego that paid more attention to social issues than the other two companies did in 2010 but appeared to care the least in 2012.

As regards specific categories belonging to the social CSR aspect, professional maturity in managing staff-related CSR activities was achieved in 2012 for the “employee safety & health” category by Maersk and for “employee education & development” category by Danske Bank. The latter one is controversial since the category was addressed in all three periods only by Danske Bank; Lego joined the initiatives for 2010 exclusively, while Maersk did the same in 2012 (Figures 4.3.4-8, 9, 10).

In the first period investigated none of the three case companies dealt with “additional workforce-related responsibility” and so this category was not included in organizational CSR portfolios. However, Maersk focused on these issues in 2010, and by 2012 all three case companies employed related CSR activities at a regulation-exceeding level. Also, the “local community relationship & philanthropy” category was prioritized among other social concerns; Maersk received some economic benefits from its CSR activities in 2012, while Lego did so both in 2012 and 2010.

Figure 4.3.4-8 CSR category evaluation of the social CSR aspect in Maersk, Danske Bank and Lego in 2008

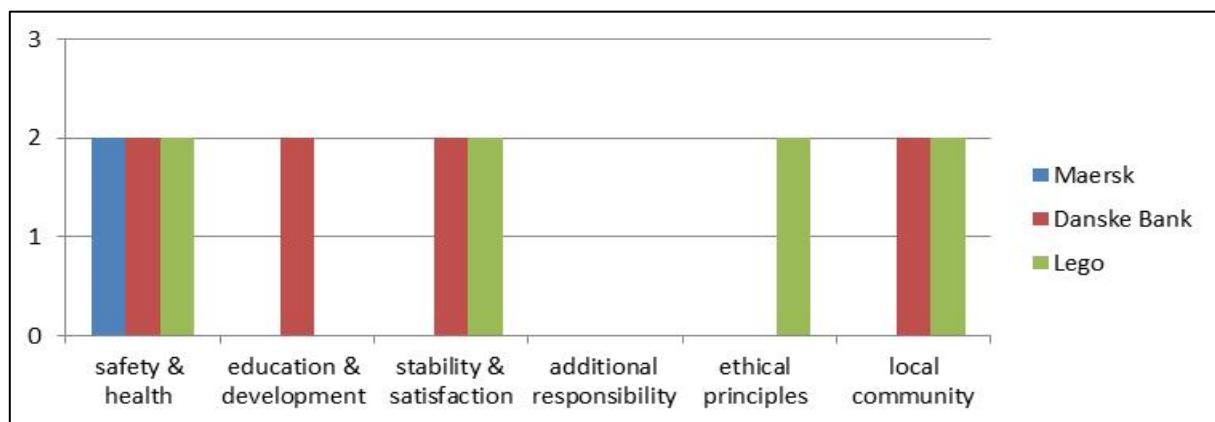


Figure 4.3.4-9 CSR category evaluation of the social CSR aspect in Maersk, Danske Bank and Lego in 2010

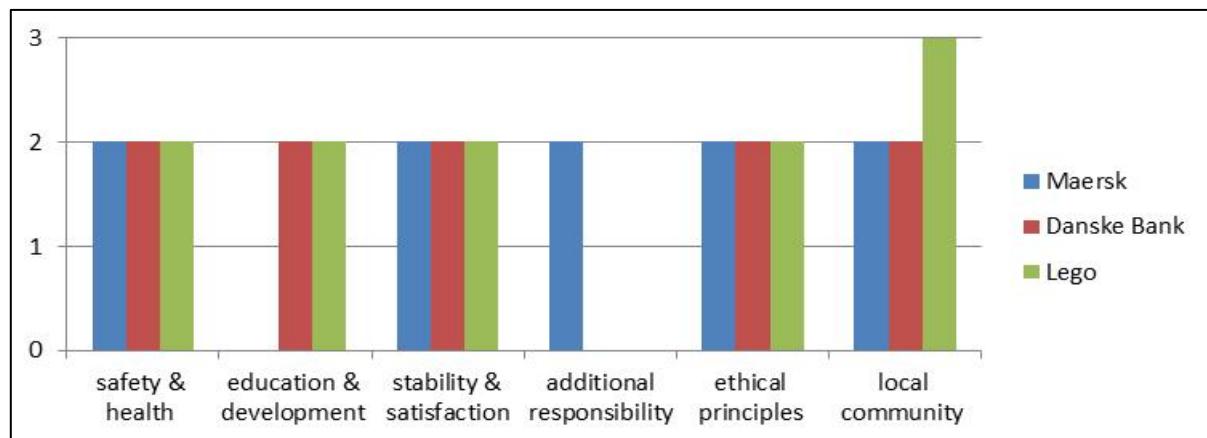
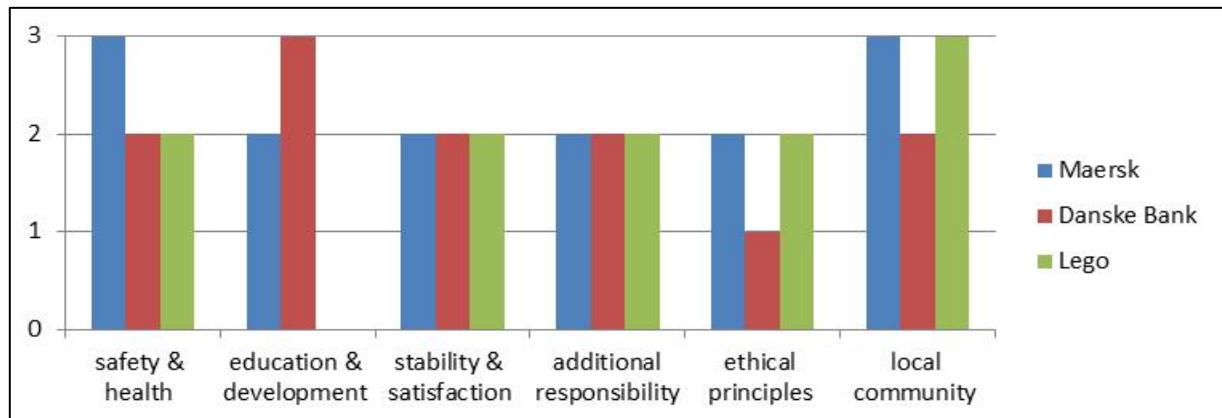


Figure 4.3.4-10 CSR category evaluation of the social CSR aspect in Maersk, Danske Bank and Lego in 2012



To summarize, in 2008 the CRS priorities of Danske Bank and Maersk included mainly the environmental CSR aspect, while Lego focused on social and economic CSR aspects equally. Year 2010 was characterized by Lego and Maersk's interest primarily revolving around the economic CSR aspect. Danske Bank also concentrated its CSR efforts within that aspect adding social CSR activities. In 2012 however, the situation for Danske Bank changed and the environmental CSR aspect was mainly under consideration. Lego's CSR focus was on both economic and social issues, while Maersk expressed main concerns in the economic and environmental CSR aspects.

In general, the average grades for CSR aspects gradually increased indicating either better coverage of CSR categories from the portfolio or a transition to a professional CSR approach. Moreover, in the last period the calculated averages demonstrated similar results for CSR aspects both within and across cases, so that the companies analyzed reached a similar level of managing CSR issues and, also, demonstrated a balanced perspective on the economic, environmental and social CSR aspects.

4.3.5 Conclusion

Several important findings appeared from the analysis of organizational CSR portfolios. First, every CSR category from the suggested portfolio framework received a positive grade at least once in each case company. This indicates that the case companies, in spite of the different nature of their business activities, undertook CSR initiatives in relation to every CSR category over the time periods investigated. It points to a potential applicability of the proposed CSR portfolio framework for describing and comparing organizational CSR agendas of companies belonging to various industry sectors.

Second, almost similar results in relation to the calculated averages for CSR aspects were observed for all case companies in the last year analyzed. So, by 2012 all three companies (1)

balanced their CSR efforts among the economic, social and environmental CSR aspects and (2) exercised similar CSR approaches. Moreover, the case companies' organizational CSR portfolios became more diverse, i.e. less CSR categories were left uncovered in 2012 than in 2010 and 2008. This implies that the organizations, despite their affiliation with different industries, were systematic in their CSR choices and aimed at building a comprehensive CSR agenda rather than implementing asymmetric CSR approaches with economic, social, or environmental skewness.

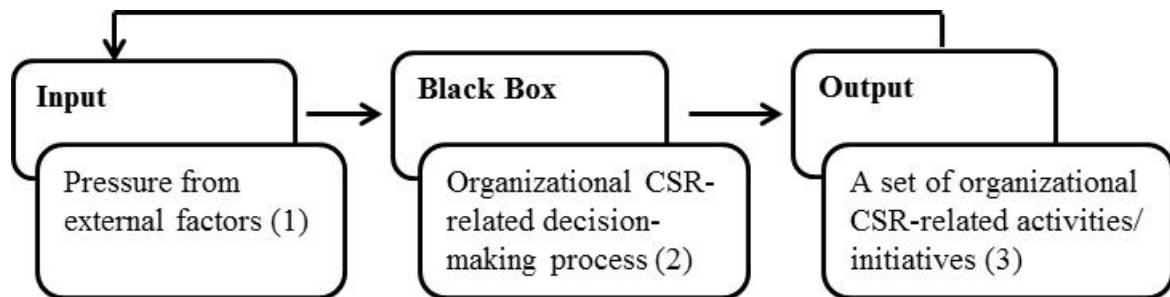
Third, while generally demonstrating the same growing tendency towards a more balanced and professional CSR approach, the case companies followed different historical paths in relation to particular CSR aspects. Thus, Lego started its CSR journey mainly with the activities related to the social CSR aspect; these are closely linked to the company's mission (i.e. enable children's development and creativity through playing) and the nature of its main product (i.e. toys). In contrast, Danske Bank's and Maersk's first prime focus was on the environmental CSR aspect; while this is expected for companies in a transportation and extractive industry (Maersk), this priority is quite surprising for a financial company since its business activities do not affect the environment much (Danske Bank). This implies that the industry sector not necessarily predetermines priorities as regards CSR aspects. So, even a financial company can emphasize environmental CSR aspect through, for example, responsible investments (i.e. environmentally-beneficial and/or eco-neutral projects) and "green" donations, like Danske Bank did.

Finally, the move towards a more professional CSR approach can be predicted for each company analyzed since more activities at the professional maturity level appeared in the case companies' CSR portfolios in 2012 than in the previous years. Mainly, CSR activities of professional maturity were revealed within the environmental CSR aspect which can be explained by the relative ease of positioning and managing environmental costs and, accordingly, detecting and grasping business opportunities. CSR activity maturity growth in the case companies might indicate growth of interest in the CSR business cases, i.e. the case companies' intention to tie CSR to their business activities and integrate it in their business models.

4.4 Input – The Black Box – Output

This section investigates the links between external influencing factors (section 4.1), CSR decision-making processes (section 4.2) and organizational CSR portfolios (section 4.3). The “Black Box” model adapted for CSR-related decision-making which was presented in the introduction chapter (see section 1.4) is applied for the analysis (Figure 4.4).

Figure 4.4 Organizational CSR-related decision-making – The “Black Box” model



External factors that have played a decisive role in the case companies’ CSR decision-making are considered Input (see section 4.1); while, the categories for CSR-related activities that have been implemented at a professional maturity level are investigated as Output (see section 4.3). So, the data were collected from CSR-related reports and from interviews with CSR specialists and managers in the companies studied. Since the data regarding the Input were obtained for the past 3-5 years (2008-2010) and for the recent period (2011-2013) and since the data regarding the Output were collected for 2008, 2010 and 2012, it is possible to investigate the links between the Input, the “Black Box” and the Output for two time periods: 2008-2010 and 2011-2013. First, a within-case analysis is conducted for each case company followed by a cross-case comparison and conclusion.

4.4.1 The Maersk Group

The external factors which were perceived as decisive for organizational CSR decision-making in Maersk both in 2008-2010 (Figures 4.4.1-1) and in 2011-2013 (Figures 4.4.1-2) mainly belong to the government-related group. In particular, national and local government CSR recommendations and regulations were declared to exercise strong pressure (see section 4.1.1). It corresponds to the results obtained for the categories of CSR activities implemented in Maersk: “energy & water consumption” and “emission & other waste” – the areas most regulated by government – were employed at the professional maturity level in both investigated periods (see section 4.3.1). Two other CSR categories often of governmental concern – “product/service impact” and “safety & health of employees” – received high grades as well and reached professional maturity in 2008-2010 and in 2011-2013 respectively.

