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Spar Nord - A Proper Bank

How to Differentiate Through an Integrated CSR Strategy in a Homogenous Banking Sector

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Abstract

The **purpose** of this dissertation is to present an exploratory study on strategy change, CSR implementation and related challenges. The case study, Spar Nord, finds itself at the beginning of the implementation of the CSR agenda and has already foreseen and encountered several challenges, which are common to other organizations as well. We ultimately reflect on some of the critical factors that could help ease the CSR strategy implementation for the case company.

The **methodological approach** is based on a mixed methods/triangulation approach. This means that data is collected through interviews and a questionnaire - combining both qualitative and quantitative data. Through the interviews, information was gathered about Spar Nord's respective business model and strategy, as well as the new CSR initiatives and activities. Furthermore, the interviews were used to reach an understanding of top management's perception towards the new strategy change and CSR in general, as well as gain insights about Spar Nord's core resources and capabilities.

Additionally, the questionnaire served as a tool to assess and evaluate the status of the implementation and to gain insights about the employees' perceptions and attitudes towards CSR and the new strategy. Specific attention in our analysis has been given to middle managers and generational traits. Moreover, secondary data such as company reports and theoretical models have been utilized to support the thesis.

The **findings** show that the new strategy represents a starting point from which CSR will be a core part of the company's operations and main strategy, both from a legal compliance and concrete business point of view. Top management is aware of potential challenges; mostly related to the decentralized organizational structure and stakeholders' interest in the CSR agenda. Even though most respondents seem to appreciate Spar Nord's strong CSR commitment, some respondents indicated concerns about the relevance of the new strategy; mistrust towards the new strategy implementation; and resistance to change.

Originality/value of our dissertation can be found in the evaluation of a business case at the early stages of CSR implementation. Thus, this dissertation can be used as inspiration for organizations that encounter similar dilemmas and issues related to strategy change, CSR implementation etc. We believe there is a considerable scope for a larger scale study on organizations moving their first concrete steps towards corporate responsibility.

Conclusion

It is difficult to differentiate within a homogeneous sector such as the banking industry. CSR in itself might not represent a source of Sustainable Competitive Advantage (SCA) when it comes to sustainable products since banks mostly offer similar services at similar prices. However, Spar Nord can differentiate from competitors by increasing its focus on CSR initiatives that are already a core asset or focal point in the bank's business. Moreover, there is evidence suggesting that decentralization, employees, leadership and communication play a critical role with regards to strategy implementation, specifically when it comes to CSR.

Definitions

CSR: Research claims "Corporate Social Responsibility" does not have a clear definition (Tatli et al., 2014). We define CSR as an "expanding global movement", which encourages the collaboration and alignment between businesses, society and governments to achieve the common vision of a "*more sustainable and inclusive global economy*" (United Nations Business Action Hub, 2020). We will use the terms "responsible business", "corporate responsibility", "sustainable and socially responsible" as synonyms for CSR and sustainability.

ESG: The term ESG stands for "Environmental, Social, and Governance" factors. According to ESG (2020), *"it is a general term used in capital markets and used by investors to evaluate corporate behavior and to determine the future financial performance of companies"*. Moreover, the UN has developed ESG frameworks, namely the Principles for Responsible Investment ("PRI") and the Global Compact.

PRI: The "Principles of Responsible Investment" define a set of guidelines to responsible investment as a strategy and practice to incorporate environmental, social and governance factors in investment decisions and active ownership (UN PRI, 2020).

PRB: The Principles for Responsible Banking were launched by 130 banks worldwide that are leading the way toward a process of alignment between business strategy and society's goals, as well as a more transparent behaviour (UNEPFI, 2020).

Global Compact: Launched in July 2000, the Global Compact is a global movement that unites sustainable companies and ethical stakeholders to achieve a greater good and work towards a better world. It is a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals (UN Global Compact, 2020).

SDG: The Sustainable Development Goals are 17 objectives created by the United Nations to set the direction to the world we aspire to live in. Agenda 2030 aims at "*ending extreme poverty, fighting inequality and injustice, and protecting our planet*" (UN Global Compact, 2020).

TBL: Originally proposed by Elkington, the "Triple Bottom Line" measures the impact of an organization's activities on the world. It is a framework that assesses "*the degree to which any company is or is not creating value for its shareholders and for society*" (Savitz, 2013: 5). Organization's performance is in fact based on both financial performance and impact on the economy, the environment and society.

SCA: With "Sustainable Competitive Advantage", we refer to a long-term advantage over competitors that is not easy to replicate. According to Porter, it is a "*favourable competitive position in an industry*" (1985:1)

Indholdsfortegnelse

1. Introduction

1.1. The Global Context

In today's world, globalization is one of the main drivers for change, and is influencing societies and organizations (Leichenko and O'Brien, 2008). Since the 1970s, a set of high-intensity phenomena has occurred on a global scale in the economic, social, cultural and ideological field (Khilji, Davis and Cseh, 2010). The transition towards an increasingly integrated world brought an exponential growth of international economic flows, together with global products and cross-border trade (Steger, Battersby and Siracusa, 2014). Legal, economic and cultural barriers between countries have become progressively fluid and blurred, in favour of a smoother movement of people and goods around the world (Ohmae, 1989; Khilji et al., 2010).

The rapid growth and spread of new information technologies, both in economic activities and in daily life, plays a major role and enables individuals and companies to drastically reduce time, costs and other technical obstacles of communicating across distance. Hence, information is more accessible in the current interconnected world (Steger et al., 2014), favouring so-called "*deterritorialization*" (Hernàndez i Martí, 2006: 93). As a result, the consumer is evolving extraordinarily fast: the consumer is better informed, more connected and even more demanding in terms of products and companies' performances and efficiency (Van Belleghem, 2016). In a word, consumers have become more conscious. According to Hooley et al. (2017), companies should put effort in building a transparent and strong ongoing relationship with their customers to reach the goal of creating delighted customers - improving the probability of customer retention.

Overall, globalization triggers the rise of a dense network of interdependencies and interconnections, a kind of homogenization process that unites the societies of the world in a "global village" - producing a global economy, transnational culture and international movements (Steger et al., 2014). According to Khilji et al. (2010), now more than ever, working together with the right partners is key to enhance speed, fuel innovation and gain market share.

Fierce competition is a direct consequence of globalization (Harvey, Kiessling and Novicevic, 2003). As technological progress simplifies the understanding of a brand's functional advantage and thus its imitation (de Chernatony, 2001), similarities among brands proliferate. In a world where products look more and more alike, it is crucial for companies to understand the importance of differentiating and of keeping up with changes, or the exclusion from the market itself is very likely to become reality (Khilji et al., 2010). All in all, products have become commoditized and interchangeable. Therefore, in

a time where the world is the global arena where to compete, finding a way to differentiate needs to be a top priority at the core of a company's strategy (Steger et al., 2014).

Additionally, the present world is experiencing both environmental - and societal challenges such as resource scarcity; social and political tensions; demographic changes; and climate change, which ultimately stress not only individuals, but organizations and companies as well. Due to the rising worldwide attention to environmentalism, there has been a gradual increase in consumers' sensitivity to issues related to the world of eco-sustainability (Baskentli et al., 2019). Green brands' performances have exponentially increased and, thus, paying a higher price for green products is not a concern for customers (Suganthi, 2019). Nowadays, consumers' decision process is mainly based on emotions and values (de Chernatony, 2001), and it is through unique organizational cultures that the emotional bonds are made. Now that the global economy has been affected by globalization and the economic - and financial crisis, a greater commitment is required in order to stress attention on the ethical-social and environmental sphere, adopting a vision of a more ethical capitalism (Gupta, 2012; Wang, 2017). Companies are therefore asked to play the role of not only economic but also social actors, as an integral part of the socio-political as well as economic context they are a part of (Ibid).

But how can a company differentiate in such a market? What should companies leverage to distinguish themselves from their competitors? And how can they do their part in addressing the aforementioned difficulties?

The relationship with society and the environment in which companies operate is critical in the ability to continue to do business effectively. Moreover, CSR is increasingly used as a measure of global performance (Crane, Matten and Spence, 2008; Asemah, Okpanachi and Olumuji, 2013). Organizations of all kinds, by virtue of their central role in society, play an important part in supporting sustainable developments to meet current and future generations' needs (Brundtland, 1987). Increasingly, questions are being asked about how companies can contribute to a better world by implementing better management policies. Concepts such as sustainable development and responsible management are currently imperatives on which to base business management - requiring companies to review their practices and relationships with countless stakeholders (Ibid).

Providing solutions to said challenges is extremely vital for both mankind's well-being and utter survival on this planet. Thus, the global community, approximately 170 countries, has come together in order to formulate 17 Sustainable Development Goals (SDGs) as a call to action to protect our planet, to end poverty and ensure that people of all kinds enjoy peace and prosperity by 2030 (United Nations Development Program, 2020). Specifically, the UN SDGs encompass social, economic and environmental sustainability, and in order to reach these ambitious but very much needed targets,

everyone must work collaboratively towards these common goals through integrated solutions. Consequently, this results in increasing demands from various stakeholders such as customers, suppliers, distributors, employees, the Government, investors and many more. In order to effectively respond to the different needs of the stakeholders, the implementation of a strong and consistent sustainable policy is not only important for success, but for organizational survival (Chandler, 2017). And while many organizations may focus on just one or few SDGs, they need to be aware of sustainability and sensitivity to such topics is very important in all aspects of an organization's operations.

While social responsibility has been a "hot-topic" the last decade, it is not a new concept. On the contrary, social responsibility can be dated back to ancient Chinese, Egyptian and Sumerian writings, while evidence of social activism goes back across the centuries. We all probably know our world's long history of slave labour. In that time, Britons were some of the first people to boycott slave-harvested sugar in the late 18th century and were demanding an end to slave labour. Thereby, the Britons' demands were the beginning of a revolution to end world slavery. In that sense, they were an early example of how societal demands can pressure organizations and companies to change behaviour, because in the end their survival depends on the people living in the society in which they operate (Chandler, 2017). Thus, the concepts and the history of social activism and social responsibility resemble today's world society. Whether stakeholders put pressure on organizations and companies to end slave labour; stop racial discrimination; ensure gender equality or reduce the emission of carbon dioxide, organizations and companies must adhere to the demands and needs of the stakeholders in the society.

In the present time, Corporate Social Responsibility (CSR) has become a crucial element to be taken into account when doing business, not only because of its influence on consumers and companies' choices, but also for the impact of business on society and the environment (European Commission, 2019). The current attitude toward sustainability issues is of great adherence and support (Rasche, Morsing and Moon, 2017), though scepticism is also present. Concerns are related to whether sustainability could be used as a marketing tool to make profit (Hemat and Yuksel, 2014). Thus, transparency is essential to make the strategic commitment to sustainability credible and real. Although the increasing demands from various stakeholders require extra attention and continually challenge the companies' status quo, strategic CSR also enables companies to build a competitive advantage that is truly sustainable. A successfully implemented CSR strategy means that the company has created and distributed long-term value across the company's broad range of stakeholders, which as a result can lead to a sustainable competitive advantage (Porter and Kramer, 2011).

CSR is a strategic domain of value creation and it is important to incorporate it as a core value of a company (Galbreath, 2009). The relationship with the socio-environmental context in which companies operate is a critical aspect in the current business environment and it is more and more used as a measurement for companies' performance (Asemah et al., 2013). Every type of firm plays a big part in sustainable development, which means fulfilling the needs of the current generation regarding environmental protection, economic growth and social equity, while guaranteeing the same possibilities to the future generation (Brundtland, 1987). Thus, concepts such as sustainable development and responsible management are vital requirements on which to build corporate management and, ultimately, create shared value (Porter & Kramer, 2011).

Moreover, engaging in CSR activities and implementing a successful CSR strategy can potentially lead to other business benefits such as a favorable brand image, enhanced brand awareness and, in general, better business (Maon, Lindgreen and Swaen, 2009). Therefore, to achieve the above-mentioned benefits, organizations need to thoroughly communicate their CSR activities both internally and externally to their stakeholders to transform "*CSR into action*" (Ibid, 2009: 2).

1.2. The Banking Sector

According to Pérez and del Bosque (2014), in the current competitive global arena, the banking industry has undergone major transformations that have led to sector homogeneity. This is specifically due to globalization, deregulation, financial innovation and the appearance of new technologies that deeply affect the access and use of banking services. Consequently, banks, as much as their products and services, are not perceived as substantially different from other banks.

The Global Financial Crisis in 2008 highly impacted society and nonetheless called for the need to redesign the role and responsibility of banks. Furthermore, in the last decade, many financial scandals and irresponsible accounting practices have caused nothing but increased customers' lack of trust in the financial system. Consequently, higher standards of acceptable corporate behaviour are set by the society (Pérez, Martínez, and del Bosque, 2012). Herzig and Moon (2012) claim that the financial sector has traditionally been considered as non-polluting, thus its impact as an industry was estimated as relatively low in terms of bad sustainability practices and environmental damage. Nevertheless, it is clear how the financial crisis and scandals are actual proof that the banking industry has acted in unethical ways, and that CSR is not only about the environment, but it concerns people and ethics as well.

Therefore, due to the financial crisis and recent scandals, the role of banks as trustworthy institutions of our society has been highly questioned, and the increasing pressure from stakeholders has urged the

whole financial sector to put efforts in behaving more responsibly.

CSR has been given a lot of attention and is now a top priority of banks' managers. By leveraging on social investments, they aim at restoring corporate credibility, regain stakeholders' trust and differentiate from the competition by being an innovative organization (Andrada, 2015). CSR is proven to bring multiple benefits such as a general improvement of employees' engagement in the workplace as well as stronger relationships with stakeholders. Moreover, CSR practices represent a potentially successful tool in the restoration of corporate image (Laidroo & Sokolova, 2015). In 2013, thirty-five international banks increased their CSR's disclosure level compared to 2005, specifically because of the financial crisis and the urgent need to demonstrate their commitment to sustainable and ethical policies and initiatives (Ibid).

Moreover, banking institutions have represented 9.48% of a total of 3700 subscribing businesses in 2008 to the UN Global Compact (UN Global Compact, 2020), an initiative to support the financial industry to integrate environmental, social and governance issues into mainstream investment decision-making and ownership practices (Ibid).

1.3. The Spar Nord case

Founded in 1824, Spar Nord is one of the oldest banks in Denmark and is among the five largest local banks, currently holding a market share of 4% of the total Danish market for bank and mortgage loans. The bank employs 1,549 people and the headquarter is located in Aalborg. The company is divided into approximately 50 local branches and has more than 400.000 customers, mostly retail customers and SME in Denmark. The bank's offer comprises retail banking products and services to individuals including loans, payment cards, cash management, as well as a wide range of savings, insurance, and pension products. In 2019, the bank registered a core income of DKK 3,338 million, with a 5% increase compared to 2018. Moreover, Spar Nord ranked among the top performing Danish banks thanks to a return on equity of 11.7% (Spar Nord Annual Report, 2019).

Spar Nord's new vision is to be "*the most personal bank in a digital world 2.0*" (Ibid, 2019: 18), highly focusing on combining attentive personal advice and service with innovative digital offerings and solutions. Spar Nord believes that personal relations, attentiveness and commitment will always be a decisive factor in order to attract and retain customers. Nonetheless, Spar Nord recently chose a new strategic direction that reflects the importance of digitalisation, digital technologies and – innovations in the banking sector. The company's aim is to leverage on this new digital initiative to build even stronger and more personal customer relations, and improve their overall business (Spar Nord Annual Report, 2019).

Nonetheless, in the aftermath of the Global Financial Crisis and recent financial scandals, the financial sector has intensified its focus on operating its business in a more socially, ethically and environmentally responsible way, on the wave of the Sustainable Development Goals and several UN initiatives (Appendix B).

