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# 1 Introduction

This chapter will with a funnel approach guide the reader to the main purpose of the study. It begins with explaining the study's background in order to state the rational and incentive behind this thesis. A discussion about the problem follows, in order to state the relevance and significance of this issue.

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## 1.1 Background

Ever since the first discussion about corporate social responsibility (CSR) occurred, when Howard R. Bowen argued that business executives had an obligation to pursue activities that "follows those lines of actions which are desirable in terms of the objectives and values of our society" (Bowen, 1953, p.6 cited in: Spencer & Butler, 1987), large amounts of literature and resources has been conducted within the matter of CSR.

In the beginning of the 1960's the ethical aspects of business was raised to an exceptional level. It was an augmented realization that businesses sold unsafe products, they polluted the environment, bribery occurred on an international scale and morality was replaced by the pursuit for profit and power (Lantos, 2001). Organizations were portrayed as evil and consumers protested against immoral business activities. As a reaction to this, an increased interest for socially beneficial activities occurred amongst the board rooms as well as in the class rooms. The idea was that businesses should not only strive for profit and money but also regard morality. Thus, since the 1970's the interest for social contributions has only increased and the focus not only lies on the productivity sector of an organization but also on the welfare of employees, customers and other stakeholders as well as outside groups and the environment (Lantos, 2001).

During the 1990's and 2000's several beheld business scandals occurred. In 1999 Enron and WorldCom went bankrupt in USA due to accounting scandals and in Sweden Skandia received much critic due to high bonuses and decisions that disfavored their customers. These cases have even further amplified the attention on issues about corporate responsibility (Grafström, Göthberg & Windell, 2008).

In the world today, the richest 20 per cent of people posses 86 per cent of gross national product and Europe and USA account for 65 per cent of the annual wealth creation. Economic growth is made possible through increased productivity and production. This need for increased productivity raises demand for natural resources and lower cost production (Blowfield & Murray, 2008). A pressure for companies to not only compete in the national market, but also in the global market exists. Companies find themselves under both social and competitive pressure. They need to consider the demands that the largest stock markets make for greater disclosure, the changes to corporate governance and moreover the requirements from the general public. Not being able to meet these adverse demands threatens the company's shareholder confidence, brand reputation, employee trust and other tangible and intangible corporate assets. This is the complex situation businesses that want to be socially responsibility has to embrace; on the one hand the entity must take the profit factor into account, with the capital, poverty and inequality entangled, and on the other it must promote capitalism as a solution of the main social and environmental issues of today (Blowfield & Murray, 2008).

Several researches within the field argue that firms should get involved with activities for non-economic reasons that benefit the society. However, there is still an inquiry to identify what activities that corporate social responsibility involves (Blowfield & Murray, 2008) and

the concept is even more complicated to measure (Spencer & Butler, 1987). For Davis (1973) corporate responsibility begins where the law ends. Moreover, all the activities that a company undertakes that is beneficial for the society but is beyond legal obligations (Davis 1973, cited in: Blowfield & Murray, 2008). The difficulty with measuring CSR is argued to be due to the fact that the concept is value-added and involves emotional interpretations and ideologies (Spencer & Butler 1987). Yet, despite the fact that CSR is a confusing issue that includes a variety of elements, it is well recognized that social responsibility has become a significant aspect of the business world. Due to this increasing interest in society, many business firms develop codes of conducts to establish the business climate within their organizations (Yukl, 2006).

## **1.2 Problem discussion**

Many large organizations such as H&M, Skanska and Skandia include sustainability reporting as part of their annual report (Grafström et al., 2008). Also Fortune 500 (2009) present information that many of the corporations in the world account for CSR activities and that this is true regardless of the fact that the world at present is in economic crisis. However, research indicates that some industries more frequently conduct CSR reporting than others. Organizations that early on began to engage in CSR activities generally prevail within the manufacturing and retail industry. One explanation for this may be that these industries were already several years ago criticized by the general public or other stakeholders for unethical actions. This caused massive media attention that in some cases resulted in consumer rejection. Furthermore, the oil and mine industry has developed the progress of social responsibilities due to the remediation of involvement in environmental disasters and crime against human rights (Grafström et al., 2008).

In Sweden, CSR communication is also rather common within the IT and media sector and another industry that more and more engages in CSR is the financial sector. This is argued to be due to the increased demand from customers and other allocators that require socially responsible investments (Grafström et al., 2008). It becomes evident in literature that the various stakeholder groups are more influential than ever in a CSR context (van de Ven, 2008; Blowfield & Murray, 2008; Jamali & Keshishian, 2009; Fassin 2009). Furthermore, several researchers imply that the pressure from society and non-governmental organizations (NGO's) influences producing organizations to reduce pollution and waste. Since the pressure from stakeholders to utilize socially accepted producing methods is large, manufacturing companies usually set goals and measures how their production affect the environment. This is argued to entail more frequently communicated CSR activities and most likely generate a greater consent from the public (Blowfield & Murray, 2008; Grafström et al., 2008).

However, one sector where the CSR communication is limited is in the service sector. Not much about how service organizations contribute to society is described in literature or at corporation's webpage. Globe Forum Business Network (2008) nominees every year companies that have excelled in the area of sustainability and service companies are lacking on this list. Service organizations in the western world, contribute to a large part of GDP and statistics indicates that this trend will continue to increase (Grönroos, 2002). Service organizations lack of CSR communication is true despite the fact that there is an augmented interest for CSR activities today and the increasing trend for corporate manufacturing organizations to communicate their CSR activities (Grafström et al., 2008). In what matter the company decides to communicate their CSR engagement usually differs. Manufacturing organizations may measure pollution, material use, and transportation. In the financial sector

investors and customers sometimes demand that the organization integrates with social and environmental objectives and offers socially responsible investments (Sjöström, 2004, cited in: Grafström et al., 2008).

Due to the lack of tangible goods within service companies it is assumed to be rather difficult to measure pollution or waste in that context (Grönroos, 2002). Furthermore, Jaakson, Vadi and Tamm (2009) argues in their study that it is more much complex to define CSR in a service organization than a manufacturing organization. The pressure from stakeholders are not as apparent as for producing organization since service organization's influence on the environment is less obvious (Grönroos, 2002). Neither has much research been conducted within the field and this lack of academic literature combined with the absence of CSR communication from service organizations entails the question if service companies undertake social responsibilities in the same matter as producing organizations?

### 1.3 Purpose

The purpose with this thesis is to analyze how Corporate Social Responsibility is defined and how it is exercised in the context of service organizations and also the importance of different stakeholders in this process.

### 1.4 Disposition

In this section follows a summary of the disposition used in this thesis. The disposition gives the reader an opportunity to more easily orientate themselves.

Chapter 1	The introduction shall with a funnel approach guide the reader to the main purpose of the study. It begins with explaining the study's background in order to state the rational and incentive behind this thesis. A discussion about the problem follows, in order to state the relevance and significance of this issue.
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Chapter 2	The theoretical framework will cover our three main subjects; CSR, stakeholder theory and the particularities of a service company. First CSR will be defined and CSR in practice will be discussed the following section will be an elaboration of the stakeholder theory and lastly Service Company will be defined followed by a section about CSR in service companies.
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Chapter 3	The method used for the empirical study is described in chapter three. The section starts with a presentation of the research design, followed by a description on how the empirical data was collected and analyzed. The section ends with a discussion of the validity and reliability of this thesis.
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Chapter 4	The empirical data was collected through interviews with stakeholders from one chosen company. Chapter four intends to outline the data from each stakeholder group separately. However, before presenting the data from the stakeholder groups, it is of interest to give a short presentation of Elmia AB.
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Chapter 5	In this chapter, the analysis will be performed in relation to the intended principles of this thesis. It is categorised based on three main topics, the diverse knowledge about the CSR definition, the practice and purpose of CSR and the stakeholder's influence on the process of CSR
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Chapter 6	In this chapter the conclusion of the findings will be presented. This chapter will also provide a discussion part and suggestions for further research.
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## 2 Frame of reference

The theoretical framework will cover our three main subjects; CSR, the particularities of a service company and stakeholder theory. First CSR will be defined and CSR in practice will be discussed. The following section will describe Service organization and CSR in different industries. Lastly an elaboration of the Stakeholder theory will be executed.

### 2.1 What is CSR?

As early as 60 years ago the concept of CSR started to appear in the literature and many definitions have since then been developed (Schwartz & Carroll, 2003). The discussion of CSR usually falls within two general schools, those who mean that companies are only compelled to maximize their profit within the boundaries of law and minimal ethical constraints (e.g. Friedman, 1970) and those who suggest a more broad obligation to the society (e.g. Carroll, 1979; Epstein, 1987; Schwartz & Carroll, 2003). In this section a discussion of CSR in theory will be carried through. As a base Carroll's model will be used but other thoughts will also be presented. The section ends with a summary and the definition that will be used for this thesis.

#### 2.1.1 The limitation of CSR

Carroll develops in 1979 the model "Four Domains of Corporate Social Responsibility" and after that "The Pyramid of CSR" in the early 90s. In 1979 Carroll defines CSR as "...the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Schwartz & Carroll, 2003). The pyramid leads to a few misunderstandings, especially of the priorities of the four CSR domains. Instead Carroll develops another definition in 2003, "The three-domain model of CSR". The three responsibilities of this model are; economic, ethical and legal. In this model the responsibilities overlap and in the center the three domains is simultaneously fulfilled (Schwartz & Carroll, 2003).

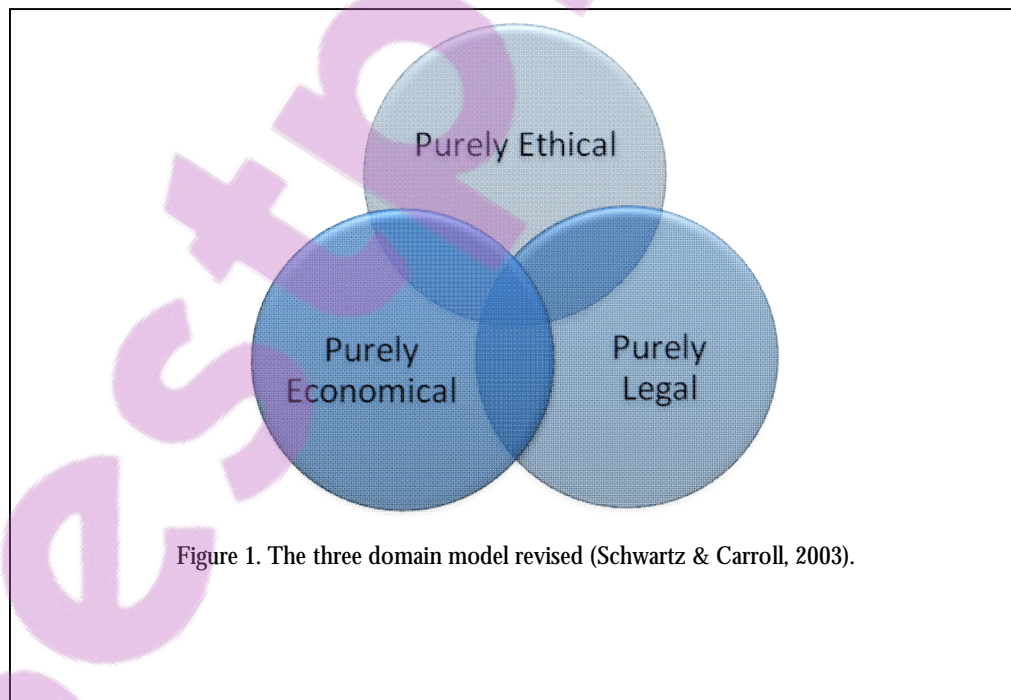


Figure 1. The three domain model revised (Schwartz & Carroll, 2003).