These two CSR categories could also appear in the company's portfolio at a professional level as a reflection of strong pressure from consumers/buyers. Given the nature of the transportation and oil businesses, ensured safety of the workers who deliver the company's products and services and environmental impact of those products/services become part of Maersk's commercial offer. According to the company's CSR specialists:

"In our oil business, for example, safety is absolutely critical. We will lose our customers if we do not continuously focus on safety." (M2)

"It [CSR] has been part of our commercial strategy. We are seeing that more and more customers forward their [CSR] requests. They are asking us what we can do for them in terms of sustainability: environment, anti-corruption, etc....It [CSR] really helps our business relationship with these customers." (M3)

Figure 4.4.1-1 Maersk: Input and Output for CSR-related decision-making, 2008-2010

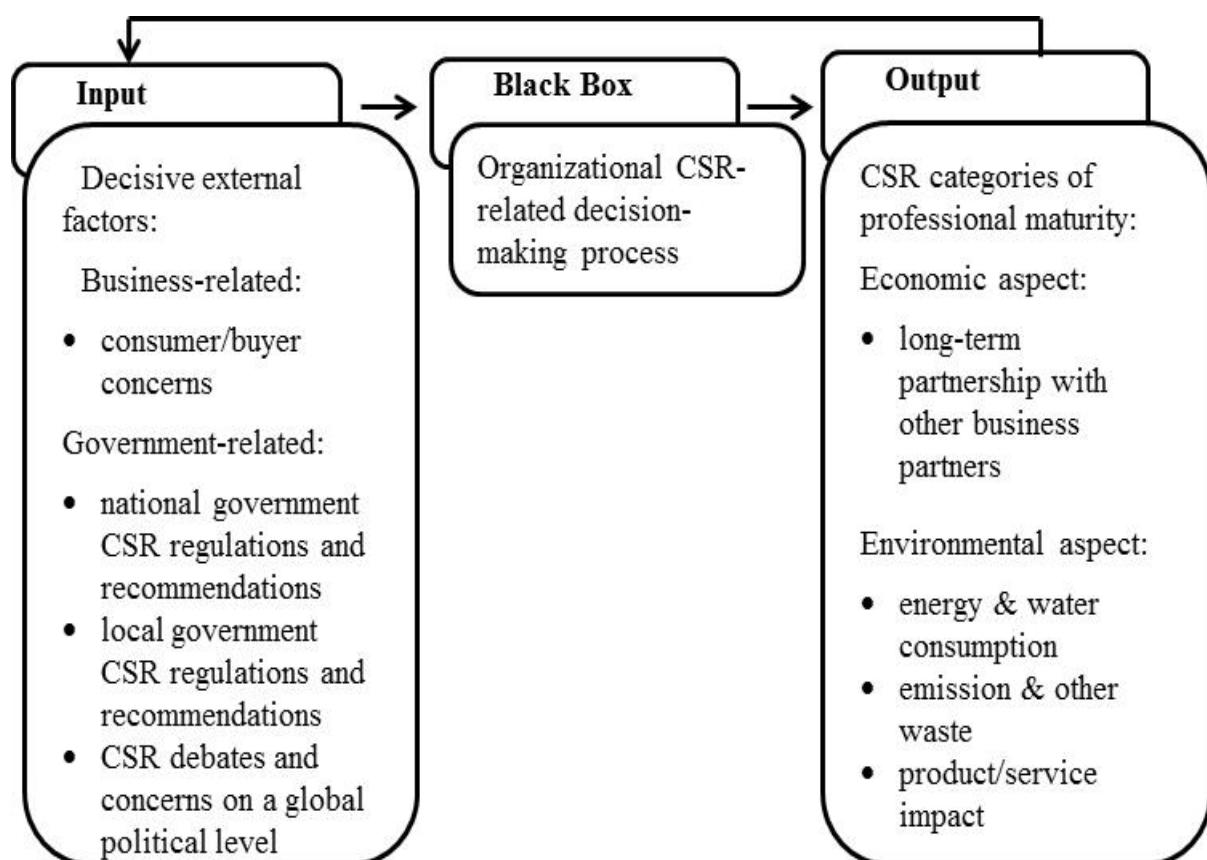
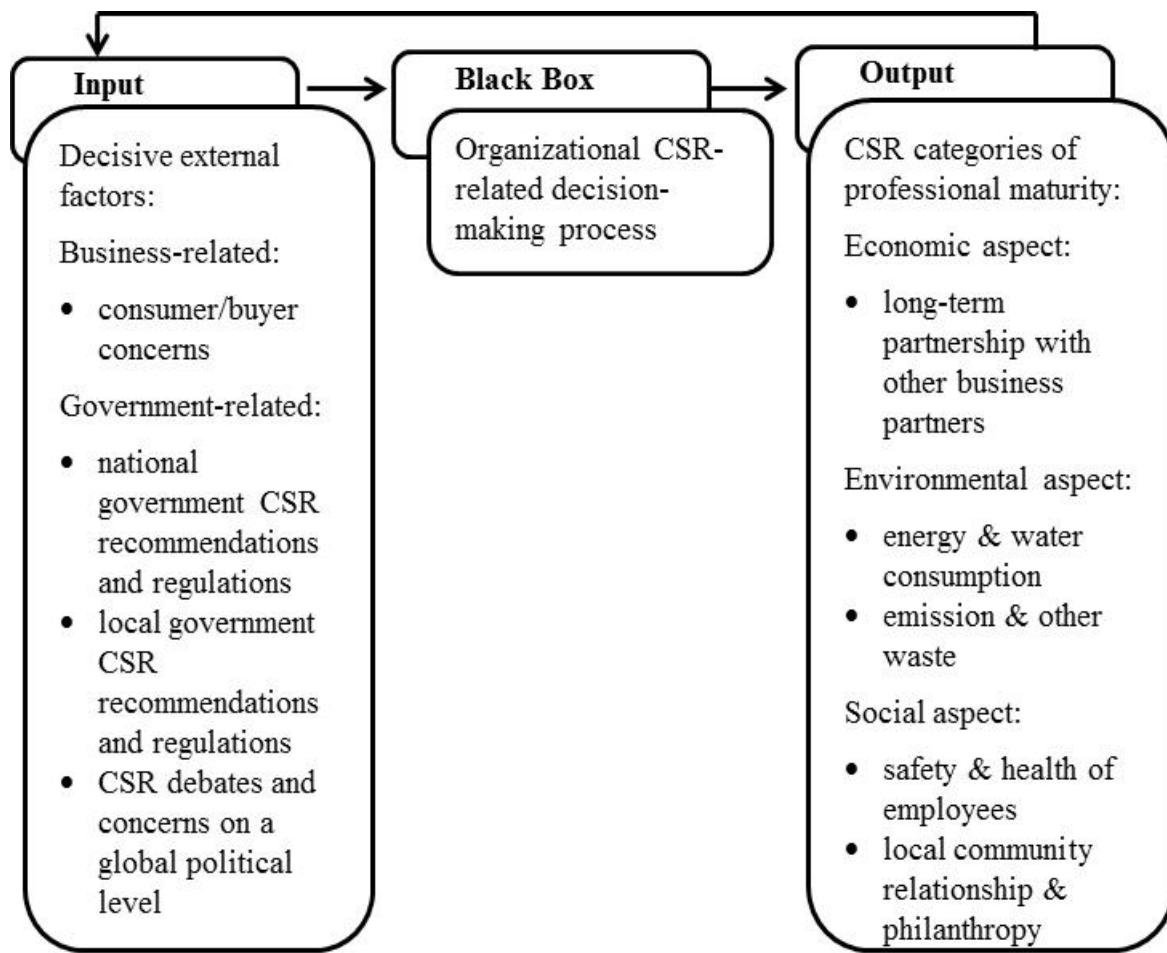


Figure 4.4.1-2 Maersk: Input and Output for CSR-related decision-making, 2011-2013



Similarly, another decisive external factor is linked to implemented CSR activities: the category “long-term partnership with business partners”, which appeared at the professional maturity level in both periods analyzed, can be seen as a result of strong pressure from consumers/buyers as well (Figures 4.4.1-1, 2). Since Maersk is a B2B company, its customers are other corporations which Maersk treats as business partners investing in strong relationships with them. So, as a response to the external pressure from consumers/buyers in 2008-2010 and in 2011-2013, Maersk developed long-term, mutually beneficial partnerships. As the company’s CSR specialists commented:

“We can differentiate ourselves, being awarded a contract on the basis of being able to show that we can deliver not only on the business investment, but also an added social value, for example, through education, through local employment, etc. So, it's very much customers and governments who are the primary drivers...At the beginning, I think, it was governance related...and now we are moving to more business-related drivers.” (M2)

Another CSR category of professional maturity – “local community relationship & philanthropy” – appeared in 2011-2013 (Figures 4.4.1-2). Although the decisive factors remained the same, as well as most of the other external factors influencing Maersk, the perceived pressure from NGOs and social movement organizations increased in this period and changed from “little” to “some” influence (see section 4.1.1). So, increased maturity for this CSR category can be linked to the increased power of NGOs and social movement organizations. Indeed, the CSR specialists at Maersk stated that the company is to some extent being pushed by NGOs. However, they also explained that:

“We are more mature in our [CSR] work and feel more confident... We have done our materiality assessment to make sure that we have [CSR] programs and structures and standards in place... So, we feel that we are pretty confident in terms of NGOs.” (M2)

Hence, the materiality analysis (within the “Black Box”) helps Maersk translate external pressure from NGOs (the Input) to relevant organizational CSR programs and standards (the Output) which, in turn, secure good relationship with NGOs and social movement organizations (the Input).

The professional maturity level for the “local community relationship & philanthropy” category could be also linked to the influence from local and national government. The Maersk CSR specialists provided an example of a CSR initiative concerning “relationship with local communities” and which was triggered by the local government; this example also illustrates the business opportunity for Maersk connected to that initiative (e.g. of professional maturity):

“...there is no such thing as this is CSR and this is the business. It’s kind of a mix and it should be about finding the sweet spot where there is no difference... For instance, when you talk about education: we have some talent gaps in our company, primarily in the oil and gas sector industries where you need really specific skills. And some of the countries in West Africa where we operate... put really tough demands on us in terms of providing expertise to locals... So, we have a big challenge there. But we also have a great opportunity in terms of both raising our talent pipeline and giving something back locally, stimulating a positive development where we operate... It’s not a CSR thing, but it’s a business thing with a great CSR angle... Kind of the shared value thought.” (M3)

As demonstrated above, the CSR initiative addresses both pressure from the external factor and the business needs. This logic is the core of the materiality analysis (see section 4.2.1). On the one hand, the analysis, which is a part of the CSR decision-making process, systematizes

stakeholder relationships and collects, records and evaluates stakeholder CSR-related concerns, thus linking box 1 and box 2 in the “Black Box” model (Figure 4.4). On the other hand, the materiality assessment offers CSR priorities according to which CSR activities are developed meaning that it establishes the link between box 2 and box 3 in the “Black Box” model (Figure 4.4). In addition, this analysis suggests looking at stakeholders’ CSR concerns from a business angle, thus facilitating the appearance of CSR-related activities of a professional maturity in Maersk:

“The new [CSR] strategy has two legs: the first one is continuing the integration...the second piece is enabling the growth of the company which has...three themes: energy efficiency, education and enabling trade...These three themes where we have tried to find the sweet spots...are also where we deliver solutions to some of the big societal problems that we have today...So, energy efficiency reduces CO2 emissions which is good for the world, but which is good for us too because it’s a clear cost savor. Education provides us with access to more talents which we need...it’s really difficult in many, especially growth markets to get... the right technical talent to work for us. And the third leg is enabling trade which provides access for people who don’t currently have access to the international supply chains. This will raise the price that they can get for their products, but it will also enlarge our volume.” (M4)

To summarize, external factors which played a decisive role in Maersk’s CSR decision-making remained the same in both investigated periods and mainly belong to the government-related group. In contrast, the categories for CSR activities which reached a professional maturity level differ for 2008-2010 and for 2011-2013, in particular due to the categories from the social CSR aspect that came onto the stage. Thus, while the Input is the same for both periods, the Output slightly varies. This can be explained by the new CSR strategy and by the fact that with gaining more experience with CSR and materiality analysis it becomes easier for the company to identify potential CSR areas with business opportunities, so the number of the CSR categories of professional maturity increases. Overall, the Input and the Output of CSR decision-making in Maersk are connected; the linkage is established through materiality assessment which is part of organizational CSR decision-making.