Thus, during the last couple of years, Spar Nord has worked intensely to make CSR an integral part of their core strategy. Although CSR had been a part of Spar Nord's set of values for many years, the company's approach has shifted "from words to actions". Their focus is on incorporating CSR as a greater part of their main strategy and to implement it successfully in its autonomous affiliations around the country.

However, all strategic changes come with dilemmas and problems that require specific attention (Dainty and Kakabadse, 1990; Todnem By, 2005). In the current business environment, change is extremely frequent, comes in all shapes and sizes, and is affecting every industry (Ibid). According to Gazzola and Colombo (2014), incorporating CSR in every aspect of a company's decision process arguably represents one of the most difficult challenges for managers.

To the same extent, Spar Nord currently finds itself facing several dilemmas, which are strictly related to new strategic focus on CSR and its proper implementation along the company's decision-making processes and day-to-day business.

1.4. Problem Statement

As aforementioned, consciousness about environmental and societal problems has led to increasingly high demands and needs for sustainable products and services. Thus, more and more organizations acknowledge their responsibility and the importance of doing what is best for the environment and society. This would help set the example in the global business environment and to keep up with competition. As a result, companies see the need for change in order to meet their stakeholders' requirements and to fulfill their own moral responsibility. Consequently, CSR is increasingly becoming a strategy driver in most companies that are making it a top priority of their daily businesses.

However, many companies still struggle to successfully implement a CSR strategy and instead end up copying other companies' CSR strategy; falling in the trapdoor of greenwashing; poorly communicating their CSR efforts; or forgetting to incorporate CSR into all aspects of the organization.

As many other companies, Spar Nord currently feels a pressure to take action towards a concrete sustainable commitment, in particular after the Global Financial Crisis, recent financial scandals and

the rise of a new ethical agenda from a stakeholders' perspective. Thus, the purpose of this dissertation is to directly evaluate Spar Nord's strategic change, and provide reflections and recommendations based on a combination of approved theory and the results from this research.

Thus, the research questions are as follows:
- *In a homogeneous banking sector, should a company like Spar Nord choose to implement CSR in its main strategy?*
- *Which factors should Spar Nord be particularly concerned about when implementing a CSR strategy?*

Moreover, a set of sub-questions has been developed to guide the analysis and discussion with the support of relevant theories and ultimately contribute to answer the main research questions.

- Which resources does Spar Nord leverage on in order to differentiate in a homogeneous banking sector?
- Does CSR enable a Sustainable Competitive Advantage (SCA)?
- Within a decentralized organization, which challenges does a new strategy formation process entail with regards to CSR?
- What is the role of leadership in the implementation of a CSR agenda?
- How can Spar Nord cope with resistance to change?

First, the methodological framework will be presented in terms of research design and data collection. This research will include a mixed-methods approach with qualitative and quantitative methods, specifically interviews with top management and a questionnaire for the employees of Spar Nord.
Theories, analyses and discussions are integrated into one section. Our aim is to provide the reader with relevant theories and findings from our data collection processes as the research develops, to guarantee that our dissertation is less fragmented.
Within this integrated part, popular theories are included, starting with organizational design theory by Mintzberg, an analysis of the Danish banking sector and its competitive landscape using Porter's Five Forces. Moreover, the SWOT analysis, Porter's Generic Strategies, Resource-Based View and VRIO framework have then been employed to provide a thorough overview of the internal characteristics of Spar Nord as well as the external forces surrounding Spar Nord. Subsequently, the concepts of Strategic Management and Strategy have been explored with particular emphasis on the integration of CSR into the company's strategy, as well as the most common challenges that may occur during the implementation process. Furthermore, a reflection is provided on whether CSR represents an SCA for

the case study. The data collected through the interviews are utilized throughout the dissertation as they represent a solid base of information regarding Spar Nord and top management's views on the CSR implementation process. The questionnaire is analyzed and discussed in order to give qualified recommendations to Spar Nord on the basis of critical factors that the company should pay attention to. Subsequently, limitations are addressed concerning the scope of the research. Then we will provide the conclusion that presents our most significant findings and recommendations for Spar Nord. At last, suggestions for future research are considered.

2. Methodology

In the following section, the research methodology will be presented in order to outline and discuss the methodological choices on which the thesis is based. Furthermore, with the aim of designing an effective and strong methodology, we will elaborate on our choice of philosophy of science, together with the overall research strategy and techniques employed for relevant data collection. Moreover, the ethics of the research will be analysed on the basis of distinct quality parameters that assess the trustworthiness of the study.

To strengthen the research design, each level of our methodological decisions has been thoroughly explained and justified, taking the "Research Onion" model by Saunders, Lewis and Thornhill as a guideline (2016:124). The different layers will be addressed starting from the outer layer to the inner layer in order to ensure coherence throughout the research design.

Developing a research design has been essential to help us decide a research methodology that coherently suits the research goals and properly addresses the research questions. A research design details the necessary procedures to obtain the information needed to structure and solve the research problem, and thus lays the foundation of the study (Malhotra et al., 2006; Mishra and Alok, 2017).
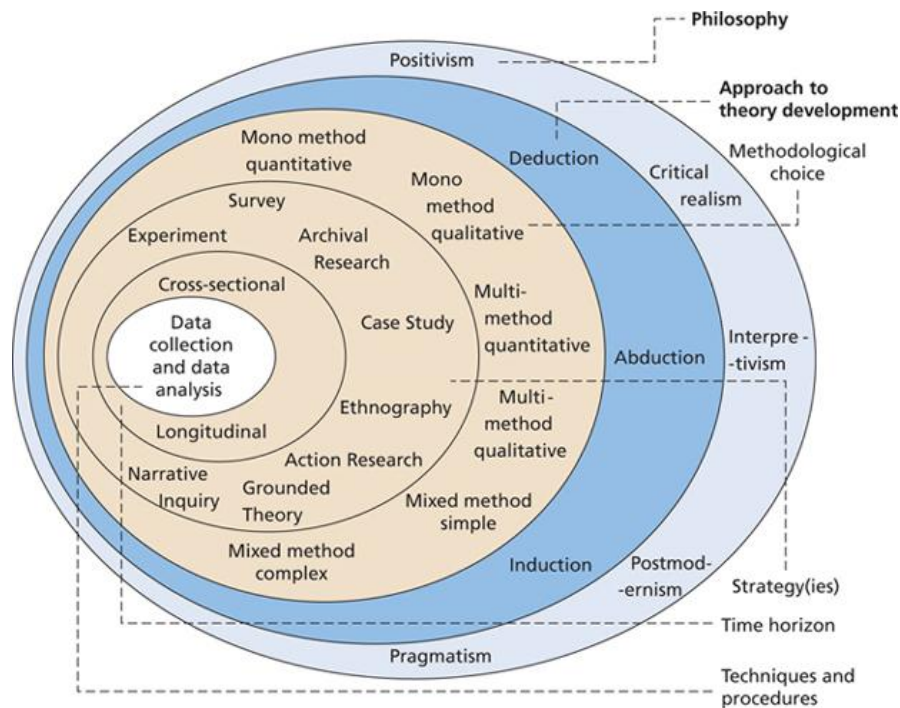
Figure A: The Research Onion
Source: Saunders et al., 2016: 124

2.1. Literature Review

A critical review of the literature poses the foundation of a research (Saunders et al., 2016). Thus, we have provided the reader with the necessary background knowledge for the research by designing a thorough description and critical analysis of what has already been written with regards to the topic chosen, specifically market assessment and internal resources, strategy formulation, its implementation and related challenges.

We made sure that we followed three key steps suggested by Saunders et al. (2016) to ensure an excellent critical review of the literature: to include key academic theories within the research area; to demonstrate our knowledge on the topic is up to date; to use clear and impeccable referencing in order to avoid plagiarism.

Furthermore, as regards the literature review's structure, we decided not to dedicate a separate chapter "isolating" the theoretical stance, but to present the theories throughout the dissertation as we tackle various issues. This way, the theories are easily accessible by the readers when needed and can be contextualized in an appropriate way.

According to Saunders et al. (2016), the literature sources can be divided into three categories: primary (company's reports, thesis, emails, etc.), secondary (books, journals, newspapers, etc.) and tertiary (indexes, dictionaries, bibliographies, etc.). Based on the above subdivision, we mostly made use of primary and secondary sources, meaning respectively reports, theses, books and journals.

2.2. Research Philosophy

The term research philosophy concerns investigating the nature of the real world and the researcher's perspective when addressing a specific problem (Creswell, 2009; Saunders et al., 2016). Moreover, our worldview affects the overall understanding of the research question, research design, data interpretation and knowledge creation, so it is essential that our perspective is clarified, in order to avoid misunderstandings as well as misperception of the research problem and purpose of the study (Bryman and Bell, 2015; Saunders et al., 2016).

The research philosophy on which this study is built upon is *pragmatism*. When adopting the pragmatist view, the determinant factor of the research philosophy is the research question, which is proven to be most appropriately addressed when using mixed methods (Ibid). Before choosing and elaborating on the research philosophy, it is fundamental to distinguish between the different types of philosophies by exploring the research assumptions each philosophy makes. Each philosophical assumption presents two extremes: objectivism or subjectivism, the first related to natural sciences and the second to arts and humanities (Ibid).

2.2.1. Ontology

Ontology concerns how we see the world and its elements, and our assumptions about how the world operates, thus the *"nature of reality"* (Saunders et al., 2016:127). According to the objectivist aspect of ontology, also referred to as realism, facts are completely independent from what our minds think and are thereby not influenced by personal considerations (Matthews and Ross, 2010; Saunders et al., 2016). Thus, only one true social reality exists, and it is experienced the same way by all social actors (Ibid). On the other hand, the most extreme subjectivists believe there are multiple realities. According to the subjectivist view, a study is ultimately created and influenced by the research and social actors. A less extreme view, known as social constructionism, believes that phenomena are in constant change, and discussion and reality is "*socially constructed*" (Saunders et al., 2016:130).

2.2.2. Epistemology

Epistemology deals with what is considered as acceptable knowledge in a specific field of study (Matthews and Ross, 2010). Objectivists here would seek for knowledge and truth of the social

world through *"observable and measurable facts"* (Saunders et al., 2016:128). Conversely, subjectivists believe it is crucial to analyse situations in the light of the context, since different opinions and narratives help understand how realities are being experienced (Ibid).

2.2.3. Axiology

As Saunders et al. claim (2016), axiology studies the extent to which our personal values affect our way of conducting research in all its stages. Objectivitists in this case would try to preserve their research from values and feelings, both personal and external, that could harm and invalid their findings. On the other hand, subjectivists firmly consider their values as a fundamental part of their research, therefore they do not detach from their own values (Ibid).

2.2.4. Philosophies of Science

Once we have presented the philosophical assumptions and their extremes, with the aim to provide a clear understanding of the choice of *pragmatism* as our philosophy throughout the research, a brief elaboration of the main five philosophies is provided below.

According to *positivism*, the aim of research is to use data that is verifiable and objective in order to get as close as possible to reality and to the production of law-like generalizations (Saunders et al., 2016). To measure social structures, a more scientific and quantitative-based approach is suggested to ensure control and precision on results, which are not contaminated and influenced by human interpretations or biases (Ibid).

Critical Realism, like positivism, supports the use of logic and methods of the natural sciences, and that objects exist independently from the human mind (Saunders et al., 2016). However, qualitative methods are accepted as well, since the subjective dimension and our senses are highly valued and our reality is subjected to social conditions (Ibid).

Moreover, *"Interpretivism, like critical realism, developed as a critique of positivism but from a subjectivist perspective*" (Ibid, 2016:140). Tuli claims (2011) the *interpretivist* philosophy states that individuals' subjective experiences (feelings, thoughts, etc.) deeply affect what is being investigated and influence the way people act. Therefore, it is essential for every researcher to understand why social actors behave in a certain way to reveal the different truths, as no universal law exists (Saunders et al., 2016). For this reason, ethnography is the preferred research method within the interpretivist philosophy.

Postmodernism is a philosophy that emphasises alternative perspectives, giving a prominent importance to language. Language often struggles to describe the world in a complete way; information is partially presented and some aspects might be marginalized. Thus, postmodernism aims at challenging the established views to give emphasis to other perspectives that have been left out (Ibid).

With regards to *pragmatism*, research is claimed to start from the identification of a problem and the ultimate goal of a pragmatist is to contribute to its solution through practical suggestions for future research (Saunders et al., 2016). Moreover, pragmatism proposes a further alternative and advocates the existence of numerous different ways of interpreting the world and, consequently, to conduct research, since there is no generalized approach that can be applied to every context (Ibid). The research question is considered the most important element of the research. Furthermore, Tashakkori and Teddlie (1998) suggest that researchers undertake their study in the way they believe it is more appropriate and complies with their values.

Ontologically, it can be said that we consider reality as complex and deeply affected by the social actors' ideas, resulting in a continuous movement of experiences and interpretations. Thus, we are embracing a more subjectivist view on reality. Moreover, epistemologically, acceptable knowledge is for us dependent on the specific context and, as aforementioned, it is based on the identification of a problem to which our goal is to provide suggestions for its solution. Accordingly, our idea is that Spar Nord struggles with the implementation of its new strategy. Thus, the aim of our research is to find out why Spar Nord is experiencing difficulties regarding its strategy execution; whether the strategy change can lead to a competitive advantage; and potentially provide recommendations for Spar Nord. Axiologically, we are aware that our personal values and perception play a role in our dissertation. Thus, as follows, we present our reflections with regards to our values and beliefs on the researched topic. We believe the topic of CSR is in constant change and under discussion. Moreover, our dissertation is influenced by our subjective and individual points of views regarding CSR. More specifically, we perceive the implementation of CSR as a valuable and necessary step to take in order to ensure a better tomorrow. Additionally, subjective perceptions shape phenomena, therefore considerations about existing entities vary from individual to individual. Arguably, there are people who believe CSR is of great importance, whereas other people may consider CSR as less important. For instance, some of Spar Nord's employees may view the implementation of CSR into Spar Nord's strategy as a waste of time and resources, whilst other employees may regard it as a necessary step towards a more competitive and responsible business. Moreover, we also considered adopting the interpretivist philosophy, since in business and management researches, interpretivists take into account perspectives of different groups of people, from the CEO to middle managers to employees

at lower levels (Saunders et al., 2016). Although the *interpretivist* position is considered more appropriate for business and management research, we believe that the pragmatist philosophy is more appropriate for our study since it enables us to employ the combination of multiple research approaches within the same study (abductive approach), as well as different research methods (such as quantitative and qualitative methods).

2.3. Research Approach

The subsequent layer of the onion is represented by two different forms of research approach, the deductive and the inductive stance. According to Saunders et al. (2016), employing a deductive approach entails using existing knowledge in a particular field from which hypotheses are formulated, and subsequently tested through empirical data collection processes. Theory could either be confirmed or need further amendments. On the other hand, by using an inductive research approach, new knowledge and thus theory is created starting from empirical research (Ibid).

Throughout the dissertation, our research approach has mostly been inductive. The inductive approach is used to *"collect data to explore a phenomenon"* (Saunders et al., 2016:145). This is precisely what we were seeking through an introductory meeting with the CCO. After the meeting, we were able to formulate the research question as well as the hypotheses. The hypotheses represent the assumptions we aimed to test with our data collection and analysis. The hypothesis formulated after the meeting can be seen below:

- The decentralized decision making hinders the new strategy implementation
- There may be a resistance to change because of the different perceptions of CSR - both on a managerial and employee level
- Demographics have an impact on how people perceive the importance of CSR
- In order to for the CSR strategy to be successful, it has to lead to a SCA, and therefore it must be VRIO
- The CSR agenda must be consistently communicated throughout the company in order to obtain a successful CSR implementation

Even though the inductive approach has been prevalent in our study, it is unavoidable not to include our understanding in the determined area of research, which origin from our Masters studies at CBS. Specifically, theory has been our starting point for the analysis of the problem statement and Spar Nord's case, thus it can be said that we also employed a deductive approach.