With the economic domain Carroll refers to the responsibility that has a direct or indirect positive economic effect on the company. The activities that fulfill this responsibility should maximize profit and/or maximize share value. Examples of this are action intended to increase sales, increase employee morale and improving the company's public image. Actions fall outside the domain if they are not intended to maximize profit when a more profitable alternative exist or if the company engages in them without any consideration of the consequences (Schwartz & Carroll, 2003). Friedman (1970) adopted a fairly different view of CSR and believes instead that companies should only be obligated to maximize their profit within the boundaries of law and minimal ethical constraints. He argues that doing more would be irresponsible. Furthermore, Friedman implies that managers that involves in CSR do this at the expense of shareholders, only to promote their own social, political, or career agendas. The resources should instead be used on improving the organization's efficiency (Friedman, 1970).

The legal domain refers to a company's responsiveness to legal expectations, demanded by society through federal, state and local jurisdiction. Legality is divided into three different categories; compliance, avoidance of civil proceedings and anticipation of the law. In compliance the company takes certain actions because the law allows them to do so. Avoidance of civil proceedings indicates that an organization undertake certain actions or behaviors since if they do not, they might get sued. The last category, anticipating the law, means that the organization engage in activities that slow down the process of new legislation (Schwartz & Carroll, 2003). McWilliams and Siegel (2001) believe that the legal aspect should not be included in the definition of CSR. Instead, they define CSR as "...action that appear to further some social good, beyond the interest of the firm and that which is required by law" (McWilliams & Siegel, 2001, p.117). CSR according to them indicates that going beyond the law is CSR; an example of this would be to adopting progressive human resource. McWilliams and Siegel furthermore, exemplify some actions that they identify as CSR actions; developing non-animal testing procedures, recycling and supporting local businesses.

The ethical domain, that Carroll present refers to the ethical responsibility a company has, that is expected by the general public and stakeholders. Three ethical standards are included; conventional, consequential and deontological. The standards and norms that have been accepted by the organization, the industry, the society and the profession are defined as conventional standards. The consequential standard is an action that is considered ethical when it endorses the good of an individual as well as the society and when it is intended to produce the greatest net benefit to the society. Lastly, the deontological domain focuses on those activities that reflect the company's consideration of their duty or obligation; this includes for example citizenship, trustworthiness and caring (Schwartz & Carroll, 2003). Handy (2002) adopts a similar but more detailed perspective on corporate social responsibility. He believes that companies have responsibility to their customers, employees and to the community. This responsibility should not be subordinate to making profit for their shareholders but given at least the same priority. Both Carroll and Handy argue that it is significant for companies to take responsibility for society and other stakeholders than shareholders. They also stress the importance to have a sustainable balance between the different domains.

In Carroll's model all three components should be considered but not of the expense of each other. A company should find a place where all components are taken into account and their CSR work is as sufficient as possible.

From the discussion above the complexity of CSR is acknowledged and it can be a broad and occasionally a confusing issue. Moreover, many different views exist on the subject of the matter. This thesis takes the standpoint that CSR is the responsibility a company has beyond the law towards the society including employees, the environment and the society as a whole. CSR is about using the resources to gain society but not to an extent that jeopardizes the economy of the entity. Furthermore, CSR is to be aware that organizations are a significant part of the society that they operate in and to understand that doing business comes with a responsibility. In the long run, this responsibility may also be beneficial for the organization.

### **2.1.2 CSR in practice**

To further gain knowledge within the subject of the matter, CSR in practice needs to be considered. This in order to understand the activities that a company may undertake that can be classified as socially responsible. Moreover, it is significant to remember that CSR activities and practice used are not intended to be exactly the same in different companies. Companies have diverse resources and all cannot take responsibility to the same extent. The industry in which the organization operates also affects how the company will engage in CSR.

According to Lantos (2001), organizations may practice three different forms of CSR; ethical CSR, strategic CSR and altruistic CSR. The three approaches are mutually exclusive and based on the activities' nature (required vs. optional) and the purpose (stakeholders' good, firm's good), or both. Practicing ethical CSR means going beyond the firm's economic and legal obligations and take actions that is morally mandatory. A corporation is morally responsible towards any individual or group that might be harmed or injured by a particular course of action. The tradeoffs in ethical CSR are usually between short-run profit and moral actions. An example of this is when an organization spends money on pollution control and reduction, this may reduce shareholder's profit. However, the alternative is considered to be unethical. Ethical CSR may in the long-run generate goodwill by building the public's trust in the company. This will probably minimize the cost of fines and also bad publication that otherwise may prevail from unethical behaviour (Lantos, 2001).

Strategic CSR is an activity where there is a win-win situation. Hence, both the company and some of the stakeholder will benefit. This type of CSR actions implies short-run sacrifices, yet the actions usually result in long-run gains. An example of strategic CSR was when Ford campaigned that children should be seated in booster-seats and gave away millions such seats. This generated goodwill among customers and government regulators and in the end was the resources spent justified. This is in fact the motives for firms to engage and invest in strategic CSR; they believe that the investment will be profitable in the end (Lantos, 2001).

Altruistic CSR is when organizations are contributing to the common good and making the society a better place on some sort of expense of the firm, linking corporate competences of the company to societal and community needs. Altruistic CSR goes beyond ethics and are actions that are not necessary for the company to take; it usually lies outside the firm's activities. The actions gives back to society and furthermore also some social good. This regardless if the company financially gain from it, since return on the investment should not be the motive for the firm. Examples of altruistic CSR are activities that aid the society to fight drug and alcohol problems, poverty, crimes and chronic unemployment (Lantos, 2001).

## 2.2 Service organizations

Grönroos acknowledged already in 1982 that the service sector has gradually taken over a large part of the growth of welfare in the western world (Grönroos, 1982). This trend has continues to increase and on average, 75 percent of GDP in industrialized countries is due to service organizations. Furthermore, in the USA the service sectors share in total employment is as large as 88 percent and production jobs has fallen by half since the 1970 to 2005 in the USA as well as in Europe (Jansson, 2006).

The definition of a service organization is described rather similar in academic literature. Jansson (2006) argues that the word “service” means different things in different contexts. He presents the word service both as a contrast to goods but states that the word “goods” can also include everything that is useful in production, despite the fact that “goods transport” actually also include a service. He believes that the basic production factors in all industries provide services and hence, the concepts cannot be separated (Jansson, 2006). Fuchs (1965) takes this even further and states that “In one sense all industries provide services. Man cannot create material things” (Fuchs, 1965, p. 16). Where labor is the most critical factor of production and the receiver of the service is an individual, the term “personal service” is often used. The service is intangible and separated from the physical product. This type of description is rather straight forward and usually do not create any confusion. In this type of exchange between buyer and seller, the seller, of a company, is often referred to as a service organization (Jansson, 2006).

Heskett (1986) describes a service as a process of partly overlapping activities and events where the contact with customers is close (Heskett, 1986). Also Edvardsson, Andersson, Sandén and Waller (1998) acknowledges this definition and states that when providing a service, the customer usually participates in interaction with the company when performing different moments. This interaction is undertaken in order to attain a certain result that will affect either the customer itself or something that the customer owns (Edvardsson et al., 1998).

Edvardsson et al. (1998) furthermore establishes three main characteristics that distinguish a service from a product; immateriality, joint production and heterogeneity. Immateriality means that a service is abstract and immaterial. A service can be difficult to describe and hard to judge before purchased, while the opposite is true with a product. The joint production characteristics imply that a service produces, delivers, consumes and promotes at the same time (Edvardsson et al., 1998). The third characteristic, heterogeneity, indicates that the services provided by a company usually differs. A service to one customer is often very different from the same service to another customer (Grönroos, 1990).

The description of a service may vary somewhat and is highly dependent on the context. The service may be interrelated with a product, as with the case of transportation etc, or provided independent. The authors of this thesis believe that it is imperative to state what a service organization is, and to present different definitions of a service. This is due to the fact that it clarifies the distinction between a manufacturing organization and a service organization. To state this difference is vital for this thesis in order to analyze the different CSR approaches. Information about service organizations and CSR as well as the CSR operations in other industries will be provided below.

### **2.2.1 Different industries and CSR**

A study conducted by Snider, Hill and Martin (2003) examines some of the largest corporations in the world's socially responsible behavior. The research provides information on how the different organizations communicate their CSR activities on their websites. It becomes obvious that the oil and gas, automobile and financial industry rather often provide CSR reporting on their corporate website (Snider et al., 2003). Grafström et al. (2008) furthermore states that manufacturing and production companies frequently report and communicate their CSR activities. They argue that this is due to the fact that these types of industries have for several years, been pressured to avoid actions that may pollute or harm the environment. The scandals with BP and Shell gained a lot of media attention and generated in bad publicity for gas and oil companies. Today, these industries are aware that the media and the public require that they act in a matter that is considered to be social responsible. Moreover, manufacturing and production companies will be heavily criticized if using child labor or pollute the environment etc. This may result in consumer rejection and this is a risk that these industries are not willing to take. Manufacturing and production organizations in the western world also have strict laws and regulations concerning pollution and employment. These legal obligations are established by the government and producing organizations have to obey those rules (Grafström et al., 2008).

Communicating CSR activities is not as common within the service sector. When studying several service companies' websites (e.g. Elmia AB; 2009; Addeco; 2009 & Securitas, 2009) there is not much information provided about their CSR activities. Also in academic literature it is rather difficult to find information about CSR and service organization. The authors of this thesis have searched for this data in several acknowledged academic scholars such as Google Scholar, JULIA and Science Direct as well as in academic journals, however, almost no research within the matter can be found. From this information, it can be assumed that service organization maybe not engage in CSR to the same extent as producing organizations but it can also be the case that they do, but it is not as apparent for an external party. Research conducted by Jaakson, Vadi and Tamm (2009) investigates the effects on corporate culture on CSR in Service Organizations in Estonia. The reason for using service organizations in their research was twofold; first they acknowledges the dominance and increase of service organization and second, they addresses the issue that CSR activities in service companies is more complex compared to manufacturing organizations. In their study, they find that strong organizational culture is not associated with high CSR performance and that service organizations with CSR activities do not create a more relationship oriented organization.

Yet, Jaakson et al. (2009) do not establish in specific what social responsibility is in the context of a service organization, instead they define CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" (Jaakson et al., 2009, p. 7). Since this was the only article found that integrated CSR with service organizations and the fact that Jaakson et al. (2009) do not specify what CSR activities the organizations realize, the question of what CSR is in the context of service organization is, still exist.

### **2.3 Stakeholder theory**

The term stakeholder was first presented as a way to distinguish between the different groups towards which companies have an obligation to. However, in 1984 Edward Freeman introduces stakeholders as something more extensive, multifaceted and important

than this. Freeman is still today, one of the most frequently cited authors when discussing stakeholder theory (Blowfield & Murray, 2008). According to Freeman (1984), managing the stakeholders effectively is necessary for prosperity and he states that “each of these groups plays a vital role in the success of the business enterprise in today’s environment” (Freeman, 1984, p. 25).

Stakeholders are the individuals, groups or organizations that affect or are affected by the organizations actions. Stakeholders can be either internal, like employees, owners and shareholders or external, for example creditors, suppliers and customers. The outcome of the company’s actions can either damage or benefit the stakeholders and the reverse is also true. This reciprocal relationship has to be carefully handled in order to not disturb the balance between the organization and the stakeholders (Rodrigo & Arenas, 2008). The actual term stakeholder comes from the idea that every group has a “stake” in the organization. The stakeholder view (Figure 1.1) is, according to Freeman (1984), much oversimplified and each category can be broken down into smaller groups. This classification may create difficulties since each supplier is not alike as well as all governments are not the same (Freeman, 1984).