4.4.2 Danske Bank

The factors reported as decisive for CSR-related decision-making in Danske Bank are mainly divided into two groups: business-related and government-related. While demonstrating the stable perceived pressure from the government-related factors, the data showed that the influence of

business-related factors increased in 2011-2013 mainly due to the increased influence of competition, i.e. competitors' experience with CSR (see section 4.1.2). According to CSR professionals in Danske Bank:

"If the competitor publishes something [CSR-related] that is better than ours, then we need to step up our game and make it better than theirs." (D2)

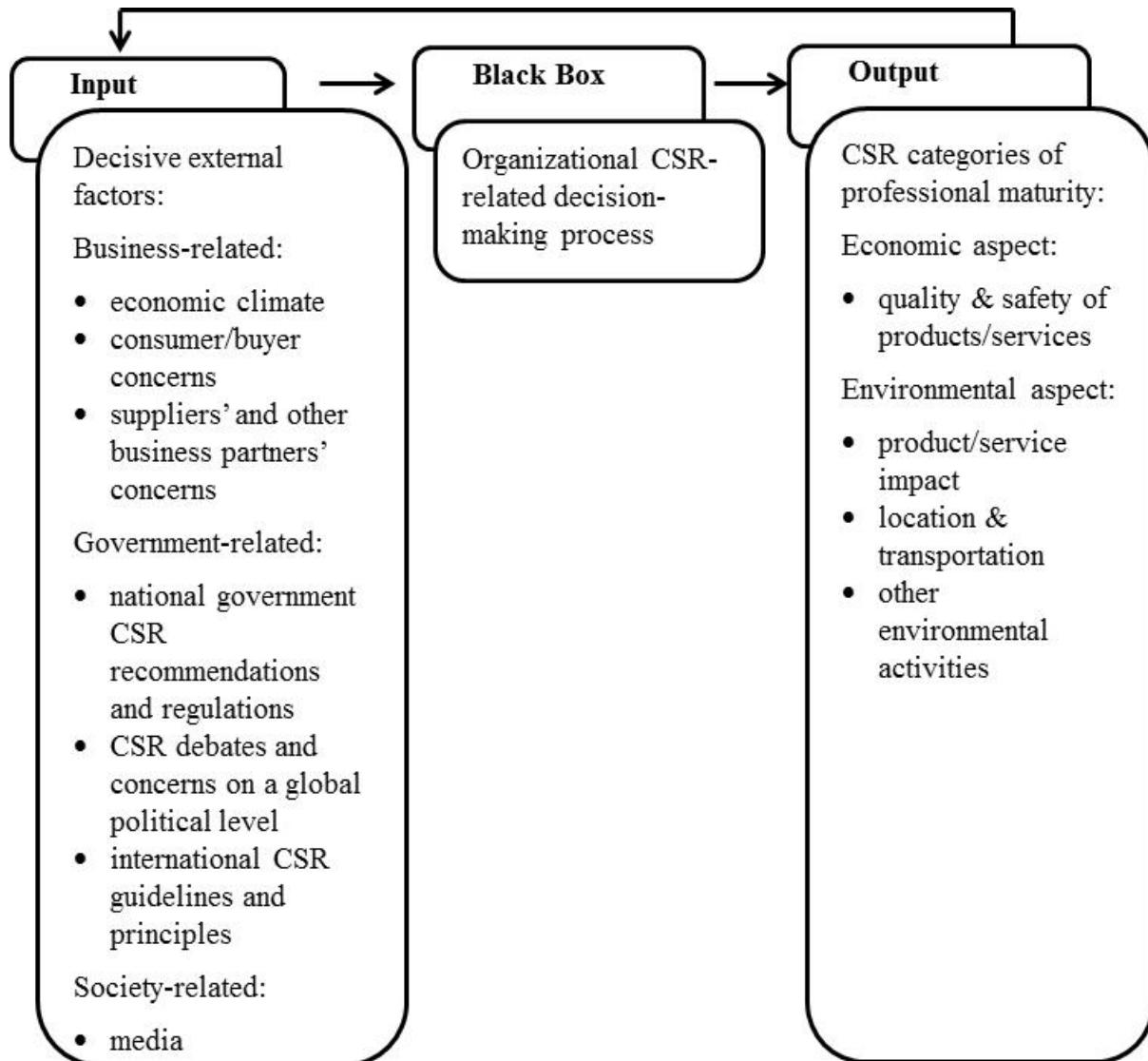
This coupled with the constant growth of consumer/buyer CSR concerns could lead to the implementation of CSR activities from the "quality & safety of products/services" category at the professional maturity level in both time periods (Figures 4.4.2-1, 2). The same is true for the environmental CSR category "products/services' impact", which in the case of Danske Bank is represented by eco-friendly investments. Professional maturity of these two categories indicates the importance of CSR in the company's competitive activity:

"Our customers, they are also parents who think that it's interesting that we make educational material for children. They are also young people that we try to help with special advisory services. They are also the elderly that we try to take care of with some of our CSR-related programs...It [CSR] is what we also offer customers as part of our advisory service and product service...it's something that we need to do better, because apparently there is a great interest from the customers." (D1)

Nevertheless, most of the categories in the company's CSR portfolio having reached the professional maturity level are from the environmental CSR aspect (see section 4.3.2); it is relevant for both 2008-2010 (Figures 4.4.2-1) and 2011-2013 (Figures 4.4.2-2). Since Danske Bank is a financial company and its business is not production, transportation or extraction, it is unlikely that government authorities and other external factors will have pushed Danske Bank towards implementation of environmental CSR activities. The reason for the professional maturity of the "energy & water consumption", "emission & other waste", "other environmental activities" and "location & transportation" categories rather lies in the company's experience with CSR:

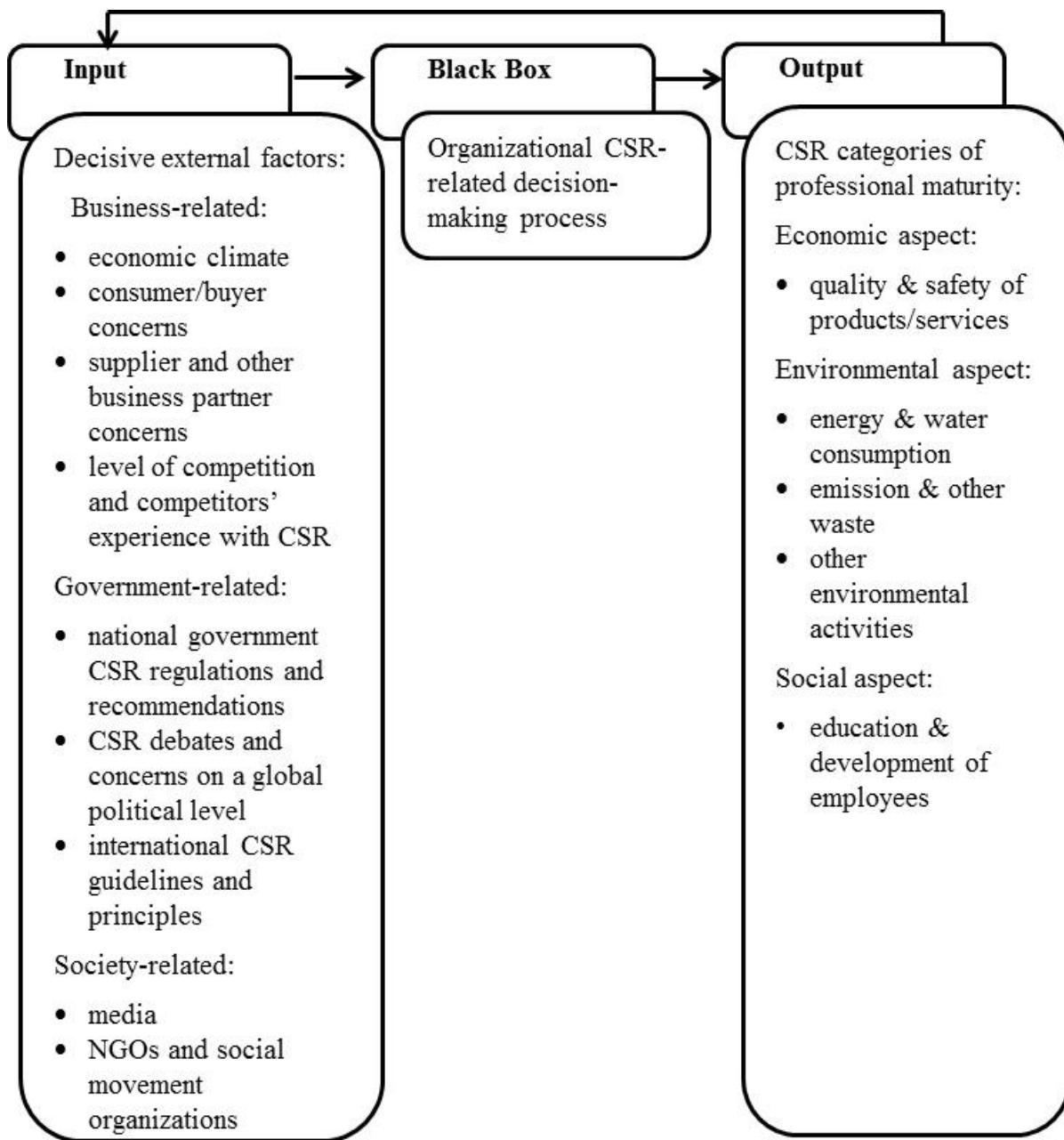
"It [CSR] actually started with the Board of Directors deciding on an environmental policy...that was a very basic thing on environment – how to handle our waste, and how to measure it, and how do we use energy and water, and things like that." (D3)

Figure 4.4.2-1 Danske Bank: Input and Output for CSR-related decision-making, 2008-2010



The environmental categories are easier to quantify than the others and, consequently, easier to track and control. If an organization has gained certain experience with managing environmental issues, it can benefit from the side opportunities such as cost reduction. In the case of Danske Bank, limitation of energy usage and water consumption, for example, does not require reconstruction of production sites or substantial investments in R&D. Instead, it would be enough to establish internal regulation and change employees' consumption habits. Thus, it might be easier for a non-production company than for a manufacturer to set up environmental CSR activities and, with earning experience, to benefit financially from those activities.

Figure 4.4.2-2 Danske Bank: Input and Output for CSR-related decision-making, 2011-2013



So, the professional maturity of the environmental aspect CSR categories can be explained by the tradition of environmental concerns established in Danske Bank. However, with financial crisis coming to the stage, the company reconsidered its CSR approach towards making it more material and business-related:

"It [CSR] actually started with an environmental policy... Of course, given that we are a bank, that's not the most material to us...it has been a bit of a voyage to make people in the activity board understand that we need to look at what is material...The financial crisis probably helped somewhatIn the beginning it was very much like... that we

need to have this environmental policy, we need to do something good for the employees, and we need to have something good for whatever... Then the financial crisis came and made it very obvious that the core of our responsibility is a sound business."

(D3)

Indeed, the economic climate has always been decisive for Danske Bank (Figures 4.4.2-1, 2). The crisis, which hit the financial industry in 2008, brought some challenges, but at the same time it brought some opportunities, i.e. the notion of materiality appeared in the company (see section 4.2.2). This allowed redirecting organizational resources to CSR-related initiatives which are connected to the business needs and which also acknowledge external influences:

"We decided we wanted a [CSR] program that was something specific for what a financial sector could do. We did a lot of sponsorships, ballet and art and so on, which is great but it's not something that is particular for a bank. So, we decided to focus on financial literacy... We took inspiration both from global banks and from our colleagues in the Irish markets... who work together with the governmental sector with schools... to promote financial issues... So, we said we want to take all this and then make it a group concept, a group program... We saw this as a possibility to do something which is our own, unique market wise. Then the next step was to do a survey, because we wanted to do this very thoroughly. So, we did some surveys on what is the level of financial literacy among young people in all of our markets... we did it like a pub quiz: "Do you know what an interest radar is? Or do you know how to make a budget?" and so on. Just to show that we do have an issue here and this [our customized financial service] is what we'll do to help solve that issue." (D1)

The above example illustrates how the competitors' experience with CSR (the Input) was translated into the CSR-related activity of professional maturity within the category "quality & safety of products/services" (the Output) (Figures 4.4.2-2). Materiality analysis was a tool within the "Black Box" that helped Danske Bank in this process.

Similarly, incorporating the materiality assessment in CSR decision-making indicated how the company can deal with the challenges triggered by the financial crisis, e.g. branch closures:

"It [the economic climate] is very decisive for our work... When the economic environment changes, we have a financial crisis; then the banks have to earn more money; when they have to earn more money, they start closing branches; when we start closing branches, then we affect a lot of people... And that is also a CSR-related issue,

because you especially affect people who are vulnerable either financially, or they have a handicap, or they have no digital access ...like the elderly ... So, now we are making a new e-banking channel [for these target groups]. It is a corporate responsibility project, but it's also a business project, because it develops a new online e-banking channel. So it's very much interconnected."(D1)

Hence, development of a new e-banking channel in Danske Bank is both a business and a CSR-related project within the “quality & safety of products/services” category (the Output); the project appeared in the company from the materiality analysis (within the “Black Box”) as a response to the economic climate influences (the Input).

