

Strategic CSR and Performance

- The Strategic Effect of CSR initiatives



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Executive Summary

The purpose of this thesis has been to investigate the strategic effects of CSR, and its influence on company performance. Based on a multiple case-study of six Danish companies this thesis has evaluated the companies' CSR initiatives in terms of their measured impacts and results. This has been done using a Resource-Based-View and a range of theories including Porter & Kramer's theories on "strategic CSR" and "shared value" as well as Pfeffer & Salancik's performance measures Efficiency and Effectiveness.

The analysis has been conducted based on four research parameters (Eco-efficiency, Socio-efficiency, "shared value", and Eco- & Socio-effectiveness). The first two research parameters aimed to investigate the six companies' environmental and social initiatives in terms of their impacts and results. The third research parameter, "shared value", aimed to evaluate the companies' ability to identify, measure, and report the mutual benefits created from the CSR initiatives in terms of value to business and society. Finally, the fourth research parameter intended to examine the extent to which CSR has entailed new business opportunities and innovations for the companies resulting in a competitive advantage.

The main conclusions from this thesis are that, despite the large number of CSR initiatives carried out by the companies, few of these can be classified as strategic CSR addressing a social issue effectively by leveraging company resources and capabilities, while also contributing to the companies' competitiveness. Furthermore, it is evident from this research that the companies struggle to measure and quantify the business value created from their CSR initiatives, and that the value created to business, to a large extent, has yet to move beyond the enhancement of company reputation.

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1. Introduction

On June 17th 2013, the Danish newspaper Børsen held an interview with the respected business man Christian Stadil. Stadil expresses that he sees great opportunities for the social responsibility of companies, when combined with making a profit. *“The financial crisis has showed that there is a need for businesses thinking out of box and combining an economic sustainable business model with a social responsible business strategy”* (translated by Lisbeth). Social responsibility should pay off, so that it will become a motivational factor for the companies. Then CSR will not just become something that is done when things are going good and cut away in case of hard times. According to Stadil it is a matter of combining the social aspect with a long-term potential for future earnings.

Today, more than ever, organizations are focusing on their environmental and social responsibility (IBM, 2009). Among other things, globalization has resulted in an increasing pressure from governments, customers, consumers, employees, NGOs, and the civil society for companies to consider the consequences of their business activities (Crane & Matten, 2007). The companies need to consider their impacts on society and think about their Corporate Social Responsibility by among other things reducing their environmental impact, behave ethically, and in general act socially responsible (Epstein, 2008). The CSR concept is characterized as being very broad and still under development. It is therefore impossible to find one clear definition of CSR as it embraces a large number of terms such as Corporate Sustainability, Triple Bottom Line, Philanthropy, Strategic CSR, and Corporate Citizenship, to name just a few (Pedersen, 2006). The terms to a large extent describe the same, namely companies' responsibilities beyond what is legally required of them. However, there are inevitable significant differences between these approaches, including their level of ambition (Vogel, 2005).

Many companies state that doing CSR has improved their stakeholder relationship. According to Matten & Crane (2007) the main reason for business' to take on responsibility is the “enlightened self-interest”. This means that companies adopt CSR strategies to satisfy customers and avoid risks and punishments like for example consumer boycotts. Furthermore, they argue that it is a way to attract employees, who also become more committed in their work.

During the last years, CSR has to a large extent moved away from being add-on activities isolated from operating units and separated from other business strategies to being a source of competitive advantage integrated into the core business (Yaun et al, 2011). This is often referred to as “strategic

CSR” or “business-driven CSR” (DI, 2013). In addition to adding value to society, CSR initiatives should also in one way or another add value to business. This is what Porter & Kramer (2011) refer to as creating “shared value”. They argue that while traditional CSR depends on being a good corporate citizen and addressing the social and environmental harm that the business creates, strategic CSR is far more selective. Businesses should select specific social issues to address which creates a meaningful benefit to society and also adds to a company’s bottom line. An example is the mining company Anglo American which addressed the AIDS pandemic in Africa not only to improve standards of living but also improve the productivity of the African labor force, on which it depends (Hopkins, 2009).

As CSR has moved towards a more strategic level, it is to an increasing extent seen as a way to strengthen the competitive position of a company through stronger brand and image, risk mitigation, improved operational efficiency, and stronger corporate culture (Matten & Crane, 2007). Applying a strategic thinking to CSR is valuable, as it will enhance the competitive advantage for example through new innovations. A clear example of this is Toyota and its development of the hybrid electric/gasoline car Prius, which not only addressed important environmental concerns but also created a unique competitive position for Toyota (Henry, 2008).

1.1. Problem Discussion

“In the old days ships were made of wood, and wind was the energy source used to get the ships moving. The ships were fully biodegradable and didn’t pollute. This was a highly sustainable form of transport but also highly inefficient when it came to moving high volumes of goods”. (Maersk Line, 2010)

The quotation by Maersk Line implies that sometimes CSR initiatives can be good for the environment and society while simultaneously not really make any sense to business and its operations. According to Porter & Kramer (2006) many companies today have uncoordinated CSR activities disconnected from company strategy that neither make any meaningful social impact nor strengthen the company’s long-term competitiveness.

Today, there is an increasing pressure for companies operating in the global business environment to improve performance in order to stay ahead of competition. Especially, the current financial crisis has put pressure on companies to think economically, reduce their costs, and become more efficient, while responding to increasing customer demands. This has put heavy emphasis on the

costs of doing CSR and its results created. CSR can no longer only be a cost but instead companies must demonstrate that CSR creates an actual economic value for the business (Epstein, 2008). Hence, the companies have to identify the “business case” of their CSR strategy, and prove that there is a direct relationship between their CSR initiatives and company performance. This is one of the main reasons why the concept of strategic CSR has become a popular approach for companies committed to work with CSR (Wertner & Chandler, 2011). Strategic CSR is a fairly new concept that argues that CSR initiatives should be integrated into core business and aligned with the corporate strategy in order to be truly strategic (Porter & Kramer, 2011). The more closely tied a social or environmental issue is to a company’s business, the greater the opportunity to leverage the company’s resources, and benefit society (Porter & Kramer, 2006). Companies will increasingly behave more responsibly because managers believe that it will become a source of competitive advantage, e.g. lower risk, access to capital, attraction and retention of employees, and loyal customers (Vogel, 2005). Therefore the challenge has moved from “whether” to “how” to integrate corporate social, environmental and economic impacts – corporate sustainability – into day to day management decisions, when managers at all levels have significant incentive pressures to increase short-term earnings (Epstein).

One of the main limitations to CSR is that it is very hard to measure its results and benefits (Epstein, 2008). The nature of many of the CSR initiatives make it very difficult to quantify the monetary gains resulting from the initiatives (Vogel, 2005). Even when CSR is thought to provide financial benefits, the benefits can at best be measured over a long time horizon (Epstein, 2008). However, it is still crucial for companies to be able to demonstrate the mutual benefits across all of the CSR initiatives.

Another limitation is the fact that CSR is multidimensional in nature. According to Vogel (2005) this means that it can be difficult to define what being responsible or sustainable actually means. Companies can therefore be very responsible in one area of business, whereas it is less or not at all responsible in another. It is therefore important to look at companies’ CSR’s individual parts, while simultaneously looking at the whole picture. Furthermore, there is often too much rhetoric and too little action related to CSR with companies “*talk up*” their initiatives and avoid going into detail about some of the more critical incidents from their businesses.

1.2. Research Question

In relation to the above discussion I find it interesting to investigate the new perspective of strategic CSR. From empirical data I wish to examine how companies undertake strategic CSR and combine their CSR with their core business and how this ultimately affects the companies' way of doing business and influences its performance.

With this reference my research question is as following:

How does strategic CSR in practice influence the performance of companies?

Based on empirical data collected from six Danish companies, I wish to answer the following sub-questions:

- 1) *What environmental and social activities do the companies carry out and how do the companies measure their impacts and results?*
- 2) *In which way do the companies respond to different stakeholder demands and create CSR initiatives that benefit both society and business, simultaneously?*
- 3) *To what extent has the strategic CSR approach entailed new business opportunities and innovations?*

1.3. Delimitations

It is the purpose of this thesis to identify areas in which strategic CSR in practice influences the companies' performance. Therefore the scope of this thesis is limited to only include the analysis of the strategic effect of CSR. On this background, I have for example selected my case companies based on their explicitly expression of having a strategic approach to CSR (cf. section 2.2.2.).

The focus of this thesis will be an internal perspective by focusing on the companies' internal environment as a source for competitive advantage. This means that this thesis is limited to focus on the companies' resources and I will therefore refrain from evaluating the companies' external environment.

Theoretical and methodological delimitations will be explained in their respective chapters.

1.4. Definitions

In the following I will present some of the main terms used in my thesis. There are often several different definitions to these terms, but the definitions in this section will represent the way I understand and use these terms in my thesis.

- **CSR** is *“the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”* (World Business Council for Sustainable Development, 2013).
- **Strategic CSR** adding to the above definition I will use DI's (2013) definition of strategic CSR: *“When CSR initiatives create added value for both company and society within the specific context of the company. The greatest added value is when CSR is connected to and support the corporate strategy”*. This is by Porter and Kramer also referred to as **“Shared value”** (2006). Strategic CSR can also be referred to as **“Business-driven CSR”** (Danish Business Authority, 2013)
- **Corporate Sustainability** is *“the use of resources to meet the need of the present without compromising the ability of future generations to meet their own needs”*, ensuring that basic human needs are met, assuring the conservation of non-renewable resources (UN, 1987).
- **Corporate Responsibility** is understood the same way as Corporate Social Responsibility

My case companies, for example, will use different terms within the CSR field, and I will therefore not distinguish between these concepts in my analysis. The term CSR will generally be used to cover all of these terms. However, it is important for me to state that I will distinguish between “traditional CSR” and “strategic CSR”.

- **Eco-efficiency** is a management philosophy which encourages businesses to search for environmental improvements that yield parallel economic benefits (WBCSD, 2000)
- **Socio-efficiency** includes both the minimization of negative social impacts such as work accidents, human rights abuses, and corruption and the maximization of positive social impacts for example employment, training, and charity (Young and Tilley, 2006).
- **Eco-effectiveness** goes beyond Eco-efficiency to focus on restoring and enhancing the environment meaning creating and maximizing positive environmental impact (Dyllick & Hockerts, 2002)
- **Socio-effectiveness** refers to a sustained positive impact on society (Dyllick & Hockerts, 2002).
- **Competitive advantage** is achieved when a company implements a strategy that competitors are unable to duplicate or find too costly to imitate (Hitt et al, 2007). According to Porter there are two sources of competitive advantage, namely cost advantage and differentiation advantage (1985).
- **Resources** can be thought of as inputs that enable a company to carry out its activities. They can be classified as tangible or intangible resources (Henry, 2008). Tangible resources include financial, physical, technological, and organizational resources, whereas intangible resources comprise human, innovation and creativity, and reputation (Barney, 1991).
- **Competencies**. It is the efficient configuration of resources that provides a company with competencies. A competence is the attributes that a company acquires in order to be able to compete in the marketplace (Henry, 2008).

2. Methodology

The purpose of this master thesis is to investigate the strategic effects of CSR. The scientific purpose is an exploratory study because the strategic CSR field is to some extent a new area under constant development, and thus the existing literature, research, and knowledge about the topic are limited. In the following chapter, I will present my methodological considerations and choices for this thesis. First, I will present the scientific approach including a discussion about my ontological and epistemological positions which will clarify my assumptions about the nature of reality, and about the best way to investigate the natural or social world. Secondly, a methodological discussion will describe the strategy that will be used to conduct my research. Finally, I will discuss the specific techniques employed for data collection and -analysis under the certain philosophical positions.

2.1. Scientific Approach

The philosophical position is crucial when conducting a research, as it contains important assumptions about the way in which you view the world (Saunders et al, 2007). Furthermore, it addresses how research is conducted, as well as limiting and guiding available methodological approaches to the specific scientific approach (Easterby-Smith et al, 2008).

According to Wenneberg (2002) there have emerged two opposing paradigms in social science, namely positivism and social constructionism. Social constructionism has for the last half century become increasingly more used in the social science field. In its essence, social constructionism views reality as being socially constructed, and given meaning by people (Easterby-Smith et al, 2008).

Wenneberg (2002) argues that there are four positions within social constructionism, each representing an increasing radical level. The first level is where social constructionism is used as a critical perspective, and is the least radical of the four. Taking this position means not accepting social phenomena's naturalness and being critical towards taking things for granted. The second uses social constructionism as a theory about the social world. This position is used to understand how social actions through repetitions become social habits. Thirdly, the epistemological social constructionism states that knowledge about the social and physical world is constructed socially. Lastly, the ontological social constructionism believes that not only knowledge, but also the nature of reality itself is socially constructed. There are two levels of the ontological social

constructionism. The first only focus on the social world as socially constructed, whereas the second argues that also the physical world is socially constructed through our acknowledgment of it.

2.1.1. My Ontological Position

In my thesis, I lean towards an ontological social constructionist position as I see part of the social world as being socially constructed. However, I will refrain from the more radical ontological position as defined by Wenneberg (2002), which implies not only the social world, but also the physical world to be socially constructed. Taking this radical position would mean that if two people were to decide that a table was not a table, it simply would not exist. Instead, my ontological position is more pragmatic, and similar to the position taken by Andersen in “*Den Skinbarlige Virkelighed*” (2008), in that I assume there exist a material and physical reality independent of mine or others acknowledge of it.

I take this position, because I believe that concepts like CSR and strategic CSR are far from being objective and measurable, as would refer to as a positivistic position. Instead, I believe that these concepts are socially constructed. They are created through the interactions between people. For example, years ago companies did not know how great their impact were on society, today it has been widely recognized that their impact on society are of increasing importance. The development of CSR has evolved through the recognition by people that companies are in fact social actors. According to Dahlsrud (2008), the concept of CSR should be viewed as a social construction as it is not possible to develop an unbiased definition. Hence, it can be argued that the concept of CSR should be understood as something that is in constant change and development. This explains why the CSR fields entail so many different but also very similar concepts, e.g. Corporate Sustainability, Corporate Social Responsiveness, Corporate Social Performance, Triple Bottom Line, Corporate philanthropy etc. (Buchholtz & Carroll 2008; Crane & Matten 2007; Dahlsrud 2008). I believe that CSR is a concept that has been socially constructed through years thus the definitions of CSR are many and ever changing.

With these arguments, I believe that a social constructionist ontological position is best in order for to answer my research question and therefore it seems most appropriate to focus on methods within this paradigm.

2.1.2. My Epistemological Position

In this research my epistemological position is, as my ontological position, grounded in the social constructionist view. According to Easterby-Smith et al (2008), the social constructionist observer/researcher will be an integrative part of the research, as opposed to the positivist position where the observer must be independent. This is in line with Andersen et al (1996), who believe that observations made during studies of complex social processes and structures are inevitably affected by the interest, selective perceptions, and specific talents of the concrete researcher. In my research I will enter the area of investigation, and actively influences the outcomes based on the choices I have made on e.g. theories for my theoretical framework, and the companies that I have selected for my analysis. Furthermore, I will actively influence the outcome of my research based on my own interpretations of the empirical data.

According to Burr (2003), a social constructionist makes four critical assumptions. Firstly, one takes a critical stance towards taking knowledge for granted. I will use this critical perspective throughout my research, for example when collecting and analyzing my empirical data. Secondly, according to a social constructionist, reality is historically and culturally dependent. In relation to CSR this can be said to be true as the concept of CSR has changed a lot over time from being philanthropic to become more strategic in nature. The historically and culturally dependence is also evident in the difference between how Europeans and Americans understand and use the concept of CSR (Matten & Moon, 2008). The perception of the concept CSR can not only differ from country to country but also differ from company to company as the perception and use of CSR will depend on the history and the culture of the specific company and its people. Thus, it is important that when I collect my empirical data and analyze the findings, I bear in mind the differences in history and culture between the six companies. Otherwise, I could possibly make wrong assumptions and conclusions. Third assumption is that knowledge is gained and sustained by social processes including social interactions and language (Burr, 2003). In my research, I will explore and provide an understanding for the strategic effects of CSR and how companies actual measure its impact and results, by analyzing the language used in the companies' CSR reports and other publications. The fourth assumption in social constructionism is that knowledge and action go together and therefore there are numerous possible social constructions. As a result it is impossible within the social constructionist position to explain causality in phenomena, like you can with a positivist position within natural sciences (Andersen, 2008). Unlike the positivistic researcher that must demonstrate causality through statistical probability, the aim for a social constructionist is to increase the general

understanding of a specific situation. In my thesis the goal is not to be able to generalize my findings in order to make a law like contribution applicable everywhere. For example, had I chosen different companies to analyze, my results from my research would most likely be different, since CSR is to be interpreted and used differently in companies. However, the aim of my research is to provide an understanding of the impacts that CSR have on performance in the chosen case-companies. Therefore, I chose a constructionist epistemology which is much less concerned with the issue of validity and more concerned with providing a rich picture of life and behavior in organizations or groups (Easterby-Smith et al, 2008).