Figure 2. The original Stakeholder Model (Freeman, 1984, cited in: Fassin, 2009).

Due to the fact that all different stakeholders are affected by the organization, they put demands on the organization. It is therefore important for the organization to take all the different stakeholders interests into account, yet, this may be complex since their different relationship to the company sometimes generates conflicting interests. Moreover since all

individuals or parts within each stakeholder group differ, their interest and demands on the firm are even more implications for the firm occur (Freeman, 1984).

Over the last years stakeholder theory has been gradually approved to be an essential topic together with the concept of CSR and as the leading “red thread” in research about business ethics (Fassin, 2009). Investment in CSR is argued to create stakeholder value as well as value for the business itself (Blowfield & Murray, 2008; Jamali & Keshishian, 2009). Jamali & Keshishian (2009) states that the stakeholders determine to what extent the company gets involved in CSR. There is a contradictive view behind this, on the one hand corporate responsibility management is portrayed as what organizations voluntarily accept as their responsibilities to society and on the other there is an expectation from the stakeholders that these responsibilities is consistent with what the company is accountable for (Blowfield & Murray, 2008).

### **2.3.1 Classifications of stakeholders**

The term stakeholders have been argued to be vague in scope and too broad and the different groups consist of different individuals hence, several general classifications of stakeholders have been conducted. A common classification is primary and secondary stakeholders, this categorization is in relation to what impact they have on the organization's objectives and missions (Clarkson 1995; Fredrick, Davis & Post, 1988, cited in: Rodrigo & Arenas, 2008). Also Freeman discusses the stakeholders in term of primary and secondary. He makes the distinction that the primary stakeholders are the ones without whose participation the organization cannot continue to exist and secondary stakeholders are those who influence and are affected by the company but not essential for its survival. For managers of the organization it is important that they distinguish who their primary stakeholders are and manage to create profit and satisfaction for them so they remain part of the organization. Secondary stakeholders are also important to not neglect since they may be able to harm and help the firm as well. However, it should not be of the expense of primary stakeholders (Freeman, 1984). Critics against the model argue that even this term is too ambiguous and that different understandings can be established in the disparities in managerial and legal interpretations of the concept. Fassin (2009) states that the different stakeholders have barely been introduced by the classification and that the definition is unclear. He argues that the classification of primary stakeholders as “those without whom the organization could not survive” and secondary stakeholders as, “those who can affect the firm or be affected by it” is still confusing since those who can affect the organization is not always the ones that are affected by it (Fassin, 2009, p.117).

Fassin categorize the different stakeholders in three classes. A real stakeholder has a real claim on the firm and this relationship is reciprocal, examples are customers, employees and owners. The stake watchers protect the interests of the real stakeholders and are for example unions and non-governmental organizations (NGO's). The stake watchers are an indirect stakeholder and do not have a direct claim on the company. The stake keepers are the third class and do not have any stake in the firm, but they have influence and control. They impose regulations and laws on the firm while the firm has little or no impact on them, an example of a stake keeper are the government (Fassin, 2009).

The standpoint that is taken for this thesis is that the most primary stakeholders of an organization are the ones that the firm itself consider as vital for prosperity and that the secondary stakeholders are the ones that either affect or are affected by the organization or both. The difference stakeholder groups will be discussed more in detail below and their connection to CSR will also be touched upon.

#### **2.3.1.1 Shareholders**

Shareholders of an organization usually aim at making profit; hence they are usually rather resistant to spend much resource on CSR (Freeman, 1984). Researchers that agree with the shareholders perspective argue that it is undemocratic to engage in CSR activities since the shareholders resources are used for societal interests (Friedman, 1970, cited in: Spencer & Butler, 1987). Friedman furthermore argues that businesses should aim at making profit and that the manager of a company only function is to act as an employee of the actual owners of the corporations, i.e. the shareholders (Friedman, 1970). This is not in direct contradiction to Freeman; he does not present the stakeholder approach as an attack on the shareholder theory. Instead he defines the stakeholder theory as something instrumental and states that the organization classifies who their most essential stakeholders are rather than defining it himself (Freeman, 1984, cited in: Blowfield & Murray, 2008). That is, if the shareholders are the most primary stakeholder and their main objective is to make as large profit as possible, then that should also be the goal of the firm. However, if the employees are considered to be the most vital stakeholder group and they find it significant to engage in socially responsible actions then that will be the incentive for the organization as well.

#### **2.3.1.2 Government**

The business- government connection in the US is considered to be for the government to regulate businesses in line with the interest of the public and also to establish anti-trust laws to insure obedience market principles (Freeman, 1984). Fassin (2009) furthermore argues that the government functions as a “stake keeper” for an organization and that the firm does not have any obligation to them besides follow the laws and restriction that they impose. He implies that the only social responsibility that the organization has towards the government is to act within legal boundaries (Fassin, 2009).

#### **2.3.1.3 Competitors**

The competitors of an organization affect the company’s way of doing business (Freeman, 1984). At present, not only local and national competitors need to be considered but also international competition that not always operate under the same laws and regulations. This may create pressure for organizations in the western world where environmental and employment laws are rather strict since foreign organizations sometimes have other presumptions. However, research indicates that organizations that engage in CSR usually create advantages over their competitors (Blowfield & Murray, 2008).

#### **2.3.1.4 Customers**

Since corporate brand image has become a key strategy activity for firms today, the role of the customers as a vital stakeholder has increased. A study conducted by Singh, Sanchez and del Bosque (2008) indicates that customer’s main concern is the reliability and safety of products when taking ethical aspects into consideration. They also state that companies could gain on communicate more of their CSR work to consumers since that would create a positive image of their organization (Singh et al., 2008). Freeman also highlights the importance of customers when discussing stakeholder theory. He emphasizes the customers bargaining power and neglecting their claims may hinder the organizations prosperity. Simply, the customers are the buyers and failure to meet their demands decreases sales and profit (Freeman, 1984). Applying this on CSR implies that the customer’s perception of CSR engagement should also reflect on in what matter the organizations engage in CSR.

### **2.3.1.5 Employees**

One stakeholder that should be considered as imperative for the organization is the personnel of a company. According to Mitchell, Agle and Wood (1997) employees' possess legitimacy, urgency and power, the three characteristics that validate their role for the company (Mitchell, Agle & Wood, 1997, cited in: Rodrigo & Arenas, 2008). Despite the fact that employees are regarded as a vital tool for a company's CSR activities little research has been conducted within the field (Rodrigo & Arenas, 2008).

Rodrigo and Arenas (2008) tries to disclose the relationship between CSR and personnel by examine employee's reactions to corporate social responsibility programs at the attitudinal level. They argue that employees' attitudes towards CSR are complex and consist of different levels of acceptance, identification and development. Moreover, employee's reactions to CSR consist of their attitudes towards society and not just towards their company. This indicates that the employees' ideologies and social condition play an important role for their approach to CSR. Rodrigo and Arenas also argue that three types of employees can be derived from attitudes; committed employee, indifferent employee and dissenting employee. Even if the implementation of CSR is successful within a company it does not necessarily mean that the employees will be positive towards this. Nonetheless, if creating a positive working environment, with respect to salary and working conditions, this will foster the employees' attitudes towards CSR in a positive way. Moreover, if a company engages in CSR activities this will increase the sense of importance that committed employees attach to work performance and the degree to which they identify with the organization and hence enhance their effort and working performance (Rodrigo & Arenas, 2008).

Klein (2007) states that, personnel satisfied with their organization's commitments to social and environmental are more likely to be positive and productive, then those who work in less responsive organizations. He argues that there is a positive relationship between an organizations involvement in CSR and employees attitudes towards senior management. Furthermore employee engagement increases when a company is committed to social responsibility. According to Klein much of this can be attributed to the fact that a sense of pride can be the driver of both morale and results (Klein, 2007, cited in: Ambler, 2007).

As stated earlier, despite the fact that not much research has been conducted within the field of employees and CSR, the theories that can be found states that there is a positive relationship between organizations engagement in CSR activities and the effectiveness of personnel. Moreover, it increases the employees pride over their organization and that may further raise their engagement. Rodrigo and Arenas (2008) argue that only committed workers or workers that have established or will establish long-term relationships with the organization will be affected by engagement of CSR activities. Employees that are not committed to their organization, dissenting workers and young professionals that is too focused on their career are unaffected whether or not their organization is socially responsible or not (Rodrigo & Arenas, 2008).

### **2.3.1.6 Civil society**

Within the civil society are the different pressure groups that may affect an organization, such as media, NGO's, unions etc. (Freeman, 1984). These would fall into what Fassin (2009) classifies as stake watchers since their aim is to preserve the interest of the real stakeholders, i.e. unions protect the interest of employees. Despite the fact that the civil society does not have a direct claim on the organization as such, they may still have a major impact on the organization (Fassin, 2009). Especially media is today a powerful force and can by creating negative or positive publicity, either be a beneficial for the organization or

cause devastating consequences. When organizations are involved in business scandals or other problem regarding CSR, this often results in enormous publicity (Blowfield & Murray, 2008).

#### **2.3.1.7 Suppliers**

A well functioning relationship with suppliers is essential for business prosperity (Freeman, 1984). The actions of the suppliers may reflect upon the actions of the company and it is therefore vital to establish goals and objectives before establishing collaborations with another firm in order to reduce misinterpretations and failures (Hertz & Andersson, 2003). Fassin (2009) states that suppliers are real stakeholders which means that they have a real claim on the company and that the relationship is reciprocal (Fassin, 2009). Moreover, from a CSR perspective, an organization may be held responsible for the actions of their suppliers and therefore their objectives and approach may be of utmost importance (Blowfield & Murray, 2008).

## 3 Method

In this section the method used for the empirical study is described. The section starts with a presentation of the research design, followed by a description on how the empirical data was collected and analyzed. The section ends with a discussion of the validity and reliability of this thesis.

### 3.1 Research design

It is argued that choosing the right research method is essential when collecting empirical findings. Saunders, Lewis and Thornhill (2007) states that the reasons for this is that an accurate method enables the researcher to be more informed about the research design, it will provide knowledge of what method that will work for the researcher and those that will not. Moreover, an appropriate research method enables the researcher to cater for constraints.

The purpose of this thesis generates an answer that is of explanatory nature due to the fact that explanatory studies aims at explaining the nature between different variables (Saunders et al., 2007). More specific this thesis tries to explain what CSR is in the context of a service company and how important stakeholders are in this process. Hence, information was collected from several individuals inside and outside the company.

#### 3.1.1 Qualitative approach

When discussing data collection, the major concern lies in whether to conduct a quantitative or qualitative study. For this thesis a qualitative research design was undertaken in order to create a deeper understanding of the chosen topic. The aim with this thesis is also to gather a comprehension of the behavioral patterns as well as of the reasons that govern such patterns. Qualitative research provides insight and furthermore, since the purpose of this thesis is of explanatory nature, a qualitative study was considered as more suitable. Qualitative studies try to answer the question why, which is imperative for this study in order to fulfill the intended purpose. A qualitative research design may be conducted either by observations, surveys or interviews (Saunders et al., 2007). In this study interviews were chosen as the appropriate method since it may not only provide more details but also since it may result in personal opinions and comments from the respondents.

A qualitative research design usually takes the bottom up approach, and is inductive rather than deductive. This study takes the inductive approach which indicates that the data was collected and from the empirical findings, one could establish a conclusion. Inductive studies aims at establishing insight and perceptions from the pattern of data. Moreover, an inductive approach usually is more concerned with context and a smaller sample is often more appropriate (Saunders et al., 2007).