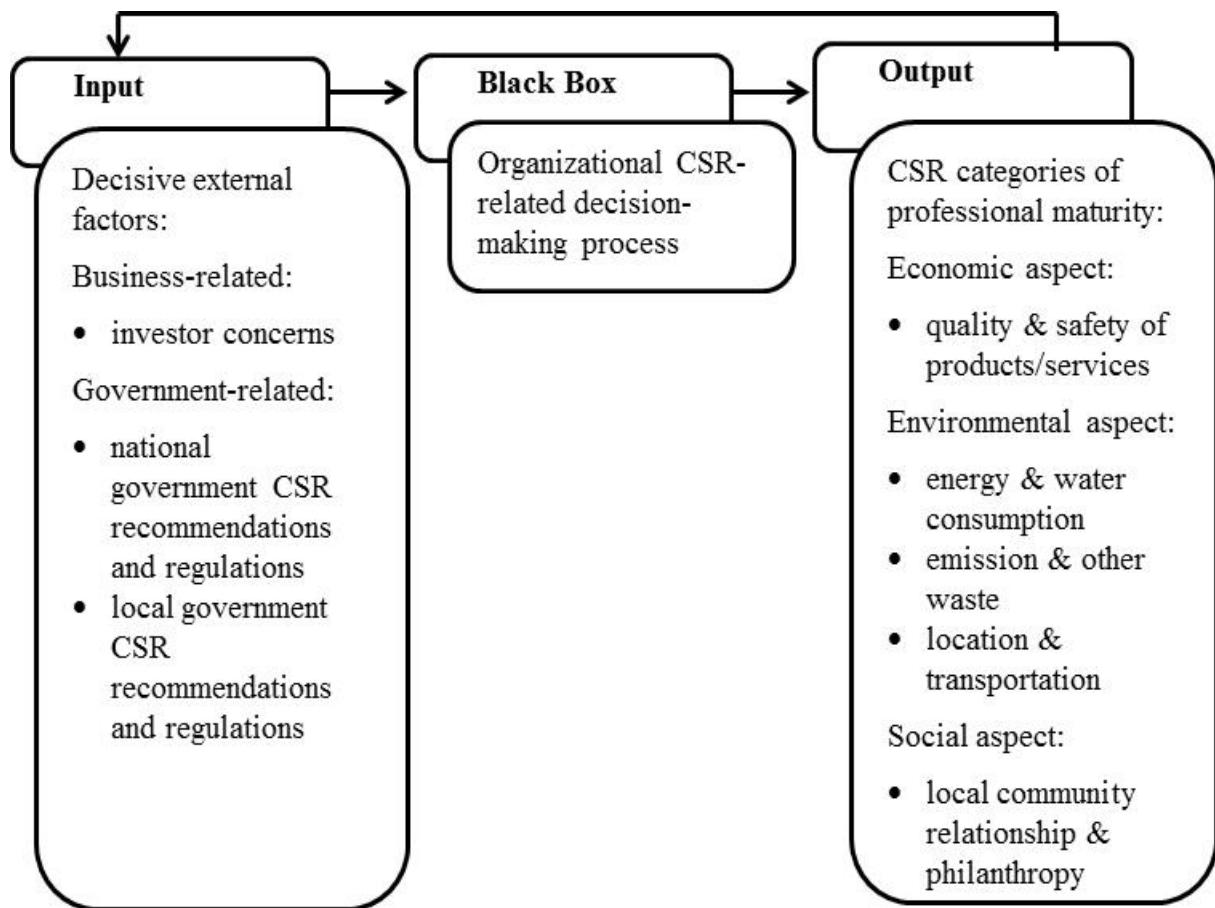
To sum up, there are many factors which were perceived decisive for CSR decision-making in Danske Bank both in 2008-2010 and in 2011-2013. Nevertheless, not many of those factors were reflected in the CSR activities that the company prioritized. Mainly CSR categories from the environmental CSR aspect reached the level of professional maturity; this hardly corresponds to the company’s business and to the reported external pressure. In spite of being perceived decisive, the government-related external factors should be considered secondary to the categories of professional maturity, since no direct correspondence between them can be revealed. In contrast, strong influence from the business-related external factors (i.e. from competitors and customers) could lead to professional maturity for CSR categories that are related to the company’s product/service. Overall, the Input to and the Output from CSR-related decision-making in Danske Bank are connected through materiality analysis located within the “Black Box”; however, the established link is not very strong, since the Output contains many CSR activities from the environmental aspect which do not reflect the Input to any great extent.

4.4.3 The Lego Group

As a production company, Lego paid great attention to such CSR categories as “energy & water consumption”, “emission & other waste” and “location & transportation” (see section 4.3.3), which reached professional maturity in both 2008-2010 (Figure 4.4.3-1) and 2011-2013 (Figure 4.4.3-2). Since these environmental issues are usually controlled by authorities, Lego’s priorities for related CSR activities can be linked to the significant role of government CSR regulations and recommendations in organizational CSR decision-making (see section 4.1.3):

“We will always comply with the law, that's a basic reference point, that's a key factor for us in terms of license to operate.”(L3)

Figure 4.4.3-1 Lego: Input and Output for CSR-related decision-making, 2008-2010



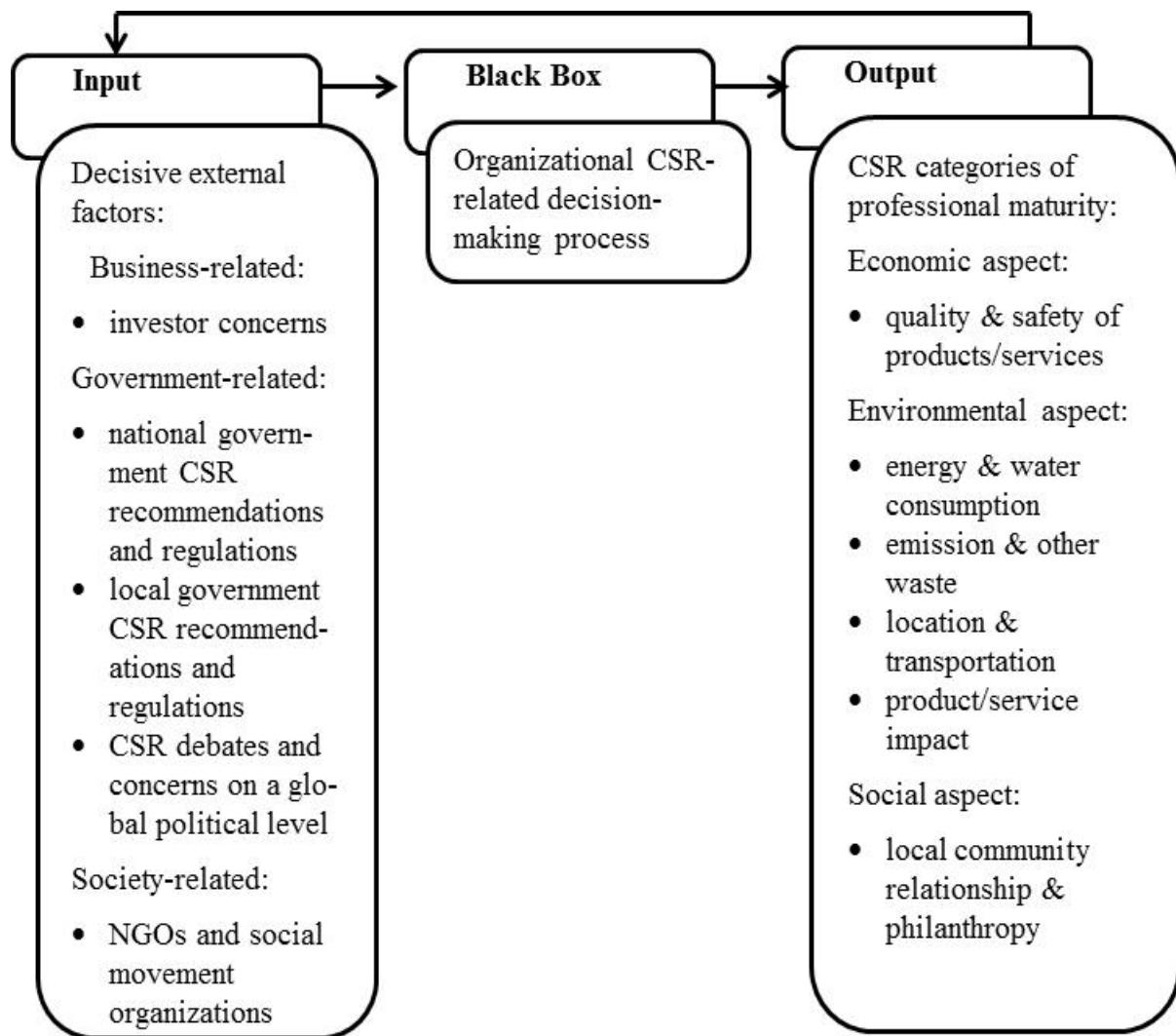
Two other CSR categories that reached professional maturity are “product/service impact” in 2011-2013 and “quality & safety of products/services” in both 2008-2010 and 2011-2013 (Figures 4.4.3-1, 2). Indeed, Lego’s product is addressed to children, therefore, its quality and safety is a core value of the company and a condition for Lego’s business survival:

“To deliver financial value with screwing our customers up – that’s not value creation for our owners, because they are in this business for the long term.” (L2)

Thus, a link can be established between these two categories and the decisive business-related factor – investor CSR concerns (in the Lego case, these are the owners of the company). Government-related factors, in particular the global CSR debate, push the company to ensure the highest safety standards for the product as well:

“There are a lot of different regulations. What is the key to us is product safety. And here we have many people looking into how to safeguard that – people working in the different associations, the European parliament, etc.” (L1)

Figure 4.4.3-2 Lego: Input and Output for CSR-related decision-making, 2011-2013



Another example regards the society-related external factor: NGOs and social movement organizations increased their pressure on Lego and changed from a “some” to “decisive” position towards organizational CSR decision-making over the periods analyzed (Figures 4.4.3-1, 2). The company’s CSR experts provided the following comment:

“They [NGOs] still come after us if we don’t behave correctly according to their standards. And we listen and try to have a dialogue... Their role as a catalyst in society is seen as important.” (L1)

The important role of this factor was reflected in professional maturity the “local community relationship & philanthropy” category. Similarly, a link can be observed between growing CSR concerns expressed by suppliers/other business partners and greater focus on the CSR category “supplier relationship” in Lego (see section 4.1.3).

Media is another factor in the society-related group that influences CSR-related decisions in the company; moreover, its pressure is expected to reach the decisive level in future (see section 4.1.3). An illustration of how Lego responds to this pressure is provided below:

“For instance, we have had a controversy with the media and general public about gender diversity in our products, because there is too much for boys to play with. Now we have introduced something for girls and so it’s gender specific.” (L1)

Thus, while addressing the external influences, Lego found a market niche and launched a new product line targeted specifically to girls. This is an example of a CSR-related project which is a business project at the same time. So, CSR is not considered detached from the company's activities, but rather embedded in the business:

“I think it [CSR] has gained a clearer road in the strategy. Once it [CSR] was seen as a side kick to the business, but now it’s more integrated into the values and the foundation of the brand framework. It is used to guide the direction of all decisions. So, you don’t see sustainability being promoted as an add-on anymore. It’s just part of how everything is gathered.” (L1)

As the Lego CSR specialists commented, with an integration of materiality analysis the company's work with CSR as well as related decision-making become organized more effectively; it allowed better monitoring of stakeholders' concerns and introducing a business logic in CSR decisions (see section 4.2.3). This is supported in the data showing that the decisive factors in the external environment (the Input) are well linked to the CSR categories of professional maturity (the Output). The materiality analysis was put in the base of CSR strategy development and Lego's intention is to make it a regular practice in the company:

“...there will be a materiality assessment for each [CSR] issue which will inform us whether this is something that we actually need to do something about or whether this is something which is not urgent because it is just not material for us.” (L3)

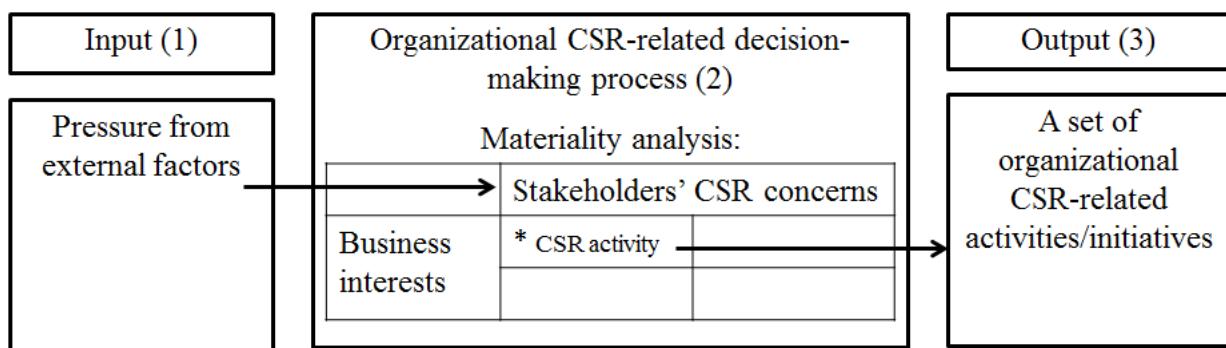
To summarize, CSR decision-making in Lego was mainly influenced by the government-related group of external factors. In turn, the CSR categories which reached professional maturity mainly belonged to the environmental CSR aspect. This suits the logic of a production company and demonstrates the link between external pressure on Lego and the company's CSR focus. A clear connection between the decisive business-related factor and professional maturity of the category within the economic CSR aspect can be also observed; the same applies to this category and its link to the CSR debate on a global political level. In addition, the influences from NGOs and

the media were reflected in the company's CSR portfolio. All in all, in the Lego Group the Input corresponds to the Output of CSR-related decision-making; materiality analysis plays an important role in transforming the external pressure into the company's CSR activities.

4.4.4 Cross-case comparison and conclusion

The analysis of the case companies demonstrated that the choice of CSR activities and the extent to which CSR categories addressed in organizational CSR portfolios responded to the influence of external factors. In Maersk and Lego the link between the Input and the Output of CSR decision-making was stronger than in Danske Bank; it is noteworthy that the connection was found in all three companies. It implies that in the case companies the Black Box accommodates an effective mechanism that identifies relevant stakeholders, tracks their requests and then transforms those into organizational CSR activities. The materiality analysis, which was revealed as a feature of CSR decision-making (see section 4.2), most probably works as such mechanism – Maersk and Lego have been using this assessment since 2008, while Danske Bank employed it only in 2013; this may explain the stronger connection for the former case companies in comparison to the latter one. The illustration of materiality analysis translating the influences from the external environment into particular CSR-related activities and initiatives is provided in Figure 4.4.4-1.