We both agree that our research approach can then be considered *abductive*. The use of abductive reasoning enables us to expand our understanding of both theory and empirical data – and to develop a dialogical process between theory and empirical phenomenon, which is also evident from the way we structured our Theory, Analysis and Discussion section. We believe it is the most suitable approach as

it allows us to overcome the limitations associated with deductive and inductive stances, more specifically the strict choice of theory to be tested empirically as well as knowing the precise amount of necessary data from which to build theory (Bell, Bryman and Harley, 2019). Thus, on the line of Saunders et al., our data collection aims at "*explore a phenomenon, identify themes and patterns, locate these in a conceptual framework and test this through subsequent data collection*" (2016:145). Furthermore, our goal is to provide existing theory with insightful integrations, in order to either build new theories or modify existing ones.

2.4. Purpose of our Research Design

The purpose of our study is *exploratory* in the sense that our aim is to build new knowledge and insights, deepening our understanding of the problem. Specifically, our goal is to find out whether CSR represents a valuable differentiation factor for Spar Nord in a homogeneous banking sector; identify the crucial factors that might hinder the implementation process; and provide recommendations for Spar Nord and other companies facing similar challenges.

Furthermore, our research strategy is based on a *single case study,* meaning that a contemporary entity is being investigated in its real-life context through the use of multiple data collection methods (Sreejesh, Mohapatra, Anusree, 2014). Moreover, employing a case study helps contextualizing the research and developing new theory (Saunders et al., 2016).

In this case, our strategy specifically addresses the case of the Danish bank Spar Nord. The Spar Nord case makes it possible to observe and analyze the choice of implementing CSR in a company's core strategy, and potentially, provide recommendations to the bank based on the various dilemmas it is facing related to the fields of strategy change, internal communication, ensuring sustainable competitive advantage, and so on.

2.5. Choice of Research Methods

According to Saunders et al. (2016), the choice of appropriate methods is crucial for the success of the research. Therefore, the methodological discussion will now lead to explaining the research methods employed that we consider most suitable to address the research problem and research questions.

2.5.1. Secondary Data

Nowadays the use of secondary data in research is becoming more and more frequent as numerous data and analyses have been collected by researchers all over the world (Johnston, 2017). Secondary data refers to the information that was collected by someone else for another primary purpose (Ibid). To avoid disruptive information gathering and non-relevant analysis for this study, we only used

internal secondary data, which is generated within and for the purposes of Spar Nord and the financial sector. All relevant documents and reports have been shared by the CCO, who belongs to Spar Nord's top management. Not only did we consider using secondary data due to lack of time and resources, but it also represented a useful source to answer the research question (Saunders et al., 2016). The secondary data employed are multiple-source, meaning documentary secondary data as well as survey-based secondary data. Thus, to better understand Spar Nord within the banking industry, secondary data such as the company's Annual Report and CSR Report represent the basis of this research. Moreover, it has been an extremely useful tool for our preliminary preparation for the interviews.

As far as the Report on Consumer Research is concerned, this secondary data source has been used to assess the Danish banks' corporate image from the customers' point of views, as well as their general perceptions of the financial sector and Spar Nord in particular. In order to spend our time wisely, we evaluated beforehand and decided which type of documents we would need to address our research question properly. This was done to ensure validity (Saunders et al., 2016). Moreover, it was fundamental to assess the authority of data by looking at the source: since the report has been conducted by Finance Watch and Wilke, the data can be considered high in terms of reliability and trustworthiness. All in all, the information provided supported us in terms of understanding the company's operations and helped us shape a clearer picture of how the new strategy should be implemented, together with the challenges related to it.

2.5.2. Primary Data

The methodology literature identifies two different methods of data collection: quantitative and qualitative. The use of *quantitative methods* is a data collection technique or data analysis procedure that employs or produces numerical data, such as a questionnaire or a graph. As for *qualitative methods*, non-numerical data are used or produced, such as words, pictures, videos, etc. (Saunders et al., 2016). Consequently, researchers can either choose to use a *mono method* approach, meaning that the researchers use a single data collection technique and corresponding data analysis procedure, or they can use *multiple methods* to answer the research question.

In accordance with our research philosophy of pragmatism, different methods were deployed to get a broader understanding of the topics explored, and to effectively address the research questions. This can be done by using both qualitative and quantitative data collection - and analysis methods;

specifically they have been used in a sequential exploratory usage, meaning that we first employed qualitative methods and then quantitative methods (Saunders et al., 2016).

The main benefit of using such a combination is that it allowed us to enrich and confirm the scenario that resulted from the data collection by analyzing it from multiple sides. This is called *triangulation*, a tool that enables a deeper and more accurate understanding of situations and of certain research topics by taking different perspectives on the same issue (Flick, 2004). Triangulation is considered a relevant tool to be used to reach a greater degree of knowledge (Ibid). The different research methods used have been chosen to address the same theoretical background, in order to avoid incompatible assumptions about the research problem, which would have undermined the quality of the thesis. Indeed, by producing knowledge on different levels, triangulation contributes to promote quality in this particular research (Ibid).

2.5.2.1. Interviews

Research interviews are insightful conversations that help the interviewer to establish contact and gather first-hand information by asking concise questions and listening carefully (Saunders et al., 2016). Moreover, interviewing important personalities within organizations, such as the CEO, allows researchers to increase the likelihood of response than by using a survey (Ibid).

Depending on the level of formality and structure, interviews can be of different types. For the purpose of this research, the interviews followed a progressive thread, starting from a more unstructured interview with the company's CCO to a more structured interview with the CEO.

The *in-depth interview* with the CCO (Appendix B, Interview 1) was a face-to-face "introductory meeting" to acquire specific information and insights on the case company, the banking sector and the theme of CSR. The CCO is considered relevant for our case because of his role within Spar Nord: he is the Chief Commercial Officer and responsible for CSR related topics. Specifically, our goal was to obtain information about:

- The CCO's role within the company
- The main dilemmas that Spar Nord is facing with regards to CSR
- To what extent Spar Nord intends to participate in our research and dissertation

The data gathered represented essential contextual data on which to build our first hypotheses, as well as the first overview of the situation. We gave him the opportunity to talk freely in relation to the topic we proposed to him, although we had some questions prepared beforehand. Therefore, it can be said

that the interviewee guided the interview and, most of the time, he covered the key topics without us having to ask the questions.

The second interview with the CCO was *semi-structured* and was conducted online through Skype due to the restrictions related to COVID-19 (Appendix B, Interview 2). Our aim was to gather deeper insights about the strategy change in Spar Nord and its differentiation from competitors. Moreover, we asked questions related to the eight focus areas in which Spar Nord focuses its CSR efforts. The last part of the interview was about the concerns when implementing CSR into the strategy. In this interview, we gathered important key information, specifically that the strategy implementation was paused due to COVID-19. This allowed us to reformulate the survey that we sent out to the employees the following week, as we planned on asking some questions that were directly related to the impact of the new strategy on their workflow.

The choice of interviewing Spar Nord's CEO (Appendix B, Interview 3) resulted from our desire to gain the most accurate picture of top management's way of thinking and vision for Spar Nord. Moreover, based on our studies, we learnt that there cannot be socially responsible companies without socially responsible managers, therefore when implementing CSR, it is essential that the CEO inspires the whole company towards ethical behaviour. This interview was a *semi-structured interview*, meaning that we prepared some thematic key questions beforehand. It was conducted on the phone using a conference call system, again due to COVID-19. To mitigate the risk of subjective bias, the questions were very similar to the ones we asked the CCO, also in order to compare their points of views. During the interview with the CEO, we sometimes omitted certain questions and let the respondent take the lead as, quite often, he anticipated what we wanted to ask, showing we were quite aligned. Moreover, in this interview we concentrated more on the personal questions, as we wanted to get a full picture of the CEO as a person. Furthermore, great attention was devoted to the change in strategy; Spar Nord's resources and capabilities; differentiation from competitors; and issues related to the implementation of CSR into the core strategy.

The conducted research interviews allowed us to get a deeper understanding of the context, but also provided valuable insights for our evaluation of Spar Nord's new strategy implementation and, nonetheless, for the questionnaire. All in all, we decided to carry out interviews with the CCO and the CEO as qualitative research focuses on understanding human interactions and processes that frame concrete organizational settings (Gephart, 2004). This enabled us to gather not only key information about Spar Nord's business, but also detailed descriptions of real-life actions and contexts, as well as management issues that improve the research (Ibid). Moreover, qualitative research can highlight human interactions determining phenomena within the company. Moreover, because of the study's

exploratory purpose, in-depth and semi-structured interviews are considered extremely useful, especially since the aim of the study is to get a deeper understanding of the context and to understand the reasons behind specific respondents' decisions and attitudes (Cooper and Schindler, 2008). Moreover, the combination of in-depth and semi-structured interviews is considered useful to identify the questions to be asked in a survey (Saunders et al., 2016). The asymmetrical power relation was not too pronounced, as our scientific competence was compensated by the CCO and CEO's willingness to attend us, which balanced the power relation (Brinkmann and Kvale, 2015). Especially in the first interview, due to unexpected answers or changes in direction, some questions have been posed on the spot; in some cases, to allow a reformulation of unclear thoughts. The interviewees were allowed to speak freely about the topics, specifically in the in-depth interview, unless they went far off the grid. In those cases, we redirected the conversation back to its initial focus point. Both interviews were phone-recorded after consent and were conducted in English. Details and specific information of each interview can be found at the beginning of the transcriptions (Appendix B), together with a key chart for the symbols utilized.

2.5.2.2. Quality of the Research: Interviews

The main problem with semi-structured and in-depth interviews is *reliability* and thus the fact that answers should be replicable. We argue that our goal is to collect insights and information at the precise time they are collected, thus the results are not intended to be repeatable. Moreover, to ensure the reliability of our results, as suggested by Saunders et al. (2016), we thoroughly explained our research design and reasons behind our research strategy and data collection methods above. Furthermore, when it comes to *interviewer and interviewee biases*, we chose an informal setting of the in-depth interview in order to encourage the interviewee to expose his thoughts without inhibitions and for ourselves to feel at ease (Brinkmann and Kvale, 2015). Furthermore, the level of *credibility* of a qualitative research refers to the similarity between the data collected and the phenomenon the data is supposed to represent (Guba, 1981; Bryman & Bell, 2015). To enhance a high level of credibility, we carefully prepared the interview process as preparation is considered to be the key to a successful interview (Saunders et al., 2016). Moreover, we established contact with the CCO early this year, so that we could arrange a first introductory meeting to get to know each other and evaluate if the collaboration could be mutually beneficial. Our level of knowledge of the research topic was another important factor to increase credibility from the research participant's point of view. With regards to semi-structured interviews, we provided both the CCO and CEO with a set of questions and topic areas we wanted to discuss during the interview. According to Saunders et al. (2016), providing a list of themes also helps promote credibility: when being aware of the information needed beforehand, the interviewee is more likely to collect relevant secondary data to be shared with the researchers - and

this is actually what we experienced. Moreover, in both cases we started the conversation by explaining our research to the interviewees, which is also considered to increase credibility (Ibid).

Transferability concerns the extent to which the results of a qualitative study can be transferred to another context, or generalized (Bryman & Bell, 2015; Saunders et al., 2016). Although our research question is strictly related to the Spar Nord case, we have always considered our study and its results to be useful for companies that find themselves in a similar situation, specifically the ones belonging to the banking sector.

The aspect of *confirmability* is related to data objectivity (Guba, 1981). To ensure confirmability, triangulation has been employed, as the use of different methods, perspectives and sources increases a more thorough and accurate data collection (ibid). In addition, being two researchers allowed us to take more than one point of view into consideration - upgrading the quality of our research consistently.

2.5.2.3. Survey

The Survey (Appendix C) was designed and posted on the company's Intranet. The survey is a *self-administered questionnaire* as it is completed by the respondents themselves (Saunders et al., 2016). The survey questioned the employees in five main areas: demographics (Q1-Q5), Strategy Change (Q6-Q7), CSR (Q8-Q13), CSR focus areas (Q14-25) and Concerns (Q26-Q28). In Q29, the respondents could insert comments about the topic and questionnaire in general. Our *Intranet-mediated questionnaire* contains 28 questions of different types: demographic, closed-ended and open-ended, multiple choice, and rating scale questions.

The respondents are employees with different degrees of responsibility within the company. We have chosen to involve all employees since the implementation of a new strategy and its implications have an impact on the whole organization. Using this quantitative method provides us with data regarding Spar Nord's employees' attitudes toward CSR and more specifically its implementation within the company's strategy, as well as personal opinions on how the implementation of the new strategy is carried out. Data can be compared on the basis of demographic variables to assess the presence of a constant pattern. The insights collected also represent extremely valuable information for the company, especially as regards issues faced by the employees. Moreover, a section for employees' comments can be found at the end. In order to increase the level of response rate, validity and reliability of the survey (Saunders et al., 2016), the individual questions have been carefully designed and a fairly simple survey layout has been chosen. Moreover, an explanation of our research goal was provided at the beginning of the questionnaire, together with the following definition of CSR.

"CSR (Corporate Social Responsibility) kaldes også samfundsansvar, social ansvarlighed, bæredygtighed og tredobbelt bundlinje. Uanset hvilken betegnelse man bruger, handler CSR om, at virksomheder udviser ansvarlighed i forhold til det omgivende samfund. Det handler om at drive forretning på en måde, der minimerer negative påvirkninger og maksimerer positiv værdi for mennesker, miljø og økonomi".

<div align="right">Dansk Erhverv, 2020</div>

2.5.2.4. Quality of the Research: Survey

Internal validity relates to whether or not the methods used reflect the properties that were intended to be measured (Matthews and Ross, 2010). It can be argued that we managed to obtain the knowledge and information we aimed at collecting, although the number of respondents is arguably not sufficient to generalize. To be more specific, the aim of our survey was to assess the perception of employees in terms of the new CSR strategy implementation, as well as collect further elements that could help Spar Nord in the future phases of implementation. Thus it can be said that the data produced address our research question and test our hypothesis.

Construct validity refers to what degree our findings match with our hypothesis and theory (Matthews and Ross, 2010). It can be argued that construct validity is quite high, since the results show resistance to change, quite poor information sharing, lack of guidance from leadership, as foreseen by our hypothesis and as the theory shows with regards to strategy change and issues with its implementation. Moreover, this is also confirmed by *triangulation*, or the use of different methods to ensure the validity of data collected, since what was anticipated in the interviews by the CCO and CEO as regards the strategy implementation status and potential challenges has also been confirmed in the survey.

Content validity refers to the "adequate coverage" of the researched topic that the survey guarantees (Saunders et al., 2016:450). In order to increase our content validity, we thoroughly defined our questions in light of the literature, the insights from the interviews and prior discussion between us. This way, we were able to assess whether the questions we posed were necessary or not.

Reliability refers to whether the results would be consistent if produced under the same conditions with the same or similar sample of people (Sreejesh, Mohapatra and Anusree, 2014). Therefore, to increase reliability, we have undergone the following steps. A pilot test was conducted in advance to ensure clarity of instructions and questions, potential reformulation of unclear requests, and general comments on the survey (Saunders et al., 2016). Nonetheless, pilot tests help increase validity and reliability of data (Ibid). In order to encourage a higher response rate, the questionnaire was sent out in

Danish, to make Spar Nord's employees feel more at ease and to diminish misunderstandings. Moreover, it was posted on the internal Intranet by one of Spar Nord's employees and assistants of the CCO and CEO to increase reliability. The response rate has not been particularly high, however, we reflected on this and acknowledged that the majority of drop-outs happened at the very beginning of the survey and at questions related to the CSR focus areas, thus it could be argued that some respondents might have not been interested in the topic of CSR in itself. Furthermore, the employees might not have been particularly keen on spending time on our survey due to the Global Pandemic and other priorities.