#### 3.1.2 Case study

One approach to gather qualitative data is through a case study. A case study is the study of a bounded system, a single entity around which there are boundaries (Merriam, 2001). The aim is to explain the complexity and particularity of a single case. The focus should lie on the details of interaction with its context under certain circumstances (Stake, 1995). For this study the organization was considered as the case and a case study was most appropriate due to the fact that the aim is to investigate several levels of the organization. Different vital stakeholders were distinguished and used as respondents since the purpose elaborates on if the different stakeholders may have dissimilar opinions regarding the subject. Accord-

ing to Gerring, (2007) a case study may be conducted on one single case or on several cases. The fewer cases, the more intensively they will be studied. Hence, the decisions to only conduct research on one single firm were based on the fact that this single study would be more intensively executed and therefore better suitable for the intended purpose.

Moreover, a single case study on one firm facilitates the interaction with the different stakeholders of the company. Executing several case studies could have provided the possibility to compare different companies but this would most likely had resulted in that fewer individuals had been interviewed in each company and the intended purpose should not have been reached. The ability to talk to a great deal of people in one company, and go deep into the problem (Gerring, 2007) was valued higher than the possibility to compare. With this approach it was believed that insight of not only the case itself but also understanding about CSR in a service organization context would be gained. Hence, this approach is labelled according to Stake (1995) as an instrumental case study.

### **3.2 Data collection**

The data collected in this thesis needed to be qualitative in order to generate in-depth analysis. In-depth analysis is essential in order to fulfil the intended purpose because it generates an answer to the question why and it furthermore explains the behavioural patterns. The sample size was less important than the characteristics and position of the interviewees since different levels of the company needed to be represented. The sample selection was of purposive nature, meaning that the authors used their own judgement to select individuals that are suitable as respondents in order to reach the intended objective and to answer the research questions (Saunders et al., 2007).

A qualitative approach to data collection almost always includes direct interaction between participants, in this case between the respondents and the ones conducting the study. Due to the fact that the main reason with qualitative research is to establish key details and opinions, the most vital tool is the collection of data. The qualitative data collection is often time consuming but instead generate deeper richness of data (Saunders et al., 2007).

The first part of the thesis purpose is to investigate the definition of CSR in the context of a service organization. Since service companies usually not communicate their CSR activities much, it was regarded as interesting to talk to several individuals inside and outside a company. The second part of the purpose is to study how important the different stakeholders of the same company are for the CSR activities that the company undertake. This part of the purpose further strengthened the need to talk to numerous stakeholders in order to gain comprehensive knowledge. According to Marshall and Rossman (2006), a qualitative case study allows a focus in dept and in detail of a specific phenomenon.

The registration of the interviews was performed by using a tape recorder in order to not miss out on anything significant and also because it made it possible to only focus on what was said. Moreover, taking notes by hand is argued to confuse the interviewees during the interview (Hancock, 2002). After all the interviews were executed, the interviews were transcribed in order to also have them in written form. This furthermore reduce the possibility of biased result that is otherwise common when only perform tape-analysis (Hancock, 2002). Another reason to transcribing is that it makes it possible to communicate on paper both what is said but also how it is said. These feelings can be expressed by using punctuation marks, emboldening etc (Hancock, 2002).

### **3.2.1 Choice of company**

Case study research is not sampling research, which means that the main obligation for the one conducting the case study is to understand this single case. The first criteria when selecting an appropriate case is to maximize what can be learnt (Stake, 1995). Due to the fact that a case study on a single company was chosen, it was considered imperative it to conduct face-to-face interviews and visit the company in question in order to receive as much information as possible. Hence, the decision was to focus on a company within the region of Jonkoping.

Stake (1995) argues that it is of outmost importance to choose a case where admittance is facilitated, where prospective information can be identified and where the individuals studied are willing to share information. Therefore, the choice fell on Elmia based on several reasons. First, the personal connections to the company enabled a more easy access to the different stakeholders of the organization. However, the relationship is still fairly distant and thus no bias due to personal connections would occur. Secondly, the company is located in the region of Jonkoping, which made it possible to visit the company on several occasions and lastly, because Elmia is considered to be one of the most important organizations in Jonkoping as well as one of the largest fair companies in Europe.

### **3.2.2 Choice of interviewees and interview settings**

As stated earlier, for qualitative research the empirical material could be collected either through observation, interviewing or a survey (Burns, 2000; Saunders et al., 2007). The reason behind the choice of face-to-face interviews was that it provides not only the standard answers but also a possibility to apprehend facial expressions and personal opinions. In order to reach an answer to the purpose an investigation more in detail with reflections and comments from participants was preferred (Burns, 2000).

It is furthermore argued that the more open the one conducting the interview is the more information may be attained (Saunders et al., 2007). Since the personal interested in the chosen topic was significant an extended conversations with respondents during interviews was conducted. This factor is said to provide good quality data and focus should be towards conversation instead of a question- and- answer setting during interviews (Hancock, 2002).

The interviews were all conducted in the company's facilities. This is argued to be more convenient for the participants and also gives a picture of the company, the employees and the offices. It also gains a better understanding of the participants' answers since this method of data collection permits to asking supplementary and more complicated questions and also because unclear questions can easily be explained (Dahmström, 2005).

#### **3.2.2.1 Interview method**

Interviews can be held in a structured, unstructured and semi-structured matter. For this thesis semi-structured interviews were chosen since the interest is to understand ideas and processes. A structured interview is characterized by that a specific interview schedule is not developed but direction is given to the interview so that the focus is on the crucial issues of the research (Burns, 2000). Semi structured interviews is said to be very efficient when the time is scarce (Hancock, 2002) and since a written question template had been conducted but was not intended to be constraining this was considered a suitable method.

This method also allows great flexibility and since the extent of the participant's knowledge about CSR was not certain, this was considered to be the most superior method. Furthermore, the questions asked to the different respondents varied a bit, since they had different positions in the company and were assumed to contribute with rather diverse information. The interviews with participants inside the company focused on both defining what CSR is in the company but also how they influence the CSR activities since they are all stakeholders and all have different interest in the activities. In the interviews held with stakeholders outside the company the focal point was only on how they influence the CSR activities. The questionnaire originates from the frame of references stated in chapter two as well as the intended purpose. The questionnaire is provided in the appendices (see Appendix 1).

In the development of interview template it was taken into account that all the respondents may not be familiar with the concept of CSR since the word were not used anywhere on the company website. Therefore, a Swedish term was used in the beginning of the interviews for those respondents that did not know the expression of CSR. The interviews lasted for about 20 minutes each and were all held in Swedish. Both authors were present at all interviews since this would further decrease the possibility of miss out on something important that was communicated. The interviews are utilized as the primary data in this thesis.

### 3.2.2.2 Participants

Table 1. Participants of the study

Name	Company	Relation to Elmia	Date
Monica Malmqvist	Elmia AB	Management (HR)	2009-05-13
Martin Andreae	Jönköping Rådhus AB	Shareholder/Owner	2009-05-15
Stefan Carlsson	Elmia AB	Management	2009-05-15
Hans Standár	Elmia AB	Management (CEO)	2009-05-15
Mari Moström	Elmia AB	Employee	2009-05-15
Torbjörn Jonsen	Elmia AB	Employee	2009-05-15
Maine Bergström	Elmia AB	Employee	2009-05-15
Mats Svensson	Hobby Fritid AB	Customer	2009-05-20
Jan Frick	Svenska Barnvagnshandlarna	Customer	2009-05-27

To be able to answer the purpose, there was a need to attain the different opinions of the various primary stakeholders of the organization. First contact with the HR Manager of Elmia was established in order to identify the most suited individuals to interview (Table 1.). The HR Manager, Monica Malmqvist, recommended other individuals at different positions within the company that she believed to be of interest and then a consideration was made if the respondents fulfilled the set criteria. The second respondent, a shareholder outside the company, was chosen on the authors' initiative.

At the first meeting held at Elmia with Monica Malmqvist five appropriate respondents were acknowledged and an interview with Monica Malmqvist was also executed, containing the same structure and questions as the following interviews.

The second interview was conducted at the city hall in Jonkoping with Martin Andreae; the CEO of Jönköpings Rådhus AB. Martin Andreae was identified as an important stakeholder since Jönköping Rådhus AB, possesses 82 % of the shares in Elmia.

The third interview was held with the Business Area manager of Elmia, Stefan Carlsson. He provided useful information about the entire organization but also recommended vital customers that could be interviewed. The interview with the CEO of Elmia, Hans Standár, felt very important for this thesis since he provided information about the entire organization and also distinguished vital stakeholders. All interviews with Elmia's managers and employees were held at Elmia AB and all interviews except the one with Monica Malmqvist were held at the same day. The interviews with the customers were conducted at their companies' offices approximately a week after the first interview with Monica Malmqvist.

### **3.3 Data analysis**

As mentioned earlier, the data collected were recorded with a tape-recorder and then transcribed in full. Summaries were made in English but in order to reduce the risk of translation errors, they were all first analysed in Swedish. This procedure was executed in order to decrease the risk of missing out on vital information or create bias results. Moreover, collected data need to be presented in an objective and honest matter (Saunders et al., 2007) and this is more likely to be achieved by carefully transcribe all the data in full.

According to Hancock (2002) qualitative data should be analysed based on the theory relevant for the study. Therefore a comparison between theory and practice was executed in this thesis. The data was first categorised by the different stakeholder groups since the questions were conducted a bit different depending on the respondents' relationship to the company. The different categories were defined as; management, employees, shareholders and customers.

The analysis was executed through a content analysis which is a procedure for categorising verbal data that can be analysed on two levels, the basic and the higher level. The basic level only take into consideration what is said while the higher level also interpret what the interviewee means (Hancock 2002). For this thesis, what the respondents said and also interpretation of the underlying meaning was taken under consideration.

Content analysis is used to reveal important information from the transcripts of each interview. This is executed in several steps that aims at constantly revise the collected data and to review the interviews (Hancock, 2002). The transcripts from each interviewee was used and then frequently used words and expressions were highlighted and compared in order to make parallels with theory, find essential connections between and within the different stakeholder groups. Furthermore quotations that were considered as vital were acknowledged, essential themes were identified and data was categorised into different categories. The analysis is structured based on the purpose as well as the different vital themes that were established in the empirical findings.

### **3.4 Limitations**

The soundness of the study always needs to be discussed in a thesis in order to minimize the possibility of misleading results (Saunders et al., 2007). The trustworthiness refers to the enabling of validity and reliability of the results.

#### **3.4.1 Validity**

The validity of a thesis refers to the ability of the used method to measure what it intend to measure (Saunders et al., 2007). Factors that can threat the validity are for example if the interviewer influence the interviewed with his/her own values and the interviewed person might not disclose sensitive information.

The subject of this thesis is not of a sensitive nature so there were never any issue of information disclosure. Neither was the concept of CSR explained in beforehand for the interviewees, instead the respondents were asked to describe with own words what CSR meant for them. The questions were asked in an open matter so the interviewees would not be influenced in any way. In the choice of interviewees the HR manager suggested some employees that she thought could be interesting for this study. Also the Business area manager suggested some customers that he thought could be valuable for the thesis. However, the final decision was taken by the authors regarding whom to interview or not.

##### **3.4.1.1 Internal validity**

It is generally a separation of internal validity and external validity. The internal validity concerns the project in itself and deals with the question if the empirical findings match the reality (Merriam, 2001). In qualitative research the reality is argues to be changing and holistic and therefore it cannot be measured as quantitative data, instead the qualitative research the interpretation of reality is the observations and interviews with the human beings. In order to enhance the validity of this study, Merriam (2001) acknowledged several important issues. The first is triangulation, which deals with using multiple sources of data or multiple investigators in order to confirm the findings. In this study, several different sources of previous data are taken into consideration and moreover, there was no close personal connection with the respondents which enabled objectivity.