Figure 4.4.4-1. Materiality analysis transforms external pressures into CSR-related activities



Thus, CSR activities in the case companies were not chosen randomly but appeared as a result of structured decision-making processes and addressed the perceived demands of the external environment. According to the observations, with the growing pressure from particular external factors, corresponding CSR categories in the companies' portfolios increased in maturity. This might indicate the companies' CSR approach: to find financial and market benefits in relation to those CSR issues which are imposed by the external environment, thereby converting threats into business opportunities. Indeed, the case companies reached professional maturity for CSR categories belonging to the economic, environmental and social CSR aspects. It implies that

business opportunities can be found in various CSR dimensions. The CSR specialist in Lego provided the following comment on that account:

“In order to really embed responsibility, you need to be able to make the business case for your business... We as an organization are just responding to a general trend in the outside world... The business rationale is being more and more established.” (L3)

In particular, CSR is important for the companies' competitive activity, since all three case companies implemented CSR categories related to their products/services at a professional maturity level. It was detected, however, that the majority of CSR activities at a professional maturity level undertaken in the companies were from the environmental CSR aspect. This can be explained by the high pressure from the government authorities that often regulate environmental issues. While this might be a reality for a production firm (Lego) and a transportation and extraction company (Maersk), a financial organization (Danske Bank) is unlikely to be affected by environmental regulations to any great extent since it does not have a direct ecological impact. Alternative explanations can be rooted in the specific nature of environmental data (easiest to quantify and keep track on, so easiest to manage) or in the company's CSR experience (environmental issues were the first the company dealt with, so it could achieve significant results at the time of the study).

Also, it was found that the majority of the CSR categories appeared in the companies' CSR portfolios in 2010. The most rapid growth of maturities for CSR categories took place at that time as well. Due to the difficulties in obtaining historical data that would reflect the influence of external factors on the case companies in 2008 and in 2010 separately, it is difficult to evaluate the link between the changes in the companies' CSR portfolios (from 2008 to 2010) and the changes of pressure in the external environment (from 2008 to 2010). However, the link to internal organizational CSR-related processes can be suggested. Thus, in 2008-2009 the case companies started working with CSR in a systematic way, developing their first CSR strategies and implementing the materiality analysis (Maersk and Lego) or having the notion of materiality as regards CSR approach (Danske Bank); these, in turn, could lead to the changes in their CSR portfolios in the subsequent periods. As CSR specialists in Maersk commented:

“I think it's a very natural step when things are maturing... you can stop talking about CSR as a field and just talk about business, and then find that there are positive aspects to both business and society... When we started in 2008, the company... did not work with responsibility in a structured way... When you have been working with it in a really systematic way for quite a number of years, then you can wash out the lines and take a more comprehensive approach from the business perspective.” (M3)

"I think that's probably what you'll find in most companies...As you mature, you have the ability to do your own materiality assessments." (M2)

To conclude, the correspondence between the Output and the Input for organizational CSR decision-making was observed. It indicates that the case companies managed to grasp and prioritize influencing external factors and convert their influence into CSR-related activities that offer the business additional opportunities. However, it was done to a different extent: Maersk and Lego were more successful in addressing external pressure than Danske Bank. The reason might lie in Danske Bank's experience with CSR, in particular in the lack of practice with materiality assessment, contrary to Maersk and Lego where it has been employed for several years already.

Chapter 5. Discussion, implications and contributions

The research in the CSR field has been mainly devoted to three questions: “*What?*”, “*Why?*” and “*How?*”; these questions have rarely been addressed in a one study though (see section 1.3). To cover this gap and to gain a more comprehensive understanding of the organizational CSR approach, the research aim of the thesis was to investigate how companies make CSR-related decisions and choices (*how?*) and how they transform a general, abstract CSR notion into a particular, company-specific set of CSR-related activities and initiatives (*what?*) while reacting on stimuli from the external environment (*why?*). The following chapter elaborates on the research findings (see Chapter 4) in the light of the theoretical discussion and the specific research questions presented earlier (see Chapter 2): first, external factors influencing CSR-related choices will be given careful consideration (section 5.1); second, organizational CSR decision-making processes will be discussed (section 5.2); third, an examination of CSR-related decisions in the form of CSR activities chosen and included in the organizational CSR portfolio will be made (section 5.3); finally, the relationships among the three questions will be addressed (section 5.4). These sections will also discuss implications and contributions related to the “*why?*”, “*how?*” and “*what?*” of organizational CSR decision-making. The chapter concludes with critical reflections and suggestions for future research (section 5.5).

5.1 Input: External factors

The question “*Why?*” in this research unfolds as “Why particular types of activities and initiatives were chosen for inclusion in the organizational CSR agenda?” and revolves around the forces in the external environment which influence organizational CSR-related decisions and choices (see section 1.3). In order to identify those forces, the stakeholder perspective and the institutional perspective were considered together and the typology of external factors, which can affect organizational CSR decision-making, has been suggested; it encompasses three groups of external factors: government-related, business-related and society-related factors (see section 2.1.3). This typology along with the scale developed to differentiate external pressures (see section 3.3.1) allowed for an investigation of external influences and their role in CSR decision-making.

The literature highlights that different external factors put different demands on companies and powers of insistence that these demands be met vary (e.g. Bolton et al. 2011). Moreover, the external environment is not static; rather, there are dynamic pressures (e.g. Campbell 2007). The level of CSR expectations is gradually increasing (e.g. Morsing et al. 2007) implying that the external influence on organizational CSR decision-making is ever-changing. Indeed, it was found

that the case companies experienced different pressures from the government-related, business-related and society-related groups of external factors (i.e. the first group exercises the strongest influence on Maersk and Lego; while Danske Bank is mainly affected by the second group; the last group is on the weakest position in all three companies investigated, see section 4.1). In addition, the pressure within each group was not homogeneous and, for most of the external factors, dynamics in that pressure was demonstrated in different periods (e.g. strengthening of the role of the business-related group in CSR-related decision-making). So, to gain an understanding of what it means to be a responsible organization, CSR should be considered a dynamic process. Since different external factors exercise different pressure and since the pressure varies from period to period, organizational CSR policies and practices should respond to these differences and changes in order to be effective. Companies need a mechanism that allows regular monitoring of the external environment and prioritizing those external factors which should be addressed in organizational CSR-related decisions. This conclusion, along with the findings it is based on (see section 4.1), contributes the CSR theory by providing empirical support for the concerns expressed in the literature regarding the need for continuous adjustment of the organizational CSR agenda to the requests from a dynamic external environment (Maon et al. 2009, Lozano 2012, Lozano 2013).

Several theoretical implications can also be derived from the findings as regards particular factors. Thus, the government is acknowledged as one of the most important players in the external organizational environment (e.g. Athanasopoulou and Selsky 2012). Murillo-Luna et al. (2008) demonstrated that among other external stakeholders, regulatory bodies are perceived as the most influential stakeholders in terms of environmental pressure on companies. Since the case companies are headquartered in the same country, similar strong pressure from the national government was expected in the companies' CSR decision-making. However, the data revealed different results across the companies investigated (see section 4.1): national government CSR regulations and recommendations have influenced Lego more than Danske Bank; in turn Danske Bank was affected more than Maersk. Different dynamics for this factor was also reported: Maersk expects national government influence to decrease, while Lego prognoses a strengthening; Danske Bank views the pressure from the national government on CSR-related decision-making as being constant. Thus, although the case companies are located in the same country, the influence from the national government on their CSR decisions is not unequivocal (i.e. the data did not prove the expectations as regards the pressure from this factor). These findings are probably not surprising because the case companies operate in very different industries. However, business specificity does not fully explain the differences in the companies' perceptions of governmental influence, since the findings evidence that the financial company is affected by national CSR-related regulations and

recommendations more than the company which operates in the oil and transportation sector, while the opposite would be expected. The explanation rather lies in a company's previous experience with CSR and is based on a level of CSR-related ambitions which serve as a buffer against the pressure from CSR-related regulations and recommendations, i.e. a company will probably not depend much on regulations if its aims exceed existing regulations and if it has resources and knowledge to reach these aims. This conclusion contributes to a better understanding of the role of regulatory stakeholders in organizational decision-making in general and in CSR-related decision-making in particular.

Similarly, the findings do not fully support the viewpoint of NGOs and industrial regulations being presented as significant forces in the external organizational environment affecting companies' CSR policies (e.g. Aguilera et al. 2007). While NGOs were acknowledged to influence CSR decision-making in the case companies to some extent, industrial CSR standards were perceived as having little power in relation to organizational CSR choices (see section 4.1). The interviews with the case company CSR specialists and managers suggest that organizational sensitivity towards industrial regulations and NGO pressure is, first, industry specific (e.g. there are less CSR-related industrial regulations in the banking sector than in the extracting industry) and, second, depends on the company's experience with CSR issues. As the respondents also stated, the organizations investigated have already gained certain experience with CSR and are well ahead of CSR-related industrial regulations which set the basic requirements; hence, as opposed to what could be expected (Aguilera et al. 2007), this external factor is perceived by the interviewees as applying limited pressure on their CSR-related choices. The similar situation was observed regarding the influence from NGOs – now the case companies invite NGOs to take part in their CSR-related initiatives, while the opposite was the case at the outset of the companies' CSR journey. Thus, when exploring the power of NGOs and industrial regulations as regards their influence on organizational processes, business scholars should probably consider a company's previous experience with CSR, since this can weaken the power of the external factors discussed.

Economic climate is another external factor whose influence on CSR is found to be different from what is presented in the literature. According to Campbell (2007), companies will be less likely to behave in socially responsible ways when the economic environment is unhealthy, when the possibility for profitability is limited and when they experience weak financial performance (see also Waddock and Graves 1997), since under these conditions corporations have fewer resources to allocate for CSR-related activities and initiatives. While this statement seems logical, it, however, was not proved by the data. Two of the three case companies were affected by the economic crisis (i.e. Maersk and Danske Bank – see section 4.1), but they did not refuse their responsibilities nor

did they downsize their CSR involvement (see section 4.3). As the CSR specialists in those companies commented, the economic crisis actually forced them to focus their CSR efforts much more towards even more material issues. Thus, the stringent economic climate influenced the case companies to develop more targeted and business-connected CSR activities which can deliver value both to the business and to society. Purely philanthropic projects were abandoned though. This contributes to the theory by suggesting that a weak economy affects CSR in organizations differently, depending on whether a company considers CSR an add-on (then the resources can be retrieved and allocated to the business purposes instead of CSR) or whether CSR is integrated in the business and strategy (then the resources will not be retrieved from CSR, but allocated to CSR initiatives which are more material for the business).

Another implication for the theory lies in the findings concerning the role of global government (e.g. the EU, the Organization for Economic Cooperation and Development (OECD), the UN, etc.). It was discovered that the CSR debate/concerns on a global political level greatly influenced CSR decision-making in the case companies; moreover, pressure from this factor has been gradually increasing – global government is becoming more important for CSR-related choices than national and local government and industrial regulations (see section 4.1). It implies that these external factors are worth distinguishing and global government should be considered a detached external factor in relation to organizational CSR decision-making due to its significant impact on companies. This serves as empirical support for the important role of intergovernmental organizations acknowledged in an institutional perspective on CSR (Aguilera et al. 2007) as well as for the rare voices expressed in stakeholder theory as regards inclusion of global society in stakeholder classifications (Lépineux 2005). In addition, an implication for policy makers can be derived; if politicians/lobbyists want business to address particular CSR issues, it is advisable to bring those issues to a global level of the CSR debate. The discussion there is likely to trigger attention of large companies dealing with CSR to the issues in question and to lead to their inclusion in the organizational CSR agenda even before the corresponding national or industrial regulation will appear in force. Since large companies are often considered trendsetters, other organizations (including small and medium-sized companies) might follow their example.

Overall, the research of the influence from the government-related, business-related and society-related groups on CSR decision-making revealed that the government-related group had most impact on the case companies' CSR decisions, while the society-related group was the least powerful (see section 4.1). Business-related external factors took the middle position; however, it was reported that this group is gaining importance and is expected to drive CSR decision-making in future. Thus, the findings indicate that market power is growing and will be stronger than law/soft

law in relation to the influence on companies' CSR choices. More specifically, apart from consumers'/buyers' CSR concerns, which are described by the literature as a significant external driver (e.g. Lozano 2013), CSR requirements from suppliers and other business partners were found to be strong and gradually increasing in power in the case companies. This implies a change of motivation for CSR and suggests that CSR is likely to become part of business activities and routine business interactions in major organizations. Hence, a managerial implication for companies that want to differentiate themselves from competitors, as well as for B2B companies that want to partner up with large corporations, would be to adopt CSR principles in order to ensure their business contracts.

To summarize, the question "*Why?*" was addressed in the study from the position of the factors in the external environment that might influence CSR-related decision-making in companies. The findings provided empirical support for some theoretical statements such as the call for continuous alignment of organizational CSR practices to the needs expressed by a dynamic external environment as well as for concerns regarding acknowledging the global government in CSR questions. On the other hand, the data challenged the viewpoints on the power exercised by national government, NGOs, industrial regulations and economic climate on companies' CSR choices. In addition, the findings extended an understanding of the role of the business-related factors in organizational CSR-related decision-making. These led to several implications derived for the theory (e.g. the suggestion to take into consideration a company's CSR experience and strategy when investigating external pressures) as well as to the implications made for policy makers (i.e. as regards bringing CSR issues to a global CSR debate) and managers (i.e. as regards CSR adoption as a way to differentiation from competitors and building partnerships with major companies).