2.2. Research Design

In the following I will present my research design including my research approach, research strategy, and my empirical data collection method. Throughout this section, I explain and justify the methodological choices I have made and the advantages and disadvantages related to my chosen methods.

2.2.1. Research Approach

In this thesis I use a combination of the deductive and inductive research approach. This means that inductive and deductive methods have been used in a continually evolving process where empirical data from the induction was linked to the theoretical insights from deduction (Easterby-Smith, 2008). The justification for choosing a combination lies in the nature of my research, in that there are several theoretical perspectives regarding strategic CSR, however not a single theory that is directly applicable to my research and therefore I have to make a combined theoretical framework. There is also limited empirical evidence on the strategic effects of CSR, and I will therefore collect and use my empirical data based on my theoretical framework. According to Saunders et al (2007) it is perfectly possible to combine deduction and induction within the same research and it is often advantageous to do so, because it allows the research to embrace a larger field. This is in line with the points made by both Easterby-Smith et al (2008) and Andersen (2008).

The inductive approach in this thesis is especially manifested in the first phase of my research process, where I have evaluated the literature within my research topic. I found out that there is limited empirical data about strategic CSR and its impact on company performance. Also, no single theory applicable to my research topic, and I therefore have to explore several theoretical perspectives in order to find those that are most applicable to my research topic. This results in a

combined theoretical framework that will be presented in the next chapter (cf. chapter 3). The limitations of the existing research about strategic CSR also mean that my research has to be based on empirical data. Due to some limitations, which I will elaborate on in section 2.3.2., I base my research upon secondary data collected from several companies. I use these companies to provide insight into a topic that I find interesting to investigate. This can be referred to as an inductive method, and it is a very common procedure in exploratory research. The specific empirical data collected from each of the companies will also be elaborated further later in this chapter (cf. section 2.4.).

When it comes to collecting my empirical data and conducting my analysis, I take a more deductive approach. I will collect the data and conduct my analysis based on the specific research parameters that my theoretical framework has presented (cf. section 3.5.1.). I therefore use my theoretical framework as a guideline for which empirical data is relevant in relation to answering my research question. Lastly, I will inductively attempt to identify key issues and patterns in my empirical data to make some general conclusion about my findings.

2.2.2. Case-studies

According to Yin (2002), case studies investigate a contemporary phenomenon within its real-life context, and allow the investigator to retain the holistic and meaningful characteristics of a real-life event. Yin describes two types of case studies namely single case studies and multiple case studies. Single case studies cover the analysis on one unit e.g. an organization, whereas multiple case studies are characterized by more than one unit of analysis often conducted in different places under different conditions (Andersen, 2008). I have chosen to base my research on six of the largest companies in Denmark, thus my research can be qualified as a multiple case study. A multiple case study will allow me to compare and contrast my findings within the different cases. I will then be able to find out whether some of the findings recur in several of the cases (Saunders et al, 2007). On the other hand, a multiple case study method also puts some limitations on my research for example that it does not allow me go into depth with each case company.

Initially, I have selected the top eight companies from the site Top1000.dk that present the thousand largest companies in Denmark. The eight companies are in top ten of the largest Danish companies. From the beginning I chose to leave out the companies of USTC and Wrist Group. Both companies are working with bunker trading and shipping. I do not find them relevant for my research especially because none of the companies had any expressed CSR policy or strategy on their web

pages. Therefore obtaining empirical data could become problematic. The reason for choosing large Danish companies is primarily because all of them to some extent are working with business-driven CSR, which is crucial for my research (CFL, 2009). Also, a survey conducted by Deloitte (2011) show that larger companies have a tendency to have more integrated CSR strategies. A law implemented by the Danish government in 2008 requires the 1000 largest companies in Denmark to make public statements about their CSR policies, actions and results annually. This makes it easier for me to collect the data I need for conducting my analysis. Furthermore, as these companies are some of the largest in Denmark they experience a substantial pressure from the public in relation to improving their environmental and social impact. During my empirical data collection it became evident that two of the companies namely Danish Crown and ISS were not as relevant and of little importance to my research. The reason was that both companies have only been working with CSR for a few years, and had therefore not reached the same level of CSR integration as the rest of the case companies (Danish Crown, 2012; ISS, 2012). I therefore chose to leave these two companies out of my analysis and continue my focus on the remaining six companies.

The six companies represent different industries which ultimately affect their CSR approach, because they will have different areas of priority based on their different stakeholders and their demands. Furthermore, there are also differences in how long each company has been working with CSR, from Novo Nordisk's more than 20 years of involvement in sustainability to other companies initiating CSR strategies during the last 5 years (Novo Nordisk, 2012A; Danske Bank, 2012A; Dong Energy, 2012A). The use of different cases will provide a comprehensive picture in order to answer my research question of how strategic CSR influence business. However, the companies also share some similarities which will allow me to compare and contrast between each of them for example they are all members of UN's Global Compact (UN Global Compact, 2013).

The six companies are:

- AP Moeller Maersk
- Danske Bank
- Novo Nordisk
- Carlsberg
- DONG Energy
- Arla Foods

A short introduction to the companies, their approach to CSR and what information sources I have used for each of them are presented in section 2.4.

2.2.3. Empirical Data Collection Method

I will base my research entirely on secondary data sources. In section 2.3.2. I will explain my main reasons for not including primary data in my research. The advantages of using secondary data are, among other things, the saving in resources (Andersen, 2008). Using data sources that have already been collected is often less time-consuming than to collect the data myself. I can therefore use less time on collecting primary data, and spend more time and effort on my analysis and interpretation of the data. Furthermore, the data that I need in order to answer my research question have to a large extent already been collected and presented by the companies in reports and on their websites. This also allows me to evaluate the data prior to use (Saunders et al, 2007). The disadvantages to using secondary data sources are for example that the data I use are collected for a purpose that does not match my need. However, I have evaluated much of my data prior to use and made adjustment during the data collection process, which I will explain further in section 2.3.2. I therefore believe that the collected data I have used match the need I have in order to answer my research question. Another disadvantage of secondary data is that I have no control over the quality of the data. I will base much of my analysis on the companies' published CSR reports since this provides me with a comprehensive picture of each company's CSR initiatives. I will not be sure of the accuracy of the data presented by the companies, but I must expect that six large companies will not present things that are not correct, as this will have significant impact on their credibility. I will therefore assume the data presented by the companies in their reports are accurate and of a quality that I will be able to use in my research. However, there is the possibility that companies "*talk their initiatives up*" which means they embellish the efforts and results of their CSR initiatives. I will therefore adopt a critical approach to all the data sources I use, and consider whether the statements are "too good to be true" (Easterby-Smith, 2008). This is also in line with my social constructionist position as explained in section 2.1.2. Additional information about the validity of my data and my research in general will be discussed in section 2.3.3.

The primary source of information for my research is the companies' website. The majority of my case companies will both have a Danish website and a corporate or group website. If this is the case I will look at the group website because my research focus is on the company's CSR strategy as a whole, and not specifically the Danish unit. On the website I will search for publications and

statements about the companies' CSR strategy. It is possible that not all of the companies will use the specific term CSR, but instead use others terms within the same field for example Sustainability or Responsibility (cf. section 1.4.).

I plan to only use the latest reports published by the case companies. This is because I am not interested in identifying the change and development in the companies' CSR initiatives (Saunders et al, 2007). Instead I am interested in a "snap-shot" of their current CSR initiatives. If the companies have other publications such as cases, articles, and Code of Conducts. I will also look at these for relevant information.

In addition to the companies' own information I will search for additional empirical data about the companies from independent sources. I will use the databases from CBS such as cases from Datamonitor and Marketline, newspapers for example Berlingske Business and Børsen Finans, and magazines including Erhvervsmagasinet CSR and Magasinet Arbejdsmiljø. I will combine the data collected on the companies with data about my research topic in general from both Danish and International institutions like Rådet for Samfundsansvar, Erhvervsstyrelsen, the UN, and OECD. Last, I will make use of surveys conducted by legitimate third-party companies such as Deloitte, PwC, McKinsey, and IBM.

2.3. The Research Process

In line with the book "*On the Art of Doing Field Studies*" by Andersen et al (1996) my research process has been a learning process. In the following I will explain my research process including my selection of topic and derivation of the research question, as well as my data collection process.

2.3.1. Selection of Topic and Derivation of the Research Question

When first thinking of a topic for my master thesis I began looking at subjects that I found interesting (Andersen, 2008). Throughout my master I have specialized in two different areas - CSR and sustainability on one hand, and Lean and efficiency on the other. I started thinking that it would be interesting if I was able to combine these two topics in my thesis and thereby create a common thread for my master degree. During my initial literature review I looked at the internet, library books, and scientific articles about my topic (Saunders et al, 2007). I looked at CSR and Lean both as separate concepts, but also their connection to each other. It quickly became evident that there was a connection between environmental performance and Lean thinking.

Since the very reason for exploring the social field is that it is unknown or little known, the first problem definition will always be tentative (Andersen et al, 1996). This is also the case in my research. During my search for relevant theories to apply, the additional literature encouraged me to revise my preliminary topic (Saunders et al, 2007). I decided to turn away from my narrow approach of CSR and Lean combined in order to focus more on CSR and its performance and strategic effect. The reason for this was that I found it more interesting to look at both the environmental, social and economic aspects simultaneously, instead of the more narrowed focus on the environmental aspect of CSR alone. This would have been the case if I had continued my initial focus on Lean and CSR. Thereafter, I continued my research for applicable theories for my analysis. I decided to use the Resource Based View as my overall theoretical perspective as it encompasses an internal focus rather than an external focus. To cover the CSR perspective I chose different established theoretical approaches provided by among others Porter & Kramer (2006; 2011), Elkington (1997), Crane & Matten (2007), Epstein (2008), and Yaun et al (2011). In order to stay somewhat in line with my initial choices I decided that the framework of efficiency and effectiveness presented by Pfeffer and Salancik (1978) was suitable as a measure of internal and external performance. This also led me to find the theory by Dyllick and Hockerts which combines the terms of CSR/sustainability and efficiency and effectiveness. As can be read in my operationalization of the theoretical framework in section 3.5., I have used the theories to develop my research parameters which I will collect my empirical data from, and base my analysis on. My motivation for choosing the RBV and the rest of my main theories will be further elaborated upon in the theoretical framework in chapter 3. I will also add other relevant theories during my analysis; however these will be presented on an ongoing basis.

2.3.2. Data Collection Process

After the initial topic and theoretical framework were decided upon I began searching for an interesting case company. Initially, I was determined to do an in-depth case study of a single company based on both primary and secondary data (Saunders et al, 2007). Several criteria were set up in the search for a company. I chose to look at Danish companies, as I believed that it would be easier to collect my empirical data. It was important for me to find a company that had been working with CSR for several years and was committed to doing CSR on a very strategic level. Several companies were added to my list, and I decided to look into my network in order to see where I could make the easiest contact (Andersen, 2008). I first chose to contact Novo Nordisk and

presented my topic proposal. At first Novo Nordisk seemed interested and we began negotiating the specific terms. However, after a while it became evident that Novo Nordisk was not able to cooperate in relation to my specific topic. The main reason I was given, was that the nature of my project meant that several departments had to be included and neither of these had the resources to participate at this point in time. I also looked into and contacted other companies including Coloplast, Lego, and Arla. However, I was unsuccessful in finding an appropriate case company that would fit my research topic. After some time I decided upon a different strategy. Much of the information I needed was already available online via companies' CSR reports and other publications. In order to increase the validity and ensure sufficient information was collected I chose to include several companies. This I did in order to be able to compare and contrast thus getting a richer picture of the specific issue. I have also addressed the issue of validity in section 2.3.3.

I believe that the empirical data I have collected from the companies' web pages, CSR reports, and from other secondary data sources are more than sufficient for me to be able to answer my research question. I believe that much of the information that would be collected from interviews with the companies' CSR managers would have been very similar to what you can read in their publications. However, after collecting my empirical data I conclude that it would have been interesting to have some follow up interviews. I would have preferred to ask some elaborating questions about my research findings in order to get a deeper understanding and knowledge about the specific issue. However, as my deadline was approaching and summer holiday was coming up I decided that this was not plausible. I still believe that the empirical data I have collected is sufficient providing me with a comprehensive picture in order to answer my research question and allow me to make some legitimate conclusions.

2.3.3. Validity

In order to secure validity Yin (2002) presents four different types of triangulations that can be used to make the findings and conclusions from a case study more convincing and correct. These four types are multiple data sources, multiple methods, multiple investigators, and multiple theories. In my thesis is use data triangulation by collecting information from different data sources. I evaluate my secondary data source from the guidelines presented by Saunders et al (2007). This includes an evaluation of the suitability of the data collected in relation to my research. With the evaluation I will be able to exclude the data that are not relevant in order for me to answer my research question.

This I have for example done in the de-selection of two of the companies in my analysis as can be read in section 2.2.2. Furthermore, I will assess the authority and reputation of my data sources which mainly will come from large well-known institutions.

I will also make use of theory triangulation because of the combination of theories I use in my theoretical framework. The advantage is that it will provide a perfect framework for conducting my analysis and answering my research question. However, this may also put limitations on my research, as there is the possibility that I have left out parts of the theories that could provide unexpected insights and discoveries.

I will also make sure that the assumptions and conclusions I make during my research are considered valid. However, as mentioned earlier the social constructionist epistemological position focus less on validity and more on providing a comprehensive picture of life and behavior in organizations (Andersen, 2008).

2.4. Presentation of the Companies

A.P. Møller Maersk

A.P. Møller Maersk is a worldwide conglomerate operating in two main industries namely shipping and oil & gas (Maersk, 2012A). Maersk brands include Maersk Line, APM Terminals, Maersk Oil and Maersk Drilling. Through these companies and several other leading brands, the group employs roughly 121,000 people and operates in 130 countries. The company has a sustainability approach in which *“It strives to create long-term value by balancing social and environmental responsibility with the obvious need to remain profitable”*. I base my analysis of Maersk on its 2012 Sustainability Report, as well as additional publications from Maersk including a report on Slow Steaming.

Danske Bank

The Danske Bank Group is the largest bank in Denmark, and one of the leading financial enterprises in Northern Europe (Danske Bank, 2012A). Danske Bank offers a full range of banking services, with an emphasis on retail banking. It operates in 15 countries and has 20,308 employees. Danske Bank has a Triple Bottom Line. I use Danske Bank's 2012 Corporate Responsibility Report and CR Fact Book, together with information about its Carbon Credit Projects and other initiatives published on its webpage. Furthermore, I use external information from newspapers for example Børsen Finans.

Novo Nordisk

Novo Nordisk is a global health care company specialized in diabetes and hemophilia care and growth hormone therapy (Novo Nordisk, 2012A). Novo Nordisk also has a Triple Bottom Line approach and pursues business solutions that maximize value to both stakeholders and shareholders. In addition to Novo Nordisk's Sustainability Report, I will use other publication by Novo Nordisk including its UN Global Compact Communication on Progress Report 2012 and the Blue Print Change Cases. Furthermore, I collect information from external data sources about Novo Nordisk including The Danish Energy Agency and other articles about Novo Nordisk.

Carlsberg

Carlsberg is the 4th largest brewery group in the world with a leading market position in Northern Europe and a strong presence in Western and Eastern Europe and Asia. (Carlsberg, 2012A) In 2008 Carlsberg initiated a new group-wide CSR approach working actively to integrate CSR throughout the value chain. I will use Carlsberg's CSR report 2012 as well as a several newspaper articles about Carlsberg's CSR initiatives.

DONG Energy

Dong Energy is one of the leading energy groups in Northern Europe (Dong Energy, 2012A). Its business is based on procurement, production, distribution, and trading of energy. Its main business activities include oil and natural gas exploration and production, electricity generation and distribution among others through renewable energy such as wind farms and biomass. Dong Energy is different than the other companies in my research, as it is partly owned by the Danish State which means that it is under strict government regulation. Dong Energy plays an important role to the environment in that it is not only responsible for its own energy consumption, but also responsible for assuring clean energy and efficient use of natural resources to its customers. My analysis of Dong Energy's CSR initiatives will be based on three different publications from Dong Energy namely its Annual Report 2012, the UN Global Compact Communication on progress 2012 as well as a report about leading the energy transformation published by Dong Energy in 2012.

Arla Foods

Arla Foods is a Danish dairy company and a co-operative owned by dairy farmers (Arla, 2012A). Its core markets are Denmark, Sweden, The UK, Finland, Germany and The Netherlands, but have production facilities in 12 countries and sales offices in 30. Arla's CSR approach focuses on

providing healthy and safe products, environmental concerns, and business ethics. I will primarily use Arla Foods published CSR report 2012 as well as some external publications.

3. Theoretical Framework

In my thesis I have chosen to take an eclectic theoretical approach in my analysis of how strategic CSR in practice influence companies and their performance. This means that I will not base my research on a single theory, but instead use a combination of various theoretical perspectives. The reason for this is in the nature of my research. The existing literature on my research topic is limited. Therefore it has been necessary to read through the existing literature within the CSR and strategic management field in order to identify specific parts of theoretical perspectives which can be related to my research topic. The eclectic approach will allow me to make a holistic analysis for answering my research question, as each of the chosen theoretical perspectives will contribute to the overall analysis.