Member checks are another issue that Merriam (2001) address. This is about taking the gathered data back to the interviewees in order for them to confirm that they are plausible. In this study the transcripts were sent out to all the respondents via email, so they could confirm that the content corresponded to what was said. This was made to reduce the possibility of misinterpretations and mistakes of the empirical findings. Furthermore, it enhances the validity of the thesis due to the fact that it diminishes the unfair use of information. All participants also agreed to have their name published in the study which provides additional soundness and in order to avoid translation errors, all interview were first transcribed and analysed in Swedish.

##### **3.4.1.2 External validity**

The external validity is about the project as a whole and its potential to generalize (Svenning, 2003). According to Merriam (2001) generalisation regard if the findings can be applied to other situations. Most qualitative researches are unable to do this or avoid doing it (Mason, 2002). Merriam (2001) furthermore argues that in qualitative research a single case is often chosen because the researcher aims at understand the particular more thoroughly, not to investigate what is true for the many. Since a single case study was conducted for this study generalization are not assumed in this thesis. However, similarities may exist in

comparable contexts and part of the result that can be applied on other service organizations. The participants in this study have different relationships to the organization; they differ in age, position, gender, working experience and values, hence the sample group is very diverse and several levels of the organization are presented in the study.

### **3.4.2 Reliability**

Reliability refers to the credibility of the thesis and the consistency of the measure of a concept. That is, if nothing changes in a population two different studies with the same purpose and method should give the same result. In order to increase the reliability it is vital to have a clear definition of concept that is used throughout the interviews (Svenning, 2003). However, it is difficult to ensure reliability since human behaviour and thoughts never are static. Instead qualitative studies should aim at explaining it and describes it in its context (Merriam, 2001). Lincoln and Guba (1985) suggest that instead of referring to reliability in the traditional matter in qualitative studies, it should be regarded as dependability (Lincoln & Guba, 1985, cited in: Merriam, 2001). Researchers can use several techniques to ensure that the results are dependable and the goal is to establish that the results are consistent with the collected data.

In order to ensure dependability in this study similar questions related the subject of the matter was asked to all participants because the classification of CSR is rather unclear and may be interpreted differently. Moreover, the topic was only discussed briefly before the interviews and no vital theories were mentioned, this was done in order to prepare the participants for the interviews but still not create any bias or possibility for the respondents to be affected by the researchers.

The interview template was showed to the tutor of this thesis before asked to the participants to ensure that the questions were relevant for the intended purpose and that no questions were left out. The interviews were all conducted with the same strategy to facilitate accuracy of the results. Since tape recorder was used, no information was left out and the two authors were both present at all interviews to further decrease misunderstandings and to not miss out on observations. Relevant theories and articles about the topic were carefully studied to gain more knowledge within the field before the interviews. Moreover constant discussions were conducted about the chosen topic to further enhance credibility (Saunders et al., 2007).

The result is presented in a manner that enhances the credibility, similarities and differences within and between interviewee groups as well as between interviewees are distinguished. The transcripts and the summaries of all interviews were conducted together by the authors in order to present relevant information and communicate it without bias. These actions were in order to enhance the trustworthiness of this thesis and moreover to enabling the presentation of reliable and unbiased results and conclusions.

## 4 Empirical findings

As described in the previous chapter, the empirical data was collected through interviews with stakeholders from one chosen company. The following chapter intends to outline the data from each stakeholder group separately. The summaries in full will be presented in the Appendices. However, before presenting the data from the stakeholder groups, it is of interest to give a short presentation of Elmia AB.

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### 4.1 Presentation of Elmia

Elmia was founded in 1959 by Erik Hållander and started as a fair company that focused on the wood industry. Today, Elmia is the organizer for many different fairs but also for a great many other events where they are in charge for leasing and service. Elmia is a joint-stock company whose majority owner is Jönköping Rådhus AB that holds 82 % of the shares in the organization. Other shareholders are Förlags AB Albinsson & Sjöberg, Smålands Fotbollsförbund, NCC AB, Handelskammaren i Jönköping and Herenco AB. In 2008, Elmia accounted for 85 employees and a turnover of 228 767 SEK (Elmia, 2008).

### 4.2 Interview participants

#### 4.2.1 Management

Three respondents from the management team of Elmia were interviewed for this study, their main points will be presented below.

##### 4.2.1.1 Monica Malmqvist

Monica Malmqvist has been employed at Elmia for 25 years. She started at the company within the field of economy but is at present the HR Manager. Monica Malmqvist has no clear definition of CSR but after a short discussion she talks a great deal about Elmia's responsibility towards the society at large and the environment. She definitely believes that the company has responsibility mainly because of the fact that it is publicly owned.

According to Monica Malmqvist, Elmia works to a great extent towards the society. The company is Host Company for the University of Jonkoping and different high schools. She also mentions that Elmia employ trainees and engage in different sport associations. The company is also according to her involved in a great deal of activities towards the environment. Monica Malmqvist believes that this is important since the environment is "everybody's future". Elmia does a great deal of recycling at their office and they use distance heating. She mentions that they furthermore encourage all exhibitors and visitors to recycle on the fairs. This is important since the fairs usually generate a lot of waste. She says that many of the fairs have environmental themes, examples of this is the recycling fair and bio-energy fair that Elmia arrange.

According to Monica Malmqvist the employees are very important, for Elmia, she says that "the employees makes the company". It is also significant to make the company to an attractive workplace for both employees of today and future employees. The company offers the employees lunch coupons and free workout. She says that five to six times a year the CEO holds an information day for all employees, where he informs about new happenings in the company and the society. Monica Malmqvist believes that this is very important since not knowing what is going on within the company can lead to dissatisfaction among the employees. The company also performs "Elmia days" where the whole staff goes on a trip together and where they combine conferences with pleasure.

Monica Malmqvist does not put any concrete demands on the company but she believes that it is important that the company cares about their employees when they all work so hard. As a last remark she feels that it is really important to work in a company that takes responsibility. She says that she would never work in a company that produces weapon for example. She also believes that Elmia is at present very good at being responsible but that their engagement always can be improved. She says that CSR is “an ongoing journey that never ends”.

#### **4.2.1.2 Stefan Carlsson**

Stefan Carlsson believes that the concept of CSR has many different aspects and that responsibility exists on several levels. He thinks that organization should take responsibility to the degree that they are able. He argues that Elmia takes a lot of responsibility, especially through their environmental work. They contribute a lot to the environment and one example of this is that they are using distant heating. This is very energy saving, but it was a major investment for Elmia when they started the project. The company also recycles all the leftover food and sends it to a recycling station where it transforms to bio energy. This is a rather complicated process according to Stefan Carlsson and not many companies undertake this procedure. He furthermore highlight that Elmia has environmental friendly dishwashers, they recycle almost all their waste, they have also been certified for their environmental work etc. He also mentions that all the company cars are clean vehicles.

Stefan Carlson says that Elmia is beneficial for the Jonkoping region since they generate work in the entire region through their fairs and that this is very favorable for the city of Jonkoping. He also mentions that Elmia sponsor several athletic teams in the region and the focus is mainly on sports associations for the youth. Stefan Carlson mentions that Elmia donates quite a lot of money to charity. Instead of sending Christmas card, the company donates money every year to charity organizations such as “Rädda barnen”, Raddihjälpen, “The red cross” etc.

He believes that the company does rather much for their employees and mentions that all the employees are able to use the occupational health care benefits, with continuous health tests, they have access to free exercise at some of the major gymnasiums in the area. The company arranges “Elmia Forum” days, where the employees are informed about what is going on in the company in order for them to be a part of the organization. Stefan Carlsson also says that all the offices are very ergonomic, the company actually appoint a person that visit the company in order to improve the working environment, the lightning etc, installing adjustable desks and chairs etc.

Stefan Carlson mentions that the company teaches their employees CPR, both for their own private safety and for the office safety. He also says that it is always medical orderlies present at their fairs and this is for safety percussions for the visitors as well as for the exhibitors. He believes that the most important stakeholders that Elmia has is the customers as well as the employees. He states that Elmia focuses a lot on environmental fairs and that their aim is that all fairs should be considered as “green”. Stefan Carlsson says that this may be more due to Elmia’s internal values than of the requirement of the customers. He states that they communicate their CSR a lot within the company but maybe the general public is not that aware about the company’s activities to the same extent. He also mentions that there was an article about Elmia in the regional newspaper when they executed the project with distant heating in the lake Vättern.

#### **4.2.1.3 Hans Standár**

Hans Standár is the CEO of Elmia AB since 2003 and CSR according to him is to contribute to a better society, create job for the region and generate a profit. Hans Standár says that he previously worked at SAAB Training Systems and they had major pressure to operate in line with CSR related issues due to the fact that they sell to and do business with the government. When he was appointed as the CEO of Elmia, he tried to implement part of the same standards at Elmia as well. Furthermore, he argues that since the company is a publicly owned company and Jönköping Rådhus AB's aim is to facilitating the business life in Jonkoping, this also has increases Elmia's responsibilities towards society. Hans Standár believes that the company does a great deal for the society, he mentions that they recognize youth and sports as important and that they sponsor activities connected to this, for example sports associations like HV71 and J-Södra. Furthermore, he mentions that instead of sending Christmas cards they donate money to "Erikshjälpen" or other charity organizations at Christmas.

Elmia is according to Hans Standár very concerned about the environment and the company has implemented certain environmental policies. The company is certified for their environmental work and won this year Jonkoping's environmental prize. Many of the fairs are influenced by the environment and they recycle everything during the fairs. Hans Standár mentions that they measure and present this with key ratios.

Hans Standár states that the employees are very important for Elmia since the company do not utilize machines or other producing devices like manufacturing companies; instead their employees are the most vital asset. He says that six times a year the company have something called the "Elmia Forum" where all employees are information about upcoming projects and other vital happenings for the company and he argues that this create a feeling of involvement for the employees. Hans Standár furthermore highlight that the company is involved in an equality plan and a municipal directive about ethical multitude. He states that Elmia provides occupational health care for the employees and so they have access to medical care and rehabilitation.

According to Hans Standár, the most important stakeholder is the customer; they are the main focus for Elmia since without the customers there would not have a business. The other essential stakeholder is the employees. He says that motivated and involved employees that find it interesting to arrange fairs are essential for Elmia. He furthermore calls the employees, the core of the company. Hans Standár says that Elmia's CSR activities are influenced by customer's requirements and that their demand for environmental fairs has increased over the years, nowadays it is much more common that the customers ask for environment policies and safety policies. He mentions that Elmia communicate their CSR activities through media and that their homepage is about to be updated with more information about their CSR work. In their financial report their use the same principals as in ISO 14000 but they are not certified by that standard yet.

#### **4.2.2 Employees**

The employees of an organization are considered as vital stakeholders for prosperity. The main discussions from the interviews with three different employees will be provided below.

##### **4.2.2.1 Mari Moström**

Mari Moström is accounting and entrance responsible at Elmia AB. She has been employed for 7, 5 years and has never before stayed that long at the same company. She believes that

CSR is about taking responsibility. That everyone can do something, about taking care of the environment, treat other people well, and obey laws and regulations. She also says that she thinks that CSR is a lot about common sense.

Mari Moström feels that Elmia undertake several CSR activities and that they do have a responsibility. Elmia is creating jobs and they enhance the business life in Jonkoping. The company is very proactive and has liabilities to act as a role model since it is publicly owned. Furthermore, she says that Elmia does much for the environment, by recycling processes, using district heating and has won awards for being environmental friendly. Elmia is also sponsoring several sports associations in the area.