5.2 The Black Box: CSR decision-making processes

In this study, the question “*How?*” is represented by the question “How activities and initiatives are chosen for inclusion in the organizational CSR agenda?”, i.e. it is approached from the position of the decision-making processes behind the CSR choices (see section 1.3). Thus, CSR-related decision-making was explored in the case companies and it was found that all three organizations investigated have formal procedures and established processes for choosing CSR activities with nominated participants with CSR functions and responsibilities (i.e. special CSR department and CSR Council/Board), with approved choice criteria and with specific analytical tools for data collection and generation and evaluation of alternatives (i.e. materiality assessment and cost vs. benefit analysis) (see section 4.2). It implies that the case companies rely on a rational approach to decision-making when choosing CSR-related initiatives.

The rational approach to organizational decision-making is often presented as suitable only for stable external environments and bureaucratic organizations (e.g. Mintzberg 1973, Fredrickson and Mitchell 1984). Indeed, the companies investigated are large corporations; they need organizational structure and formal procedures that allow managing and controlling CSR issues. However, the case companies do not perceive their external environment as stable; the data demonstrated dynamics in the influence from external factors on organizational CSR decision-making (see section 4.1). Theory suggests (e.g. Fredrickson and Mitchell 1984) that an unstable environment is characterized by the lack of time and information – this prevents organizations from using the rational approach to decision-making. The interviews with the case company CSR specialists and managers evidenced that the organizations investigated solved this problem by developing and employing the materiality analysis which helps to monitor the external environment in order to collect necessary information and anticipate future changes (see section 4.2). These findings contribute to the theory by suggesting that, in spite of an unstable organizational context, companies can build their decision-making processes in general and CSR decision-making processes in particular on the principles of rationality; regular monitoring of the external environment employing effective scanning tools might be a condition for that to happen.

The materiality analysis, however, is not just a scanning tool; it is also an instrument that the case companies use to match the requests from the external environment and the business interests thus enabling a development of decision alternatives which are targeted to both CSR and business purposes (see section 4.2). Such an approach is discussed in the literature in light of pragmatic legitimacy gains when companies respond to external pressure by “*acting to maximize*

organizational benefits as opposed to solely promoting social welfare" (Colwell and Joshi 2013, p.77). Accordingly, organizational focus is on defining whether conformity with external demands corresponds to what is good for a company itself. Suchman (1995) states that pragmatic legitimacy can be identified by a cost-benefit analysis which is conducted before a company decides to react to external stimuli. In that sense, the findings revealing the materiality analysis as part of the case companies' CSR decision-making can contribute to the theory by providing another illustration of how pragmatic legitimacy can manifest itself (e.g. the materiality assessment can result in choosing and implementing a CSR-related activity that can help a company enter a new market, or reduce operational costs, or partner with a big retailer).

Several implications for the theory can be derived as regards rational decision-making. Thus, the classical rational perspective on decision-making is described in the literature as a defined sequence of particular steps: from problem formulation to the choice of solution (see section 2.2.2). This was not confirmed by the research findings though (see section 4.2). No unified sequence of steps for CSR decision-making processes was found – the discussion of CSR alternatives in the case companies is both top-down and bottom-up and goes back and forth, so some steps are repeated at different levels of the organizational structure. Moreover, it was revealed that in each case company the CSR decision-making processes have a varying number of steps depending on the scope of the CSR decision. Thus, the number of steps for major CSR decisions is larger than for minor CSR decisions, because more parties from more organizational units are involved consequently calling for more verification rounds. These findings rather provide empirical support for the later viewpoints on rational decision-making that withdraw sequential relationship, thus allowing repetition of steps, and which suggest that the number of steps in a decision-making process can vary depending on the type of the decision to be made (e.g. Eisenhardt and Zbaracki 1992).

Although no prescribed sequence and number of steps in CSR decision-making were found, the analysis detected some common steps for all case companies (see section 4.2). Thus, the process usually starts with an analysis that identifies the CSR problem, suggests CSR alternatives suitable for solving the problem and elaborates and subsequently evaluates those alternatives. Then, the proposal for the CSR alternative that fits the decision criteria best is created and goes through several discussion, verification and adjustment rounds until the decision is finally made. To compare with theory, Nutt (1984) proposed a five-step decision-making process grounded in the classical decision-making model: formulation (identify the problem and set objectives), concept development (find alternatives), detailing (clarify the features of most appropriate alternatives), evaluation (cost vs. benefit analysis) and implementation (develop a plan for the alternative chosen). A certain similarity between CSR-related decision-making processes in the case companies

and the five-step decision-making model can be observed: formulation, concept development, detailing and evaluation steps together correspond to the analysis that opens CSR decision-making in the case companies, while the implementation step coincides with the CSR proposal formulation in the companies investigated.

It is suggested that if all five steps from the model are gone through during decision-making, then this process is a “nova” process focusing on developing innovative solutions (Nutt 1984). As was demonstrated above, CSR decision-making in the case companies contains all five steps and can therefore be associated with a “nova” process. The theory, however, states that “nova” processes are rare in practice since companies prefer looking for and copying established ideas (Nutt 1984, Nutt 2002). It is difficult to find ready-made solutions in the CSR field though, since there is no clear understanding concerning the initiatives and activities to be included under the CSR umbrella. Furthermore, CSR policies and practices are very much context dependent (both internally and externally) and unique for every organization. In addition, the companies investigated are large market players that aim at being leaders in their respective industries; this goal can be achieved by developing innovative solutions rather than replicating well-known experience. This might explain the similarities of CSR decision-making in the case companies (see section 4.2) with the “nova” decision-making processes. In this regard, a theoretical implication can be derived: the findings suggest that although “nova” processes are rare in business practice, they can be found in large companies as regards CSR-related decision-making.

Overall, the processes and managerial instruments behind the CSR choices in the companies investigated are found to be alike (see section 4.2). This is explained in the theory from an isomorphism standpoint. For instance, Sotorrio and Sanchez (2008) state that the most reputed companies employ similar advanced management tools and systems (management isomorphism), so normally there is little space for differentiation. DiMaggio and Powell (1983) also indicate that companies can voluntarily imitate the structures and activities of their more successful peers (mimetic isomorphism), especially under uncertain environmental conditions. However, such isomorphic behavior is usually characteristic for organizations within similar industries (e.g. Colwell and Joshi 2013), while the case companies operate in different business sectors. The possible explanation is that CSR is still an uncharted terrain for many organizations, so a need to benchmark across industries exists. In this regard, the research findings contribute to the theory by demonstrating unusual, inter-sectoral isomorphic behavior in relation to CSR practices and processes.

To summarize, the question “*How?*” was answered in the research from the CSR-related decision-making perspective which was found to be grounded on principles of rationality in the case

companies. The findings empirically verified some assumptions of a rational approach, in particular concerning flexibility in terms of the order and number of steps included in decision-making processes and suitability of this approach to large bureaucratic organizations. In contrast, the viewpoint that principles of rationality in decision-making are only appropriate for stable external environments was not supported in relation to CSR decision-making in the companies analyzed. Regular monitoring of the external environment (i.e. the materiality assessment) might be a reason for the case companies' successful use of the rational approach under unstable external influences. In addition, the implications for the theory were derived as regards "nova" processes (which can be found in CSR decision-making in large companies), isomorphic behavior (which can appear for CSR in companies from different industries) and pragmatic legitimacy (which can be manifested by the materiality analysis).

5.3 Output: Organizational CSR portfolio

The question “*What?*” is included in this research as “What is CSR about from an organizational viewpoint?” and is seen through a prism of organizational choices of CSR-related activities and initiatives (see section 1.3). In order to capture those choices, an organizational CSR portfolio framework was proposed (see section 2.3.1). The framework is built on three groups of categories for CSR activities: economic, environmental and social. In addition to the type of CSR activities, the extent to which it is decided to implement these activities is important. So that, four maturity levels for CSR categories – neglecting, elementary, moderate and professional – were suggested, and corresponding CSR strategies were proposed (see section 2.3.2). Together with the scales developed for the maturity levels and the strategies (see section 3.3.2), the portfolio framework was used to answer the question about a company’s CSR choices and decisions.

The theory suggests that CSR is a dynamic process and that organizational CSR approach develops over time; more specifically, it proceeds through three stages: initiation, implementation and maturation (e.g. Bolton et al. 2011). Accordingly, the progress is reflected in organizational CSR choices. This research contributes to the theory by providing a longitudinal analysis which demonstrates a development path as regards the case companies’ CSR approaches. In particular, the findings indicate that the companies investigated followed different historical paths in relation to their CSR priorities (see section 4.3). Thus, in the first period (2008) two of the three case companies focused mainly on environmental CSR activities, while in the second period (2010) the focus shifted towards the economic CSR aspect in all three organizations analyzed. In the last period (2012), though, similar CSR approaches were revealed for all the case companies – they addressed economic, environmental and social CSR aspects to the similar extent (i.e. the same maturities). It implies that those organizations aim at exercising a balanced approach to CSR rather than asymmetrically employing activities from economic or social or environmental CSR dimensions. Scholars express the viewpoint that CSR is effective when respecting the balance among the three aspects (e.g. Panapanaan et al. 2003, Werre 2003, Lozano 2011). Hence, such a balanced approach developed after several years of dealing with CSR issues can be considered as a sign of CSR maturity in the case companies.

Another support for this can be found in the data (see section 4.3) showing that with time the case companies’ CSR portfolios became more diverse (i.e. activities in more CSR categories appeared) and more professional (i.e. more activities of a professional maturity level appeared). This also corresponds to the opinion of Morsing et al. (2007) who stated that the criteria for good

corporate behavior are changing and that what used to be acceptable in the past might simply not be enough today due to stakeholders' increasing expectations.

Moreover, CSR-related activities of a professional maturity were detected under each CSR aspect, thus implying that business opportunities can be found within economic, social and, especially, environmental dimensions of CSR (the last one accommodates most of such activities). The move towards a professional approach to all CSR aspects was indicated for all the case companies (see section 4.3). It points to the rise of interest in a CSR business case in the organizations investigated. Indeed, according to the case companies' CSR specialists, a close connection of CSR activities to a company's business was named as one of the most important criteria for organizational choice (see section 4.4). These findings challenge the viewpoint of those managers and business scholars (e.g. Sundaram and Inkpen 2004, Karnani 2011) who believe that CSR is harmful and just brings additional costs without any business opportunities. In fact, there is room for a business case if CSR is approached in a structured manner. The literature on CSR development (e.g. Bolton et al. 2011) states that after a number of years a company's CSR approach is transformed from a passive, fire-fighting stand to a proactive one which attempts to respect external environmental concerns as well as business concerns. So, a certain level of proficiency is probably required to be able to spot and make use of opportunities that CSR might offer.

To summarize, this research addresses the question "*What?*" from the standpoint of organizational CSR choices and decisions and responds to the call for an investigation of the range and intensity of CSR-related activities and initiatives (e.g. Aguilera et al. 2007). Overall, the findings supported the theoretical statements as regards gradual development of companies' CSR approach and CSR maturity, which is reflected in organizational CSR choices (i.e. a more diverse and more professional CSR portfolio and a more balanced approach to the three CSR aspects). On the other hand, the data did not favor the viewpoint that CSR was considered just an expensive area without any opportunities; more precisely, an increasing interest in CSR business cases in the companies investigated was identified. This leads to the theoretical implication suggesting that a company's experience with CSR likely affects an organization's ability to spot business opportunities related to CSR.

5.4 Input – The Black Box – Output: Interrelations

The aim of this research was to explore how companies transform a general CSR notion into company-specific CSR activities while reacting on stimuli from external environment – in particular, to analyze “*What?*”, “*Why?*” and “*How?*” of organizational CSR decision-making. This was achieved by investigating the three perspectives: (1) forces in the external environment (*why?*), (2) decision-making processes (*how?*) and (3) the types of activities and initiatives chosen (*what?*) (see section 1.3). Apart from considering these perspectives independently, the search for possible interrelations was also included in the study (see section 4.4). This was done to respond to the calls expressed in the literature as regards the need examining the extent to which external pressure affects the intensity of organizational CSR efforts (e.g. Aguilera et al. 2007).

Ideally, an organizational CSR portfolio should not be presented by disconnected initiatives; instead, companies should aim at building their CSR portfolio from the activities which respond to stakeholders’ concerns and which help to manage those relationships that are key for an organization (Maon et al. 2008). A theoretical link between an increasing external pressure on the one hand and a proactive CSR strategy and a growing level of corporate responsiveness on the other has been already established (e.g. Campbell 2007, Lee 2011, Colwell and Joshi 2013). However, what is largely missed is empirical support for this statement. This research contributes to the store of knowledge by providing such an empirical verification.

Thus, the findings demonstrated that the influence from the external environment on the case companies in the main corresponds with their choice of CSR-related activities (see section 4.4). Furthermore, it was found that with growing pressure from external factors, the extent to which relevant CSR categories were chosen to be addressed was also increasing (i.e. maturity of the activities was raised). It implies that when experiencing strong pressure from the external environment as regards particular CSR issues, the case companies approached this challenge as a business opportunity and responded by implementing relevant CSR activities at a professional maturity level rather than addressing the minimum requirements. The same conclusion was reached by Murillo-Luna et al. (2008) who showed that the greater the perceived demands from stakeholders, the more activities which are beyond mandatory requirements (and even beyond market/society expectations) a company adopts. The revealed approach can serve as an inspiration for other companies. So, a managerial implication derived from this suggests that instead of seeing strong external pressure as a constraint, organizations might need to respond to that pressure to a greater extent than required (by investing resources, time and effort in CSR) to be able to benefit from the situation.