I have chosen an internal perspective within the strategic management field, meaning I have taken a Resource Based View in my analysis. This internal perspective is most suitable for my thesis as it is in line with my research question.

In the following, I will present the principal theoretical perspectives from the existing literature which will function as my theoretical framework, and be the foundation for how I will answer my research question and conduct my analysis. There are two main perspectives in my research namely the CSR perspective and the Performance perspective. Furthermore, I will identify some of the limitations to the chosen theoretical perspectives, and explain how the theories are suitable for my thesis. After the presentation of the different theoretical perspectives I will end this chapter with an explanation of how each part of the theoretical framework will be operationalized in my thesis. This has resulted in a formulation of four research parameters that will form the basis for and guide my analysis.

3.1. The Resource Based View

De Wit & Meyer (2004) discuss that that companies can achieve competitive advantage in two different ways. On one side there is the outside-in perspective arguing that organizations should be externally oriented and market driven (De Wit & Meyer, 2004). Organizations taking a market oriented approach select their strategies in relations to customers and competitors and a sustainable competitive advantage will be achieved when the strategic positioning is correct. For a manager taking an outside-in perspective, the organizations' current resources should not be the starting point for selecting a strategy, but should only be seen as a potentially limiting condition for a certain

strategy's successful implementation. On the other hand, the internal perspective, suggested by researchers like Wernerfelt (1984), Prahalad & Hamel (1990), Barney (1991), and Grant (1991), advocate that strategies should not be built around external opportunities, but instead built upon an organization's own resources. This means that organizations should pursue opportunities that fit the company's resources, as opposed to external conditions (Henry, 2008).

The discussion of the Resource-Based View started with Edith Penrose in 1959 who suggested seeing the firm as a "pool of resources" (Penrose, 1995). She believed that a firm consists of physical resources like plant, equipment, raw material, and waste product, as well as human resources like skilled and unskilled labor. Furthermore, she argued that the use and combination of resources is what made firms unique. In 1984 Wernerfelt suggested looking at firms in terms of their resources rather than in terms of their products. He wished to provide an alternative view to Porter's competitive positioning strategy, and thus was the first one to use the term Resource-based View. According to Grant (1991) resources are only inputs to the production process and not productive on their own. Therefore they must be linked together and coordinated and managed into teams. This is done through capabilities which refer to a company's ability to combine and exploit its resources. Resources and capabilities therefore go hand in hand, when it comes to achieving a competitive advantage. I agree with Grant, that resources are not productive on their own and must be combined into capabilities on order to ensure a competitive advantage. This ability to combine and exploit resources in unique ways is according to RBV the reason why some companies outperform others (Barney & Clark, 2007).

The RBV is also often connected to the discussion of core competencies. The term core competencies are used in many different ways (De Wit & Meyer, 2004). For example Prahalad & Hamel (1990) argue that competencies are the glue that binds existing businesses and the engine for new business development. Others use the term competence as a synonym for capabilities (De Wit & Meyer). In relation to my research I will use the definition proposed by Hitt, Ireland & Hoskinsson (2007). They argue that a firm's resources and capabilities only have the potential to be the basis for competitive advantage if they are valuable, rare, costly to imitate, and non-substitutable. When these four criteria are realized, resources and capabilities become core competencies. This is similar to VRIO framework presented by Barney and Hesterly (2006). They argue that resources should be Valuable, Rare, Imperfectly imitable, and exploited by the firms organizational processes. Resources can be either tangible or intangible. Tangible resources include financial, physical, technological, and organizational resources whereas intangible resources include

human, innovation and creativity, and reputational resources. Firms achieve strategic competitiveness when their unique core competencies are effectively acquired, bundled, and leveraged to take advantage of opportunities in the external environment (Hitt et al, 2007). By exploiting their core competencies or competitive advantage to at least meet the demand of customers, the firm creates value.

The RBV argument for pursuing opportunities that fit the company's resources is very much in line with the arguments for strategic CSR which also suggest leveraging company resources when selecting social issues to address (Porter & Kramer, 2006). Thus, the RBV fit well with the overall focus point in my thesis, namely that the most successful and value adding CSR strategies are selected from a Resource-Based View. Furthermore, the RBV is also suitable when discussing the different benefits to strategic CSR for example the building of new resources and capabilities (Branco & Rodrigues, 2006). I will go into further detail about strategic CSR in section 3.2.1.

3.1.1. Critique of RBV

From a critical point of view the Resource-Based View have some limitations. For example it neglects the importance of how resources develop and change over time as well as the roles of individuals within organizations (Henry, 2008). Resources linked to human capital, for example employee knowledge, are often hard to manage and control, which the RBV fails to address (Branco & Rodrigues, 2006). Furthermore, some argue that the RBV is too general and lack the details for how to use it, and therefore it can be difficult for organizations to implement properly (Henry, 2008). According to Branco & Rodrigues (2006), one of the most essential weaknesses of the RBV is the lack of understanding for the relationships between a firm and its external environment and the influence it has on firm success. For example firms are bound to certain legal, cultural, social and political rules that will affect the way they do business.

The discussion of external and internal perspective is however addressed by Porter & Kramer in their article about strategic CSR (2006). They argue that in the interrelationship between society and business there are both inside-out linkages which mean the company's impact on society and outside-in linkages referring to impact from society on companies. Strategic CSR therefore have incorporated both an external and internal perspective.

In spite of these limitations, I believe that The RBV will function well as my overall theoretical perspective because it allows me to analyze the companies' CSR activities from a strategic point of view and evaluate its strategic effects in terms of performance and competitive advantage.

3.2. The CSR perspective

In the following section I will present the main CSR theories used in my thesis. The CSR perspective will consist of two theoretical approaches namely the concept of strategic CSR and the concept of Corporate Sustainability. The concept of strategic CSR is presented by Porter and Kramer (2006) and includes a presentation of the concept “shared value” (Porter & Kramer, 2011) and the threefold fit of CSR (Yuan et al, 2011). The Corporate Sustainability perspective is defined by several authors including Elkington (1997), Dyllick & Hockerts (2002), and Epstein (2008). These concepts combined will be the foundation for my understanding of CSR in companies and provide inputs to the research parameters that will guide my analysis.

3.2.1. Strategic CSR

“The more closely tied a social issues is to a company’s business, the greater the opportunity to leverage the firm’s resources – and benefit society”

(Porter & Kramer, 2006, p.88)

In the recent years there has been a shift of CSR from being a temporary add-on activity to having become a part of companies’ strategic considerations (Wertner & Chandler, 2011). Porter & Kramer (2006) were some of the first to discuss the business case for CSR. They argue that CSR initiatives that provide some kind of benefit to business are to prefer. This is referred to as strategic CSR. They state that most CSR approaches to a large extent are disconnected from business and strategy. According to Porter & Kramer, these unrelated CSR initiatives would in the end provide ineffective and inefficient solutions. Instead, companies should apply their distinctive strengths valid in their particular competitive context, to select specific CSR initiatives. Strategic CSR means that apart from bettering society it should also make business sense or strategic sense. This can also be related to the concept of “shared value” (Bhattacharyya 2008). Porter and Kramer (2011) define “shared value” as *“policies and practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities in which it operates”* (From Harvard Business Review, pg. 6). It is built upon the idea that there is an inevitable interconnection between business and society. A healthy business needs a healthy society and vice versa. Any business that pursues its ends at the expense of the society will find its success to be temporary (Porter & Kramer, 2006). Therefore, it is important that companies choose a social issue

that presents an opportunity to create “shared value”, and which the business can most effectively address by leveraging its current resources and capabilities.

According to Porter and Kramer (2006), the business should identify three different kinds of social issues: generic issues, value chain social impacts, and social dimensions of competitive context. This results in two kinds of CSR; namely Responsive and Strategic CSR. Responsive CSR includes good citizenship and mitigation of harm. Strategic CSR means moving beyond good citizenship and mitigating harm to mount small numbers of initiatives whose social and business benefits are large and distinctive (see figure 1). Strategic CSR means to integrate CSR into firm’s strategic perspectives and operations, and engaging in CSR initiatives that are related to core business. If corporations were to analyze their prospects for social responsibility using the same framework that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage. According to Porter (1985), there are two sources of competitive advantage namely cost advantage and differentiation advantage. CSR can be seen as both a source of cost advantage e.g. improving efficiency through minimization resource use, and a source of differentiation advantage e.g. improving effectiveness by creating a new superior product.

Figure 1 “*Corporate Involvement in Society: A Strategic Approach*” (Porter & Kramer, 2006)

Generic Social Impacts	Value Chain Social Impacts	Social Dimensions of Competitive Context
Good citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context
Responsive CSR	Transform value chain activities to benefit society while reinforcing strategy	Strategic CSR

Strategic CSR and the Resources Based View are closely linked because taking a strategic approach to CSR means creating CSR initiatives that not only are connected to the organization’s overall strategy, but also utilize an organization’s current resources and capabilities. The importance of

creating value is, among others, discussed by Branco & Rodrigues (2006) who argue that RBV is very useful when attempting to measure the impact CSR has on financial performance because of its emphasis on intangible resources such as reputation, brand, and culture etc. Furthermore, when firms undertake a strategic CSR initiative it can gain both new tangible and intangible resources which can be of strategic importance (Bhattacharyya, 2008).

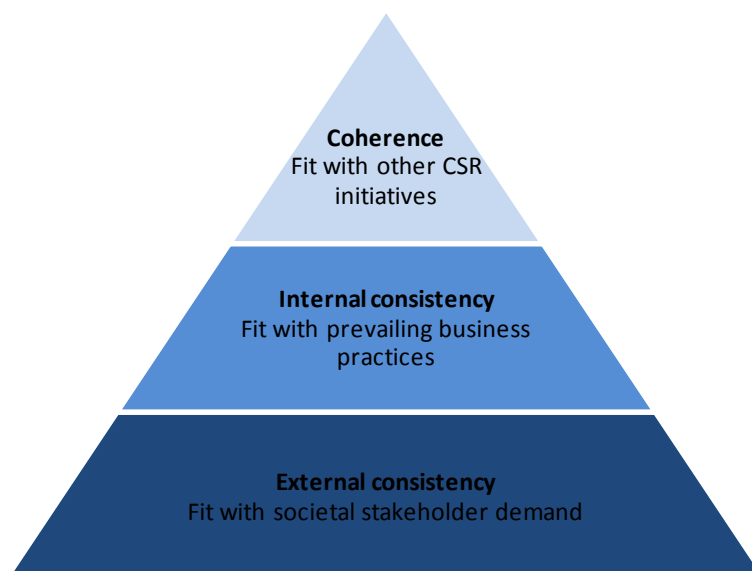
Internally, CSR practices and initiatives are often isolated from operating units and even separated from corporate philanthropy (Branco & Rodrigues, 2006). Because participating in social issues is something that can easily be copied, the only way CSR activities really pay off are if they are in the interest of firm's primary stakeholders. Yuan et al (2011) emphasize taking on new strategic CSR initiatives can be difficult and risky. The reason is because managers not only need to respond to internal and external stakeholder demands, but also consider whether CSR initiatives actually fit with current business practices. They advocate that when implementing and integrating CSR into business it is important to achieve a threefold fit (see figure 2).

The CSR initiatives must fit with external stakeholder demand thus achieve external consistency. Furthermore, the CSR initiatives must fit with the company's other business practices in order to get an internal consistency. Finally, there must be an internal coherence between the different CSR initiatives. These two levels of internal fit combined with the external fit between CSR initiatives and stakeholder demands are what ultimately determine the credibility and performance of CSR outcomes. This means that the success of a CSR initiative will depend on the linkages with other practices in the organization.

Most of the CSR literature has been focused on the external consistency and responding to stakeholder demands, and there have been little focus on how firms attempt to integrate CSR initiatives in business and achieve internal fit. To effectively implement CSR initiatives require close coordination across relevant functions. If the required coordination and cooperation across relevant functions are not present it will lead to internal conflicts and ultimately weaker performance. Therefore, the internal fit between CSR and prevailing business routines is useful in explaining why there is heterogeneity in CSR's effectiveness at serving firm-level performance goals. Internal inconsistency may not have direct effects on company performance in the short run, but it may lead to a sharp decline in the credibility of the CSR practices, and, at worst, it will result in decline of organizational performance in the long run. Furthermore, if business focus solely on

satisfying external stakeholder needs – as many do, it will ultimately weaken internal fit and CSR will never be truly strategic.

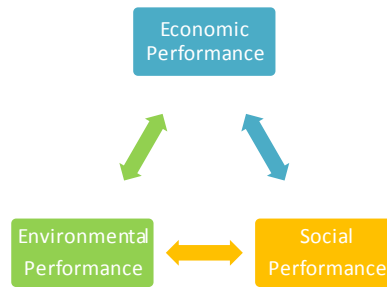
Figure 2 “*The threefold fit of CSR*” (Yuan et al, 2011)



3.2.2. Corporate Sustainability

There are several definitions on Sustainability. One of the most known definitions is: Sustainability is the use of resources to meet the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987). It entails incorporation of the economic, social and environmental performance of business (Aguilera et al, 2007). Corporate Sustainability is also sometimes linked to the notion of “The Triple Bottom Line” presented by John Elkington in 1997. In other words, “*Companies should operate in ways to secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful*” (Porter & Kramer, 2006, pg. 4). Epstein (2008) argues that when the balance between economic progress, social responsibility and environmental protection is achieved it can lead to a competitive advantage. He also argues that the financial payoff of a sustainability strategy can be substantial, but it is often too difficult for business leaders to understand and find the right balance between the three factors. According to Dyllick & Hockerts (2002), Corporate Sustainability means a realization that economic sustainability alone may only be sufficient in the short-run and in order to secure the long-run sustainability all three dimensions must be satisfied simultaneously (see figure 3).

Figure 3 “The three dimensions of sustainability (Dyllick & Hockerts, 2002)



According to Dyllick & Hockerts (2002) economic sustainable companies guarantee cash flow sufficient to ensure liquidity, while producing a persistent above average return to their shareholders. Environmentally sustainable companies use only natural resources that are consumed at a rate below the natural reproduction, or at a rate below the development of substitutes. They do not cause emissions that accumulate the capacity of the natural system to absorb and assimilate the emissions. Finally, they do not engage in activities that degrades eco-systems services. Socially sustainable companies add value to the communities within which they operate by increasing the human capital and furthering societal capital of these communities.

Although some people would argue that CSR and CS are two different concepts, today many are considering CS and CSR as synonyms (Van Marrevijk, 2003). According to Van Marrevijk both CS and CSR refer to voluntary company activities demonstrating the inclusion of social and environmental concerns in business operations and in interaction with stakeholders.

3.2.3. Critical Issues to CSR

There has been significant critique of CSR. I therefore find it important to include a presentation of the main critical points associated with CSR.

Today, most have come to accept that CSR is here to stay and it is an important part of business operation (Dyllick & Hockerts, 2002). However, earlier opponents of CSR, among others, Milton Friedman (1970) argued that the only responsibility of business is to increase profit. Friedman argued that the social responsibilities are only connected to individuals and not to firms. Firms need only to address the interest of its shareholders. Friedman perceived business and society as two separate entities and therefore it was impossible to generate “shared value”.

Nowadays, there are fewer objections to CSR as it has become more widespread. CSR has become accepted as a principal way of managing organizations, and seen as tool to improve stakeholder

relations. However, there are still many who see numerous limitations to CSR. One of the main limitations to CSR is that it is very hard to measure its results and benefits (Epstein, 2008). The nature of many of the CSR initiatives make it very difficult to quantify the monetary gains resulting from the initiatives (Vogel, 2005). In addition, CSR initiatives are often related to more costs than benefits (Buchholtz and Carroll, 2009). Many companies when working with CSR experience a lack of management tools and specific guidelines to implementation of CSR (Dahlsrud, 2008). It can also be a challenge to apply a strategic approach to CSR, as it is not easy for managers to integrate CSR into day to day management decisions, especially when managers at all levels have significant incentive pressures to increase short-term earnings (Epstein, 2008). I will address several of these issues in my analysis.

Another critique on CSR has been the fact that many companies put more emphasis on the communication of CSR than on the actual initiative and activities (Epstein, 2008). Some companies might have the tendency to “talk their initiatives up” and put more into it than it actually is. This is of importance in relation to my research as my analysis will be built upon secondary data on CSR from the companies themselves. Therefore when conducting my analysis I must be aware of the possibility that the companies are “talking their initiatives up”. I have also addressed this issue in my Methodology in section 2.2.3.

3.3. Performance Perspective

Efficiency and effectiveness are often used to describe performance (Borgström, 2005). In the book *“The External Control of Organizations”* Pfeffer & Salancik (1978) discuss the difference between organizational effectiveness and organizational efficiency, as these two concepts according to the authors, often are confused and misunderstood. Pfeffer and Salancik define organizational effectiveness as *“doing the right things”* whereas organizations’ efficiency refers to *“doing the things right”*. According to Pfeffer and Salancik efficiency, is defined as an internal standard of performance whereas effectiveness is defined as an external standard of fit to various demands. From this resource dependence perspective they make a clear distinction between organizational effectiveness and organizational efficiency. According to Pfeffer & Salancik efficiency and effectiveness should be seen as two independent standards for evaluating organizations, and should therefore be analyzed separately. They argue that organizations can be one of the following four: both efficient and effective; neither efficient nor effective; effective but not efficient; or efficient but not effective. However, as both are measures of organizational performance there must be some

interrelationship between the two concepts. This interrelationship is emphasized by Borgström who argues that efficiency and effectiveness are interrelated and that effectiveness is dependent on efficiency (2005).