She also believes that Elmia does a great deal for their employees, their full time is only 7, 5 hours a day, the workplace is very ergonomic, the employees have adjustable desks, ergonomic chairs, mouse-trappers and provide nice offices with good ventilation. Mari Moström also mentions that Elmia subsidize coupons for their employees, the employees may exercise for free at three different gymnasiums in the area, they offer occupational health services and they provide fruit baskets. All these things combined are very important and facilitate a good working environment as well as a pleasant atmosphere among the employees.

Mari Moström feels that it is significant to work for an organization that is concerned about CSR; however it may not be the most important for her as an employee. She does not really put demands on Elmia, due to the fact that she has not really experienced any need for anything that the company has not provided. She thinks that it feels good to work for a responsible organization and she cannot think of anything more that she would want Elmia to do.

#### **4.2.2.2 Torbjörn Johnsen**

Torbjörn Johnsen has been employed at Elmia since 1991. He believes that Elmia definitely have a responsibility for the society through generating jobs, be conscious about the environment, and so on. He states that Elmia is very important for the city of Jonkoping and the business life in the area due to the major fairs that they arrange.

According to Torbjörn Johnsen, Elmia tries to profile themselves as a company that is very conscious about the environment. The fairs that they arrange about bio-energy are known all over the world. He furthermore argues that Elmia was very proactive with their environmental work in comparison to other similar organizations and that this may be due to their close cooperation with the wood industry. The company arranges a great deal of “green fairs”, meaning that they recycle all the waste on the fairs and that they encourage the exhibitors to do the same. Torbjörn Johnsen says that the requirements to be an environmental friendly company do not really arise from the customers; instead he argues that the media puts a great deal of demand on Elmia. He furthermore says that the company has gained a lot of positive public attention through their work with “green fairs”. He mentions that Elmia has this year established a new fair that is concerned with near-produced food and that the project aroused due to demands from the society in large.

Torbjörn Johnsen believes that the customers of Elmia, together with media are the most important stakeholders. He says that the media contribute to the company since they communicate a positive picture of the company to the general public. He also mentions

that in some cases, like within the field of agriculture, the customer's customer puts demand on the company as well.

Torbjörn Johnsen furthermore highlights the fact that to some degree, CSR involvement actually can be considered to be a rather self-centered behavior since the motive for engaging in CSR often is that the company will get something back in the end.

#### **4.2.2.3 Maine Bergström**

Maine Bergström has worked as a Receptionist at Elmia for 25 years. She could not really give a clear definition of what CSR is, however, she believes it to be very important that everyone contributes to the greater good for society and that all individuals can do something. Elmia has according to Maine Bergström absolutely a responsibility towards the society.

She could not really provide any definite examples on what the organization does for the society, but she mentions that Elmia generates a lot of tax money and also creates a lot income for the hotels and restaurants in the region. This also according to Maine Bergström may result in work opportunities.

She also mentions that Elmia contribute a lot to the environment, that they do a lot of recycling and that the company received a certification for their environmental work. Maine Bergström furthermore talks about a survey that Elmia will perform, where they will ask their employees how they get to work every day. The reason behind this survey is that Elmia will try to encourage their employees to use more environmental friendly alternatives to travel than by cars.

Maine Bergström says that she enjoys working at Elmia. According to her it depends on a combination of who you work with and the company itself. She thinks that the company gives their employees freedom and that the working environment has improved greatly the last years. She does not really consider that she puts any demand on the company. The only thing Maine Bergström says that Elmia could improve is that they may implement a more homogeneous policy for the budget that the different department receives.

#### **4.2.3 Shareholders**

The major owner of Elmia AB is Jönköpings Rådhus AB, they possess 82% of the shares, therefore the major points from the interview with their CEO are provided below.

##### **4.2.3.1 Martin Andreae**

Martin Andreae is the CEO of Jönköpings Rådhus AB, the largest shareholder of Elmia that contains 82 % of the shares. According to him, CSR is a lot about contributing to the good of society. He argues that Elmia is very important for the business world in Jonkoping and that the company actually constitutes the city center together with the University. He believes that without Elmia, the city of Jonkoping would be much different. Moreover, Martin Andreae states that the company provides job opportunities for the whole city through their fairs and that indicates that Elmia is vital for the hotel and restaurant industry in the region. Due to all this influence on the entire region, Elmia also have a great responsibility towards the society and he therefore argues that it is expected and regarded that the company should engage in CSR.

According to Martin Andreae, Jönköping Rådhus AB states general directives for all companies in the county as well as for the organizations in which they possess shares. The overall directives are in regards to the environment, the work environment for the employees as well as equality within the company. He states that Jönköpings Rådhus AB would never cooperate with, or own shares in a company that are not socially responsible. Martin Andreae furthermore argues that Elmia is very proactive in their environmental work and that they have been certified for their environmental work. However, he is not in detail certain of exactly what type of environmental activities that they carry out.

Martin Andreae also believes that the demands that Jönköpings Rådhus AB, put on Elmia is both general and in more specific. The general demands apply to all companies that Jönköping Rådhus AB own shares in or cooperate with. These demands cover the employee's situation regarding their comfort and the ability to create a pleasant work environment and multitude. The more specific and concrete demands that the owners require is based on the fact that Elmia is a publicly owned company. Therefore Martin Andreae thinks that Elmia should benefit the city as a whole and follow the demands and regulations that are founded to create good for the municipal.

He states that all the greater decisions that Elmia takes first have to be covered in the board of directors in order to be executed. This is also true for the new projects that Elmia wants to implement and nothing will be carried out before it is discussed and approved by the board. Martin Andreae furthermore believes that Elmia is good at CSR activities and that the company has come a long way, but improvements can always be made.

#### **4.2.4 Customers**

Several customers were recommended by the organization as possible respondent for this thesis. The main points of the two interviews will be presented below.

##### **4.2.4.1 Mats Svensson**

Mats Svensson is CEO of Hobby Fritid AB, which is a trailer company, located outside of Jonkoping. Hobby Fritid AB has been one of Elmia's customers for over 30 years. For him, the foundation of CSR is that everyone contributes to society, that all individuals get access to schools and medical care when needed. But he also believes that CSR is that when one contributes to society, one should get something back as well.

He argues that organizations definitely has a responsibility towards society and gives the example of when someone is offered a position in an organization, then that person expects employment security and salary etc. Mats Svensson regard this as a major responsibility for companies, especially in these days, when the world is in economic crisis.

Mats Svensson furthermore thinks that Elmia has a large responsibility to society, especially since they are publicly owned. They have a liability since they mean a lot for the municipality of Jonkoping. He also states that Elmia has a responsibility due to the fact that they generate a lot of tax money for the society and that Elmia contribute to the hotel and restaurant business in the city. Moreover, Elmia distinguish Jonkoping for international organizations and actors. He also thinks that it is vital that Elmia are considerate of the environment due to the fact that they are publicly owned. Elmia is a large organization and large organization is often monitored by the public and their actions will have consequences. Mats Svensson states that Elmia has won award for their environmental work and they use environmental friendly principles both inside the company as well as in their fairs. He is aware of the fairs that they perform that are direct related to improving the environment.

He thinks that it seems like they have a good working atmosphere and that the location of the company and the offices is very nice.

He cannot really answer if he thinks that it is important that Elmia donates money to charity, he is not aware about if they do that or not. However, he thinks that is not as vital for companies in general, instead the major concern should be to making a profit so they do not have let any of their employees go.

Mats Svensson does not believe that he put demands on Elmia to engage more in CSR, instead he argues that his major concern as a customer is that they offer fairs with high standards for a reasonable price. He is not that concerned with the safety or security at their fairs but he also argues that it is expected by the exhibitors. He cannot really answer if he thinks that they do enough or not, but he says that he has seldom or actually never heard anything negative about the company.

#### **4.2.4.2 Jan Frick**

Jan Frick is the chairman of “Svenska Barnvagnshandlarna”. When asked about the definition of CSR, Jan Frick does not really have a clear definition of what it is; instead he illustrate it with the description stated in the confederation of the Swedish enterprise, “Responsible business, working conditions, globalization, environment and sustainability and not least, respect human rights”.

He believes that organizations have a responsibility to engage in CSR and he furthermore states that it is imperative for him as a customer to Elmia that they take responsibility towards society. He also believes that it is significant that they engage in the environment. When asked about if it is important for him as a customer that Elmia creates a good working environment for their employees, he answers that he thinks it is vital. Jan Frick furthermore argues that a good working environment is the foundation in any successful organization and if the employees are dissatisfied, it will instantly lead to lack of cooperation and consequently in bad results for the company. As a customer he does not have an opinion on if Elmia should donate money to charity or not, but he says that If they do donate money, he would probably be interested in what organization they actually support.

Jan Frick does not really make any concrete demands on the company but he argues that the question is of significance and says that one should actually make more requests to the companies that one collaborates with. He also believes that all companies may be better at CSR, that this is a continuous process that always may be improved.

### **4.3 Summary of Empirical Findings**

Hans Standár and Stefan Carlson give rather similar definitions of CSR and could explain well how they perceived the concept. Hans Standár has worked at Saab Training Group before, which is a company that has a fairly extensive CSR work and he has implemented much of this at Elmia. He characterizes CSR as “contribute to a better society, create job for the region and generate profit” and Stefan Carlsson states that “CSR may have many different aspects and responsibility exists on several levels”.

The employees interviewed do not have any clear definition of CSR but they adopt an open view to the concept and believe that companies have a great responsibility towards the society and the environment where it conducts their business. Despite the fact that the actual term CSR appears to be rather confusing, the interviewees all discussed much about the

environment and society and designated that they interpreted this as CSR. None of the interviewees mention employee satisfaction and contentment as a part of social responsibility. Torbjörn Johnsen states that he believe that to some extent is Elmia's CSR work a self-centered behavior because the company believes that they will benefit from it in the long-run. Mats Svensson mentions that companies are socially responsible with the expectation or hope that they will gain from this engagement and Mari Moström says that she associated CSR among other things as "obeying the law and regulations".

When it comes to the practice of CSR and what activities the company actually engage in the respondents provide much more knowledge and it becomes evident that Elmia has a very extensive CSR work. The external stakeholders, Martin Andreae and Mats Svensson are aware of the fact that Elmia has won environmental awards and that several articles have been written about the company's environment work in the local newspaper. They are however, not certain about exactly what type of CSR activities that Elmia performs. The internal respondents have a good knowledge about Elmia's different CSR activities. As an outcome from all interviews the environment and employees seems to be regarded as just as important, shortly after that comes the society.

Both Hans Standár and Stefan Carlsson mention customers as the most important stakeholder. Hans Standár says that the requirements from customers regarding CSR increases more and more and when customers asks about these issues, Elmia wants to be able to provide information that they are socially responsible. Moreover, Hans Standár, Stefan Carlsson and Monica Malmqvist all mention the employees to be of great importance for Elmia. As Hans Standár argues, "without the employees Elmia would only be a large building". Another stakeholder that is mentioned by the management team as influential is the shareholders, especially Jönköpings Rådhus AB, a public organization, since they own 82% of the shares in Elmia.

Torbjörn Johnsen believes that the requirements from customers are not as obvious as the demands from the media. However, he says that the customers combined with the media should be considered as the most vital stakeholders. None of the respondents from the employee category says that they make any concrete claims on the organization regarding CSR but they all appear to feel good about working for a company that takes responsibility.

Martin Andreae mentions that Jönköping Rådhus AB have established concrete directives that they require Elmia to follow concerning the environment, work environment for employees and the equality within the company. He says that Jönköping Rådhus AB would never collaborate with or hold shares in a company that not follow these directions. Lastly, Mats Svensson and Jan Frick state that they do not really put any demands on Elmia regarding CSR. The main concern for Mats Svensson is that Elmia should offer high quality fairs to a reasonable price.