To arrive at the correspondence between external demands and organizational CSR activities requires an efficient mechanism for scanning the external environment and for prioritizing organizational stakeholders and, consequently, CSR-related issues. It was found that all three case companies employed the materiality analysis for this purpose (see section 4.2). In addition to the external influences, more diverse and professional CSR portfolios of the case companies can be associated with internal organizational changes, in particular, with the change of approach to CSR-related decision-making (i.e. towards more systematic and material one) and with the change of organizational structure (i.e. establishing a cross-functional CSR department). Indeed, a CSR specialized department indicates and prioritizes CSR-related initiatives relevant for an organization and coordinates them with other parts of the organizational system (Maon et al. 2008). The findings displayed that working with CSR in a structured, consistent way enables the case companies to develop targeted CSR activities meanwhile discovering business opportunities (see section 4.2). Such a systematized approach serving as a role example for organizations that want to employ CSR principles or make CSR more effective can be seen as another implication for managers.

To summarize, interrelations among “*What?*”, “*Why?*” and “*How?*” of organizational CSR decision-making were investigated by analyzing the links between external influences (why?), decision-making processes (how?) and a company’s CSR choices (what?). It was found that the choice of CSR initiatives in the case companies responds to the pressure from external factors and that the maturity of CSR categories corresponds to the changes in that pressure. These findings contribute to the theory by providing an empirical verification to the connection between the influences in external environment and organizational CSR efforts, which has been established in the literature. In addition, the findings suggest an explanation for such a link that lies in the spectrum of a structured approach to CSR-related decision-making, which includes a special department with a CSR function and a mechanism for scanning the external environment, prioritizing CSR-related issues and tying them to business needs (i.e. the materiality analysis). This approach can be regarded as a best practice example and constitutes a managerial implication of the research.

5.5 Critical reflections and future research directions

To approach this research critically, it has several limitations. First of all, the research relies largely on interviews with the CSR specialists and managers (see section 3.3.1). While being the most knowledgeable informants for the topic of interest, they are, however, great advocates for CSR, so no dissenting voices associated with CSR-related decision-making in the case companies have been collected. To provide a more comprehensive picture, comments from linear managers, who are often in charge of developing CSR-related projects corresponding to corporate CSR priorities, probably should be taken into consideration.

In addition, the analysis of CSR-related activities and initiatives is limited to the ones presented in the CSR-related reports (see section 3.3.2). Given that the companies investigated are large corporations, it is possible that not all organizational initiatives are included for publication. Thus, only CSR activities which are perceived by the case companies as the most important are addressed in the research (and in the scales used for the analysis). When investigating organizational CSR portfolios, however, it would be beneficial to consider the full range of relevant initiatives; so a search for additional data sources might be needed.

It is worth noting that the research focuses exclusively on the external factors affecting CSR decision-making (see section 1.3). This perspective provides valuable insight for external relations/stakeholder management which is a part of decision-making; however, it cannot always fully explain companies' CSR choices. What else can influence the choice of CSR activities? What else can determine the extent to which those activities are decided to be implemented? What can affect the level of corporate environmental responsiveness? For example, Colwell and Joshi (2013) suggest that the answer to the latter question is top management commitment. Maon et al. (2010) also state that corporate leaders' values and visions as well as the corporate culture constitute a significant influence on a company's approach to CSR. Bolton et al. (2011), in contrast, highlight the role of employees. This thesis alludes to previous organizational experience with CSR as being an important issue. In that regard, it is suggested that the next step for research will be an investigation of internal factors which can influence companies' CSR-related decision-making.

Further research is also recommended in relation to the materiality analysis revealed in the case companies (see section 4.2). Several avenues for future research are offered here. First, the role of materiality assessment in stakeholder management deserves additional attention. In particular, it is interesting to know whether/to what extent the materiality analysis facilitates stakeholder dialogue, increases stakeholder responsiveness and/or makes stakeholder monitoring more effective. Second, the role of the materiality assessment in conflict management is worth exploring.

More specifically, research can focus on whether the materiality analysis offers a structure and a point of reference that can raise the level of agreement and limit conflicts and political games which might appear in companies during CSR-related decision-making. In the case companies, these benefits of the materiality assessment have been indicated (see section 4.2); however, further investigation is advised to verify the findings.

Furthermore, due to the research context chosen (see section 1.5), it is not clear whether the materiality assessment is a common feature of large corporations exclusively as well as whether it can be found only in Danish companies. Characteristics of CSR-related decision-making would probably be different if another context was chosen, since company size (e.g. Chih et al. 2010) as well as country of origin (e.g. Campbell 2007) can influence an organization's CSR approach. Thus, both an investigation of CSR decision-making in small and medium sizes companies and a cross-country analysis can be beneficial for clarifying the research findings.

Another interesting question that requires further exploration is whether the materiality assessment always appears in companies after several years of dealing with CSR issues and should be considered a sign of maturity of CSR approach in those companies (as the findings suggest – see section 4.2). Alternatively, the materiality analysis might not be a feature of experienced companies but a feature of development of the CSR field and CSR business practice in general (feature of time). So, the question for investigation is whether companies need to move through the CSR development phases or whether the “new followers” without any experience with CSR can adopt the materiality analysis and reach a professional maturity of their CSR activities in a short time.

Finally, this thesis takes on decision-making lenses (i.e. structures and processes) on how companies translate a general CSR notion into particular CSR-related initiatives. Other perspectives, though, such as sense-making (e.g. Daft and Weick 1984), strategic agenda building (e.g. Dutton 1997), selling issues to top management (e.g. Dutton and Ashford 1993) and political games (e.g. Hardy and Thomas 2013) can also offer valuable insight and, thus, are recommended for future research.

Chapter 6. Conclusion and overall contributions of the research

In recent decades, CSR has moved gradually from an idea expressed in management literature to business practice. While initial motivation for CSR as well as CSR integration and implementation topics have deserved vast attention from scholars, CSR-related decision-making as a managerial routine still remains largely unexplored; i.e. why some CSR issues enter a company's decision-making, how the decision-making processes are happening and what is the outcome of those processes have not been sufficiently investigated. In this regard, the thesis offers some central contributions.

First, it elaborates on the factors in the external environment which might push companies to include particular CSR issues in their CSR-related decision-making. More specifically, a typology of the external factors which can affect organizational CSR choices was developed (see section 2.1.3). This typology is different from the others which tended to examine either institutions or stakeholders, since it combines these two groups and, thus, offers a more comprehensive description of the external organizational context. The proposed typology divides the external factors into three groups: government-related, business-related and society-related factors. This division reflects the nature of the power that these groups exercise on CSR choices: law/soft law, market power and social legitimacy accordingly. This approach to classification is beneficial since it allows tracking and analyzing general trends in an external organizational context in relation to the influences on CSR decisions (e.g. it was found that market power is growing, while the power of law/soft law is expected to decrease, see section 4.1). Indeed, the literature suggests that not all of the factors in the external environment exercise the same pressure, so managers need to prioritize which influences to respond to (e.g. Mainardes et al. 2011). Therefore, it is necessary not only to identify external factors but also to measure the extent of their influence on companies. In addition to the typology, the scale for evaluating the pressure exercised by the external factors was suggested to address this concern (see section 3.3.1).

The typology along with the scale can be considered a contribution to the theory by providing scholars dealing with CSR and stakeholder dialogue issues with a better understanding of the external influences on a company's choices, i.e. by enabling them to collect and evaluate the relevant data (similarly to the analysis of the case companies performed in section 4.1.). In addition, the proposed typology can serve as a navigation frame for managers and help them monitor the external environment and to prioritize the factors (i.e. to identify the most influential ones) which a company should address in order to make their CSR activities more targeted and effective.

Second, the thesis explores CSR-related decision-making processes in large companies. In particular, it was found that those processes are grounded in principles of rationality: the case companies have cross-functional CSR departments, analytical tools and formal procedures for choosing CSR-related activities, clear choice criteria and an established connection with organizational strategy (see section 4.2). Furthermore, CSR-related decision-making in those companies is flexible in terms of number of steps included depending on the scope of the CSR decision to be made. Several common steps, however, were identified: analysis (contains problem formulation, suggestion for CSR alternatives, elaboration and evaluation of those alternatives), proposal development for the most suitable CSR alternatives and subsequent discussion, verification and/or adjustment rounds (see section 4.2). These findings contribute to the store of CSR knowledge by describing CSR-related decision-making as a routine.

Moreover, it was detected that the same instrument was employed in the case companies as part of their CSR decision-making – so-called materiality analysis/assessment. This analysis seems to be an effective tool that helps companies translate a general CSR notion into company-specific CSR activities. It combines monitoring of the external environment and defining CSR issues that are material (i.e. closely related and highly relevant) for an organization. That is to say, CSR-related activities respond to requests from the external factors that are important for the company on the one hand and become more connected to its business and less associated with mere philanthropy on the other (see section 4.4). This should encourage managers to view stakeholder dialogue as a phase in the CSR decision-making process making them aware of their external organizational context. The materiality analysis might be one of the best practices found in CSR management and it is worth developing for use in companies which want to make their CSR activities and initiatives more targeted. It can also provide a business opportunity for consulting agencies which offer analytical support in the CSR field.

Third, the thesis investigates companies' CSR decisions in the form of CSR-related activities and initiatives. For this purpose, the organizational CSR portfolio framework was developed classifying: (1) the types of CSR-related activities (within environmental, social and economic CSR aspects), (2) the extent to which those activities can be implemented (i.e. four maturity levels) and (3) the organizational approaches to the three CSR aspects (i.e. CSR strategies corresponding to the maturity levels) (see section 2.3). In addition, scales for the maturity levels and for the aspect approaches were suggested (see section 3.3.2).

The organizational CSR portfolio contributes to the theory by bringing a dynamic perspective to the triple bottom line: the three CSR aspects are compiled in a flexible framework that allows different CSR strategies for environmental, social and economic dimensions (i.e.

different CSR activities of different maturity levels for different aspects within one portfolio). On the other hand, the portfolio offers a structure to companies' CSR efforts, thus providing a base for comparison and evaluation and enabling conclusions about an organizational approach to each of the three CSR aspects. The framework and the scales were tested in the main qualitative research and were proved suitable for analyzing CSR in organizations operating within different business sectors and for comparing CSR agendas both within and across companies. Hence, the CSR portfolio framework can be employed by business scholars when investigating organizational CSR priorities or when contrasting different companies' CSR approaches (similarly to the analysis of the case companies performed in section 4.3). The framework also enables collecting historical data and, therefore, performing longitudinal analyses; this provides an opportunity to contribute to the CSR theory by describing the development of organizational CSR practice.

The hope is that the framework will be used as a pragmatic tool which can help promote CSR "as a concept for implementation". Since the CSR portfolio categories just demonstrate a variety of directions for CSR activities and initiatives, they can serve as a first pointer as regards what can be done under each CSR aspect and how an organizational CSR agenda can be set up. Thus, the portfolio can be a helpful tool for CSR "new-followers" since it can offer an idea of where to start, at the same time allowing adjustment to the unique organizational situation and ensuring a certain flexibility, which suits the CSR context dependency viewpoint. For companies having already adopted CSR, an organizational CSR portfolio can serve as a benchmarking tool. In addition, it can be employed as a tool for internal comparison and control – managers can compare organizational progress over a time period and identify bottlenecks in relation to CSR. So, the framework allows revealing weaknesses in the organizational CSR approach in the form of attention gaps towards particular CSR facets. It can also help managers allocate organizational time and resources to various CSR components, thus avoiding asymmetry in the CSR efforts and enabling the coverage of all three CSR dimensions: economic, environmental and social. Thereby, the portfolio can help companies take a balanced perspective on CSR.

Consulting agencies interested in the analysis of companies' CSR efforts might also benefit from the use of an organizational CSR portfolio. Normally, they offer CSR/Sustainability indexes and ratings (e.g. SAM, DJSI, FTSE4Good); these indexes measure CSR performance, i.e. the outcome of CSR-related activities and initiatives. An organizational CSR portfolio offers another perspective – it indicates the comprehensiveness of a CSR approach (comply/go beyond/gain economic benefits) and reveals organizational CSR priorities (i.e. types of CSR activities within environmental, economic and social dimensions), but without much reliance on particular outcomes

of these activities. Thus, the portfolio framework can be useful for consulting agencies that want to address this perspective as well.

Finally, the thesis contributes to the body of CSR literature by responding to the call for empirical studies, in particular for case studies and longitudinal studies (Maon et al. 2009, Aguinis and Glavas 2012) that can offer insight into how companies choose their CSR-related activities and form their CSR agendas. This research offers a dynamic perspective on external influence on corporate CSR practice, on organizational approaches to CSR decision-making and on companies' CSR priorities.

To conclude, the thesis results in a number of theoretical and practical contributions and derives implications for business scholars, company managers and consulting agencies. The main contribution, however, is made to the CSR storage of knowledge. Employing the "Black Box" model and using the example of large companies which have gained certain experience with CSR and which are headquartered in Denmark, the study reveals how companies transform a general CSR notion into company-specific CSR activities by tying together the three perspectives: (1) influencing factors in the external environment, (2) CSR decision-making processes and (3) particular CSR-related choices. This offers a structured and comprehensive approach to organizational CSR-related decision-making and explains how CSR issues emerge, are prioritized and become a part of the organizational CSR practice.