Moreover, in order to ensure that the employees felt free to state their opinion, we guaranteed anonymity. Also, it was enriching to have different opinions regarding data interpretation as it helped us to evaluate the situation more carefully and with an open mind. To achieve the best quality for the questionnaire, agree/disagree, true/false and yes/no questions were limited to avoid the tendency to support any assertion made in a question, regardless of its content (Matthews and Ross, 2010). When posing questions on a rating scale, all points were labelled with words, in order to clarify their meanings (Peters and McCormick, 1966; Krosnick and Berent, 1993). The questionnaire was useful to verify some of the information gathered through the interviews and to identify suggestions for the case company. Interesting insights for this research and contributions that touch upon relevant areas for future research are presented further on.

2.5.3. Time Horizon

It is important to assess the time frame that our research is addressing, specifically if the research is time specific. Saunders et al. (2016) identify two different time horizons: *cross-sectional* and *longitudinal*. As for the cross-sectional type, it typically characterizes academic studies like ours that are time limited due to deadlines. Moreover, researches that are affected by time constraints usually make use of quantitative methods, such as questionnaires, as they are more immediate and able to grasp the incidence of a phenomenon in a determined moment (Ibid). However, qualitative methods can also be used. In longitudinal studies, it is possible to actually see change and developments thanks to the wide span of time, as in questionnaires that are being sent out repetitively year after year. As Saunders et al. claim (2016), the time frame in which the research is conducted is independent from both the methodological and strategic approach. This respective research was time limited due to a hand-in deadline. Thus, the time horizon of this research can be considered cross-sectional.

3. Theoretical framework, Analysis and Discussion

3.1. The Case Company: Spar Nord

A general overview of the case study is provided below in order to set the scene for the section we have called Theory, Analysis and Discussion. It is essential to have a thorough understanding of Spar Nord to be able to fully comprehend the strategic change and its challenges – and overall dissertation development. Therefore, this section will provide general information about the case company, its business model and organizational structure, as well as a glimpse of the new strategy.

As previously mentioned, Spar Nord was founded in the first half of 1800, which makes it among the oldest banks and currently one of the largest in the country. The bank is highly committed to delivering attentive personal service together with employing innovative digital solutions. Moreover, active involvement in the local communities represent one of Spar Nord's core strengths.

One of the most unique characteristics is represented by its business model, which is built around their core driver of being locally engaged combined with a strong central support. This means that Spar Nord's decision making is primarily decentralized within areas such as customer service, market canvassing and employee conditions. Therefore, the daily routines and decisions are determined by each affiliation's director, which enables the local entities to decide what is best for the community and the individual affiliation. However, the bank relies on a strong centralized management and monitoring with regards to the credit area (Spar Nord Annual Report, 2019).
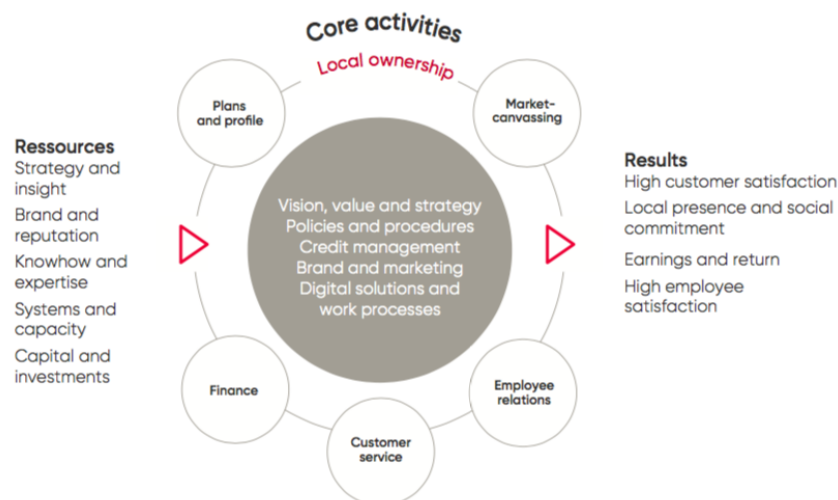

Figure 2: "Spar Nord's Business Model"
Source: Spar Nord Annual Report, 2019: 5

As Figure 2 demonstrates, the business model results in high customer satisfaction; local presence – and social commitment; return on investment; and high employee satisfaction. Spar Nord is characterized by a flat and non-hierarchical structure since decision making to a large extent is given to local managers and front line employees (Ibid; Appendix B).

Moreover, considering Mintzberg's organizational structures help us provide a more precise picture of Spar Nord's distinct organizational structure. According to Mintzberg (1979), organizations are composed of five key parts: the operating core, strategic apex, middle line, technostructure, and support staff.

Mintzberg identified five organizational configurations that represent the different structural set-ups that can be found within organizations. Namely they are *Simple Structure, Machine Bureaucracy, Professional Bureaucracy, Divisionalized Form*, and *Adhocracy* (Appendix A, Figure 3). Overall, Mintzberg's organizational structures represent a conceptual framework that supports the understanding of organizational behavior (Mintzberg, 1980). Hybrid configurations should also be taken into account since organizations are complex environments that are always subject to change and improvements. Thus, Mintzberg's theory should be considered as a simplistic representation of organizational structures (Mintzberg, 1979; 1980).

Without explaining the other typologies in detail, Spar Nord's structure resembles the so-called *Divisionalised Form*. Mintzberg describes this type of organizational structure as *market-based:* the central headquarter administers multiple divisions, each of which takes care of a specific market. However, the Spar Nord case should not be considered from an international perspective, but from a national perspective. Spar Nord's headquarter is located in Aalborg and the affiliations are spread around the country in the regions: Northern Jutland, Middle Jutland, Eastern Jutland, Southern Jutland, Funen and Zealand. Moreover, the divisions are characterised by a high degree of autonomy and power*,* which is delegated to middle-level managers by the strategy apex (top management). The main issue with this typology is represented by the renowned challenge of coordinating each division's goals and operations with the headquarter without having to compromise on local autonomy (Mintzberg, 1979; Appendix B). However, it must be mentioned that in this case, the Divisionalized structure should be considered "incomplete", as Mintzberg believes that it only perfectly fits when combined with market diversity and not regional diversity (Mintzberg, 1980).
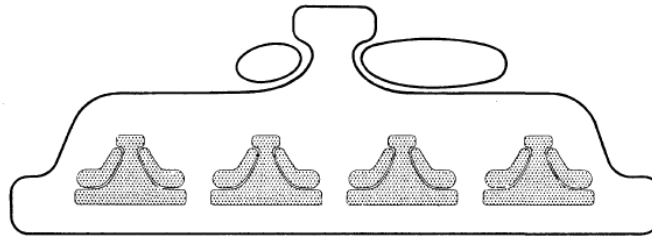
Figure 4: The Divisionalized Form according to Mintzberg's Organizational Configurations
Source: Mintzberg, 1980: 335

Although decentralization allows regional managers to enjoy a high degree of responsibility and authority, we find it relevant to provide an overview of Spar Nord's governing bodies (Appendix A, Figure 5). The company's Board of Directors comprises nine members, six of whom are elected by the shareholders and the remaining three are appointed by the employees. The Board of Directors is accountable for an Audit Committee (monitoring and controlling accounting and audit concerns), a Risk Committee (preparatory work regarding risk management's decisions); and a Nomination and Remuneration Committee (preparatory work concerning the annual board evaluation and nomination process) (Spar Nord Annual Report, 2018). Furthermore, the Executive Board is the *"supreme decision-making body"* with regards to daily occurrences at Spar Nord, and acts according to the guidelines and directions emanated by the Board of Directors (Spar Nord Annual Report, 2019: 26).

According to Spar Nord's Annual Report (2019), the entire organization was engaged in defining the new strategic plan for Spar Nord that will apply for 2020-2022. The strategy change has been formally launched through the publication of the Annual Report in February 2020. Core elements such as the strategic vision and direction are maintained in the new strategy, hence the vision of being Denmark's most personal bank and the business model that focuses on decentralized ownership and strong central support. Additionally, the new strategy merges a stronger emphasis on initiatives concerning digitisation and environmental and social responsibility (Ibid).

Therefore, the responsibility agenda has now a prominent place in the company's strategic plan, which is considered to be a major step for the bank towards a more concrete commitment to a CSR agenda (Appendix B).

Spar Nord's prior and current focus on local commitment and responsibility has evolved during the past five years. Today, the global community and the bank's global impact are part of their main strategy as key areas. In order to implement more qualified and committed CSR initiatives and efforts, Spar Nord is using the UN Sustainable Development Goals (SDGs) as guidelines. Their five key priority areas are:

- SDG 7: Affordable and Clean Energy

- SDG 8: Decent Work and Economic Growth
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

Based on the CCO's words, this year's report represents the official starting point and functions as a "Year Zero", during which many initiatives are launched. Moreover, reporting on the abovementioned CSR agenda will follow in the years to come (Appendix B).

Furthermore, CSR in banking can be considered twofold (Appendix B). One stream of it is strictly related to the legal compliance aspect. To be more precise, banks who embark on this journey must respect and obey the rules and regulations in terms of sustainability and social responsibility that have been set by the UN and theI Government. This will help the bank prevent fraud and unethical behaviour such as money laundering activities. However, the mere compliance exercise is not enough when it comes to sustainability; it is essential to also adhere to the spirit behind those regulations, making CSR an integral part of the company's value system (Kiran and Sharma, 2011, 2013; Jhunjhunwala, 2014). The other component of CSR in banking is "*the more business-driven CSR*" (Appendix B:11) that unfolds in concrete activities such as Sustainable Finance, Responsible Investments, and the bank's impact on climate and society at large. Accordingly, Spar Nord has decided to include eight CSR focus areas as a part of its new strategy: *Sustainable Finance; Responsible Investment; Local Community Engagement; Climate and Environment; Responsible Supplier Relationships; Countermeasures Against Money Laundering and Financial Crime; Data and Cyber Security;* and *Employees.* These eight focus areas will be further elaborated on later in this paper.

All in all, Spar Nord can be considered as an atypical Danish bank thanks to its decentralized structure and decision-making – as well as its strong focus on local engagement. The bank has recently decided to integrate CSR into its main strategy, in order to make it a part of the natural everyday workflow and, hopefully, set the example for other organizations. The strategic change has derived from external drivers as well as a profound desire to be more explicit and concrete about environmental and social responsibility. At this point, we consider it essential to evaluate the external context and internal features of the company to have an exhaustive overview of Spar Nord.

3.2. The External and Internal Context

According to Kryscynski (2015), an effective strategy is built on the answers to four key questions and dilemmas that any strategist should be aware of:

1. **Where do we compete?**

   It is fundamental to understand the characteristics of the competitive arena in which the organization competes in.

2. **What unique value do we bring to that industry?**

   It is essential that organizations understand the reason why customers are choosing their products and services over the ones offered by competitors.

3. **What resources and capabilities do we utilize to deliver our unique value?**

   This question specifically refers to the "toolbox" that comprises resources and capabilities such as exceptional human capital, superior technology, unrivaled network connections, unique reputation etc.

4. **How do we sustain that unique value?**

   The firm's unique value must present specific features to be considered sustainable in the long term - it must be valuable, rare, inimitable and organized in order to be able to distinguish themselves from competitors.

We believe it is crucial to go through these four key questions in the first place, as some strategists argue that one of the biggest mistakes people make is to take a rather simplistic approach to strategy, losing sight of the direction and goals (Porter, 1979; Magretta, 2012; Dyer et al., 2015). More specifically, some strategists assert that it is quite common to underestimate the importance of thoroughly reflecting on what makes the business unique in the long run when developing a strategy. Consequently, the main goal - and wrong focal point - for top management in charge of designing a strategy becomes competing to be the best, rather than finding out what makes their business unique.
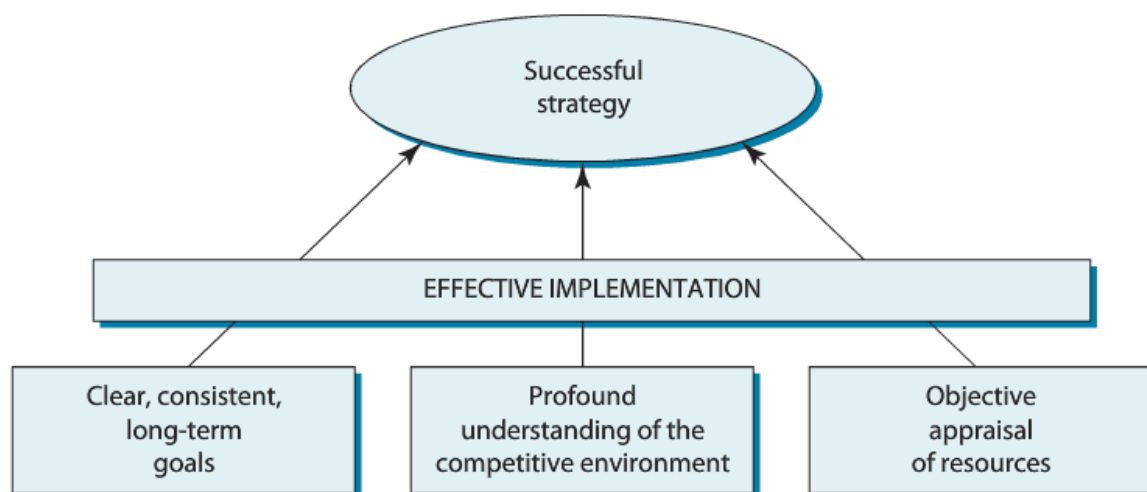
Figure 6: Common elements in successful strategies
Source: Grant (2016) Contemporary Strategy Analysis

The four aforementioned questions represent the premise of our Theory, Analysis and Discussion section. Therefore, our aim is to give an answer to all the questions with regards to Spar Nord's case, in order to set a solid base for the following parts that will concern strategy formation, the implementation of CSR and the concerns related to strategic execution.

The following section presents an overview of the Danish banking sector and competitive landscape; an analysis and discussion of Spar Nord's internal resources and capabilities; and Spar Nord's respective strengths, weaknesses, opportunities and threats.

3.2.1. The Danish Banking Sector

As Porter (1979) claims, the competitive landscape of an industry is strictly related to the underlying economic dynamics and not only the existing players within the specific sector. Therefore, this section presents a brief overview of the Danish banking industry with a focus on CSR. Afterwards, the Porter's Five Forces framework will be applied to Spar Nord.

According to the European Banking Federation (EBF) (2019), the Danish banking industry comprised 65 banks and seven mortgage banks in 2018. Spar Nord's top management defines the market in which the bank competes as "*highly challenging*" (Spar Nord Annual Report, 2019: 7). Moreover, a consistent decrease was registered since 2000, when the number of banks was 185 and the number of

mortgage banks was ten. Accordingly, for the size of Denmark, the CCO considers the current number of banks in the local territory to be quite high (Appendix B).

Furthermore, the Danish banking sector shows a high degree of concentration, as its top three largest banks control half of the total banking assets in the country (EBF, 2019). They are all national banks, namely Danske Bank, Nykredit Realkredit, and Realkredit Danmark. The leader is Danske Bank Group, with assets of about 180 percent of GDP. Since the Global Financial Crisis, Danish banks managed to pull through. However, a study on the 18 largest banks and mortgage banks shows that banks' earnings decreased from €5.5 billion to €4.1 billion. Moreover, return on equity dropped to 8% compared to 2017 when it accounted for 11%. Thus, earning has definitely been affected by the fact that banks invested more time and money in both compliance and anti-money laundering (EBF, 2019).