## 5 Analysis & Results

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In this chapter, the analysis will be performed in relation to the intended principles of this thesis. It is categorised based on three main topics, the diverse knowledge about the CSR definition, the practice and purpose of CSR and the stakeholder's influence on the process of CSR

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### 5.1 Diverse knowledge about the CSR definition

From the result of the conducted study it was obvious that the concept of CSR can be complicated and difficult to define. This pattern is also shown in literature where a great deal of different definitions flourishes (Schwartz & Carroll, 2003; Freidman, 1970; McWilliams & Siegel, 2001). An explanation of this is that CSR is most likely still a rather unknown concept for most people. CSR is also a rather new concept and especially for service organization that has not had the same pressure from the society as manufacturing organizations where social responsibility has been an issue for quite some time (Grafström, Göthberg & Windell, 2008). For the case company the CSR work started seriously when the new CEO was employed. Elmia was before that involved in different activities, however, Hans Standár took the actions to another level. The respondents seem to believe that companies have responsibility but a direct definition of what responsibility involve, is difficult to give.

The pattern of not including the responsibility towards employees as a CSR activity can possibly be explained by the fact that companies and their personnel regard those activities as obvious. The responsibility towards the society as large and towards the environment was mentioned more frequently as a socially responsible activity. Moreover; the caring about the employee's welfare was most likely implemented before organizations began to execute many of their social and environment projects. It can also be assumed that actions regarding the environment and society are more obvious considered as CSR due to the fact that especially the environment is a very relevant and discussed topic today and comes to peoples mind instinctively (Lantos, 2001).

The knowledge and the definition of CSR were very diverse in the case company. The management had greater knowledge than the employees and customers. A first possible explanation for this may be that the CEO of our case company had previous knowledge of CSR from working at SAAB Training Group. SAAB is a manufacturing organization and it was apparent that they had more pressure from the general public and the government regarding CSR. Another explanation is that the management often is more involved in the handling of CSR activities because of a higher position in companies. It can also be the case that managers encounter the concept of CSR more frequently than employees and customers. This is because they also engage in meetings where strategically decisions are executed. One reason why employees and customers are not that familiar with the actual term CSR could be that it is an English term and moreover that they never reflected on the meaning of the definition.

### 5.2 The practice and purpose of CSR

Even though people have difficulties to define CSR the study indicates that a service organization can do a great deal of CSR work. Literature provides information that it might be easier for a manufacturing company to take decisions about CSR, implement it and also to define it (Snider, Hill & Martin, 2003). A producing organization may also easier control and monitor their pollution, transportation and other actions that affect the environment.

This indicates that it is easier for a manufacturing organization to actually communicate their CSR on their website or in other matters, since they actually have measurable facts and results.

In a service company the decision process of what actions to engage in regarding CSR might be more complex because no clear impact on the environment may be measurable and moreover, other control and monitor aspects may be absent. The case study performed, implies that a service company have the possibility to engage in several different CSR activities, however, those might not be as obvious as in a manufacturing company and therefore more complicated to communicate externally.

The case study moreover, indicates that the responsibility towards the environment and the employees is taken most seriously. Despite the fact that the employees were not discussed extensively when defining CSR, the company perform those activities to a great extent. The extensive work towards the employees in order to facilitate employee satisfaction can be explained by the fact that personnel are regarded as a very important stakeholder in a service company. As Monica Malmqvist described it, "the employees make the company". In a company the service is the commodity and the staffs are the ones that deliver the service usually very in a very close relationship to the customer (Heskett, 1986). Therefore it is of course imperative that the employees are satisfied and working together towards a common goal. This may be considered as a win-win situation where both the employees and the company gains. Facilitating the working environment for the employees may most likely result in that they feel better and perform better and therefore contribute more to the organization. One very obvious and straight forward example from the case company is that the employees are encouraged to exercise by given free membership at various gymnasiums this is argued to result in healthier individuals and therefore less sick days for the organization. According to Lantto's (2001) this may be considered as strategic CSR.

A service company usually does not have the same impact on the environment as a producing company. It can be assumed that ethical CSR (Lantos, 2001) is not very existent in service organization due to their lack of morally mandatory actions. Therefore fulfilling the responsibility that a service company has towards the environment can be considered as a bit different from what a producing company executes. The case company exercised several rather complex environment activities. This was actually to some extent rather surprising because these activities did not provided the organization with obvious benefits.

One possible reason for service organizations to perform actions that is argued to enhance the environment is that the environmental conscious thinking is right in time at present. Moreover, the general public and the society as a whole considered the environment to be a vital issue and environmental friendly organizations may experience positive publicity. Concentrating on the environment may therefore be regarded as a strategic move (Lantos, 2001) for a company, where there is again a win-win situation. A company receives goodwill from these actions since it leads to a positive image. It can also be argued that a service organization may gain more positive attention if they are considered to be environmentally friendly due to the fact that their incentives to take these actions are not imposed on them from external pressure groups, which is often the case for producing organizations.

Companies' customers will also affect what activities service organizations execute. The case company works closely with the wood industry and agriculture where the demand for environmental friendly solutions is great. This has influenced how the company conducts their business and moreover what services they offer. This indicates that the activities that an organization performs, whether they are regarded as CSR or not, depend to great deal

on the requirements from customers. It could be the case that this is even more obvious in a service organization context due to the fact that the service performed depends on the interaction between the organization and the customers and moreover that the actual service may differ depending on the receiver (Edvardsson, Andersson, Sandén & Waller, 1998). It can be assumed that a company with no demands from their customers to engage in environmental improvements may not put a great deal of effort on environmental activities.

Another socially responsible activity that a service organization may perform is philanthropic CSR. This is something that the case company performs to a great extent. Donating money to charity, youth organization and sport association may generate much goodwill for an organization due to brand image etc. However, in the case company this action may be regarded as altruistic CSR (Lantos, 2001) because their intentions are not to gain anything back from it. Yet, altruistic CSR may be beneficial for an organization due to the fact that the internal stakeholders may get the feeling that the work for an organization that give something back to society and this may motivate them more in their work (Rodrigo & Arenas, 2008).

From the case study and from previous research it becomes evident that service companies in general do not communicate their CSR activities through their annual report. A possible reason for this is that they do not experience the demand from shareholders or other stakeholders. The activities are instead communicated in other ways. Patterns indicate that service companies communicate their activities to great extent internal. This could be explained by the fact that the employees are regarded as significant in a service organization context and it is important that they feel that they are part of the activities and decisions that the organization performs. This internal communication therefore satisfied their need for information and facilitates the work towards a common goal. Moreover, since there is a close relationship between the customers and employees the employees will have the possibility to communicate to the customers about the different activities within the company. The media is also seen as an important stakeholder when communicating to the society. This most definitely applies to all companies since newspapers, TV and radio reach many individuals and plays a great role in what image people have of a company.

In the empirical findings it was mentioned that to some extent is Elmia's CSR work a self-centered behavior because the company believes that they will benefit from it in the long-run. The authors could here draw a parallel to Friedman (1970) that argues that managers engage in CSR do it to promote their own social, political or career agendas. It can be assumed that it is not that common that companies engage in activities that is pure altruistic. Businesses primary exists to generate jobs, profit and opportunities. Hence, it might be that the reason why organizations engage in CSR is because they regard the relationship as reciprocal and that CSR to some extent always is an egoistic behavior. An activity executed with the anticipation to gain something back from it, can also be estimated as socially responsible. CSR and profit should not be considered as poles apart; instead it might be the case that the more positive benefits that organizations discover by perform CSR, the more of those actions will be executed.

## **5.3 Stakeholders influence on CSR**

### **5.3.1 Shareholders & Civil society**

Shareholders are one stakeholder that is acknowledged as influential for organizations. Friedman's theory that businesses should only aim at making profit for the shareholders (Friedman, 1970) cannot be applied on the case company since the shareholder's endeavor

is not to generate as much profit as possible. It becomes evident in the empirical findings that what the shareholders requires is for the organization to be socially responsible and follow the directives that provide benefits for the entire region. Hence, the argument by Friedman (1970) that the managers should act as employees to the owners and obey to their requirement can be assumed to be true. The shareholder's directives are for the organization to be socially responsible, an approach that the service organization has adopted.

It also becomes evident that all the greater decisions first need to be approved by the shareholders, an indication that the shareholders put much demands on organizations, regardless if it involves profit generating or not. This assumption is most likely true for most organizations since shareholders are the actual owners of organizations and therefore possess much power. However, the fact that the case company has one major shareholder that possesses 82% of the shares and therefore is rather constrained to their requirements, is not applicable to other service organizations. Hence, the importance of one single shareholder is most likely not as evident in other companies. Moreover, other organizations with several different shareholders may not be as responsive to their demands since it might not be as severe for them to terminate the collaboration with one of their shareholders.

The reason why Elmia is socially responsible is probably due, to some extent, to the fact that they are publicly owned since research indicates that service organizations in general do not have that much demand from the public to engage in CSR (Grafström, Göthberg & Windell, 2008). According to Freeman (1984) organizations usually acknowledge their primary stakeholders and then adapt to their directives, some indications of this do exist at Elmia. It is probably the case that because Elmia is significant for the Jonkoping region and business life they feel responsibility to a greater extent than many other organizations. It can be assumed that other service organizations that are lacking the demand from the general public and are not regarded as having a major impact on the environment do not experience the obligation to engage in CSR to a great extent. However, it can also be assumed that the shareholders are not the only imperative stakeholder for service organization since the case company actually goes beyond the shareholders requirements with their CSR activities in this case.

### **5.3.2 Customers**

The customers were the first stakeholder group that the management, mentioned as imperative. According to Singh, Sanchez and del Bosque (2008), there is a tendency today for companies to treat their customers as key stakeholders since the importance of brand image has increased. Customers may also have been the first stakeholder group mentioned given that their importance for an organization is very apparent, since without the customers, no business. They are the ones demanding a product or a service and the company supplies it. Klein (2007) furthermore argues that in service organizations where the goods are immaterial, the interactions with the customers are even more essential since they almost become part of the service delivered as well (Klein, 2007, cited in: Ambler, 2007).

In the empirical findings it is argued that the requirements from customers regarding CSR is augmenting and when customers ask about these issues, the organization wants to be able to provide information that they are socially responsible. This approach is considered to be very proactive and it also indicates that the actual demand for service organizations to be socially responsible may not always originate from the customers. Singh et al., (2008) present information that the main concern for customers regarding CSR usually involves the demand for safe products. Taking this statement into account, it can be assumed that a

service organization which not provide tangible goods (Grönroos, 2002) may not receive pressure from customers to be involved in CSR to the same extent as manufacturing companies that provides their customer with a physical product.

Despite the fact that the customers regard it as important for the service organization to be socially responsible, they also argue that they do not put any concrete demands; instead their main concern is that the organization provides good qualitative services. However, this may be interpreted as an aspect of CSR as well. As mentioned above, Singh et al. (2008) states that CSR required from the consumers' are often that they entail safe and reliable goods, and the service can actually be considered as the organizations immaterial goods. The time when the customers become aware of what they actually bought from the company is when the immaterial product is delivered in a service organization context according to Heskett (1986). This implies that the customers require safe and high standard services but they probably not consider it as a claim. If a service organization maintain high standard and deliver high quality services, this may be regarded as taken for granted by the customers and could actually be the reason why they do not put any claims on the company. Nonetheless, if organizations did not assure it, they would fail in meeting the customers demand and hence decrease sales and profit (Freeman, 1984).