Appendix 1

Interview guide:

Defining CSR

- I would like to start with your viewpoint on CSR. What is the term you are using the company and what do you understand under it?
- Who is the one defining CSR vision in the company? Where did you get it from? (internal organizational guidelines? formal/informal communication with colleagues/manager? business education/consulting? anything else?)

Discussion concerning CSR-related decision-making

- What is your role in the organization in relation to CSR? Do you have a specific department dealing with CSR issues?
- Can you describe how the decision-making for CSR is happening in the organization? (any formal procedure prescribing the sequence of steps? or formal planning? how does it relate to strategic planning?)
- Who is the one initiating or suggesting CSR activities in the organization? Who is the one approving them and making the final decision? Who is the one controlling their implementation? (top-down or bottom-up approach?)
- To your knowledge, what does the choice of CSR activities depend on? Why some CSR activities can be rejected and some can be accepted? (any examples)
- Where do you take inspiration/ideas for CSR activities and initiatives?

Discussion concerning the CSR-related reports and changes in CSR strategy

- Did your organization experience any major changes in CSR approach or strategy over the last 5 years? (if yes – what it was and why did it happen?)
- In your opinion, do your CSR-related reports reflect the full picture of current state of CSR affairs in the organization? To whom these reports are addressed?

Reflection on the choices made for external factors

- You received the table with the external factors which might influence the choice of CSR-related activities in the company. Do you have any questions concerning it? Was everything is clear enough for you to answer?
- Can you please comment on those factors which you marked as decisive? Why it is so?
- Would you add to the table any other external factors which affect CSR-related choices in your organization? Is there anything else you would like to discuss?

Appendix 2

Table for evaluation of external influence on organizational CSR-related decision-making

Factors in the external environment		Influence on organizational CSR-related decision-making							
		Past 3-5 years (2008-2010)				Recent period (2011-2013)			
		No	Little	Some	Decisive	No	Little	Some	Decisive
Group 1: Government related	Local governmental CSR recommendations/regulations								
	National governmental CSR recommendations/ regulations								
	CSR debate/concerns on a global (international) political level (e.g. UN, EU)								
	Industrial CSR (self-) regulations								
	International CSR guidelines and principles (e.g. GRI, Global Compact)								
Group 2: Business related	Economic climate in the country								
	(Institutional) investors' CSR concerns								
	CSR concerns among consumers/buyers								
	CSR requirements from suppliers and other business partners								
	Level of competition and competitors' experience with CSR								
	Requirements from membership in professional associations								
Group 3: Society related	Pressure from NGOs and social movement organizations								
	Pressure from the media								
	Business education and business/scientific publications/journals								

Appendix 3

Organizational CSR portfolio framework – data collection and analysis tool

Categories for CSR initiatives/activities	Maturity levels for CSR activities and initiatives			
	level 0 <i>Neglecting</i>	level 1 <i>Elementary</i>	level 2 <i>Moderate</i>	level 3 <i>Professional</i>
Economic CSR aspect:				
1) quality & safety of products/services				
2) long-term partnership with suppliers				
3) long-term partnership with other business partners				
Social CSR aspect:				
1) safety & health of employees				
2) education & development of employees				
3) retention, satisfaction & fair treatment of employees				
4) additional workforce related responsibility				
5) ethical principles & human rights				
6) local community relationship & philanthropy				
Environmental CSR aspect:				
1) energy & water consumption				
2) emission & other wastes				
3) materials/resources/other objects used				
4) products/services' impact				
5) location & transportation				
6) other environmental activities				

Appendix 4

Evaluation of external influence on organizational CSR-related decision-making: The Maersk Group

Factors in the external environment		Influence on organizational CSR-related decision-making							
		Past 3-5 years (2008-2010)				Recent period (2011-2013)			
		M2	M3	M4	M2	M3	M4	M2	M3
Group 1: Government related	Local governmental CSR recommendations/regulations	3	3	1	3	3	1	2	3
	National governmental CSR recommendations/ regulations	3	3	1	3	3	1	2	3
	CSR debate/concerns on a global (international) political level (e.g. UN, EU)	3	3	2	3	3	2	2	3
	Industrial CSR (self-) regulations	0	3	1	0	3	1	0	3
	International CSR guidelines and principles (e.g. GRI, Global Compact)	3	1	1	3	1	1	2	1
Group 2: Business related	Economic climate in the country (institutional) investors' CSR concerns	3	1	2	3	1	2	3	1
	CSR concerns among consumers/buyers	0	0	1	0	0	1	0	0
	CSR requirements from suppliers and other business partners	3	2	3	3	2	3	3	3
	Level of competition and competitors' experience with CSR	1	2	2	1	2	2	2	2
	Requirements from membership in professional associations	1	1	2	1	2	2	1	2
Group 3: Society related	Pressure from NGOs and social movement organizations	1	1	2	1	2	2	1	2
	Pressure from the media	1	2	1	1	2	1	1	2
	Business education and business/scientific publications/journals	0	2	2	0	1	2	0	1

Evaluation of external influence on organizational CSR-related decision-making: Danske Bank

Factors in the external environment		Influence on organizational CSR-related decision-making								
		Past 3-5 years (2008-2010)			Recent period (2011-2013)			Future expectations		
		D1	D2	D3	D1	D2	D3	D1	D2	D3
Group 1: Government related	Local governmental CSR recommendations/regulations	1	1	1	1	1	1	1	0	1
	National governmental CSR recommendations/regulations	1	3	3	2	3	3	3	3	3
	CSR debate/concerns on a global (international) political level (e.g. UN, EU)	2	2	3	3	3	3	3	3	3
	Industrial CSR (self-)regulations	2	0	3	3	0	2	3	1	2
	International CSR guidelines and principles (e.g. GRI, Global Compact)	3	3	3	2	2	3	2	1	3
Group 2: Business related	Economic climate in the country (Institutional) investors' CSR concerns	3	3	3	3	3	3	3	3	3
	CSR concerns among consumers/buyers	2	1	0	2	2	0	2	3	1
	CSR requirements from suppliers and other business partners	3	2	2	3	2	3	3	3	3
	Level of competition and competitors' experience with CSR	3	2	2	3	2	2	3	2	2
	Requirements from membership in professional associations	2	2	1	2	1	1	2	3	1
Group 3: Society related	Pressure from NGOs and social movement organizations	2	1	3	3	2	3	3	2	3
	Pressure from the media	3	3	2	3	3	2	3	3	2
	Business education and business/scientific publications/journals	1	0	0	2	0	0	2	3	0

Evaluation of external influence on organizational CSR-related decision-making: The Lego Group

Factors in the external environment		Influence on organizational CSR-related decision-making								
		Past 3-5 years (2008-2010)			Recent period (2011-2013)			Future expectations		
		L1	L2	L3	L1	L2	L3	L1	L2	L3
Group 1: Government related	Local governmental CSR recommendations/regulations	3	1	3	3	2	3	3	3	3
	National governmental CSR recommendations/ regulations	3	3	3	3	3	3	3	3	3
	CSR debate/concerns on a global (international) political level (e.g. UN, EU)	2	3	1	2	3	2	2	3	3
	Industrial CSR (self-) regulations	1	2	0	1	2	0	2	2	0
	International CSR guidelines and principles (e.g. GRI, Global Compact)	0	1	2	1	1	2	2	1	2
Group 2: Business related	Economic climate in the country (Institutional) investors' CSR concerns	1	2	0	1	2	0	2	2	0
	CSR concerns among consumers/buyers	2	3	3	2	3	3	3	3	3
	CSR requirements from suppliers and other business partners	1	1	1	1	2	1	2	2	3
	Level of competition and competitors' experience with CSR	1	0	1	2	1	2	2	2	3
	Requirements from membership in professional associations	0	1	1	1	1	1	0	1	2
Group 3: Society related	Pressure from NGOs and social movement organizations	2	1	2	3	2	2	3	3	2
	Pressure from the media	2	2	1	2	2	1	2	3	2
	Business education and business/scientific publications/journals	1	0	1	1	0	1	1	0	1

Evaluation of external influence on organizational CSR-related decision-making: consolidated company opinion (summary for respondents' evaluations)

Factors in the external environment		Influence on organizational CSR-related decision-making (sums)							
		Past 3-5 years (2008-2010)				Recent period (2011-2013)			
		Maersk	Danske Bank	Lego	Maersk	Danske Bank	Lego	Maersk	Danske Bank
Group 1: Government related	Local governmental CSR recommendations/regulations	7	3	7	7	3	8	6	2
	National governmental CSR recommendations/ regulations	7	7	9	7	8	9	6	9
	CSR debate/concerns on a global (international) political level (e.g. UN, EU)	8	7	6	8	9	7	8	9
	Industrial CSR (self-) regulations	4	5	3	4	5	3	4	6
	International CSR guidelines and principles (e.g. GRI, Global Compact)	5	9	3	5	7	4	4	6
									5
Group 2: Business related	Economic climate in the country	6	9	3	6	9	3	6	9
	(Institutional) investors' CSR concerns	1	3	8	1	4	8	2	6
	CSR concerns among consumers/buyers	8	7	3	8	8	4	9	7
	CSR requirements from suppliers and other business partners	5	7	2	5	7	5	6	7
	Level of competition and competitors' experience with CSR	4	6	2	4	7	2	5	3
	Requirements from membership in professional associations	1	3	2	1	4	3	2	6
Group 3: Society related	Pressure from NGOs and social movement organizations	4	6	5	5	8	7	5	8
	Pressure from the media	4	8	5	4	8	5	4	8
	Business education and business/scientific publications/journals	4	1	2	3	2	2	1	5

Appendix 5

Evaluation of organizational CSR portfolios: The Maersk Group

CSR aspects:	Categories for CSR initiatives/activities:	Period	Scale			
			0	1	2	3
Economic	quality & safety of products/services	2008	X			
		2010			X	
		2012			X	
	long-term partnership with suppliers	2008			X	
		2010			X	
		2012			X	
	long-term partnership with other business partners	2008			X	
		2010				X
		2012				X
Social	safety & health of employees	2008			X	
		2010			X	
		2012				X
	education & development of employees	2008	X			
		2010	X			
		2012			X	
	stability, satisfaction & fair treatment of employees	2008	X			
		2010			X	
		2012			X	
	additional workforce related responsibility	2008	X			
		2010			X	
		2012			X	
	ethical principles & human rights	2008	X			
		2010			X	
		2012			X	
	local community relationship & philanthropy	2008	X			
		2010			X	
		2012				X
Environmental	energy & water consumption	2008				X
		2010			X	
		2012				X
	emission & other wastes	2008			X	
		2010				X
		2012				X
	materials/equipment/other objects used	2008	X			
		2010		X		
		2012	X			
	products/services' impact	2008				X
		2010				X
		2012			X	
	location & transportation	2008		X		
		2010		X		
		2012			X	
	other environmental activities	2008			X	
		2010			X	
		2012			X	

Evaluation of organizational CSR portfolios: Danske Bank

CSR aspects:	Categories for CSR initiatives/activities:	Period	Scale			
			0	1	2	3
Economic	quality & safety of products/services	2008				X
		2010			X	
		2012				X
	long-term partnership with suppliers	2008	X			
		2010		X		
		2012		X		
	long-term partnership with other business partners	2008			X	
		2010			X	
		2012			X	
Social	safety & health of employees	2008			X	
		2010			X	
		2012			X	
	education & development of employees	2008			X	
		2010			X	
		2012				X
	stability, satisfaction & fair treatment of employees	2008			X	
		2010			X	
		2012			X	
	additional workforce related responsibility	2008	X			
		2010	X			
		2012			X	
	ethical principles & human rights	2008	X			
		2010			X	
		2012		X		
	local community relationship & philanthropy	2008			X	
		2010			X	
		2012			X	
Environmental	energy & water consumption	2008			X	
		2010			X	
		2012				X
	emission & other wastes	2008			X	
		2010			X	
		2012				X
	materials/equipment/ other objects used	2008	X			
		2010	X			
		2012			X	
	products/services' impact	2008				X
		2010				X
		2012			X	
	location & transportation	2008				X
		2010	X			
		2012			X	
	other environmental activities	2008				X
		2010			X	
		2012				X

Evaluation of organizational CSR portfolios: The Lego Group

CSR aspects:	Categories for CSR initiatives/activities:	Period	Scale			
			0	1	2	3
Economic	quality & safety of products/services	2008				X
		2010				X
		2012				X
	long-term partnership with suppliers	2008		X		
		2010			X	
		2012			X	
	long-term partnership with other business partners	2008	X			
		2010			X	
		2012			X	
Social	safety & health of employees	2008			X	
		2010			X	
		2012			X	
	education & development of employees	2008	X			
		2010			X	
		2012	X			
	stability, satisfaction & fair treatment of employees	2008			X	
		2010			X	
		2012			X	
	additional workforce related responsibility	2008	X			
		2010	X			
		2012			X	
	ethical principles & human rights	2008			X	
		2010			X	
		2012			X	
	local community relationship & philanthropy	2008			X	
		2010				X
		2012				X
Environmental	energy & water consumption	2008	X			
		2010				X
		2012				X
	emission & other wastes	2008			X	
		2010				X
		2012				X
	materials/equipment/ other objects used	2008	X			
		2010			X	
		2012			X	
	products/services' impact	2008	X			
		2010			X	
		2012				X
	location & transportation	2008	X			
		2010				X
		2012				X
	other environmental activities	2008				X
		2010	X			
		2012	X			

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