Additionally, digitization is consistently widespread within the Danish financial sector (Ibid), which arguably represents both a huge opportunity as much as a threat for the traditional banking institutions all over the world. Moreover, the European Banking Federation claims that *"the Danish financial sector is one of the most digitised in the world"* (2019: para. 6). Thanks to the proficuous collaboration between the financial and the public sector, numerous initiatives are taking place in order to cope with cyber crime and online fraud. An example of such initiatives is the NemID app to access online banking services.

When taking the customers' perspectives into consideration, the Danish Competition and Consumer Authority states that *"nearly four out of five Danish banks say that the relationship between the customer and the banking consultant is an important parameter"* (2013: 3). Also, "consulting" and "image" are considered extremely valuable by more than 50% of Danish banks. Moreover, price is not a differentiating factor which Danish banks can leverage on. Thus, since there is no high price competition, banks are not pressured to lower their prices.

Not only the Global Financial Crisis, but also recent money laundering scandals that involved the renowned bank Danske Bank contributed to the already existing pressure on the banking sector to be more transparent and socially responsible (Bjerregaard and Kirchmaier, 2019; Appendix B). Moreover, in a recent survey made by the European Commission in 2013, it emerged that financial and banking institutions are considered to be among the most irresponsible organizations toward society. Indeed, it can be argued that the banking industry finds itself in the spotlight in terms of the necessity of ethical behaviour as the numerous stakeholders demand socially responsible actions.

As far as CSR in the Danish banking industry is concerned, the Danish Government is leading the way from a global perspective as regards promoting Corporate Social Responsibility (Danish Business

Authority, 2020). Moreover, in January 2019, Finance Denmark launched a Forum for Sustainable Finance with the goal of helping, supporting, leading and easing the transition to a sustainable economy in the European Union's countries. The participants of the forum belong to businesses, NGOs and think tanks within the fields of construction, agriculture, transport and industry. Furthermore, climate and sustainability experts are involved to bring knowledge as well as inspiration (FinansDanmark, 2019). In general, Danish banks collaborate within several key areas, such as mortgage credit products, fund management, products, IT, etc., leading to a quite open infrastructure that helps and supports banks of relatively modest size to be competitive and efficient from an operational perspective (Appendix B).

Spar Nord's top management acknowledge that the whole ecosystem around the company is giving more and more attention to the CSR discourse. As the CCO claims (Appendix B), the financial world is taking action towards a more sustainable financial industry, signing up for the Global Compact, the Principles of Responsible Investment and, most recently, the new Principles of Responsible Banking. The latter refers to an initiative specifically focused on the financial sector promoted by the United Nations, which took inspiration from the Sustainable Development Goals.

Therefore, it can be claimed that the decision of strategy change and CSR integration also origins from Spar Nord's willingness to explicitly embrace the overall direction towards socially responsible and sustainable businesses. Moreover, the bank aims at becoming a more decent company while also motivating other organizations to act responsibly.

3.2.2. Porter's Five Forces

The close relationship between a company and its external environment determines the necessity to formulate a competitive strategy (Porter, 1979). Therefore, it is considered crucial for a company that strives for success to thoroughly evaluate the firm's environment in order to acquire extensive knowledge of the landscape in which it competes and positions itself. Since external forces and dynamics usually affect all firms within the industry considered, the goal is to leverage distinctive resources and abilities to outwit competitors (Porter, 1980).

The choice of utilizing the Porter's Five Forces framework (Appendix A, Figure 7) thus originates primarily from the need to understand the underlying business patterns and competition intensity within the Danish banking industry in order to place Spar Nord in the context. Ultimately, the framework can be used to analyse the process of strategy formation in the light of the banking industry.

The Five Forces, also referred to as micro environmental elements, help define the state of competition in an industry and to shape companies' strategies. Three forces constitute the horizontal parts of the industry and include threat of substitutes; threat of new entrants; and threat of existing competitors. These aspects are focused on external elements in the industry that Spar Nord is not directly able to influence; nevertheless, they are influential on the competitive intensity and are relevant for the strategic approach and future development of the bank. The other two forces represent vertical aspects and include bargaining power of suppliers and bargaining power of customers, which both constitute influential elements that pose internal threats (Porter, 1979).

The Five Forces of competitive pressure determine the profitability of an industry over time and acquire considerable importance when formulating a strategy (Porter, 2008; Grant, 2016). Criticism of the Porter's model refers to the model being "outdated" and thus not considering new forces, such IT and digitalization, less governmental influence and deregulation — and globalization (Downes, 1997; Dälken, 2014). We therefore agree, to some extent, that the Porter's Five Forces framework should be adapted to more recent times. However, in our case, we believe that among the three new identified forces, the only major impact on Spar Nord is caused by digitization. Moreover, the Five Forces model was later on combined with the Resource-Based View (RBV) to independently evaluate the attractiveness of an industry with and without resources that a firm brings into the market (Wernerfelt, 1984).

All in all, the five competitive forces of the framework are barriers to entry; threat of substitution; bargaining power of buyers and of suppliers; and rivalry among current competitors. An organization has higher chances to achieve a competitive advantage and superior performance in the long run if the five forces are weak and have minor influence (Porter, 1979).

Figure 7: Porter's Five Forces Model
Source: Adapted from Porter, 1979

3.2.2.1. Threat of New Entrants

According to Porter (1980), the threat of entry into an industry depends on the barriers that impede new entrants to position themself and bring new capacity in an industry. Moreover, a barrier is also represented by the possible reaction of established firms within that same industry. New entrants can potentially modify the already existing structure of a market and thus alter traditional schemes by bringing new products, innovative techniques, marketing strategies and ultimately mine the firms' stability and power (Geroski, Gilbert & Jacquemin, 1990). The threat of entry is considered to be high when barriers to entry are weak, and/or the existing competitors' are not likely to counter-attack once a newcomer enters the industry (Porter, 1980).

The most common barriers to entry identified by Porter are economies of scale, product differentiation, capital requirements, cost disadvantages, access to distribution channels, government policies, and retaliation.

In the next part, we will elaborate on the identified barriers to provide an overview on the current situation within the Danish banking sector. It can be argued that the high degree of customer loyalty can be considered of extreme value, due to the long time required to build strong relationships with customers. New entrants would in fact have a difficult time to copy it in a short time.

- Economies of Scale

The decentralised organizational structure that characterised Spar Nord indeed implies high fixed costs, thus it prevents the bank from achieving economies of scale. However, economies of scale do exist within the Danish banking sector (Appendix B); hence, new entrants must compromise and accept disadvantaged costs or enter at a large scale (Porter, 1979). Moreover, Porter presented a "demand-side benefits of scale" in 2008 that explores this barrier from the customer's point of view. According to him, *"Buyers may also value being in a network with a larger number of fellow customers"* (2008:7), meaning that it is common that buyers consider larger companies as more trustworthy than others. This can arguably be applied to the Danish banking industry, since it is a highly concentrated sector.

- Product[1] Differentiation

As confirmed by both the CCO and CEO (Appendix B), banks share very similar products, as well as prices and places where those are offered. Thus, as differentiation becomes quite challenging, product differentiation as a barrier to entry does not seem to represent a huge threat. However, it must be considered that the banking sector is characterised by high fidelity between banks and customers, therefore there are arguably other resources that constitute a differentiating factor, such as customer service, R&D, marketing and communication strategies — and high reputation. Moreover, this risk can raise the level of entry difficulty as newcomers are forced to put their efforts in winning over customers' loyalty (Porter, 1979). It can therefore be said that brand loyalty and overall uniqueness prevent customers from switching to new entrants.

- Capital Requirement

When a consistent investment of financial resources is needed to enter an industry, then newcomers are likely to be discouraged to do so. Due to the key role of banks in the overall economy and to the recent crisis, stricter regulations regarding financial institutions' capital and liquidity are in effect (Spar Nord Annual Report, 2019). However, we do not have enough information to elaborate on this barrier to entry.

- Access to Distribution Channels

Choosing the right channel in retail banking becomes crucial especially with the rise of digitized services. Retail banks therefore need to align the distribution channel to consumers' preferences,

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[1] As competitive forces are seen as being applicable to any industry, the term "product" can refer to services as well.

whether it is direct or through a digital channel or most likely both, meaning to leverage face-to-face interaction, via mobile, and online. It can be argued that with regards to banking, the access to distribution channels is not particularly limited since every bank establishes its own distribution channels.

- Government Policy

Based on Porter (1980), the Government plays a major role when it comes to new entrants as it can prevent them from entering an industry through overall restrictions, which could be mandatory license requirements or limited access to raw materials. Moreover, the Governments' decisions are also influenced by its prediction of existing firms' response to new entrants. Usually, regulations are related to the environmental impact that new entrants could have adding up to the rest of already existing players. According to the CCO, the Danish banking sector is highly regulated (Appendix B), thus it can be said that the Government plays a major role in preventing new entrants.

- Cost disadvantages independent of size

Firms within an industry can benefit in numerous ways from their already established position, which in general leads to lower costs. The advantages derive from variables such as a favourable and valuable location, government subsidies and support in difficult times (such as during a crisis), proprietary technology (like patents and product know-how), easier access to raw materials and, most of all, a strong learning and experience curve (Porter, 1980).

Specifically regarding the learning and experience curve, newcomers with few or no experience will arguably have higher spendings than established firms who are more likely to have uncomparable knowledge and experience in the sector. Furthermore, in order to guarantee this advantage over new entrants or even over existing competitors, it is key that both learning and experience are entrenched in the company and constitute a property. This way, competitors and potential entrants do not have access to those crucial resources through copying, or hiring and making offers to the company's employees, or purchasing the same latest machineries (Porter, 1980).

On the basis of this, it can be claimed that this represents a threat for Spar Nord as people are considered to be its key and primary resource (CSR Report, 2019). Hence, it is of great importance that the company puts consistent effort in retaining its employees. Overall, it can be argued that this issue represents a risk in the banking field in general, as there are no special machines or production processes, and human capital represents one of the crucial assets.

- Retaliation

As aforementioned, the reaction of existing firms plays a role as a barrier to entry. Newcomers could be discouraged from entering an industry if its growth is slow; if existing players have previously been hostile with new entrants; and if they are powerful and could potentially "harm" the newcomers influencing all the other barriers (Porter, 1980). Unfortunately, as regards retaliation within the banking sector, we have not found sufficient information to evaluate this barrier to entry. However, according to the CEO, the Danish banking sector is experiencing slow growth, thus new entrants might be discouraged from entering the industry (Appendix B).

3.2.2.2. Threat of Substitutes

Substitutes are all the products that are able to satisfy the same needs outside the industry and which can be an alternative for the consumer (Porter, 1980). Looking at the threat of substitutes as a whole, the level of threat from substitutes is currently considered to be medium, as there are only few direct substitutes available to the consumers in the industry.
The banking industry is arguably threatened by non-financial services which offer convenient services such as mutual funds and insurances. Moreover, alternative methods of payment and loans pose a threat of substitutes as well.

However, one of the major threats is arguably represented by Financial Technology, also called with the abbreviation "FinTech". Starting from the Global Financial Crisis, many startups invested in projects aiming at revolutionising the typical way of providing financial services by making an extensive use of technology (Forbes, 2018). Banking services become quicker and easier which, consequently, benefit customers by creating great customer experiences and innovative features through an app. Within the context of Denmark, an example of this type of business is called "Lunar", a startup born in Aarhus in 2015. Thanks to the mobile-based bank, the customer can manage "*all aspects of financial life*" in an app (Lunar, 2020).

Nonetheless, as stated in the interviews, Spar Nord firmly believes that the service offered by a "real" financial advisor is irreplaceable for their customers, and thus offering a localized and personalized service that prevents customers from switching to other alternatives (Appendix B).

3.2.2.3. Threat of Existing Competitors

According to Porter (1980), rivalry with existing competitors is enacted through the usage of famous tactics such as price competition, advertising battles, increased customer service and product introductions.

The threat of existing competitors can be considered quite high. As previously mentioned, most banks offer very similar products and services, at the same price, and in the same place, causing differentiating to be extremely difficult. Thus, banks have to find that specific differentiating factor that allows them to stand out among the competition and prevent competitors from taking market share. Moreover, for a small country, Denmark has arguably a high number of financial institutions (Appendix B).

According to the interviews, Spar Nord's competitors in Denmark differ consistently from region to region. For instance, in Northern Denmark, there are strong local competitors such as mid-sized banks and savings banks, which represent a threat. This is especially due to their local presence, which is also one of Spar Nord's core strengths. As regards other geographies, larger banks like Jyske Bank and Syd Bank, which also have a strong local foothold, account for the stronger competition. Again, in other areas, competition is represented by renowned realities like Danske Bank and Nordea (Appendix B). Therefore, it can be argued that rivalry in the Danish banking sector is intense for Spar Nord, as competitors vary between geographical areas as well as customers' needs.

Moreover, the CCO explained that in recent years, Spar Nord has experienced the rising of tougher and more aggressive competitors. More precisely these aggressive competitors are some of the mid-sized banks and savings banks that are expanding geographically such as Sparekassen Kronjylland and Sparekassen Middelfart. The CCO also commented "*interestingly enough, both of these banks actually also have a quite visible sustainability agenda*" (Appendix B:27), suggesting that this focus probably plays a role in their competitiveness. Furthermore, since fewer banks are owned by commercial stakeholders, the bank is able to "*service customers better, offer them competitive prices, and at the same time, play an active role in the community at large*" (Appendix B:27).

3.2.2.4. Bargaining Power of Suppliers

Accordingly, a supplier group can be considered powerful when it is more concentrated than the industry it sells to and, thus, composed by few companies; if it has few substitutes; if the industry does not represent a key customer for the supplier group; if what it offers is differentiated; or if the customers' ("buyer") business depends on the supplier group. In general, suppliers provide inputs such as resources and services to the industry. Moreover, they threaten firms by increasing prices or reducing the quality of purchased goods and services (Porter, 1980).

Furthermore, capital is the most important resource for any bank. The four suppliers of the banking industry can be identified as deposits from the customer; loans & mortgages; mortgaged securities;

loans taken from other financial institutions. Thanks to the abovementioned supplier types, the bank is able to comply with its daily requirements, such as borrowing money to customers while keeping enough money to fulfill withdrawal requirements. Since the Danish banking sector is heavily regulated, it can be argued that this barrier to entry is high.

Although Spar Nord can be considered as a "standard bank", it "*currently hold more capital per krone lent than most of our peers*" (Spar Nord Annual Report, 2019:7). Therefore, it can be argued the bank finds itself in a quite favorable position.

3.2.2.5. Bargaining Power of Buyers

Additionally, buyers also play a role as a barrier to entry, in the sense that they may influence prices to decrease by demanding higher quality or more services, as well as by turning competitors one against each other (Porter, 1980).

According to the Danish Competition and Consumer Authority, Danish retail banks are not *"sufficiently challenged on prices"* (2013:3), neither by the competitors nor by the customers. Thus, it is claimed that there is room for improvement as regards price competition. Moreover, buyers within the Danish banking sector have limited scope to force price reductions because prices are very similar in the banking industry and switching costs are high. Furthermore, the relationship between personal advisor and customer is of major importance within the Danish banking sector (Danish Competition and Consumer Authority, 2013). Thus, even if switching costs could be used as a tactic, it is not an easy task to encourage a customer to move from one bank to the other.
In addition, the buyers' power has increased extraordinarily in recent years due to the Internet and free access to more information, which enable customers to easily compare various banks and evaluate their costs and rates (Dälken, 2014).