In the empirical findings, it becomes evident that the incentives to perform the bio-energy fairs, near-produced food fairs and "green fairs" is argued to not actually derive from the customers, instead it is said to originate from the media and the society in large. Yet, the demands from customers are often reflected by the media and society. Today, the environmental issues generate a lot of publicity and this most likely result in a greater consciousness by the customers as well. Hence, it can be assumed that part of the CSR activities performed by organizations originates from customers, even if it is not as obvious as the requirements and claims stated by the media and the general public. In service organizations it is argued that the provided service is to a large extent based on the receiver (Edvardsson, et al., 1998) and a service may differ depending on the customer.

### **5.3.3 Employees**

It becomes apparent in the empirical findings that the employees are well aware about the CSR activities that the service organization performs. The management furthermore argues that the employees are essential stakeholders and several activities that the organization performs in order to improve the working environment is mentioned both by the employees as well as the management team. Moreover, the employee turnover is significantly low. These facts can be considered as a strong indicator that the employees are regarded as vital for a service organization. The importance of employees in service organization is also acknowledge in literature and Jansson (2006) argue that pleased employees are crucial because labor is considered as the most critical factor in this context.

Edvardsson et al. (1998) furthermore state that the interaction between the customer and the organization is imperative for service companies, a statement that might be rewritten as the interaction between the customers and employees. Hence the employees are the ones in service organization that provide the customers with the immaterial goods and therefore is it significant to have motivated and involved employees. This can be connected to the study performed by Rodrigo and Arenas (2008) that establish the importance of committed employees, especially in relation to CSR implementations. Mitchell, Agle and Wood (1997) consider employees as vital due to their possession of authority, power and need within organizations (Mitchell, Agle & Wood, 1997, cited in: Rodrigo & Arenas, 2008).

It becomes apparent that the employees consider the organization as significant for the business life in the region as well as for the environmental work. According to Rodrigo and Arenas (2008) it is very beneficial for companies if their employees perceive the company as important. Moreover, the employees also give the impression that they are proud of the CSR activities that the organization execute. This implies that they are motivated employees and designates, according to Rodrigo and Arenas' (2008) theories, that they have a genuine interest and commitment in the organizations CSR work as well. The few researchers within the field of CSR and employees argue that there is a positive relationship between personnel and CSR activities (Rodrigo & Arenas, 2008). Klein (2007) furthermore states that employees that are satisfied with their organizations social and environmental commitments are more likely to be productive and positive (Klein, 2007, cited in: Ambler, 2007). It can be assumed that organization that engage in CSR may increase the internal stakeholders' satisfaction and pride and this should be considered a major motivator for organization to engage in CSR. This is true especially for service organizations where the employees are regarded as a vital asset (Jansson, 2006).

None of the employees argue that they make any concrete demands on the company. This does not imply that the employees do not influence the organization's CSR activities, instead it could be the case that since the company already provides a lot of benefits for their employees, perform activities in order to enhance the environment and society, no need for the employees to make further demands exists. They all seem rather satisfied with their present working environment and the organization in which they work. In organization's where employees are not satisfied, it can be assumed that they do put demands on their organization since they want them to change to the better.

#### **5.3.4 Management**

It is as mentioned, argued in research that the general public usually not put as much requirements on service organizations regarding CSR as they do on manufacturing organizations (Grafström et al., 2008). In the empirical findings it becomes apparent that the CEO is the driving force behind many of the CSR activities that the organization performs since they were first implemented when he was appointed at the organization. His background is from a producing organization in which the directives regarding the environment, working environments and other social aspects were much stricter than at Elmia. His former organization had the government as a major customer and if the company did not follow their set criteria, no business would be performed. The approach to be a socially responsible service organization is rather proactive since the demand from customers is not as evident. This implies that the values and morale from the CEO has been fostered in a manufacturing organization and has now been applied in the context of a service organization.

The extent that a service company engage in CSR activities is very much influenced by the relationship that the managers has to CSR since they are in the end the ones deciding what the company will do and not do. If a company has a manager whose knowledge about CSR and its positive effects is limited that organization will probably not engage in CSR activities to a large extent. The manager of a service organization may have an even greater influence on CSR due to the fact that service companies do not have the same specific demands from other stakeholders as manufacturing organization.

## 6 Conclusion

The purpose of this thesis is to identify how Corporate Social Responsibility is defined and how it is exercised in the context of service organizations and also the importance of different stakeholders in this process.

The definition of CSR is rather complicated in a service organization context. A strong correlation between position in the company and knowledge about the concept is identified. It appears that managers within service organizations have a more straight forward perception about the term. This may be explained by the fact that they work more closely with CSR since it is regarded as a strategic issue discussed on higher levels. Despite the fact that the concept is difficult to measure in service organization, much CSR activities can be executed. The complexity however lies in the interpretation of it, not the purpose or the practice. Environment and social benefits appears to be the most significant aspects for service organizations CSR activities. However, the focus on employee satisfaction and enhancement are also regarded as vital, despite the fact that it is not considered as CSR to the same extent.

It appears that the most CSR activities performed in service organizations are of strategic nature, rather than pure altruistic. This may be because organizations main goal is regarded as generating a profit in order to not be forced to terminate the business. To some extent, all CSR activities may be considered as of egoistic nature, even if that is not the fundamental idea.

Several stakeholders seem to influence the process of CSR in a service organization. The demand from shareholders is considered as vital, as well as the demand from customers and employees. It is an augmented interest from customers that companies engage in CSR, a reality that also appears to be true in a service organization context. It also appears as CSR engagement generates employee satisfaction, not only the activities performed to enhance the working environment, but also the social and environmental actions. Moreover, it seems as the incentives to act socially responsible in a service organization not is the result of external pressure as it often can be in producing organization, instead it appears to originate mostly from internal values and believes.

### 6.1 Discussion

The conclusion from this study is as previously mentioned based on interviews with nine different respondents. The nine respondents are all stakeholders of one single organization. All the interviews revealed a lot of interesting and valuable information as well as different perceptions about the concept CSR. The reason behind conducting a qualitative study was to generate a deeper understanding about the chosen topic, an aim that the authors believe to be achieved. This study has been very interesting but also complex to conduct. The reasons for the complexity are most likely due to the vague and unclear definition of CSR and also the fact that the term may have several different meanings.

The fact that the study is built on one single organization may imply that it is difficult to generalize too much from this study. However, careful consideration to the context has been the focus of this thesis and the primary aim has not been to generalize. The focus has instead been to gain a deeper insight into the CSR activities of a service organization. Moreover, the fact that the respondents all have connections to one single company may be argued to create bias. However, the authors have carefully considered what different respondents to interview and also talked to individuals at different positions, this was ex-

ecuted in order to gain a broader view on CSR. Three of the respondents were not internal stakeholders; instead they belonged to different organizations in different industries, which imply that the various perceptions and thought about CSR are not fostered in one single organization. The participants all have different backgrounds and working experience and even though the company was approached and asked to help the authors to find suitable individuals to interview, was the set criteria based on the authors requirements.

## **6.2 Recommendations for further studies**

Several different approaches to further elaborate on the stated purpose exist. The issue with CSR especially in a service organization is a complex, yet very interesting topic. This study is limited to one single service company and hence, further development of the study might be possibly. Moreover, the different stakeholders are argued to influence the meaning and practice of CSR and in this study, the participants were all stakeholders from one single company, this may also be more elaborated in future studies.

It would also be interesting to compare different industries and their CSR practice by increasing the study and including multiple companies. Another aspect that will be interesting to study is how stakeholders in different organizations and industries influence the CSR implementation and examine if there are any differences and similarities. Since this study is conducted on a publicly owned company where the impact from society is large it would be exciting to do a similar study on a private owned organization in order to establish if there CSR activities are as evident. It would also be interesting to examine the complex issue of CSR definitions and compare how different industries choose to define it and what aspect that influence the definitions.

Another recommendation is to extend the present research to include several service companies. This would realize the possibility to be able to compare and find differences and similarities and further be able to generalize to a greater extent.

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## Appendices

### Appendix 1- Intervjuvmall

#### FRÅGEFORMULÄR – SEMI STRUCTURED

##### Företagsledning

- Vad är CSR (samhällsansvar) för dig?
- Vilka CSR aktiviteter tycker du att Elmia gör?
- Gör ni något för miljön?
- Skänker ni pengar till välgörenhet?
- Sponsrar ni några andra projekt?
- Gör ni något för era anställda?
- Gör ni något för samhället?
- Kommunikerar ni era CSR aktiviteter?
- Vilka anser ni är era viktigaste intressenter?
- Upplever ni att de påverkar era CSR aktiviteter?
- Anser ni att ni gör tillräckligt?
  - Varför/varför inte?

##### Anställda

- Vad är CSR (samhällsansvar) för dig?
- Anser du att Elmia har ett samhällsansvar?
  - Vad består det i?
- Tycker ni att Elmia gör något för samhället?
- Tycker ni att Elmia gör något för miljön?
- Gör företaget något för er trivsel?
- Ställer ni för några krav på Elmia när det gäller CSR? (arbetsmiljö etc.)
- Anser ni att det är viktigt att arbeta för ett företag som engagerar sig i CSR?
- Tycker ni att Elmia gör tillräckligt?
  - Varför/varför inte?

##### Aktieägare

- Vad är (CSR) samhällsansvar för dig?
- Anser ni att Elmia gör något för samhället?
- Anser ni att Elmia gör något för miljön?

- Tycker ni att Elmia gör något för sina anställda?
- Ställer ni som ägare konkreta krav Elmia gällande CSR?
- Anser ni att Elmia bör jobba mer med CSR?
  - Varför/varför inte?

### Kunder

- Vad anser ni är (CSR) samhällsansvar?
  - Tycker ni att företag har samhällsansvar?
- Tycker ni att det är viktigt att Elmia tar sitt samhällsansvar?
- Anser ni att det är viktigt för er att Elmia engagerar sig i miljön?
- Tycker ni att det är viktigt att Elmia skapar en bra arbetsmiljö för sina anställda?
- Anser ni att det är viktigt att Elmia skänker pengar till välgörenhet?
- Ställer ni konkreta krav på Elmia när det gäller CSR?
- Anser ni att Elmia gör tillräckligt?
  - Varför/varför inte?

## Appendix 2- Interview template

### QUESTIONNAIRE- SEMI STRUCTURED

#### Management

- What do you consider as CSR?
- What CSR activities do you think that Elmia undertake?
- Are you doing something for the environment?
- Are you donating money to charity?
- Are you sponsoring any other projects?
- Are you doing something for your employees?
- Are you doing something for society?
- Are you communicating your CSR activities?
- Who do you consider to be your most important stakeholders?
- Do you perceive that they affect your CSR activities
- Do you believe that you do enough?
  - Why/why not?

#### Employees

- What do you consider as CSR?
- Do you think that Elmia has a responsibility to society?
  - Vad består det i?
- Do you think that Elmia does something for the society?
- Do you think that Elmia does something for the environment?
- Does the company do something for your satisfaction?
- Do you put any demands on Elmia when it comes to CSR?
- Do you consider it important to work for an organization that is engaged in CSR?
- Do you believe that Elmia does enough?
  - Why/why not?

#### Shareholders/Owners

- What do you consider as CSR?
- What do you think Elmia does for the society? Anser ni att Elmia gör något för miljön?
- Do you believe that Elmia does something for their employees?

- Do you as owners put demands on Elmia regarding CSR?
- Do you believe that Elmia should be more engaged in CSR?
  - Why/why not?

### Customers

- What do you consider as CSR?
  - Do you believe that companies have responsibility?
- Do you think that it is important that Elmia take social responsibility?
- Do you think that it is important for you that Elmia are considerate of the environment?
- Do you think that it is important that Elmia create a good working environment for their employees?
- Do you think it is important that Elmia donate money to charity?
- Do you put demand on Elmia regarding CSR?
- Do you believe that Elmia does enough?
  - Why/why not?