The resource dependence perspective can be related to CSR. For example, CSR acknowledges the argument that organizations do not control all the needed resources and are therefore dependent on the external environment (Pfeffer & Salancik, 1978). This is evident in the increasing focus on supply chain management and the development of Codes of Conducts, where CSR goes beyond what are the boundaries of the company. Also, Pfeffer and Salancik argue that effectiveness can only be assessed by one stakeholder group at the time. The reason for this is the conflicting criteria by different stakeholders. This conflict is very much discussed in CSR literature where companies must always consider the different and often conflicting demands of its stakeholders. For example, what might be effective for employees may be ineffective to the shareholders.

3.4. CSR & Performance

As stated in the previous section (cf. section 3.3.), the terms efficiency and effectiveness are measures of performance and can be linked to CSR and Corporate Sustainability. According to Dyllick & Hockerts (2002) efficiency, in particular, is widely used in the CSR and CS field. The concepts Eco-efficiency and Socio-efficiency are often used in terms of the business case for CSR. Eco-efficiency was firstly introduced by the World Business Council for Sustainable Development in 1991 and refers to a company's efficient use of natural resources (WBCSD, 2000). Eco-efficiency is achieved by the delivery of competitively priced goods and services that satisfy human needs and bring quality of life while progressively reducing ecological impacts and resource intensity throughout the lifecycle to a level at least in line with the earth's carrying capacity. Many companies today use the concept of Eco-efficiency as a guiding principle for their CSR work (Dyllick & Hockerts, 2002). Eco-efficiency is perceived as a win-win solution enabling the twin goals of economic growth and environmental protection to be maintained (Young & Tilley, 2006). Eco-efficiency is also referred to as "*creating more value with less impact*" and includes three broad objectives namely reducing consumption of resources, reducing impact on nature, and increase product or service value (WBCSD, 2000).

In terms of sustainability Eco-efficiency is not sufficient as it only integrates two of the three elements of sustainability, leaving out the social aspect. Whereas Eco-efficiency only includes negative environmental impacts, Socio-efficiency often includes both negative and positive social

impacts. Socio-efficiency therefore means the minimization of negative social impacts such as work accidents, human rights abuses etc, and the maximization of positive social impact such as employment, training, health benefits etc. (Young and Tilley, 2006). According to Dyllick and Hockerts (2002) Eco- & Socio-efficiency are primarily concerned with increasing economic sustainability and only lead to relative improvements. Therefore they argue that other concepts must be integrated in the sustainability model.

According to Dyllick and Hockerts (2002), effectiveness is not as easily incorporated into companies' CSR strategy. They argue that Eco-effectiveness goes beyond Eco-efficiency and pollution control to focus on restoring and enhancing the environment. This means that for companies to be Eco-effective it is not enough to minimize their negative environmental impact. Instead companies must maximize their positive impact on the environment. The reason for this is the fact that it is possible for resource productivity (Eco-efficiency) to improve while for natural systems to decline, simultaneously. This is for example the case, if the growth rate swamps the productivity improvement rate, total resource extraction may actually increase leaving the environment worse off than before. Eco-effectiveness represents alternative designs and production concepts to regular strategies of zero emissions and Eco-efficiency (Braungart et al, 2006). It incorporates social, economic and environmental benefits that enable a triple line growth. Similarly, Socio-effectiveness refers to the absolute social performance and having a larger social mission, which have a sustained positive impact on society (Young & Tilley, 2006). An example is Fair trade companies which aim to help marginalized producers in developing countries through the Fair Trade certification scheme.

There are two remaining concepts in the sustainability model presented by Dyllick and Hockerts (2002). First, sufficiency is referred to a reduction in world consumption and should according to most advocates not be the responsibility of a single firm, but instead individuals. Second, ecological equity represents for the relationship between the management of natural capital and social sustainability. According to Dyllick and Hockerts there is yet no real guide to ecological equity. I have therefore chosen not to include the two concepts in my analysis.

The other concepts presented by Dyllick and Hockerts (2002) are important for my thesis because they directly link the performance measures of efficiency and effectiveness together with the environmental and social issues. This will be further elaborated in the next section where I present

my operationalization of the chosen theoretical perspectives and the research parameters I will use for collecting my empirical data and conduct my analysis.

3.5. Operationalization of the Theoretical Framework

There are of course some limitations to my chosen theoretical framework for example the fact that there is no single theory that is directly applicable to my research and therefore it has been necessary for me to make adjustments and combine several theoretical perspectives. However, I believe that the selected subjects from each theoretical approach combined will contribute to and be a good foundation for my research. I will in the following explain how the chosen theoretical perspectives will be used in my analysis.

The Resource-Based View is the overall foundation for my research. I have used the RBV as an approach for selecting the other theoretical contributions including the effectiveness and efficiency perspective. Furthermore, as argued earlier the RBV is closely linked the concept of strategic CSR as it emphasize the exploitation of company resources and core competencies when selecting CSR issues to address.

As there are two essential perspectives in my research, namely the CSR perspective and the Performance perspective, I have chosen selected theoretical view points within each field that ultimately will guide my research analysis. Within the CSR perspective the concept of strategic CSR has been used as a way for me to select the six case companies. Furthermore, the concept of strategic CSR will be used to analyze and evaluate the effects from the companies' CSR initiative. The "Threefold fit of CSR" theory by Yuan et al (2011) will also be used as a way for me to evaluate the CSR initiatives in terms of their integration into core business. The concept of "Corporate Sustainability" will support my understanding of the interrelationship between economic, environmental, and social performance. Furthermore, it is incorporated in the terms Eco- & Socio-efficiency and Eco- & Socio-effectiveness which are part of my research parameters.

In the following I will present the four research parameters that will form the basis for and be the guiding principles for when I conduct my analysis.

3.5.1. Research Parameters

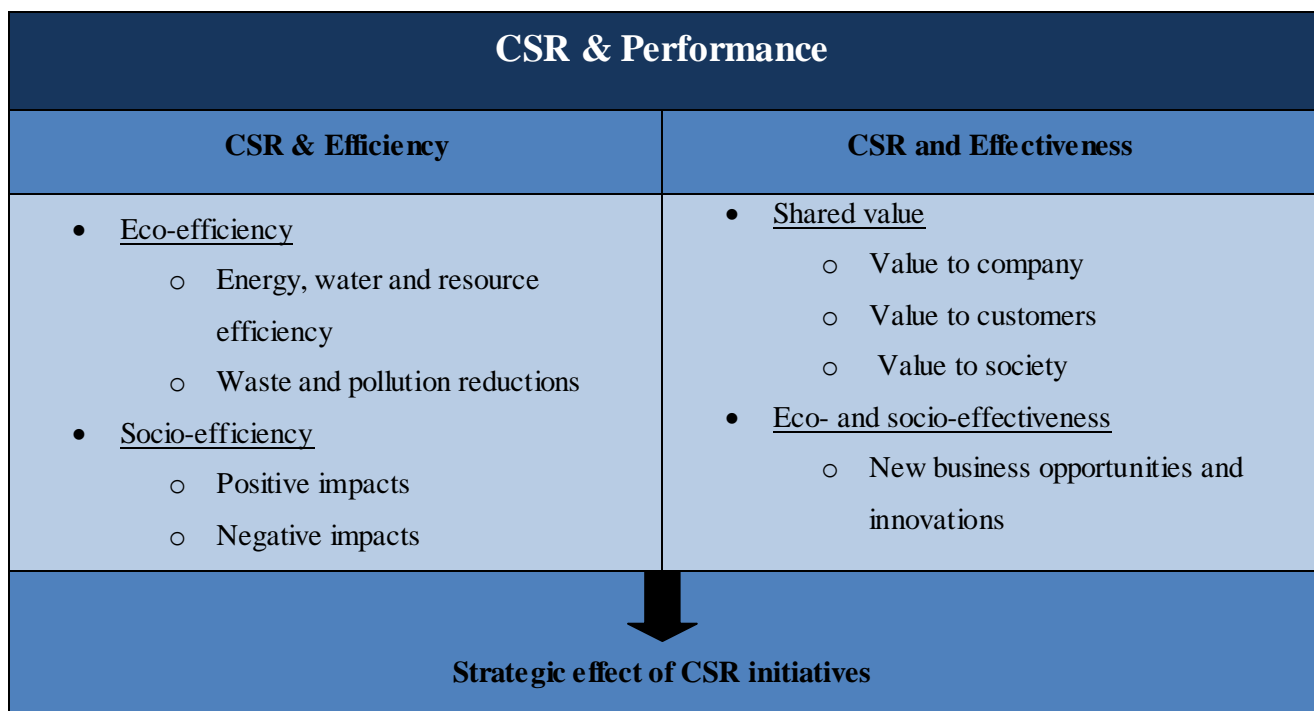
The terms Eco- & Socio-efficiency presented by Dyllick and Hockerts (2002) are used as two of the four research parameters in my analysis. I will analyze the companies' environmental initiatives by look at the Eco-efficiency parameters including initiatives related to energy, water, and resources

efficiency; waste and pollution reductions; as well as other environmental initiatives that I deem important in my analysis. Similarly, I will analyze the companies' social initiatives by looking at Socio-efficiency parameters including into positive impacts such as corporate giving, creation of employment, culture, and training; and the negative impacts such as safety and health issues, human and labor rights abuses.

The theory of "shared value" by Porter & Kramer (2011) will be used as the third of my research parameters. It opens up a discussion of creating value to the company while at the same time meeting the expectations of stakeholders and creating value for society. It includes an analysis of the benefits to the company and society created by CSR, the trade-off that company often face between meeting different needs of its many stakeholders for example creating value for customers, employees, owners etc.

Finally, Dyllick & Hockerts' concepts of Eco- & Socio-effectiveness will, as the fourth research parameter, help me discuss the creation of new business activities and innovations with a greater environmental or social cause.

Overview of the Research parameters



4. Analysis

In this chapter I will conduct my analysis based on empirical data collected from the six case companies. I will analyze my empirical findings in relation to my theoretical framework presented in chapter 3.

The analysis consists of four parts. The first part is an analysis of the companies' environmental initiatives including how the companies measure their impacts and results. The analysis is based on the first research parameter – Eco-efficiency - presented in my theoretical framework in section 3.4. The second part is a similar analysis focusing on the companies' social initiatives. The analysis is based on the second research parameter – Socio-efficiency – presented in section 3.4. in the theoretical framework. The first two analytical parts will be the foundation for answering my first sub question: *What environmental and social activities do the companies carry out and how do the companies measure their impacts and results?*

The third part is an analysis of the companies' use of the concept “shared value” framed by Porter and Kramer (2011) (see section 3.2.1.). This part is based on the third research parameter, and will form the basis for answering my second sub question: *In which way do the companies respond to different stakeholder demands and create CSR initiatives that benefit both society and business, simultaneously?*

Finally the fourth part is an analysis of the companies' new business opportunities and innovations in relation to CSR based on the fourth research parameter – Eco- & Socio-effectiveness explained in section 3.4. The fourth part will allow me to answer my third and last sub question: *To what extent has the strategic CSR approach entailed new business opportunities and innovations?*

Overall the four analytical parts will form the basis for a discussion that ultimately will lead to my answer of the overall research question: *How does strategic CSR in practice influence the performance of companies?*

4.1. Analysis of Eco-efficiency

As explained in the theoretical framework in section 3.4., Eco-efficiency is a management philosophy which encourages businesses to search for environmental improvements that yield parallel economic benefits (WBCSD, 2000). Eco-efficiency allows companies to become more profitable and environmentally responsible, simultaneously. According to the World Business

Council for Sustainable Development, it incorporates three main objectives. First objective is to reduce consumption of resources including the use of energy, materials, and water, and enhancement of recycling. Second objective is to reduce air emissions and water discharges and promote renewable resources. Third and last objective includes the increase of product or service value.

4.1.1. Energy, Water, and Resource Efficiency

When analyzing the CSR reports of all six companies it is evident that all of the companies carry out several initiatives related to energy, water and resource efficiency. These initiatives vary from simple changes in behavior to making large investments. As an example, Novo Nordisk has reduced and optimized its water consumption by changing employee behavior in the production process whereas Danske Bank has made investments in energy efficient IT and other office equipments (Novo Nordisk, 2012A; Danske Bank, 2012A). The investments mean that Danske Bank is the only company of the six that has reached its target goal for reducing energy consumption by 20 % in 2014. In 2012 Danske Bank reduced its energy consumption from 2011 by 6 % achieving a 22 % reduction since 2009. To a large extent Danske Bank credits its organizational changes and the closing and mergers of branches for the reduction because it means that it now use less energy per employee. Therefore, this has little to do with Danske Bank's CSR initiatives and shows that sometimes improved environmental performance is a by-product from other initiatives, not only CSR initiatives (Fliedner, 2007).

Arla has invested around DKK 133 million in initiatives such as heat recovery, optimization of ventilation systems and switching to LED lightening (Arla Foods, 2012A). In 2012, Arla only achieved a 1.9 % compared to its 3 % annual target which Arla justifies by an increase in its production volume. A similar statement has been made by Novo Nordisk. Due to increases in its production volume its energy and water consumption also increased in 2012 (Novo Nordisk, 2012A). Also Maersk and Dong Energy have experienced similar trends (Maersk, 2012A, Dong Energy, 2012A). This is in conflicts with the theory of Eco-efficiency arguing that the twin goals of economic growth and environmental protection can be maintained (Young & Tilley, 2006). What this shows is that it might not be as easy for companies to achieve both goals in practice as in theory. I will go into further details about this issue in section 4.1.3.

All of the companies are also focusing on limiting their use of materials and other resources. For example Danske Bank has achieved a 41% reduction from 2008-2012 by, among other things,

limiting its paper consumption. Novo Nordisk, on the other hand, focuses on reusing its biowaste as animal feed or biogas (Novo Nordisk, 2012A). In 2012 Novo Nordisk's recycling rate was 84%. Carlsberg has an ambition to implement the principle of Cradle-to-Cradle thereby creating a positive environmental impact (Carlsberg, 2012A). A strategy for this is expected to be ready by the end of 2013. I will discuss the concept of Cradle-to-Cradle in the section about Eco-effectiveness (cf. section 4.4.1.). What this illustrates is the fact that the companies aim to select their initiatives strategically by choosing initiatives that are related to their specific industry. This is in line with Porter & Kramer's strategic CSR theory (2006).

There are both similarities and dissimilarities between my empirical findings and theory of the Resource-Based View (cf. section 3.1.). The analysis shows that companies in their environmental initiatives have focused primarily on optimizing the use of resources and saving money than on leveraging and developing competencies and capabilities to address environmental issues (Barney & Hesterly, 2006). On the other hand, resources become valuable when they enable a firm to conceive or implement strategies that improve efficiency and effectiveness (Barney, 1991). The efficient use of energy-, water-, and material- resources are valuable to the companies. However, using these resources in an optimal way is neither rare nor imperfectly imitable because it is something that all companies do. Thus, from a RBV this means that the initiatives are not a source for achieving competitive advantage, but only something that every company do to reduce costs.

4.1.2. Process Optimization

For companies like Novo Nordisk, Arla, and Carlsberg optimization of processes, for example via Lean¹, has played a central role in improving their environmental performance. Carlsberg, for example, states that programs such as Lean, Total Quality Management, and Logistics Excellence have resulted in energy, water, and fuel reductions (Carlsberg, 2012A).

Also Novo Nordisk has achieved improved energy efficiency through a combination of its own version of the Lean methods (cLean) and its climate strategy (Novo Nordisk, 2012A). According to Novo Nordisk two thirds of the CO₂ reduction is attributed to the cLean program. The increase in productivity has resulted in significant monetary gains, and also the cancellation of the construction of several planned facilities. Furthermore, half of the investments made to increase energy-

¹ Lean is a management philosophy originating from Toyota and is a production practices that considers the use of resources for any other goal than the creation of value for the end customer to be wasteful and thus should be eliminated (Christiansen et al, 2011).

efficiency have been recouped within a year, and many changes have been made without any investments. A simple example of energy-efficiency is turning off the lights at night. From a theoretical point of view, process optimization can be seen as a way of creating “shared value” (Porter & Kramer, 2011). Companies will benefit from saving money and the environment will benefit from a reduced amount of CO₂ emission. According to the theory by Porter & Kramer (2006) this can be categorized as strategic CSR, because Novo Nordisk is able to use its current resources and capabilities (the cLean program) and create a win-win situation. Furthermore, the case support the theory of achieving internal fit presented by Yuan et al (2011) (cf. section 3.2.1.). CSR initiatives that are in consistency with internal business practices can create some sort of synergy because they will reinforce each other, and ultimately lead to stronger performance. Among other thing, internal consistency requires coordination and cooperation across relevant functions. This is the case in Novo Nordisk, where the sustainability department and the cLean department have joined forces in order to reduce CO₂ emissions (Novo Nordisk, 2012A). Furthermore, it supports the findings from Danske Bank confirming that enhanced environmental performance can be a by-product from other business strategies than CSR (cf. section 4.1.1.).