Thus, it can be argued that the Danish banking sector is a highly challenging, homogeneous and concentrated sector. There are many external dynamics that influence the market, such as customers' mistrust towards the financial sector due to recent scandals; the advent of digitization combined with financial services; and increased focus on sustainable and socially responsible behavior by different stakeholders. With regards to Porter's Five Forces, it can be claimed that the threat of new entrants is low because barriers to entry are high due to low product differentiation, high customer loyalty and, thus, high switching costs. Furthermore, it can be claimed that the threat of substitutes is medium. Even though digital solutions such as Lunar can be considered as a substitute, the relationship between

the customer and financial advisor is too valuable and irreplaceable. Thus, arguably, the main threat comes from numerous existing competitors that are widespread across the country.

3.2.3. SWOT Analysis of Spar Nord

The SWOT analysis has a twofold purpose. First of all, to provide a summary of the organization's key issues by identifying the internal and external factors, which are affecting the organization. Second of all, to ease the strategy formulation by looking at how the internal strengths and weaknesses align with the external opportunities and threats (Hooley et al., 2017). Using a SWOT analysis (Appendix A, Figure 8) helps the company elaborate a suitable strategy by analysing the company's internal strengths and weaknesses and its external market's opportunities and threats.

Applying the SWOT analysis to Spar Nord's case enables us to get a thorough overview of its business both from an external and internal point of view. Ultimately, it is possible to see how Spar Nord's core capabilities and resources could be employed to neutralize the threats and seize the opportunities.

3.2.3.1. Internal strengths and weaknesses

According to the CEO and CCO, Spar Nord's primary internal strength is the business model, specifically the organizational structure and decentralized decision-making (Appendix B). Thus, in order to compare Spar Nord's internal strengths and weaknesses with its external opportunities and threats, we will first list the most distinctive advantages and disadvantages of their organizational structure.

As previously mentioned, Spar Nord is a flat and divisionally structured organization. This type of organizational structure promotes flexibility, which means that the organization can more easily adapt to potential threats and opportunities in the external environment. Furthermore, the decision-making is decentralized, which means that authority is converged at a lower level in the organizational hierarchy. According to the CEO and CCO, these are Spar Nord's primary strengths and advantages and, essentially, what differentiates them from their competitors. This is due to the fact that many of their biggest competitors have a more vertical structure, where the authority and decision making, to a higher extent, is centralized – making it a top-down approach. Accordingly, an organizational structure with flexibility and decentralization enables a rapid response to changes in the customers' needs and interests; directs the attention towards creating and offering value to the customers; allows each unit to adapt to differences in the local communities and regions. Moreover, it improves employee satisfaction and quality of life since the employees are given responsibility and authority to decide for

their distinct community and customers (Daft, Murphy and Willmott, 2010). This means that local managers become accountable for their actions and will feel encouraged to perform well and make valuable decisions (Ibid). According to the CCO, employee satisfaction is especially one of the valuable outcomes of decentralized decision making:

> *"I think it's true that our way of organizing and the way we work with people is probably one of the biggest assets. That we set people free to think and decide to probably a higher degree that many of our competitors do, is a huge asset for us in a business perspective."*
> (Appendix B:40)

Furthermore, Spar Nord's organizational structure highly supports its overall vision to be the most personal bank in Denmark. According to the CEO, Spar Nord has always been highly engaged and involved in the local communities, which is mainly achieved by delegating the authority and decision making to the individual branches. In this way, the decision makers are as close to the customers as possible. Additionally, the CEO mentions that in order to become an director/affiliation director in Spar Nord, it is a requirement that you live in the city in which the branch is located. Consequently, this enables a higher and more personal involvement in the local community and, as mentioned earlier, increases employee satisfaction. Furthermore, to support the high involvement in the local communities, Spar Nord has a foundation that owns 19% of the company's shares, and the purpose of this foundation is to donate to charity and sponsor sport clubs, culture, local activities etc. Thereby, the different branches can determine what they wish to support in the local communities (Appendix B).

However, even though the above-mentioned characteristics serve as a competitive factor and internal strength, the organizational structure also entails certain disadvantages and weaknesses as well. According to the CEO and CCO, Spar Nord's organizational structure and decentralized authority can also be a barrier when seeking to implement a new strategy or a new change in general. Due to the fact that the branches are highly autonomous, it is vital for a new implementation's survival that the different affiliation directors support the new strategy as well.

> *"On the other hand, this whole way of thinking can in some instances be a hindrance to change if just for theoretical purposes. If 20 of our 30 regional directors dislike the stuff that we've put on the agenda, they could just not implement it".*   (Appendix B:30*)*

An example of the challenges that decentralization can bring can be traced back to 2016, when Spar Nord started investing in digitalization. The technological advances and new processes challenged the local branches and the decentralized authority. Since digitization requires a high degree of standardization, it challenges the decentralized approach. This is due to the fact that once a company

embraces digitization it must be implemented consistently in all parts of the organization. As a consequence, the implementation of digitization in 2016 resulted in decreasing motivation from the employees in the different branches, because the typical freedom guaranteed by a decentralized structure was suffering (Appendix B).

Nonetheless, according to the CCO, the affiliation directors have been actively involved in developing the strategy, which means that the local managers are aware and support the new strategy. However, both the CEO and CCO acknowledge that a strategy change is very difficult in an organization such as Spar Nord where the decision-making is decentralized. Thus, if the affiliation directors or employees in general are resistant towards the new change, then it will be very difficult to implement it.

Another significant strength is Spar Nord's good reputation and brand image. According to the largest measurement of the Danish finance institutions' brand image, Spar Nord ranked as number 8 out of 30 Danish banks with regards to their overall image score. Whereas, the average image score was 63,9 and Spar Nord's image score was 68,5 (Wilke & FWInsight, 2019).

Furthermore, according to Spar Nord's Annual Report (2019), Spar Nord ranks high in terms of customer satisfaction. Accordingly, in a comparative analysis of the seven largest banks in Denmark, Spar Nord is placed at the top in areas such as reputation, competent advisory services and good service in general (Wilke & FWInsight, 2019). Additionally, Spar Nord was also given top marks in the business segment by the decision makers in SME companies (Spar Nord's Annual Report, 2019).

Another important aspect to include is Spar Nord's CSR efforts. Even though CSR has been on Spar Nord's agenda for about 10 years, the CCO claims that CSR has merely been a compliance exercise, and in many ways "*more talk than action*" (Appendix B:10). Thus, this could be seen as an internal weakness. And while they actually developed the original Triple Bottom Line Reporting called "The Ethical Accountability" with a team of CBS professors around 1990, it never became rooted in the organization. Hence, it never had the desired impact. Therefore, the CSR agenda is still not implemented in Spar Nord's business to the degree that they first had intended (Appendix B).

3.2.3.2. External Opportunities and Threats

With regards to the external environment, the increasing focus on social – and environmental responsibility provides new opportunities and threats for all organizations and corporations in the world. According to the CEO, Spar Nord has chosen to view the increasing importance of CSR, especially by the younger generations, more as an opportunity rather than a threat. Thus, incorporating CSR in Spar Nord's strategy and daily routines may attract the younger customers now – and in the

future. Thus, Spar Nord perceives CSR both as an opportunity and a necessity in order to stay competitive in the future.

> *"Young people are very much allerted on what's happening, regarding changes. Of course older people are as well, but especially the younger ones, and we have to take that into our consideration in the way that we run the bank. Otherwise, I don't think that we will be able to attract them in the long run."* (Appendix B:46)

A general external threat in the financial sector is the lack of trust by the population. A report by Wilke and FWInsight (2019) discloses that the Danish population's perception about the financial sector has become slightly more negative in 2019, where 28% of the population has a negative perception about the financial sector compared to the 20% that has a positive perception. Additionally, the banking sector is the most trust-decreasing subsector with 33% negative perceptions in 2019 compared to 28% in 2018, whilst the negative perceptions towards the other sub-sectors have all decreased in 2019. Furthermore, the report shows that within the following 8 image parameters:

1. Has a good economy
2. Obeys the law
3. Has great service
4. Is trustworthy
5. Has great counselling
6. Has a great and visible communication
7. Has competitive prices
8. Develops new products and services

The Danish population's perception of the banking sector in general has decreased within 6 of the 8 image parameters, whereas the most profound decreases are within the parameters 'Obeys the law' and 'Is trustworthy' (Wilke and FWInsight, 2019. Thus, as aforementioned, it can be argued that recent money laundering scandals and other financial crimes have a negative effect on the whole banking sector's reputation in general. Therefore, the lack of trust by the public must be considered as a great external threat for Spar Nord, and the banking sector in general.

> *"The banking sector is not the most popular sector of the time being, and I know also before the Corona crisis, when it comes to today's banks, you have had reputation problems regarding money laundering scandals [...] So, therefore the banking sector's reputation is in a bad shape in Denmark. Also, to get it repaired, it's probably more important for us to work with this [CSR] agenda than for many other branches."* (Appendix B:46)

According to the CCO, in the last couple of years, it has become increasingly important for financial institutions to sign up to leading UN Charters such as the Global Compact, the Principles of Responsible Investment, and the new Principles of Responsible Banking. This is especially due to the stream of consciousness from suppliers, customers, the Government and stakeholders in general. Thus, there are several areas where the banking sector has to comply with specific rules and regulations concerning CSR. Nonetheless, the increasing focus on CSR also stems from recent mishaps in the banking industry such as money laundering. This means that, in most cases, the banks are extrinsically motivated, which means that they are implementing CSR to avoid punishment rather than doing it because it is personally rewarding. Therefore, it is arguable that the increasing attention on CSR and the increasing monitoring of the banks' operations constitute a threat in the external market. Consequently, the banks need a supportive back office in order to comply with the rules and regulations (Appendix B).

Additionally, according to the CCO, there is a sense of duality to the concept of sustainability and responsibility in the banking sector. One side of it is that the industry is heavily regulated in terms of legal compliance, which means that all banks have to comply and respect specific laws and regulations. Another side of it is that some banks, like Spar Nord, are integrating CSR as an integral part of their value system because they intrinsically want to be a responsible actor by preventing financial crime and act in a sustainable and environmentally friendly way (Appendix B). Therefore, the implementation of CSR must also be managed differently. Within some areas, the implementation must follow a top-down approach handled by the centralized part of the organization through, for instance, writing formal policies, signing up for the UN Global Compact etc. Whereas, other initiatives such as the engagement with the local community must be executed with a bottom-up approach, where the decentralized units voluntarily decide how much effort they want to put into implementing these specific CSR initiatives and activities. Thus, even though the central organization can monitor and track the performances in the decentralized organization, it will be the autonomous affiliations' own intrinsic motivation that drives them to make the change (Appendix B).
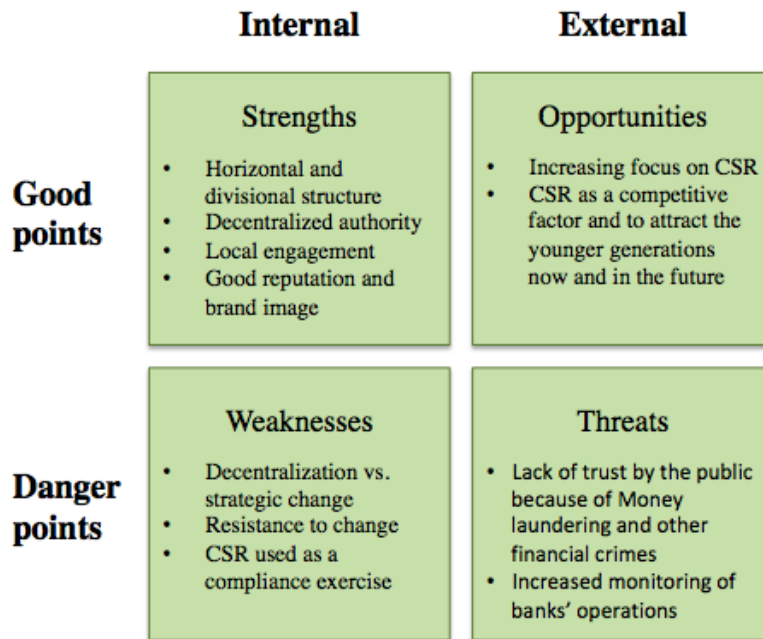
Figure 8: SWOT analysis applied to the Spar Nord case

Source: Adapted from the "SWOT Analysis", Hooley et al. (2017): 40

Consequently, Spar Nord's internal strengths and weaknesses are highly connected. Even though Spar Nord's overall vision and strategy are highly supported by the organizational structure, the same organizational structure can be a hindrance for the new strategy implementation. This is especially due to the decentralized authority and decision-making, which enables the affiliation directors to decide what is best for their individual affiliations. Thus, if the employees and directors are resistant to change, it will be difficult to succeed with the strategy change. However, since Spar Nord's employees have been actively involved in the strategy formulation, their participation may decrease the degree of resistance to change. With regards to the external threats and opportunities, Spar Nord is seeking to integrate CSR as a part of its main strategy in order to stay competitive now and in the future; to comply with rules and regulations; and in order to secure itself from financial crime such as money laundering. In this way, Spar Nord's increasing focus on CSR may have a positive impact on its overall business and, consequently, its customers' trust. hus, according to Barney (1991), companies achieve sustained competitive advantages by "[…]*implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses* (Barney, 1991:99)".

3.2.4. Porter's Generic Competitive Strategies

Michael Porter introduced four generic competitive strategies that an organization can choose between in order to stay competitive in its market (1980). Ideally, the most suitable strategy for a firm originates from a unique combination of the particular internal and external circumstances. Thanks to that strategy, the company is able to create a safe and defensible position in the market and to outwit competitors (Porter, 1980). The competitive strategies are: *Low-cost leadership; Differentiation; Focused low-cost leadership; and Focused differentiation.* In order to choose the right strategy, the manager must evaluate two factors: competitive advantage and competitive scope. First of all, top management must consider whether the organization should compete through differentiation by offering unique products or services for a premium price, or compete through lower cost. Hereafter, the managers must consider the competitive scope, which means that they can either choose to compete on a broad scope by focusing on reaching a larger and more diverse customer segment, or a narrow scope by seeking to reach a specific and more narrow customer segment such as a niché segment (Daft et al., 2010).

As Howcroft claims, retail banks used to focus on an *"universal market concept and perceived competitive strategy solely in terms of mass production and full product lines"* (1991:12). However, he asserts that this has subsequently changed and competitive positioning has acquired a prominent importance in the strategy because of the need to secure a place within the market.

Moreover, because banks offer undifferentiated products and services, new and innovative financial products are unlikely to create a differentiation in the long-run, and when it comes to short term profits, their success strictly depends on the rate at which said products are delivered. Also, a price differentiation strategy within banking could arguably lead to business reduction in the long-term, whereas differentiation would defend the bank from price competition (Howcroft, 1991).

According to the CCO, Spar Nord is seeking to differentiate from their competitors by offering an extra personal service; personal guidance; innovative, digital, and CSR friendly solutions and products (Appendix B). Nonetheless, Spar Nord is not choosing a specific segment, but is focusing to compete on a broad scope. Therefore, Spar Nord's competitive strategy resembles the differentiation strategy. A differentiation strategy guarantees a safe position thanks to customers' loyalty, which is very difficult to copy and overcome from the competitors point of view, especially in the banking sector which has high switching costs. This also helps lower the threat of substitutes (Porter, 1980).

Thus, it can be argued that the bank is forming a unique corporate image. Hence, by running a bank as a chain of autonomous local entities, Spar Nord's employees are empowered, which means that they are deeply engaged with the local communities. This is a quite different approach than the ones other Danish banks pursue that employ a more top-down and uniformed attitude to be actualized on the entire market (Appendix B).

However, generic competitive strategies also come with risks. According to Porter (1980), most of the risks are related to failure in sustaining the strategy and the ability to adapt to industry evolution. Accordingly, having identified potential opportunities and needs in the market, Spar Nord's new strategy includes increased focus on CSR activities such as innovative technologies and sustainable solutions, which correspond with the differentiation strategy.