4.1.3. CO₂ Emissions

Climate change is a key concern to all six companies, and also a key objective in the Eco-efficiency concept. The six companies have taken several steps in order to reduce their CO₂ emissions and the majority report of substantial CO₂ reductions. For example, in 2012 Maersk has improved its CO₂ efficiency by 8% (Maersk, 2012A).

One of the main challenges for the companies is how to reduce CO₂ emission while experiencing growth and increased business activities. This is in line with my previous findings about the difficulty in combining economic growth with environmental protection (cf. section 4.1.1.). The issue of combining economic progress with environmental protection has also been argued by the theory including Dyllick & Hockerts (2002) & Epstein (2008). Epstein (2008) argues that it is often a paradox for companies trying to improve corporate social, environmental, and financial performance simultaneously, as it is a complex interrelationship between the three factors. He also argues that when achieving this balance between economic progress, social responsibility and environmental protection it can lead to competitive advantage. For example Novo Nordisk has over the last 10 years been able to break the CO₂ curve and achieved substantial reductions in CO₂ emission while simultaneously experiencing business growth and more than doubled its sales

(Energistyrelsen, 2012). However, in 2012 Novo Nordisk increased its CO₂ emission from production by 30%, mainly due to the acquirement of a new and not as energy efficient plant in China, as well as increased production volume in its plant in Kalundborg. In spite of this increase Novo Nordisk still remains well below its 2014 target. This proves that even for companies like Novo Nordisk which do extremely well in relation to the Triple Bottom Line it is a difficult task to combine economic growth with environmental protection, as also stated by the theory (Epstein, 2008).

4.1.4. Offsetting CO₂ Emissions

In addition to reducing their CO₂ emission through decreases in energy consumption and the acquirement of renewable energy, both Danske Bank and Carlsberg have taken a step further to eliminate the negative impact of business on the environment (Danske Bank, 2012A; Carlsberg, 2012A). Most of Carlsberg's proclaimed CO₂ reduction comes from the purchase of renewable power certificates. These certificates offset emissions caused by the use of CO₂-intensive energy sources. The certificates that Carlsberg has purchased correspond to 373,626 MWh, which represents its electricity use in Western Europe.

Similarly, Danske Bank reports that it has been carbon neutral since 2009 (Danske Bank, 2012A). Danske Bank's strategy is to reduce emissions as much as possible and financially viable. The rest of the emissions which cannot be eliminated are offset by investments in verified Carbon Credit Projects that create real CO₂ reduction elsewhere. Examples of these projects are investments in wind power in Turkey or drip irrigation in India. According to Danske Bank, its investments in Carbon Credit Projects are a catalyst for improving its organizational efficiency because the cost of these projects gives incentives to minimize CO₂ emissions as much as possible. However, I think it is questionable whether this is actually the case. I do not see these investments as strategically and financially viable for Carlsberg and Danske Bank. One thing is for sure, it is an easy, but costly way to improve and embellish the company's environmental performance.

Also from a theoretical point of view this has little to do with strategic CSR (Porter & Kramer, 2006). Offsetting CO₂ emission by buying Carbon Credits is a CSR initiative that neither leverages company resources and capabilities, nor is related to core business. Therefore, based on the model by Porter and Kramer (2006) such an initiative is more characterized as Responsive CSR than Strategic CSR (cf. figure 1 in section 3.2.1.). The CSR initiative does not reinforce the company strategy, nor does it improve the competitive position of Danske Bank and Carlsberg. But maybe

the strategy does create some sort of value for Danske Bank and Carlsberg for example by improving reputation, brand name, and image. Reputation and brand name are according to the theory important intangible resources (Barney & Hesterly, 2006). On the other hand, such a CSR initiative can also have the opposite effect, if stakeholders believe that the companies only do this to talk up their initiatives and see it as a sort of “greenwashing”. “Greenwashing” refers to the attempt to appear more environmental responsible and as argued by Ross & Deck (2011) it should be perceived as dishonest and fraud. This means it can have detrimental effect for companies and their credibility and reputation.

4.1.5. Transportation

According to all six case companies, transportation is a large contributor to CO2 emission and thus a key concern. The companies are operating internationally which mean that air travel is a large contributor to CO2 emission. For example, Danske Bank has increased the number of online meetings and videoconferences in order to reduce its business travel and thereby CO2 emissions (Danske Bank, 2012A). Seen from a theoretical perspective, less business travel means that the employees spent more time working rather than wasting time travelling to and from meetings. Thereby the reduction can be seen as an improvement in the efficiency of the company, as argued by Pfeffer & Salancik (1978). However, in 2012 Danske Bank’s emissions from air travel increased 6% in 2012. As a result the CO2 reduction from improved energy efficiency by closing down of branches (cf. section 4.1.1.) were offset by increasing business travel caused by the same project, namely the reorganization. What this demonstrates is that it is highly possible for an initiative to have both positive effect and a negative effect. As can be seen in my analysis later in this section Arla has experienced a similar tendency.

Maersk has since 2009 recorded great benefits in its “slow steaming” initiative (Maersk, 2011). “Slow steaming” means that Maersk ships sail with reduced speed. The “slow steaming” initiative has resulted in less fuel consumption which has decreased Maersk’s CO2 emission. According to Maersk, it also helps to reduce the indirect carbon footprint of its customer’s supply chain operations thus creating additional benefits. From 2007-2009 Maersk managed to reduce CO2 emission per container by 12.5%.

From the Efficiency & Effectiveness perspective the initiative can seem rather irrational as it increases the number of days of transportation (Pfeffer & Salancik, 1978). The CSR initiative goes against the traditional way of thinking that *time is valuable – time is money*. From this point of view

speed should be a priority. What has made “slow steaming” a good CSR and business strategy for Maersk is that slowing down speed has actually increased the reliability of the company. Before the strategy was implemented, a journey from Hong Kong to Rotterdam took 21 days, at full speed, but after the “slow steaming” has been implemented it takes 23 days. However, before the strategy was implemented the vessels were often delayed for example due to storms and other weather conditions. This resulted in reduced reliability of Maersk Line. “Slow steaming” has helped ensure that Maersk Line’s customers’ products arrive at their destination on time. As a result, Maersk Line has several times been ranked number one in the world when it comes to on-time delivery (Maersk Line, 2010).

The Maersk case shows that time and speed is no longer first priority and instead reliability and quality has become a primary goal for companies. Furthermore, “slow steaming” has encouraged Maersk to focus on other efficiency parameters than speed. For example, Maersk has reduced the number of stops on journeys, improved efficiencies when its ships are in ports, increased sea time, made improvement to ships, and, as mentioned earlier, invested heavily in new vessels. This CSR initiative can be defined as a good strategic CSR initiative (Porter & Kramer, 2006). First, the CSR initiative is related to Maersk core business namely transportation. Second, it improves the core competencies and capabilities of Maersk namely punctuality and reliability, improving Maersk’s competitiveness. Finally, it creates “shared value” to the environment via reduced CO2 emissions, to Maersk itself via reduced costs from lower fuel consumption, and improved customer satisfaction via greater reliability. From this, I would argue that Maersk has achieved a competitive advantage over that of its competitors (Hitt et al, 2007). However, as argued by Barney & Hesterly (2006) it cannot be classified as a sustainable competitive advantage as it is not so difficult for competitors to imitate.

Arla has also reduced transportation in order to minimize carbon footprint. Arla has, for example, moved the production of its brand Anchor butter, from New Zealand to the UK, where the majority of the customers are located. This has decreased transportation and thus reduced CO2 emissions (Arla, 2012A). The butter is now produced by milk from UK farmers and sold locally in the UK. Although there have been other decision factors, for example Arla’s increasing commitment to the UK market, the CSR strategy has played a large role in the decision process. However, the relocation has also changed some of the original production processes, e.g. the milk used currently comes from indoor cows in the UK, instead of year around grass fed cows in New Zealand (Ford, 2012). According to many loyal customers this has had great effects on the taste, and as a result

many have shifted away from Arla's brand. This shows that making a decision that have positive influence on the company's environmental performance can, simultaneously, have a negative influence on the effectiveness of the company's product and meeting the expectations of customers (Pfeffer & Salancik, 1978). Furthermore, it backs up the theory of the threefold fit of CSR by Yuan et al (2011). CSR initiatives must fit with the external demand of its stakeholders. The relocation of production has affected customers' satisfaction and ultimately weakened the performance of the company.

4.1.6. Sum-up - Eco-efficiency

The analysis of Eco-efficiency showed that all of the six cases companies put much emphasis on their environmental activities and initiatives. The environmental initiatives include efficient use of resources, switching to increasing use of renewable energy, reduced water and energy consumption, and better waste management and recycling. All of the companies see their environmental efforts as good for business. Not only do the activities improve the environmental performance but every company report that they have achieved reduced costs, increased competitiveness (due to lower costs), and better reputation. This is in line with the theory of "shared value" by Porter & Kramer (2011) arguing that CSR practices can enhance the competitiveness of companies while simultaneously advancing environmental and social conditions.

In the analysis several obstacles came to my attention. For example, it became evident that some of the CSR initiatives can result in both positive and negative effects simultaneously, as was the case with Danske Bank and Arla. Furthermore, the analysis showed that several companies struggle with achieving the twin goals of economic growth and environmental protection.

In the analysis it also became evident that some initiatives are making more business sense than others. For example, Novo Nordisk CO2 reductions efforts and Maersk's "slow steaming" initiative are good examples of strategic CSR. Whereas Danske Bank and Carlsberg investment in Carbon credits and Arla's initiative to minimize CO2 emissions via reduced transportation cannot be characterized as strategic CSR initiatives. However, it can be discussed whether or not all CSR initiatives should be strategic. Porter & Kramer (2006) argue that companies should select few social issues that leverage the companies' resources and capabilities and where social and business benefits are large and distinctive. By this definition it is impossible for all of the companies' CSR initiatives to be strategic. Instead, some of the CSR initiatives may just be related to good corporate

citizenship and a mitigation of environmental impact without a strong strategic level to it. This will be discussed further in my discussion chapter in chapter 5.

4.2. Analysis of Socio-efficiency

As I explained in the theoretical framework in section 3.4., companies' social impacts can be both positive and negative. The concept of Socio-efficiency therefore includes both the minimization of negative social impacts such as work accidents, human rights abuses, and corruption, and the maximization of positive social impacts, for example employment, training, and charity (Young and Tilley, 2006). Social impacts are numerous and, although sometimes easy to identify, it can be difficult to measure the effects (Henriques, 2010). Some social impacts are more quantifiable, for example, the creation of jobs and payment of tax, which according to Dyllick and Hockerts (2002), are one of business' most important contributions to society. Others are more difficult to measure, for example the direct and indirect effects of a business' services and products on the local environment, and the lives of its people.

4.2.1. Responsible Supply Chain Management

When companies to an increasing extent are moving production and business activities outside Denmark the companies' are facing the challenge of identifying the boundaries of their human and labor rights responsibility (UN, 2013). In the recent years, there has been a movement from companies being responsible for what is "*happening in their own backyard*" to also include the responsibility of how their suppliers – maybe in more than one chain – behave (Samfundsansvar.dk, 2013A). An example is when it became public that some of Nike's suppliers were involved sweatshops and poor work conditions. (Crane & Matten, 2007). This resulted in poor customer perception, boycotts, bad reputation, and a direct effect on the bottom line (Vogel, 2005). It has taken years for Nike to recover its public image. This case supports the RBV proving that it takes several years to build a good reputation, and only a small incident to damage it profoundly (Barney & Clark, 2007).

For that reason, more and more companies are adopting a Responsible Supply Chain Management strategy. It is especially important for companies operating in countries where national legislation, and internationally recognized principles and standards relating to human rights, labor standards, the environment, and anti-corruption are not fully respected (Samfundsansvar.dk, 2013A). This is

for example the case in China, Brazil, and India which are some of the important growth markets for several of the six case companies (UN, 2013).

The companies in my research are all working with improving their supply chain. Furthermore, four of the companies have produced ethical guidelines or so-called Codes of Conducts for responsible businesses, in which their suppliers must comply with (Arla, 2012B; Novo Nordisk, 2013C, Carlsberg, 2012A; Maersk, 2012A). The Codes of Conduct complements the 10 basic principles of the UN global compact (UN Global Compact, 2013). Self-assessments and audits are tools used to secure compliance with the guidelines. All six companies state that they emphasize collaboration and cooperation with their suppliers and if a supplier does not comply, they strive to improve conditions rather than terminate the contract with the supplier. The assessments, screenings, and audits are often time-consuming and costly, but also a vital key to securing compliance (CSR council, 2013). With the Code of Conducts the companies actively work to minimize the negative social impacts of doing business (Dyllick & Hockerts, 2002). Dong Energy and Danske Bank have also communicated on their responsible supply chain management but have not formulated specific Codes of Conducts (Dong Energy, 2012A; Danske Bank, 2012A). Evaluating the Codes of Conducts it is seen that they are primarily concerning the mitigation of the risk of suffering a bad reputation, as was the case with Nike. This fits neatly with the RBV, where it is argued that reputation is an important intangible asset that has huge impact on a company's competitiveness, as demonstrated by the Nike example (Barney, 1991).

The majority of the cocoa used for Arla's production were UTZ certified (Arla, 2012A). The UTZ certification ensures that the cocoa is financially, environmentally and socially sustainable (UTZ, 2013). This initiative creates "shared value" because in addition to improving the lives of the cocoa suppliers, it is also a good investment for Arla as it secures the quality of cocoa beans, thereby resulting in mutual benefits (Porter & Kramer, 2011). The UTZ certified cocoa has an added value because it is produced according to internationally recognized standards for responsible production (UTZ, 2013). Customers therefore pay a premium price for UTZ certified cocoa. Unlike the Fair Trade² brand the UTZ is not advertised which means that the premium price is more difficult for Arla to pass on to the consumers. A point also made by Vogel (2005) arguing that many companies are willing to behave more responsible if consumers, employees and investors are willing to bear some of the added costs of their doing so. However, according to Vogel in most cases this is not the

² Fair trade is an organized social movement that aims to help producers in developing countries to make better trading conditions and promote sustainability (Fairtrade Danmark, 2013)

case. Seen from the strategic CSR model by Porter & Kramer (2006) (cf. figure 1 section 3.2.1.) this initiative can be defined as a value chain social impact. Arla tries to mitigate harm from its value chain activities. However, as it is questionable how much value the UTZ products actually add to Arla in relation to its costs. It cannot be said to reinforce business strategy. The CSR initiative by Arla should thus be seen as more Responsive CSR rather than Strategic CSR.

4.2.2. Occupational Health and Safety

According to the ILO, every 15 second a worker dies from work-related accidents or diseases while 160 workers have work-related accidents (ILO, 2013). Work accidents are thus one of the key negative impacts that companies have on society (Dyllick & Hockerts, 2002). In 2012, Maersk experienced 17 fatalities in 2012 whereas in Dong Energy a single fatality occurred in 2012 (Maersk, 2012A; Dong Energy, 2012A). Besides the negative social impact that work accident entails, it is also a large cost to the company in terms of loss in work time, decreased productivity and additional costs. Work accidents also have influence on a company's reputation (Barney, 1991). For example it damages a company's ability to attract and retain employees.

Denmark and the EU have a comprehensive health and safety at work act covering several issues in relation to occupational health and safety including workplace evaluations, organization of workplace, working hours and youth employment (Arbejdsmiljøloven, 2013). However, in other parts of the world, especially in developing countries legislation protecting human and labor rights are not as adequate as in the EU (ILO, 2013). From a Resource-Based View this indicates that to consider employees as valuable resource of the company differs from country to country (Barney & Clark, 2007). For example in Denmark and the EU employees are seen as valuable resource that can be preserved and contribute to competitive advantage, whereas in other parts of the world, for example in China, employees are seen as resource but not as valuable.

All six companies deem employees as either their primary or one of their primary stakeholders (Carlsberg, 2012A; Maersk, 2012A; Arla, 2012A; Dong Energy, 2012A). This is in accordance with a survey made by Deloitte about CSR in Danish companies where 75% of the responding companies stated that employees are the single most important stakeholder (Deloitte, 2011). This means that the companies see their employees as important valuable resources.

In Denmark there is an orientation of creating a healthy and good work environment in order to preserve employee resources (Magasinet Arbejdsmiljø, 2012). Many companies have come to realize that a good work environment improves employee satisfaction and morale which result in

more efficient employees and a direct link to the bottom line. Several of the case companies provide special employee benefits, and conduct yearly employee satisfaction surveys (Carlsberg, 2012A; Arla, 2012A; Novo Nordisk, 2012A; Danske Bank, 2012A). Novo Nordisk is, among others, carrying out initiatives such as health checks, exercise programs, and providing healthy food to employees which has great effects on the work environment (Novo Nordisk, 2012A). The improved work environment means, among other things, that the employees have fewer sick days and perform better which ultimately can be seen on the bottom line.