Moreover, the internal structure must be aligned with the strategy in order to be a competitive factor (Daft et al., 2010). Thus, according to Porter (1980), a company with a differentiation strategy would, theoretically, be most successful in an organization that rewards its employees for their creativity and flexibility, and an organization that values a more decentralized authority and decision-making. Furthermore, this organization also empowers the employees to be in direct and close contact with customers in order to build valuable customer relationships (Daft et al., 2010). Accordingly, autonomy is considered to be a crucial prerequisite to anticipate and satisfy customer needs, and thus to deliver superior customer service (Howcroft, 1991). Subsequently, Spar Nord's decision-making is mostly decentralized, which means that the different affiliations operate more or less independently and autonomously. This is especially advantageous in the sense that each affiliation can decide what is the best solution for their respective customers and the social environment in which they are situated. This also enhances the possibility to build personal relationships with their customers and suppliers, which ultimately corresponds with their overall vision - to be the most personal bank in Denmark.

As previously mentioned, differentiating in a homogeneous sector, such as the banking industry, represents a big challenge. Thus, on the basis of Porter's Generic Competitive Strategies, we have defined Spar Nord's strategy, which makes it able to compete in the Danish banking industry. The choice of a differentiation strategy fits with the bank's business model that consists of local autonomous branches; attentive and impeccable service; and innovative digital and sustainable products. In the next part, Spar Nord's unique and valuable features will be further explored in order to evaluate if its resources and capabilities, as well as the new CSR agenda, can represent a competitive advantage in the long run.

3.2.5. Resource-Based View and Internal Process Approach

While earlier scholars, such as Michael Porter, argued that the profitability and performance of an organization stemmed from the attractiveness of the industry in which it operates within, new scholars have, on the contrary, argued that the key determinants of profitability and performance can be directly linked to an organization's capabilities and resources. This school of thought is termed the resource-based view of the firm (Hooley et al., 2017). Consequently, from a resource-based perspective, *"[...] organizational effectiveness is defined as the ability of the organization, in either absolute or relative terms, to obtain scarce and valued resources and successfully integrate and manage them" (Daft et al., 2010:70)*. A resource can be identified as a company's strengths or weaknesses and as tangible and intangible assets that are tied semi permanently to the company (Wernerfelt, 1984). According to Barney (1991), company resources include all capabilities, assets, organizational processes, firm attributes, knowledge, information etc., which can be used as a company' strengths when implementing its strategies. These firm resources can be classified into three categories: physical capital resources, human capital resources and organizational capital resources (Ibid).

Physical capital resources

According to Barney, the physical capital resources consist of: *"the physical technology used in a firm, a firm's plant and equipment, its geographic location, and its access to raw materials"* (1991:101)

We define Spar Nord's physical capital resources as the autonomous affiliations' locations across the country; scalable and modern technology; and access to capital (Appendix B).

Human capital resources are defined as *"the training, experience, judgement, intelligence, relationships, and insight of individual managers and workers in a firm"* (Ibid, 1991:101)

Spar Nord's primary human capital resources consist of talented, engaged and experienced employees; training and education opportunities; and strong relationships between the employees and the customers (Appendix B; CSR Report, 2019).

Organizational capital resources are, according to Barney (1991), *"a firm's formal reporting structure, its formal and informal planning, controlling, and coordinating systems, as well as informal relations among groups within a firm and between a firm and those in its environment"* (1991:101).

The banking industry is highly dependent on compliance, rules and regulation. Thus, we define Spar Nord's organizational capital resources as the operational efficiency; monitoring and controlling

systems; and reporting. This is especially to protect the bank from cyber crime, fraud, money laundering etc., as well as to ensure responsible supplier relationships and investments (Appendix B; CSR Report, 2019).

Nonetheless, not all physical capital; human capital; and organizational capital resources are strategically relevant resources. Some of these attributes may prevent organizations from implementing valuable strategies, while other resources may contribute in terms of improving the firm's efficiency and effectiveness. At last, some resources may be valuable enough to enable a sustained competitive advantage (Barney, 1991). Consequently, we have only considered and evaluated Spar Nord's most valuable resources.

Following the resource-based approach, there are different dimensions to ensure an organization's effectiveness. First of all, the organization must be able to bargain and obtain scarce and valued resources from the environment such as financial resources, human resources, raw materials, knowledge and technology. Hereafter, the organization must be able to use the tangible and intangible resources in the daily activities to achieve superior performance. And lastly, the organization must be adaptable and flexible to be able to respond to changes in the environment (Daft et al., 2010). Furthermore, according to Daft et al. (2010), effectiveness can also be measured as internal organizational health and efficiency. The Internal Process Approach highlights that the key determinant of an effective organization is the internal environment, which also means that it is essential how the resources are managed internally. Accordingly, seen from the Internal Process Approach, there are seven indicators of an effective organization:

1. A positive work climate and a strong corporate culture

2. Group loyalty, team spirit and teamwork

3. Trust and communication between workers and management

4. Decision making near sources of information

5. Undistorted horizontal and vertical communication

6. Performance -, growth- and development rewards for managers

7. Interaction between the organization and its parts when problems occur

This approach can be very useful to understand how the deployment of resources in the internal organization can be a way to achieve effectiveness. Accordingly, most managers today believe that

employee satisfaction; actively involved employees; and a strong and healthy corporate culture are important indicators for effectiveness, and consequently, success. Thus, it is not enough to have obtained scarce and valuable resources if the internal processes are not aligned (Daft et al. 2010).

In the case of Spar Nord, the organization is deeply dependent on its existing resources and capabilities. However, top management is aware of the shifting needs and demands from its stakeholders - especially with regards to the increasing focus on the external environment concerning environmental - and social responsibility issues. Therefore, Spar Nord has developed a new strategy plan in order to meet their stakeholders' demands. However, the great dilemma is that the strategy and the way the organization is organized have become so embedded in its core resources and capabilities. This means that the new strategy change also requires a change in the corporate culture and a new way of managing resources and capabilities. Therefore, the Internal Process Approach can be helpful in terms of defining and analysing how to manage Spar Nord's resources (existing and new) to achieve effectiveness.

3.2.5.1 VRIO Framework

Another important aspect of the resource-based view of firms is using the VRIO framework. According to Peng and Meyer (2016), using the VRIO framework can help top management determine how valuable and useful the organization's resources are and whether or not they can provide a sustainable competitive advantage. The VRIO framework presents four important characteristics that resources must possess in order to achieve a sustainable competitive advantage: (V)alue creation; (R)arity; (I)mitability; and (O)rganization. Especially value creation is a fundamental factor in terms of creating a competitive advantage, since a resource cannot be defined as a competitive advantage if it does not add or create any significant value to the organization's stakeholders (Peng and Meyer, 2016). However, even though the resource may contribute in terms of creating real value, it may not provide a competitive advantage over competitors if the resource is either easy to copy or if more organizations possess the same or a very similar resource. Additionally, while the aforementioned characteristics may ensure a temporary competitive advantage if fulfilled, the resource can only become a sustainable competitive advantage if the organization or firm is successfully/properly organized. Thus, in order to exploit the resource's value, rarity and imitability, the organization must organize its processes and procedures in a supporting way (Peng and Meyer, 2016).

According to the CCO, and as aforementioned, it is quite difficult to differentiate from competitors given the fact that the industry of retail and commercial banking is very homogenous. Therefore, the human factor and management's ability to hire, motivate, engage, manage and lead the human

resources, hence the employees, is one of the only ways to differentiate from competitors (Appendix B).

According to the CEO, the human resources and Spar Nord's decentralized organization are the most fundamental resources and capabilities in Spar Nord. Moreover, the distribution of power to the autonomous affiliations enables a quicker reaction time, creates strong customer relationships and increases the employees' job satisfaction.

> *"We have had the highest satisfaction among small and medium size enterprises, also the last three years in a row, and in 2019 we also had a growth in employee satisfaction again"* (Appendix B:49).

Thus, the company's decision-making is actually differentiating the bank from many of its competitors. Since the structure is deeply rooted in the internal processes and corporate culture, it is difficult for its competitors to copy (Appendix B).

> "[The business model is] *relatively difficult for our especially bigger competitors to copy, because normally when you are a big company, you think in structures and decisions and things like that, so being as decentralized as we are, I think it's not that easy. [...] So I think it is a sustainable competitive advantage, compared to our bigger competitors. Of course, we had small competitors, savings banks, which to some extent, want to execute and do execute more or less the same strategy."* (Appendix B:49).

Consequently, the CEO perceives the overall business model as serving as a competitive advantage since it is relatively unique to Spar Nord, and difficult to copy and imitate (Ibid). Consequently, as the CCO states, the local and decentralized strategy is a valuable intangible resource, since it enables the local affiliations to be closely connected to their customers and decide what is best for their respective communities, which means that they are able to build strong and authentic customer relationships (Appendix B). Additionally, this particular resource is rather difficult to imitate for their competitors, especially due to the fact that it has become heavily embedded in Spar Nord's corporate culture.

Furthermore, according to the CCO, it is essential in the banking industry to have an optimized and efficient back office including modern and scalable core technology. This is due to the fact that banking, to a high degree, consists of a lot of administrative work. Thus, in order to stay competitive, both seen from an investor perspective and also from a customer's perspective, it is crucial to optimize and digitize the bank's back office - especially in order to be able to offer superior products to superior prices. However, on the other hand, the front office is just as important in the banking sector as the

back office. Therefore, it is vital for a bank's competitiveness to invest resources in great customer experiences and, in general, to be customer oriented in all aspects of the bank's processes (Appendix B).

At last, Spar Nord's brand image can also be seen as an important intangible resource. As mentioned earlier, Spar Nord ranked as number 8 out of 30 Danish banks as regards to their overall brand image score. According to Perez and Del Bosque, (2012), being able to manage an outstanding corporate image is considered to be fundamental within the business environment because it constitutes a key ingredient to the achievement of differentiation and competitive advantage. This is due to the fact that a positive brand image can attract and retain customers, as well as attract new talents to the workplace. Furthermore, it can be argued that a positive brand image is most often developed over time, and can therefore be considered quite difficult to imitate and copy.

Consequently, analysing the company's toolbox of resources is essential to evaluate and determine Spar Nord's most valuable resources, and which eventually can lead the company to achieve a sustainable competitive advantage. According to our findings, the human capital; the decentralized decision making; the strong brand image and high reputation; and the efficient back office represent invaluable assets. These resources are considered strategically valuable in terms of creating a sustained competitive advantage. Later in this paper, we will elaborate on whether CSR can enable a SCA and, thus, be considered as VRIO, as the abovementioned resources.

3.2.6. Reflections on the Positioning School and Resource-Based School

In the analysis of Spar Nord's business, we decided to make use of two models - Porter's Five Forces and the VRIO framework, notwithstanding that they are counterposed natures and support two different "schools of thought": the positioning school and the resource-based approach. Both models are employed in the field of strategic management to help firms achieve a sustainable competitive advantage.

More specifically, according to Porter's Five Forces, a SCA can be found in the ability to tackle opportunities and neutralise external threats. In this way, organizations will be able to secure a position in the industry (Porter, 1980; Barney, 1996). In turn, the Resource-Based View supporters argue that the key to a SCA resides in being able to deploy valuable resources possessed by the firm, which are rare, inimitably and succesfully organized (Werner Felt, 1984; Barney, 1991; Grant, 1991).

Although the models endorse opposing stances, we decided to utilize both of them in our analysis as suggested by Gellweiler (2018) and Hooley et al. (2017). We believe that the positioning school and resource-based view offer a more exhaustive and accurate overview of the company when integrated - taking into account both the external and internal dimension. Therefore, the two models are considered as complementary (Wernerfelt, 1984).

3.3. Strategy Change and CSR Implementation

3.3.1 Strategic Management and the Concept of Strategy

Now that Spar Nord's internal and external contexts have been identified, the concept of strategy and strategic management will be explored in the following section. Subsequently, a thorough analysis of the bank's new strategy including the CSR focus areas will follow. Moreover, we will discuss whether CSR represents a sustainable competitive advantage (SCA) for Spar Nord. Ultimately, we will explore the issues arising within the implementation phase, specifically when it comes to the execution of the CSR initiatives.

Extensive literature has been dedicated to strategic management since the early 1970s and many schools of thought have emerged with different views on strategy formation, intended as both strategy formulation and implementation (Ferreira et al., 2014; Grant, 2016). According to Mintzberg and Waters (1985), the strategy formulation stage includes the acknowledgement of the current situation the organization finds itself in. This means conducting an analysis of the internal and external situation and defining key objectives. Whereas, on the other hand, strategy implementation specifically refers to the actual execution of previously planned goals.

Strategy has been defined in countless ways over the years, and misinterpretations have often related it to the overall purpose and tactics of an organization. Chandler (1962) introduced the concept of company strategy in the Sixties as "*The definition of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals*" (1962:13). Moreover, Sadler (2003) defined strategy as a complex process of activities to be handled to achieve company medium and long term objectives. Again, strategy has been defined by Grant (2016) as a "*means by which individuals or organizations achieve their objectives*" (Ibid:15). So, arguably, strategy can be defined as a general direction set for organizations to achieve a desired state in the future. All in all, it can be claimed that strategy is a concept

characterised by complexity and it alludes to the strong interconnection between an organization and its internal and external forces and environment (Toma & Marinescu, 2015).

From an historical perspective, it can be claimed that the term "strategy" is to be traced back to the Ancient Greece and has a military connotation (Hooley et al., 2017). The original meaning of strategy is *"the general's art"*, as in a military context the general is the person in charge of outlining a common goal and coordinating the troops towards it. However, the first written product concerning strategy is to be traced back to 500 BC: *The Art of War* by Sun Tzu. As many experts assert (Dess et al., 2007; Ferreira, Raposo and Mainardes, 2014; Grant, 2016), military strategy resembles a business strategy in many ways. In order to successfully compete in the global arena, organizations have to develop effective strategies that help them overcome external challenges and establish a favourable position, while meeting their goals by deploying their internal resources (Mintzberg and Quinn, 1991; Hitt et al., 2017). Nevertheless, while the purpose of war is to defeat the enemy, the main goal in the business context is to reach a fine balance of coexistence with rivals, and be able to maintain a favorable position within the market.

The need for strategic thinking became compelling around the time after World War II, when organizations started growing in size and complexity. Therefore, organizations had to set a common direction and coordination to be able to manage the changes in the long term (Bracker, 1980). There are many drivers for change originating from the external and internal environment that require that organizations think strategically. The change-drivers could be globalization; technology; economic and financial crises; government laws and regulations; hyper competition; customer demands; new leadership and management initiatives; search for innovation; and organizational culture (Toma and Marinescu, 2015). In the Seventies and Eighties, organizations realised that planning was no longer sufficient in such a volatile environment, therefore the primary focus for strategy became to stay competitive in the marketplace. Later on, in the Nineties, the focus shifted to the pivotal role of internal resources as sources of profit (Bracker, 1980; Bowman et al., 2002). For this reason, strategy has increasingly become about direction, identity and finding the resources leading to a superior advantage and profitability. The different focuses, which are mentioned above, clearly refer to the Positioning School and Resource-Based View of the firm. It can be said that in recent years, with the advent of digital and disruptive technologies, the strategy making process has become incredibly more creative and innovative, often requiring alliances and collaborations between firms as fewer organizations can consider themselves as self-reliant in a globalized world (Grant, 2016). According to Ferreira et al. (2014), whether it is profit-driven or not, thinking strategically has become a crucial ingredient in leading and managing organizations.