From a theoretical point of view creating a good work environment makes good sense. The companies see their employees as important intangible resources via their knowledge and skills (Barney & Hesterly, 2006). Intangible resources are often the source for competitive advantage because they are valuable, rare, and often complex and difficult for competitors to understand and imitate (Hitt et al, 2007). However, they are also difficult to quantify in financial terms. A good work environment can also contribute to employee retention which maintains valuable knowledge within the company (Barney, 1991). Furthermore, it can contribute to attraction of new employees in which companies can gain new and valuable resources. This has also been pointed out by Epstein (2008) who states that Sustainability is an important driver for building trust and attracting and retaining employees. Furthermore, if the employees experience that the company values and invests in them; ultimately their work engagement and satisfaction will increase. This is a win-win situation that creates value for companies, employees, and society in general (Porter & Kramer, 2006).

On the other hand, it is also possible for CSR to worsen the work environment (Magasinet Arbejdsmiljø, 2012). This is for example the case if CSR initiatives result in additional tasks and increased workload for employees which mean that the CSR initiatives can become a stress factor. This is especially the case if companies adopt a top down approach where employees are not involved in the decision making. This also means that the CSR initiatives will not be integrated with everyday business practices and thus result in internal inconsistency, as argued by Yuan et al (2011).

4.2.3. Voluntary Activities and Charity

According to Dyllick and Hockerts (2002) charity and voluntary work by employees is a way companies impact communities in a positive way. Novo Nordisk, for example, has a voluntary program where its employees can work voluntary during their normal working hours (Novo Nordisk, 2012C). In 2012 Danske Bank's employees spent 9,843 hours of voluntary activities

(Danske Bank, 2012B). Also Carlsberg and Arla report that they support their employees doing voluntary work during work hours.

Seen from a pure business and productivity approach, voluntary work, carried out by employees, means time lost where they could have worked their normal tasks. Seen from a strategic CSR approach this may have a positive effect on employee morale and satisfaction because it makes the employees proud of working for the company. A RBV will mostly likely question if this is the optimal way to use employee resources. Danske Bank's voluntary activities are divided into two categories: teaching activities and fundraising activities (Danske Bank, 2012A). The former can be seen as a way Danske Bank can leverage its current resources whereas the latter can be said to be another way to give money to charity. Novo Nordisk, on the other hand, selects specific activities that support its business objectives. In Novo Nordisk, voluntary work has therefore become more strategic effective in that it has been aligned with business strategy and company skills. However, I do not see voluntary activities as the most strategic effective initiatives because the contribution to a company's competitive advantage seems rather low. For example, prospective employees will most unlikely select a company as the future employer based solely on the opportunity to do voluntary work. This is in line with Vogel (2005) who states that CSR is only one of many ways to make a company attractive to employees.

The CSR reports reveal that all the companies engage in charity work. For example, Arla has contributed to a "children for life" project in cooperation with SOS children's villages which provides food and sponsors education to children in the Dominican Republic and Honduras (Arla, 2012A). From a strategic CSR point of view it is difficult to define the strategic effect of charity donations, as the impacts are difficult to measure. Buchholtz & Carroll (2008) argue that CSR activities such as corporate giving and employee voluntarism should be referred to as philanthropic CSR not strategic CSR. That said, if the activities are aligned with business strategy they do create value and financial return through enhanced reputations and goodwill (IBM, 2008). As mentioned earlier, the RBV consider the intangible resource of reputation as an important source of competitive advantage (Henry, 2008). For companies, that are considered as being a good corporate citizen, it also means that they if they experience a public firestorm it is easier for them to weather the storm than companies that are considered as being more unethical. A good example is Novo Nordisk which during the past years has been involved in some unfortunate affairs, including several bribing scandals and a case on patent rights in South Africa (Berlingske Business, 2009). Even though Novo Nordisk experienced intensive media debate it has suffered little to its image and

reputation. This is proven by the fact that it was rewarded a second place in IFO's annually image analysis (IFO, 2013).

4.2.4. Job Creation and Training

Job creation and training of employees is, according to Dyllick & Hockerts (2002), another important positive social impact that businesses have on society. Businesses create welfare and economic value through the employment of people which ultimately affects the local communities, for example by creating indirect jobs and investments. When reading through the companies' CSR reports it become evident that all the companies see their employment as a large social contribution to society. For example, Novo Nordisk (2012A) has calculated its direct and indirect impact on jobs created to be over 125.000 on a global level. Also Carlsberg (2012A) argues that for every brewery job, it generates 16-18 indirect jobs through purchasing in other sectors like agriculture, packaging, and logistics, as well as induced employment in hospitality and retail. In contrast, both Novo Nordisk and Carlsberg have dismissed employees during the past years.

Also Danske Bank has reduced its workforce. Danske Bank plans to lay off 2000 people by the end of 2013 (Danske Bank, 2012A). As mentioned earlier (cf. section 4.1.1.) this is due to a massive restructuring of the bank and the closing down of a number of branches. Also Carlsberg and Dong Energy have led off people during the last couple of years, mainly due to the sluggish economy (Carlsberg Danmark, 2013; Berlingske Business, 2012).

So even though many of the companies see themselves as making a positive social impact on society, through employment, it is evident that to an increasing extent the companies are cutting the number of employees in order to cut costs (Dyllick & Hockerts, 2002). From a RBV the dismissal of employees means the loss of knowledge – an important intangible resource (Barney & Hesterly, 2006). In relation to the threefold fit in CSR theory this shows also some inconsistency between the companies CSR communication and initiatives and other business practices (Yuan et al, 2011). On one side, the companies state that via their employment they have a positive social impact on society. On the other side, they are firing people. Employment has of course positive effects on society by creating welfare. However, to me employment has little to do with CSR initiatives because employees are hired for business reasons not CSR reasons.

Training and education of employees is also seen as a positive social impact to society (Dyllick & Hockerts, 2002). For example, Maersk is currently building local skills and expertise in Brazil through training (Maersk, 2012A). The Brazilian market is a huge growth market for Maersk Oil

and Gas; however, the Brazilian law requires 66 % Brazilian employees on foreign flagged rigs and ships. This means that there is a shortage in skilled labor. From a theoretical perspective this CSR initiative has great strategic effect. It creates “shared value” for both Maersk and society (Porter & Kramer, 2011). The society benefits from improved labor skills and increased business activity while Maersk obtains access to great opportunities in the Brazilian growth market that otherwise it would have missed out on.

Also Novo Nordisk puts great efforts in local training of doctors, health care providers, and patients about diabetes and treatment (Novo Nordisk, 2012A). This will create awareness and increase the demand of Novo Nordisk’ insulin. Similar to Maersk it can therefore also be seen as a strategic initiative that creates “shared value” in terms of increased sales for Novo Nordisk and better treatment for society (Porter & Kramer, 2006).

4.2.5. Sum-up - Socio-efficiency

The analysis of Socio-efficiency showed that the six case companies take on several social activities and initiatives of different kinds. This includes initiatives that both minimize the negative social impact as well as increase the positive social impact. This is in correspondence with the theory by Dyllick & Hockerts (2002). However, according to my analysis the companies are putting more work into the former than on the latter. The social activities include, for example, responsible supply chain management which means that the companies strive to ensure that their suppliers, licensees, and contractors are behaving in a responsible manner, especially when it comes to human and labor rights. It is evident from the analysis that employees and the work environment are a fundamental part of the companies’ social activities. This includes occupational health and safety procedures, employee benefits, and voluntary activities.

Unlike the environmental activities it is far more difficult for the companies to measure and quantify the financial benefits of their social activities. The effects are primarily non-financial measures like employee satisfaction, enhanced reputation, improved image, and goodwill. Some of the social activities are also more strategic effective than others. This includes, for example, the training programs implemented by Maersk and Novo Nordisk which show clear strategic effect for both companies whereas voluntary activities and charity work has less strategic effect. I will discuss this further in my discussion in chapter 5.

4.3. Analysis of Shared Value

According to Porter and Kramer (2006), companies create “shared value” through policies and practices that enhance the competitiveness of a company while simultaneously advance the economic and social conditions in communities, in which it operates. Therefore, a company must choose a topic where it can most effectively address a social issue by leveraging its own resources and capabilities.

According to Porter & Kramer (2011), the “shared value” concept is an idea that many companies have embraced as a strategy for successful expansion. The reason why the “shared value” concept has gained footing today is because it offers a business case for companies. It is a way to receive support from business leaders and top management that otherwise would have opposed to sustainability initiatives. The challenges of building a sustainable business model lie in effectively quantifying and articulating the value a company creates. As established in the analysis of Eco- & Socio-efficiency in section 4.1. and 4.2., environmental value created such as reductions in energy consumption, CO₂ emissions, and resources consumed are to some extent easier for companies to quantify and measure, than for example, the social value created. One of the main reasons for this is the fact that social value often comes from an indirect influence of the company (Aguilera et al, 2004). But even though it is hard to quantify it can be argued that it has a strategic effect, as argued by Porter & Kramer (2006). In the following chapter, I will analyze these values created in my six case companies.

4.3.1. Creating Shared Value

Novo Nordisk has put much effort into identifying and quantifying the “shared value” created by its sustainability initiatives, as well as communicating their mutual benefits. Via its “Blueprint for Change” Program, Novo Nordisk aims to enhance the understanding of how it creates value through its Triple Bottom Line business principle (Novo Nordisk, 2013A). The value created to Novo Nordisk includes economic profit, future value, and financing (see appendix 1). These are measured in revenues and costs, growth initiatives, risk mitigation, and the cost of capital. On the other side, value created to society can be social, environmental or economic and include several drivers and measures. The drivers include, among others, health and/wellbeing, energy/water/resource use, and employment and skills. These are measured through work place accidents, water efficiency/recycling rates/percentage of renewable energy, and salary value of local jobs. With this

Novo Nordisk has been able to find a way to measure and quantify its “shared value” created, whether it is financial, social, environmental, or economic.

Novo Nordisk has selected a set of high priority cases that, according to its own analysis, not only have created high value to society and Novo Nordisk simultaneously, but also are aligned with and drive its corporate strategy (see appendix 2). An example of a Blueprint Case is “Changing Diabetes in Indonesia”. According to Novo Nordisk Indonesia is experiencing economic growth, rising living standards, urbanizations, lack of exercise, and wrong diets, resulting in an increasing number of people diagnosed with diabetes (Novo Nordisk, 2013B). Indonesia has the 4th largest population in the world, and it is therefore a strategic important market for Novo Nordisk. The value created to society includes access to proper treatment which limits the number of diabetic complications and ultimately reduces the medical costs to society. The value to Novo Nordisk includes increased sales, enhanced reputation, great market potential, higher stakeholder support, and improved employee satisfaction and loyalty. As discussed earlier (cf. section 4.2.5.) it is difficult for companies to identify and measure the direct monetary gains from most of its CSR initiatives. This is also the case in Novo Nordisk.

One third of the people with diabetes in Least Developed Countries (LDC) live in Bangladesh. In Bangladesh, Novo Nordisk’s strategy has been to improve the distribution systems in order to increase the market, for example by reaching the rural areas. Furthermore, Novo Nordisk has set up local production in order to gain production efficiencies. With the local production it is also expected that Novo Nordisk is able to decrease its production costs, because of, for example, lower salaries. This creates jobs and wealth for the local community which ultimately gives Novo Nordisk a “license to operate” and improves its reputation.

From a strategic perspective the investments that Novo Nordisk has made in improving health care systems and increasing awareness is good for business because an increasing number of people are in need for treatment (Porter & Kramer, 2006). Since diabetes is yet to be cured, people diagnosed need treatment every day. The cases presented by Novo Nordisk give a perfect picture of how a company can embrace the concept of “shared value” in order to make a business case for its CSR initiatives and use them in way that creates a competitive advantage (Porter & Kramer, 2011).

None of the other five companies have been as successful in identifying and communicating the “shared value” created, as Novo Nordisk. Danske Bank also uses the term “shared value” in relation to its CSR initiative Financial Literacy where it educates children and young people in financial

matters (Danske Bank, 2013). According to Danske Bank, the investments made is a good long term investment that creates value for both the individual, society and the bank, because healthy personal finance contributes to stable economic growth and innovation in the financial sector. Danske Bank states that the more future generations know about personal finance, the more they will challenge Danske Bank and other banks in general, to develop better and more efficient products and solutions.

From a Resource-Based View this CSR initiative is aligned with core business and it leverages Danske Bank's core resources and competencies (Barney, 1991). However, it can be questioned how much value that is actually created for Danske Bank. Companies must ask itself whether their initiatives make a real difference, or if it is simply about image and reputation (Porter & Kramer, 2006). After its role in the financial crisis, Danske Bank has suffered significant damage to its reputation and image. In 2013, Danske Bank was ranked 125 out of 140 in IFO's annually image analysis (IFO, 2013). A similar conclusion was made in Deloitte's survey "CSR forankring i Danske virksomheder". The survey points out that the financial crisis has caused CSR to become more used as a tool to strengthen brand and reputation (Deloitte, 2011). As stated in the analysis of Socio-efficiency on in section 4.2.1., reputation and image are important intangible resources, and a source for competitive advantage. It is a well known fact that it takes years to build up a good reputation but only seconds to ruin it (Henry, 2008). However, creating "shared value" should go beyond simply enhancing image and improving reputation (Porter & Kramer, 2006). From this point of view Danske Bank's Financial Literacy cannot be categorized as a "shared value" initiative.

4.3.2. Challenges

CSR initiatives, especially ones that create "shared value" can be challenging for companies to carry out and sometimes it can put a company in a difficult position. There are often no fixed points to CSR which mean it is not easy to determine or communicate standpoints. Therefore companies must be very strategic in their statements and take in to consideration their stakeholders expectations in order to achieve external consistency, as argued by Yuan et al (2011).

A good example is Carlsberg. One of its key CSR initiatives is its drink responsibly campaign. The campaign represents Carlsberg's standpoint on issues like alcohol abuse, underage drinking, and drinking and driving. The standpoint is very strategic for Carlsberg because it takes the responsibility for consumer behavior. This shows that the companies' sphere of responsibility has

changed from focusing on suppliers and what is happening “down-stream”, to also include consumers and ensuring responsibility “up-stream” as well. The challenge lies in how to actually influence consumers. Carlsberg, like other companies, does not have the same level of influence on its consumers as it has on its suppliers in terms of making them comply with the company’s ethical guidelines (cf. section 4.2.1.).

When it comes to reducing food waste Arla is facing a similar challenge. Like Carlsberg Arla, takes the responsibility for the behavior of its consumer on which it has little influence on. Some initiatives that Arla are carrying out include changing their habits, for example by reducing shopping, providing smaller packages, and offer recipes that make it easier to use leftovers. Reducing consumer food waste is a challenging task, but show all in all that Arla is a responsible company, and therefore it can benefit from improved image and reputation. Seen from a pure business point of view reducing consumer food waste is in little interest of Arla as it might result in reduced sales.

Novo Nordisk has put an effort into the prevention of diabetes through awareness campaigns especially focusing on healthy lifestyles. That said, Novo Nordisk’s success with the treatment of diseases and its business growth depends on an increasing number of people diagnosed with diabetes. This is something that Novo Nordisk has been criticized for and, in order to reduce critical views, one of the reasons why Novo Nordisk invest in prevention initiatives. The amount made on preventions is tiny relative to what the company spent on Research & Development and marketing (Endsreport, 2013). However, if Novo Nordisk were to invest as much in awareness raising it would not generate any profit.

All these challenges prove that companies often face the difficulties of aligning CSR with their business, and that it might not be as easy to achieve “shared value” as the theory propose (Porter & Kramer, 2011). Sometimes it results in some inconsistency between CSR initiatives and other business practices as argued by Yuan et al (2011).

4.3.3. Sum-up - Shared Value

The analysis of “shared value” shows that all but one of the six case companies to a large extent struggle to communicate the good business case of their CSR initiatives. Furthermore, it is difficult for the companies to measure and quantify the actual “shared value” created for business and society. As identified in the analysis of Eco- and Socio-efficiency on section 4.1. and 4.2., it is easier for the companies to identify and measure mutual benefits created from the companies’

environmental effort. On the other hand, it is more challenging to identify and measure the mutual benefits created from the companies' social initiatives.

With the exception of Novo Nordisk, the two companies that have used the term "shared value" are using it rather weakly. It is also evident that most often the benefits are non-quantifiable, for example enhanced reputation, better stakeholder relationship, and "license to operate". The reason for this is the fact that it can be difficult for the company to sometimes separate the results from CSR initiatives and other business initiatives (cf. section 4.1.1.).

Through thorough case descriptions Novo Nordisk has been able to identify, measure, and communicate several values created for both business and society. The benefits to society are primarily reduced medical cost, improved wealth fare, and higher productivity. The benefits to Novo Nordisk include enhanced reputation, increasing sales, customer loyalty, and employee satisfaction. There is no doubt that Novo Nordisk has made CSR a good business case, and accomplished a way to demonstrate the "shared value" that its initiatives are able to create. This is in line with the theory of Epstein (2008), arguing that the key to a successful sustainability strategy is the identification, measurement, and reporting of impacts. That said some of the benefits are still to some extent vague, hard to quantify, and it is difficult to determine how the benefits are "shared" between Novo Nordisk and society. The cases appear to have a rather rosy-red outlook on the "shared value" created. Furthermore, being in an industry where the business purpose is to treat patients, Novo Nordisk can more easily identify value creation for society, and argue that the company serves a greater social good, than for example companies operating in other industries such as Maersk in the shipping and oil industries; Carlsberg in the beverage industry; and Danske Bank in the financial sector.

Finally, the analysis showed that all six companies experience challenges and dilemmas in relation to their CSR initiatives, for example to find the right balance between business and CSR. Companies like Arla and Carlsberg operating in the consumer goods industry have taken on the challenging task to include consumer behavior into their sphere of responsibility.

4.4. Analysis of Eco- & Socio-effectiveness

As presented in the theoretical framework in section 3.4., Eco- & Socio-effectiveness are closely connected to Eco- & Socio-efficiency. Eco-efficiency focuses on the minimization of environmental impact, and according to Dyllick & Hockerts (2002) it is often perceived as equal to companies'

environmental initiatives. This is also evident in my analysis of Eco-efficiency (cf. section 4.1.) which showed that it was an area in which all six companies put much effort into. However, according to Dyllick & Hockerts (2002) and Young & Tilley (2006) Eco-efficiency may be a valuable criterion for guiding and measuring corporate sustainability, but it is not sufficient on its own. The problem with the Eco-efficiency approach is that it is impossible for companies to reach zero impact, and become completely environmental sustainable. Therefore, the term Eco-effectiveness was introduced in the new sustainability model by Dyllick & Hockerts (2002). Eco-effectiveness goes beyond Eco-efficiency to focus on restoring and enhancing the environment meaning creating and maximizing positive environmental impact. This means that Eco-effectiveness moves away from Eco-efficiency's focus on minimizing, reducing, and avoiding environmental harm to focus on completely eliminating the concept of environmental harm (Braungart et al, 2006).

Although the definition of Socio-efficiency includes both negative and positive social impacts, the analysis of Social-efficiency as can be seen in section 4.2. showed that all six companies put most of their effort into minimizing negative social impact, and less effort into maximizing positive social impact. Socio-effectiveness refers to a sustained positive impact on society (Dyllick & Hockerts, 2002). They argue that *"where socio-efficiency may be a helpful instrument for a relative increase in social sustainability, such a strategy may lead to islands of social excellence within a sea of social discontent"* (Dyllick & Hockerts (2002): *"Beyond the Business Case for Corporate Sustainability"*, p. 137).

In the following chapter I will analyze the six companies' incorporation of the concepts Eco- & Socio-effectiveness, as well as the new business opportunities and innovations that the companies' CSR strategies have entailed.

4.4.1. Eco-effectiveness – Cradle-to-Cradle

According to Braungart et al (2006) the concept of Cradle-to-Cradle is central to Eco-effectiveness. The vision is to build systems that have a positive, restorative, and beneficial impact on the environment. They argue that companies focus on making a positive impact both economically and socially, but when it comes to environmental issues, companies "only" strive to minimize their impact. The endeavor to reach zero impact is not sufficient. The concept of Cradle-to-Cradle focuses on creating systems that are efficient and waste free. The concept consists of three principles. First principle is waste equals food. A product can from the start be designed, so that it

after its useful life has ended can serve as “food” for a new product. Secondly, the Cradle-to-Cradle embraces the use of solar energy, and other renewable energies such as wind and geothermal energy. However, unlike others, the concept does not accept waste for example biowaste as a source of renewable energy because in its ideal world waste should not even exist. However, Baungart et al (2006) accept that under the current circumstances, waste can be used as a source of energy. Finally, the concept argues that there is no such thing as “one-size fit us all” approach to challenges. Solutions must therefore be made locally, and diversity must be respected.

One of the six case companies has already embraced the Cradle-to-Cradle principle (Maersk) and one company expects to implement it in the nearest future (Carlsberg). Maersk Line is currently building new Triple E-vessels (Economies of scale, Energy Efficient, and Environmentally improved). The new vessels will each have a Cradle-to-Cradle passport which means that all the materials used to build them will be documented. When retired, it will be possible to reuse, recycle, or dispose all materials in the safest and most efficient way (Maersk, 2012B). Maersk expects to have a recycling rate up to 95% on its vessels. One of the main reasons for this investment is that steel is currently fundamental to building ships, but also a scarce resource and it is therefore expected to be short in supply already in 2030.

This is a good long-term investment for Maersk, because it is able to secure access to natural resources in the future (Henry, 2008). Furthermore, from a theoretical point of view the Cradle-to-Cradle initiative can create “shared value” for Maersk and society (Porter & Kramer, 2011). The environment will benefit from the reduction in resources and materials used, and Maersk will benefit from reduced costs in the future, because when steel becomes a scarcity, the price increases which mean additional costs.

Carlsberg plans to conduct a Cradle-to-Cradle analysis during 2013 in order to identify possible Cradle-to-Cradle products.

The goal of zero waste can seem like a utopia that can be difficult to obtain. It has a very long-term perspective, as the companies will not be able to benefit from the investments until the machines and products have served their purpose. This may explain why only one of the six companies has embraced the Cradle-to-Cradle concept. However, as argued by Braungart et al (2006) it can lead to a long-term sustainable competitive advantage, so perhaps more companies to look into the opportunities to incorporate the Cradle-to-Cradle concept.

4.4.2. Socio-effectiveness - Base-of-the-Pyramid

While a majority of companies are putting efforts into serving their customers better and at a lower cost, most companies fail to recognize the fact that their products and services only are available to a small part of the world's population (Dyllick & Hockerts, 2002). According to Prahalad & Hart (2002), companies should find ways to address the needs of the poorest population in the world – namely those at the Bottom-of-the-Pyramid (BOP). A BOP strategy includes creating a sustainable, profitable, and scalable business model, addressing the needs of the poorest population. Prahalad & Hart argue that there lie great opportunities for companies, merely because of the size of this market that supposedly consist of approx. four billion people. A BOP strategy incorporates the concept of “shared value” because it not only creates benefits to society and alleviates poverty, but also make business profits and improve competitiveness (Porter & Kramer, 2011). However, it can be argued whether a BOP strategy is of relevance to all industries. For example, one can questioned whether companies like Carlsberg and Maersk can thrive in a market of the poor population.

An industry that in the recent year has been under critique for failing to provide its products to the poor is the pharmaceutical industry (Dyllick & Hockerts, 2002). 80 % of the people, with diabetes, live in low or middle income countries with no means to pay for medical treatment. Therefore Novo Nordisk has decided to make medicine free for children in nine of the poorest countries (Novo Nordisk, 2012A). In addition, in many developing countries the medicine is sold at a much lower price than in developed countries. However, the problem is that is it seldom reaches the intended patients, because of inefficient distribution systems and mark-ups. According to Novo Nordisk this CSR initiative will benefit it in the long run; because health care providers and doctors will remember Novo Nordisk once the health care systems are developed leading to a future competitive advantage.

Novo Nordisk is currently building a business model at the Base-of-the-Pyramid, which means making its medicine available to those people at the bottom of the economic pyramid. In 2011 Novo Nordisk initiated a BOP project in Kenya. Novo Nordisk sees great business opportunities in the African market, because many African countries have an increasing risk of lifestyle diseases including diabetes (Access to Medicine Foundation, 2012). Furthermore, they are not aware of the risk of diabetes and have limited access to treatment. As a result, around 80 % of diabetes patients in Africa die of complications from diabetes before they get treatment. In order to control the price that patients have to pay at the pharmacy and avoid mark-ups, Novo Nordisk has decided to print the fixed price directly on the packages.

In 2012, Novo Nordisk expanded the project to include more communities in Kenya, and initiated projects in rural India and Nigeria (Pharma Danmark, 2013). For a project to become sustainable it is important to find a business model that fits the local conditions, and therefore Novo Nordisk is trying different business models in each country (Prahalad & Hart, 2002). Critiques of the BOP argue that even though there exist few opportunities, the market is generally too small monetarily to be profitable for most MNCs, and state that merely selling to the poor and increase product availability will not improve their living standards, and create “shared value”. Instead, a true BOP strategy strives to address the specific needs of the poor, and help alleviate poverty through innovations. According to Novo Nordisk it is still too early estimate if the projects in the long-run are sustainable and profitable (Novo Nordisk, 2012A). Until this becomes clear, Novo Nordisk will not say if it will continue to expand the projects.

4.4.3. Innovative Products and New Business Opportunities

There is a need for innovative solutions to solve world problems including hunger, diseases, social marginalization, poverty, and pollution (Vogel, 2005). Companies can create new business opportunities by combining CSR and innovation (Danish Business Authority, 2013). CSR-innovation takes its point of departure in social and environmental considerations, and includes services and products that are profitable while at the same time benefit society in new ways (Samfundsansvar.dk, 2013B). In the process of CSR innovations, companies use their core competencies to develop new concepts, products, and services that solve an environmental or social need. According to theory, there are unlimited opportunities for a company innovating through a CSR lens, including meeting unmet demands from customers, possibility to increase product differentiation, and provide access to new markets (Vogel, 2005). As described by Barney (1991), innovation and creativity are one of the three intangible resource categories which lead to competitive advantage, for example through patents and copyrights. This means that if companies are able to combine CSR and innovation there is a great chance that they will achieve a competitive advantage, and improve their performance.

When analyzing the six companies it is evident that none of them have been able to create true CSR innovations. Dong Energy has to some extent achieved new market opportunities through the increasing demand for renewable energy. Through Climate partnerships with small, medium, and large companies it has secured investments in its off-shore wind farms (Dong Energy, 2012C). From a “shared value” point of view both the partner and Dong Energy benefits. The partner

achieves financial gains and a greener profile, while Dong Energy benefits from secured funding to its wind farms (Porter & Kramer, 2011). Today, Denmark produces more than 35 % of its electricity from renewable energy sources with wind making up the majority of the production (Copenhagen Capacity, 2011). The challenge is that renewable energy can only generate power when the wind blows and the sun is shining, and it is not yet possible to store electricity in an efficient manner. This puts challenges on securing supply. According to Dong Energy (2013), one solution is an intelligent smart grid which is an energy system that both ensure flexible demand and flexible supply. Dong Energy is currently testing several initiatives, for example time control on electric appliances, and it puts much effort into research and development of solutions for managing and storing renewable energy. However, Dong Energy is still far from having any definite innovative solutions to address the environmental need.

Novo Nordisk is also looking into innovations from a CSR perspective. The treatment with insulin requires education in administering insulin injection effectively and safely (Novo Nordisk, 2012A). This is a challenge especially in developing countries. Novo Nordisk is therefore researching treatment in tablet form (Novo Nordisk, 2012A). At the moment, Novo Nordisk is in its first stage of testing, and if everything goes as planned insulin in oral form will be available in about 10 years. This seems like a long time, but according to Novo Nordisk in the pharmaceutical industry this is a fairly short period.

As the analysis showed the six companies have in very limited amount been able to create new market opportunities and innovative products that address social needs, as defined by theory (Dyllick & Hockerts, 2002). The innovations that the companies point out are small and not very radical innovations, pilot programs, or in an early stage of development. This means that the companies are a long way from being Eco- & Socio-effective. The empirical explanation is that perhaps it is far more difficult to achieve this in practice than in theory. The Blue Ocean strategy authored by W. Chan Kim & R. Mauborgne in 2005 provides a simple theoretical framework arguing that companies should create new demand in an uncontested market space instead of competing with others in an existing market – red ocean. According to Aagaard (2012), the Blue Ocean strategy is closely related to sustainable thinking where companies working strategically with CSR-driven innovation can increase growth and competitiveness. Few researchers have criticized the Blue Ocean Strategy, but empirical findings from a master thesis from CBS has pointed out that it is not as simple in practice as in theory (Karkov, 2010). From a CSR perspective the only MNC that actually successfully created a Blue Ocean for itself is Toyota and its electric- and petrol hybrid car

called Prius (Henry, 2008). With this car Toyota created a whole new market for more sustainable cars, and left its competitors a good way behind. This provides evidences to the fact that it might not possible for all companies to create a Blue Ocean for themselves. It may work for a few companies, but the rest may stay in the red ocean and compete in the traditional way. This can explain the reason why the six companies have not yet created any radical CSR innovations and fully incorporated the terms Eco- & Socio-effectiveness.

4.4.4. Sum-up - Eco- & Socio-effectiveness

Summing up the analysis of Eco- & Socio-effectiveness it is evident that none of the six companies have yet to really embrace the concepts of Eco-& Socio-effectiveness, although Maersk and Novo Nordisk are in the preliminary stages with the Cradle-to-Cradle concept and the Base-of-the-Pyramid strategy as analyzed in section 4.4.1. and 4.4.2.

My analysis showed that the increased environmental concerns have actually benefitted Dong Energy and its business. Dong Energy saw opportunities for renewable energy and has since become a market leader for operating wind farms (Dong Energy, 2012C). Currently, the demand for renewable energy is higher than its supply capacity. This is a challenge that can create opportunities if addressed by companies like Dong Energy. Also Novo Nordisk is working to address social needs through product innovations that address the need for easier treatments. From the analysis it is evident that the companies are still a long way from creating pioneering innovative services and products that address a social need. They have yet to build a Blue Ocean, and achieve a sustainable competitive advantage through innovations. However, as pointed out at the end of this analytical part it can be questioned whether all companies should go down that road. This I will be discussed even further in my discussion in the next chapter.

5. Discussion

In the following chapter I will discuss the results from my analysis of the six Danish companies' CSR initiatives. In my analysis, I have identified several issues including similarities and differences between the four analytical parts. I have selected four main patterns from the analysis which I find most interesting in relation to my research. I will now evaluate these four main patterns in relation to the theory, and determine the conformity between my empirical findings and theory. Furthermore, my discussion will found the basis for the conclusions I will make in my research.

The four main patterns that I have identified in my research are:

- *Strategic effect*
- *Shared value*
- *Measurability*
- *CSR innovation*

5.1. Strategic effect

When adopting a strategic CSR approach companies should not only select social issues that are closely tied to core business and align it with corporate strategy, they shall also be able to leverage company resources and apply their distinctive capabilities (Porter & Kramer, 2006). Furthermore, strategic CSR should provide benefits to business and be a source for innovation and competitive advantage. My empirical findings reveal that although the six companies carry out a large number of different CSR initiatives, it is actually few of these CSR initiatives that live up to strategic CSR definition. These include Maersk's "slow steaming" initiative (cf. section 4.1.5.); Novo Nordisk's Blueprint for Change program (cf. section 4.3.1.) and Dong Energy's Climate Partnerships (cf. section 4.4.3.).

The analysis showed that several of the CSR initiatives have a less strategic element to them by only satisfying some of the above mentioned criteria. This for example goes for the Financial Literacy program in which Danske Bank leverages its core capabilities, but according to the analysis it has done little to improve neither Danske Bank's competitiveness nor its reputation (cf. section 4.3.1.). Furthermore, there are several initiatives that have had very limited strategic effect for example Danske Bank and Carlsberg's investment in Carbon Credits (cf. section 4.1.4.). These can to some extent be seen as a form for "greenwashing". The initiatives might have a positive effect on brand and image in the short run, but it cannot be classified as strategic CSR, as defined

by Porter & Kramer (2006), as it is purely cosmetics, and does not contribute to a competitive advantage through leveraging company resources (Barney & Hesterly, 2006).

The analysis also identified a single initiative that to some extent has backfired resulting in a negative strategic effect on performance. This is Arla's relocation of its butter production from New Zealand to the UK which has resulted in lower CO2 emission, but a decreased customer satisfaction (cf. section 4.1.5.). This emphasizes the importance of ensuring the effectiveness of a CSR strategy namely the consistency between CSR initiatives and stakeholder demand (customers), as argued by Yuan et al (2011).

It is surprising that six of the largest companies in Denmark have so few CSR initiatives that can be classified as having large strategic effect and a direct impact on business performance. What the analysis shows is that even though the companies put much effort into their CSR work, as well as communicating it, in practice it is very difficult to align and integrate CSR initiatives with core business. This illustrates that CSR in practice is still far from reaching CSR in theory.

The analysis also proves that the six companies are on different stages of their CSR journey. Simon Zadek (2001) has developed a theoretical model for how companies respond to CSR pressure. The model is divided into four broad and interrelated categories which can be seen as an evolution in the CSR commitment and integration:

- Defensive approach (Focus on avoiding pressure and alleviate pain)
- Cost-benefit approach (Focus on activities that create direct benefit and exceed cost)
- Strategic approach (Focus on CSR becoming a deliberate part of emergent strategy)
- Innovation and Learning approach (Focus on creating new opportunities to achieve competitive advantage)

In relation to this model the six companies, with the exception of Novo Nordisk, are to be placed somewhere between the Defensive approach and the Cost-benefit approach. These companies are primarily focusing on risk mitigation, and avoiding bad reputation. Several of the companies have also, to some extent, moved towards carrying out initiatives that create business value, and add to the bottom-line in one way or another. This can for example be seen with many of the companies' environmental initiatives. Novo Nordisk, on the other hand, has with its Blueprint for Change program moved a step further into the Strategic stage where CSR has become a part of corporate strategy. Furthermore, Novo Nordisk has made an attempt to reach the Innovation and Learning stage by exploring new business models and innovative oral treatments. However, as evidence show

Novo Nordisk is not quite there yet. The final stage is also arguably the toughest one to reach as can be seen from my analysis of the companies' new business and innovations in section 4.4.3. From the analysis it was evident that it has been difficult for the companies to combine CSR and innovation which was also explained by the Blue Ocean theory (Karkov, 2010).

My empirical findings demonstrate and emphasize the fact that the ease of combining CSR with core business in order to create new market opportunities and innovative solutions, to address social needs differs from industry to industry. It is evident that a company like Novo Nordisk that produces medicine to a larger extent can address the social needs for treatment in the developing world, than for example Maersk in the shipping industry or Carlsberg in the beverages industry.

5.2. Shared Value

Another interesting pattern in my analysis is the fact that the companies strive to demonstrate the business case of their CSR initiatives. The analysis of Eco-efficiency, Socio-efficiency and "shared value" all reveal the companies' attempt to communicate the created business value and benefits from their CSR initiatives in their reports. From the analysis it can be concluded that the six companies to a large extent experience the same value creating areas. The main value creating areas for business are:

- Reduced cost & saved money
- Increased operational efficiency & productivity
- Improved work environment & employee satisfaction
- Stakeholder support & License to operate
- Enhanced reputation

These empirical findings are in accordance with the theoretical perspective presented by Porter & Kramer (2006) that argue that apart from bettering society, CSR should make business sense or strategic sense, and thereby enhance the companies' competitiveness. The six companies have to some extent adopted this theoretical approach and gone a long way to demonstrate the mutual benefits of their CSR initiatives. An interesting point is that the initiatives the companies carry out also are quite similar. This is for example the case with environmental initiatives such as reducing energy consumption, increasing recycling rate, and improving the use of renewable energy. On the social side a similar tendency is seen. This includes initiatives such as Codes of Conducts and Occupational Health and Safety procedures with special focus on employees and work environment. This indicates that there exists some kind of best practice for CSR initiatives. One

explanation is that the companies use each other as peers. This is possible as the CSR field is very transparent because the companies are communicating their good stories to the public. Another explanation can be that there exist very few guidelines for CSR for example the GRI³ guidelines which the majority of the companies work in accordance to. This could mean that the companies find it difficult to adapt their CSR initiatives according to their specific company. Thereby they will carry out initiatives that address more generic issues rather than identifying the social issues in the value chain or in the competitive context, as recommended by Porter & Kramer (2006).

From the analysis it is evident that much more effort is put into the environmental initiatives than the social activities. A reason for this can be that the companies find it is easier to identify and measure the benefits from environmental initiatives than social initiatives. This I will discuss further in section 5.3.

Only one company has excelled in demonstrating the “shared value” created from its CSR initiatives. With its “Blueprint for Change” cases Novo Nordisk has identified and measured the “shared value” to society and its own business within both social and environmental initiatives. These initiatives are according to Novo Nordisk creating value in all of the above mentioned areas. This is a good example of how CSR initiatives can have a strategic effect, and contribute to business performance, as argued in the theory by Porter & Kramer (2006). This shows that Novo Nordisk is a good way ahead of the other five companies. Novo Nordisk has been working with sustainability for over 20 years which can explain the maturity of its CSR and illustrate that it takes a long time to develop such an integrated approach. This opens up a discussion of Porter & Kramer’s short term view for strategic CSR. According to them CSR should create a business value but they do address the time perspective in this. This perspective has also been criticized by Vogel (2005) arguing that we expect investments in CSR to consistently create business value when virtually no other business investments or strategies do. As is evident from the analysis, the companies may have to allow for short-term losses in order to become long-term sustainable.

One of the most important ways CSR create value is by enhancing reputation. Enhanced reputation and reduced cost are those benefits that are mentioned most often in the six CSR reports. But whereas reduced cost is primarily seen in relation to environmental initiatives, enhanced reputation are connected to both environmental and social initiatives. Inconsistent with the Porter & Kramer’s

³ Global Reporting Initiative (GRI) is sustainability reporting framework that is widely used around the world and includes a set of guidelines companies can use to report their economic, environmental, and social performance and impacts (GRI, 2013)

theory of strategic CSR, this proves that CSR has not yet moved beyond the simple enhancement of image and improvement of reputation. However, that does not mean that enhancing reputation does not have strategic effect. As stated in the theory (Barney, 1991), reputation is an important intangible resource that contributes to goodwill, employee attraction and retention, and gives a license to operate (IBM, 2008). On the other hand, Vogel (2005) argues that there are many ways of making a company a desirable place to work and having a strong CSR reputation is only one of them. That said, from the analysis it is evident that enhanced reputation from CSR can be used to improve stakeholder relationship, customer loyalty, and a way to differentiate for competitors thus achieving a differentiation advantage (Porter, 1985). Thereby the empirical findings prove that companies can achieve mutual benefits and “shared value” through initiatives that might not be defined as strategic CSR by Porter & Kramer (2006).

5.3. Measurability

My analysis has identified an important issue in terms of measurability, since many CSR initiatives are difficult to measure and quantify financially. As stated in section 5.2. all of the companies strive to demonstrate the business value created from their CSR initiatives; however they lack concrete measurements on the value added to both business and society. Therefore it is difficult for the companies to determine the exact strategic effect of their CSR initiatives. This is not surprising as this has also been pointed out in a survey made by Mckinsey. Here 33% of the respondents stated that they did not know how CSR added value to their business (Mckinsey, 2011). One explanation is that the companies often have other non-CSR initiatives which also create value for the company. An example of this is Danske Bank’s reorganization strategy which resulted in the close down of branches (cf. section 4.1.1.). A positive side-effect of this strategy is an improved environmental performance. Novo Nordisk, however, has proved that it is possible to distinguish results from CSR by calculating that 2/3 of its CO2 reduction comes from its cLean program whereas 1/3 comes from its climate strategy (Novo Nordisk, 2012A). These can be just estimates, but it proves Novo Nordisk’s attempt to show that to some extent it should be possible to calculate the strategic effect of CSR initiatives. This is in line with Epstein (2008) who argues that the key to success is to identify, measure, and report impacts.

Another explanation to why the relationship between CSR and quantifiable value is so unclear is that the companies do not have the right measurements. CSR reports have little to do with balance sheets and income statements which mean that CSR reports are very different from traditional

financial reports. The CSR reports focus more on telling the good story. This is a point that is also stressed in a survey made by McKinsey (2008).

Some initiatives are of course easier to measure than others. This is for example the case with initiatives such as reducing energy, water, and resource consumption by optimizing processes. Many of these environmental initiatives result in monetary savings that can be seen directly on the bottom line thus improving competitiveness. This proves that environmental initiatives can contribute to cost advantages (Porter, 1985). On the other hand, some benefits including enhanced reputation and employee satisfaction are more difficult to measure, and link to the bottom-line. The analysis showed that these benefits are often connected to the social activities like improving work environment, voluntary activities, and charity work. My analysis therefore indicates that it is much easier to measure and quantify financially the results from environmental initiatives than the social initiatives. This is not surprising because it explains why the environmental initiatives of the six companies are more systematic and pervasive than the social initiatives. This is in line with my argument that most of the companies are currently in Cost-benefit stage in the theoretical model developed by Zadek (2001).

What is surprising is that some initiatives prove to have both a positive and negative effect on economic, environmental, and social performance. This was for example seen in the cases of Danske Bank and Arla (cf. section 4.1.5.). This backs up the theory of Yuan et al (2011) arguing that companies must at all time be aware of the external and internal consistency, as well as internal coherence with other CSR initiatives. Otherwise the CSR initiatives can have a negative effect on performance.

5.4. CSR Innovation

According to the theory of Porter & Kramer (2006), strategic CSR can be a source of opportunity, innovation and competitive advantage. Furthermore, adopting strategic CSR can lead to new business opportunities in form of access to new markets, segments, and customers.

My analysis has showed that all of the six companies do well in relation to Eco- & Socio-efficiency. These initiatives are extensive and to some degree aligned with corporate strategy. However, when it comes to Eco- & Socio-effectiveness, and addressing social needs by combining CSR and innovations the story is different. My empirical findings reveal that it is on a very limited scale that CSR and innovation are combined. This indicates that it may not be as easy for companies to do in practice as in the theory.

One explanation is the limitations to the Blue Ocean strategy, addressed in the analysis in section 4.4.3. The fact that so few MNCs have actually achieved creating a Blue Ocean strategy emphasizes this point. Seen from a CSR/Sustainability perspective the only MNC that has successfully created a Blue Ocean is Toyota.

On one hand, the MNCs have the financial means to invest in R&D and innovative solutions. On the other hand, creating new markets via innovations and Blue Ocean strategies are often also associated with high risks. It is crucial that the MNCs keep their focus on current business, in which they all hold competitive positions that must be sustained, because of the responsibility towards the shareholders.

That said, as can be seen from the empirical findings, maybe MNCs should continue to focus on improving their Eco- & Socio-efficiency by minimizing their environmental and social impacts via initiatives similar to those they carry out today. It is of course important that they evaluate the risks and opportunities in their current markets. One such example can be seen from Dong Energy's entry into the renewable energy market (Dong Energy, 2012A). Although, it cannot be classified as a Blue Ocean market as defined by Kim & Mauborgne (2005) it is none the less an innovative move that makes good business sense since it meets the demand for increasing renewable energy. This has also given Dong Energy a competitive advantage (Porter, 1985).

The discussion about CSR and Innovation comes from the fact that it is impossible to define the magnitude of MNCs corporate responsibility. This stems from the continuing development of the concept of CSR. Furthermore, MNCs are more exposed to criticism by the public and therefore often experience greater pressure. The empirical findings, however, points to the fact that the MNCs may not be the best equipped for developing CSR innovations.

From the four main patterns it is evident that there is a gap between practice and theory. Few initiatives can from the theoretical point of view be classified as strategic CSR, but the empirical evidence shows that the companies experience that the majority of their initiatives create some sort of business value. However, the problem is that the companies find it very difficult to measure and quantify the strategic effect of their CSR initiatives.

6. Conclusion

This thesis has investigated and evaluated the impact and strategic effect that CSR has on companies' performance. In order to answer my research question I have analyzed six Danish companies focusing on the impacts and results measured from their CSR initiatives. In that context, I have used the theories of Resource-Based-View (Barney & Clark, 2007); "strategic CSR and "shared value" (Porter & Kramer, 2006; Porter & Kramer 2011). The concepts of Eco- & Socio-efficiency and Eco- & Socio-effectiveness have been used as guiding research parameters. This has led to an analysis of the six companies' CSR initiatives and their relations to company performance and competitive advantage.

To answer the first of my sub-questions, I have analyzed the companies' environmental and social initiatives. Not surprisingly my findings showed that the companies carry out a comprehensive amount of environmental and social initiatives. Furthermore, from the analysis I can conclude that these to a large extent cover the same areas. On the environmental side these include initiatives to reduce energy, material, and water consumption, minimize CO2 emission, and increase the use of renewable energy sources. On the social side the employees are the focal point, and include initiatives in relation to occupational health and safety, human and labor rights, and work environment. When it comes to measuring the results and value created from these initiatives it can be concluded that the six companies find this very difficult. The environmental initiatives are often more measurable as these often result in reduced costs and direct monetary gains. On the contrary, the social initiatives often result in benefits such as enhanced reputation and employee satisfaction where the value created can be difficult to measure and quantify monetarily.

In relation to my second sub-question it can be concluded that the companies to a large extent strive to show the business case of their CSR including demonstrating the mutual benefits of the CSR initiatives to both business and society. In continuation of my previous conclusion most of the companies struggle to identify the "shared value" created. The concept of "shared value" is not used widespread in the six companies and only one company has embraced the concept fully. Novo Nordisk has excelled in showing the "shared value" of both its environmental and social initiatives.

Finally my third sub-question can be answered from my findings in my fourth analytical part. From this analysis it can be concluded that to a very limited extent the six companies CSR initiatives have entailed new business opportunities and innovations. Dong Energy and Novo Nordisk have to some extent gained access to new market opportunities via an increasing focus on renewable energy and

increased demand for diabetes treatment in developing countries. However, none of the six companies have been able to make innovative solutions that result in a sustainable competitive advantage. On the other hand, I have argued for that it maybe should not be the ultimate goal for MNCs to create CSR innovations and Blue Oceans (Aagaard, 2012).

Overall, it can be concluded that CSR does have an influence on performance, both in terms of monetary and reputational gains. This is especially the case when CSR is aligned with corporate strategy. My empirical findings showed that the more a CSR strategy was integrated into core business the greater the benefits. This is in line with the overall theoretical perspective. However, my research also showed that the relationship between CSR and performance still remain unclear especially because the results from CSR to a large extent constitute of non-measurable benefits such as enhanced reputation. This proves that CSR in the six companies is not as far advanced as in the theory. It can thereby be concluded that there is some inconsistency between the theory of strategic CSR and how CSR influence company performance in practice.

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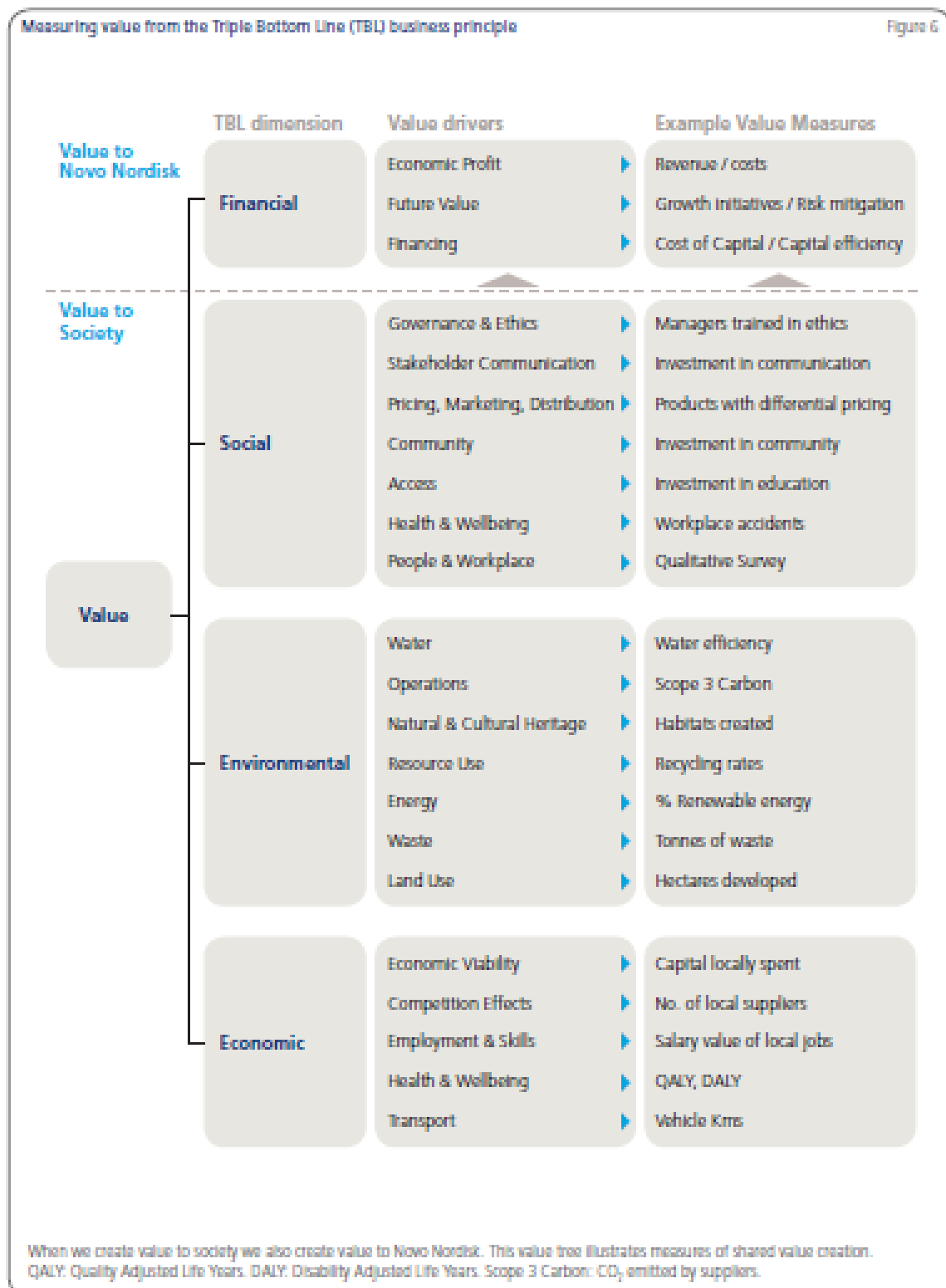
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8. Appendix

8.1. Appendix 1

(Novo Nordisk, 2013A)



8.2. Appendix 2

(Novo Nordisk, 2013A)