3.3.2. Spar Nord's Strategy Change

The need for a strategy change and increased focus on CSR in Spar Nord derived from the following change drivers: the financial crisis and recent scandals; government laws and regulations; hyper competition; customer demands; and search for innovation (Appendix B). Thus, top management has observed and analysed the external context as well as internal events, which consequently made them aware of the need for adaptation and action. Accordingly, only the businesses who are able to adapt to external changes will survive in the long term (Palmer, Dunford and Akin, 2008; Toma and Marinescu, 2015; Grant, 2016). Therefore, it can be claimed that it is essential to be open to change in order to enhance competitiveness.

Both the CEO and CCO identified different dimensions and tendencies that led to the strategic change. Among slow growth, negative interest, increasing compliance issues and digitization, the Corporate Social Responsibility wave is attracting more and more attention and action (Appendix B).

First of all, the outcome of the financial crisis together with the recent misconduct scandals that have emerged after the crisis, have caused a lack of trustworthiness towards the banking sector and financial services worldwide, but also specifically in Denmark. As the CEO states, "*the banking sector's reputation is in a bad shape in Denmark*" (Appendix B:46).

The aforementioned events raised the need for new regulation systems in a number of areas such as anti-money laundering, data protection, etc. that would help prevent misconduct recurrence (Appendix B).

Furthermore, "*being one of the banks that made it through the crisis and through the years after, without facing any allegations of misconduct or behavior that was not aligned with customers' interest*" played a part in this and encouraged Spar Nord to "*leverage the ability to act in a respectful manner*" (Appendix B:25). As CSR has been a part of the company for many years, the decision towards integrating it more deeply and explicitly into the strategy felt as a logical action (Appendix B). Another dimension is strictly related to the development of the sustainability agenda in society and its considerable spreading in the past few years. Moreover, the CCO admitted that even though there is not always a clear understanding of where to position in regards to the CSR agenda, it cannot be ignored that there is an increased focus on CSR. In addition, the growing interest in CSR is also seen as an opportunity in the eyes of top management, both from the perspective of retaining the younger customers, as well as in terms of the widespread demand of more sustainable and responsible behavior from stakeholders (Appendix B).

First of all, an understanding of what Corporate Social Responsibility (CSR) means should be provided. However, the concept of CSR is overlapping and dynamic and, therefore, does not have a clear definition (Tatli et al., 2014).

CSR addresses a wide range of responsibilities, whether they are social, environmental, ethical or philanthropic (Rasche et al., 2017). According to Köllen (2016), CSR is a combination of corporate actions and environmental and social sustainability; Grosser (2016) claims that nowadays CSR is less corporate centered and more focused on a mixture of variables such as the company itself; society; government; and multiple stakeholders. Ultimately, the European Commission (2001) has described it as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (Ibid:6). Additionally, CSR changes from country to country since many contextual factors – institutional, historical, cultural and political – come into play to redefine the concept of responsibility and have been crucial in the development of CSR (Tatli et al., 2014).

Furthermore, CSR has been part of Spar Nord since the past couple of decades. However, as the CCO states, CSR at that point did not have the intended altruistic purpose and impact. Nonetheless, the global banking industry felt the need to restructure the whole business of banking in the aftermath of the Global Financial Crisis. Furthermore, as a consequence of the 17 SDGs and recent financial scandals, the financial sector has intensified its focus on operating its business in a more socially, ethically and environmentally responsible and sustainable way (Appendix B).

Thus, even though CSR has been a part of the company for many years, Spar Nord only recently decided to incorporate it as a core part of the main strategy and consequently implement it in their autonomous affiliations around the country. The company's main goal is to implement and report on the CSR activities, in order to become a more decent and responsible bank and business, while also motivating other companies to act in a responsible way (Appendix B).

The employees across the organization have played a major role in terms of crafting the new strategy (including the CSR areas), therefore they must be considered the key stakeholders. Moreover, specialist consultants have been involved with regards to setting up the CSR "infrastructure" and the systems to ensure correct and accurate data collection and analysis. Furthermore, the consultants helped Spar Nord to acquire fundamental knowledge in this area. For instance, the CCO mentioned that the consultants gave advice with regards to the CO_2 certificates and on compliance with international standards, such as the Principles of Responsible Investment and the Global Compact (Appendix B). Accordingly, in the process of designing and implementing CSR, it is considered to be extremely useful to devote a CSR entity within the company that is responsible for the CSR

implementation. This would help embed CSR into the different roles across the organization and, ultimately, facilitate performance monitoring and cross-functional coordination (Maon et al., 2006).

Currently, the CCO is the person in charge of CSR at Spar Nord. However, a formal committee that will make decisions specifically regarding CSR will be formed soon. It will consist of the CEO, the CCO, the Head of Asset Management, the Head of Facility Management, and the Head of HR. Accordingly, the purpose is to meet regularly in order to keep track of progress, to share ideas and to decide which missions to pursue next. Moreover, a small CSR entity within the Facility Management unit will be created. This unit will be in charge of monitoring the company's energy consumption, waste, and supply chain management, etc. However, the company aims at decentralizing the responsibility for the individual initiatives, in order to leave the responsibility for responsible investments to the Asset Management department. Thus, a small group is going to be set up in order to meet and discuss topics related to responsible investments (Appendix B).

But how has the CSR discourse been integrated into the strategy? The Corporate Social Responsibility aspect is incorporated as a part of three must win battles - or rather three *"prioritized actions"* (Spar Nord Annual Report, 2019:18).

For the past 12 to 18 months, Spar Nord has been working hard to make CSR a natural component of its daily running business activities. Moreover, the CEO highlights the importance of having it accepted by all employees (Appendix B).
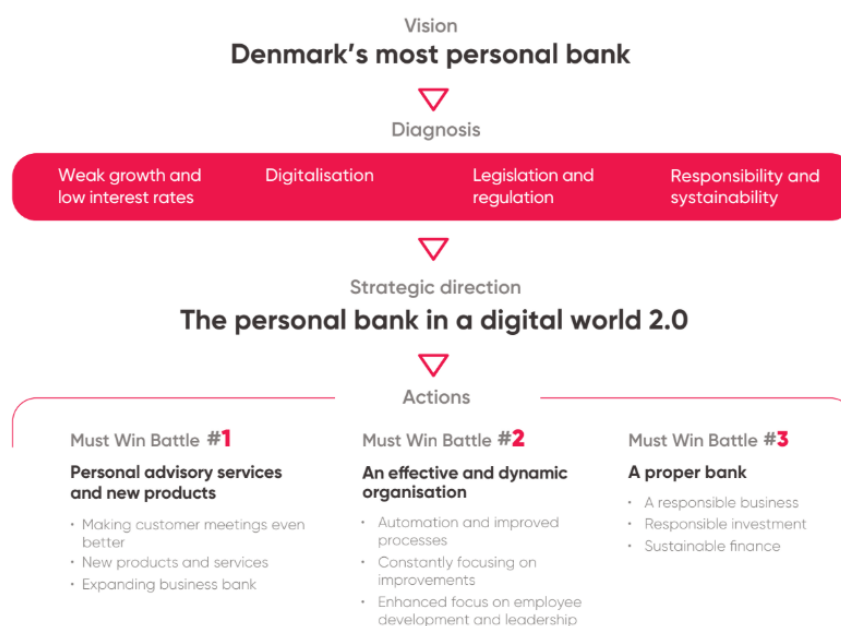

Figure 9: Spar Nord's New Strategy 2020-2022
Source: Spar Nord Annual Report, 2019

Following the course already set, the strategic direction aims at being "*The personal bank in a digital world 2.0*" (Spar Nord Annual Report, 2019:18).

Three Must-Win Battles have been identified by Spar Nord based on recurring dilemmas and are considered to be the key to the organization's implementation of the new strategy plan and to achieve the overall vision. The three Must-Win Battles are presented below.

1. **Personal advisory services and new products,** which entails improving customer meetings; introducing and launching new products and services; and expanding business banks.

2. **An effective and dynamic organization**, which includes developing expertise, organizational skills, the tools and processes that are required to meet customer expectations, and to ensure that more time is spent on customers and less time is dedicated to administrational work.

3. **A proper bank**. The third Must-Win Battle is especially a strategic element that Spar Nord seeks to incorporate in all aspects of its business in order to meet stakeholders' expectations. This includes an increased focus on running a reliable business; making responsible and meaningful investments; and financing in a sustainable way by launching and funding new products that meet up to environmental and societal requirements, and address the challenges of the planet.

In light of Spar Nord's new business strategy, which explicitly emphasises the integration of several CSR initiatives, Spar Nord has joined the UN Global Compact, the UN Principles for Responsible Investment and the UN Principles for Responsible Banking. Accordingly, by signing the three UN initiatives, Spar Nord's top management hopes to influence other businesses by leading the way and strengthen its customer relationships and, ultimately, the overall business (Appendix B).

Additionally, the CSR Report (2019) provides insights into Spar Nord's general CSR initiatives and efforts related to the UN SDGs; their engagement with the local communities; responsible investments; and their goal to become carbon neutral by 2025.

From 2020, CSR will become an explicit part of Spar Nord's main strategy, both from a legal compliance and a more concrete business point of view. The strategic change originated from recent years' external dynamics; mostly the financial crisis and unethical behaviour issues – as well as the rising interest for the climate and societal challenges among stakeholders. Moreover, the new strategy originates from a collective effort by employees and top management.

In the next pages, we will explore Spar Nord's CSR focus areas with integrations and insights from the interviews. Our goal is to understand what drives the different initiatives; to understand whether or not

the new and increased CSR focus could create a SCA; and to identify crucial factors that the bank should take into consideration during its strategy execution.

3.3.3. CSR Focus Areas

The following section is based on Spar Nord's report 'Corporate Social Responsibility 2019 – a Proper Bank'. The section provides an overview of Spar Nord's CSR initiatives and efforts, which are divided into eight focus areas: Sustainable Finance; Responsible Investment; Local Community Engagement; Climate and Environment; Responsible Supplier Relationships; Countermeasures Against Money Laundering and Financial Crime; Data and Cyber Security; and Employees.

3.3.3.1.Sustainable Finance

According to the CSR Report (2019), loans are a pronounced part of Spar Nord's core business and profit. However, the means of lending affects people, the environment and local communities in both a positive – and a negative way. Therefore, Spar Nord is committed to develop sustainable financial products and services that direct their customers in a sustainable direction and that diminish the negative effects on the environment and climate. Thus, one of the key counter stones of the new strategy is an increased focus on sustainable finance. This means that Spar Nord will work towards documenting the impact that each loan has on the climate and environment to ensure that their future loans promote sustainability. As of right now, one of their current sustainable finance efforts is the green car loan, which contributes in reducing the global climate impact. This is done by purchasing carbon offsets and investments in carbon reduction projects that are approved by the UN, which ultimately means that the average annual carbon emissions are compensated at a rate of 150% through these offsets and investments (CSR Report, 2019).

Based on Appendix B, Sustainable Finance is an area that Spar Nord has cautiously decided to approach step-by-step. In particular, some actions related to this topic will require a longer period of time, such as the discussion on whether or not Spar Nord should be financing the agricultural sector that clearly has a high impact on the environment. In the meantime, Spar Nord is actively working on some more immediate actions, such as the launch of concrete products related to a relevant sustainability goal (Appendix B)l.

According to the CCO, the launch of concrete sustainable products is meant as a "trial and error" project where the company tests the customer's interest in such initiatives.

Moreover, Spar Nord will closely monitor the advancement of the concrete sustainable products by assessing whether they are successful; whether they are more suitable for private customers or other business segments; and whether or not they are favoured more or less in specific geographical areas.

On the basis of the results, the company will then decide how to proceed with similar products, and whether or not it should adjust or change direction.

> *"And then based on what we learnt there, we are going to see what to do next. Would the next be a sustainable product for commercial transportation, for trucks and buses or whatever? Or how can we move into home loans, for instance, financing sustainable building improvements? Or do we go into consumer loans, where you could also do carbon offsetting projects?"* (Appendix B:12)

Although the Global Pandemic has paused the climate agenda for Spar Nord, the implementation of the green car loan has already confirmed some of the concerns top-management already had. More specifically, it was considered *"a concrete challenge"* (Appendix B:13) to have the personal advisor to actually suggest the green car loan over the regular car loan, and thus have a conversation with the customer on a more sustainable level. We will explore the green car loan implementation further on in the light of the results from the questionnaire.

Moreover, both the CEO and CCO admitted in the interview that differentiating through Sustainable Finance (and even Responsible Investment) is not going to be an easy task, mostly because some competitors are *"a little further"* than Spar Nord (Appendix B:49). Additionally, as products and services are quite similar from bank to bank, it can be argued that also sustainable concrete products could be easily copied and be offered by other competitors. Nevertheless, the CEO is confident that Spar Nord will differentiate from the competition in other CSR areas especially with regards to the social dimension and active involvement in the local communities (Ibid).

3.3.3.2. Responsible Investment

Another part of Spar Nord's major CSR initiatives is Responsible Investment. Since Spar Nord offers and arranges investments for retail and business customers, they are at risk of directly or indirectly promoting harmful activities that can both threaten their reputation, breach international conventions and harm the environment. Thus, Spar Nord is extremely responsible to ensure that these investments are both socially and environmentally responsible. As a result, Spar Nord has defined certain requirements in its own investment policies and for investments made by its business partners. Furthermore, since a great part of Spar Nord's investment products are developed and managed by

Spar Nord's suppliers and partners, it is just as significant that they meet and follow the same requirements and standards. Thus, Spar Nord will only collaborate with business partners that, like Spar Nord, have signed the UN PRI. The goals for the Responsible Investment initiative in 2020 include an excessive amount of screening of portfolios, implementing an UN PRI and follow up on suppliers (CSR Report, 2019).

Moreover, the portfolio screening to reach sustainable standards is not something Spar Nord compromises on - it is applied to all assets the bank invests the customer's money into, and does not depend on the customer's end choice (Ibid).

However, the problem arises when the companies in which the customers' money is invested act in an unethical way that is not in line with the standards:

> *"There, basically, we have the choice between selling the assets and trying to perform active ownership - and we have a policy that sets the foundation for a more active ownership than what we probably did historically. Some of this is actually delegated to our partners. A lot of the investment products that we offer our customers are actually put together by suppliers. So, there, our strategy has more to do with, you can say, sourcing suppliers that act in a way that is compliant to our policies as well".* (Appendix B:32)

According to the CCO, the market standards are raising the bar and moving towards more sustainable behaviours in general. Therefore, moving together with the market will definitely ease the implementation of the Responsible Investment principles.

3.3.3.3. Local Community Engagement

Building strong customer relations and entering into sustainable relations with the local communities has always been an embedded part of Spar Nord's core business strategy and business model. The business model enhances the creation of strong customer relations and active participation and support for local activities and initiatives. Accordingly, the local engagement contributes both financially and in creating reciprocal value for the society, customers and the bank itself. In 2019, Spar Nord sponsored sport and cultural life by more than DKK 20 million and donated, in collaboration with Spar Nord Foundation, a large million-kroner amount for local projects. Additionally, in order to document the impact of their sponsorships and donations, especially with regards to the social and health impact, Spar Nord initiated a study. The study is based on the True Value method from KPMG, which gives businesses insight into their value creation in the local communities in which they operate. Accordingly, the study shows that Spar Nord's sponsorships and donations within the areas:

sport, culture and leisure activities that balanced a total of DKK 38 million in 2019, generated an estimated value to society of about DKK 60 million. Consequently, Spar Nord's SROI or social return per krone invested was DKK 1.77 within the categories *sport and leisure*, and DKK 1.12 within the category *culture* (CSR Report, 2019).

Spar Nord communicates its engagement activities with the local community on a number of platforms. The priority is that the message reaches the community where the activity takes place, in order to establish a connection with the people and increase the overall reputation. Moreover, the content is designed in a way that makes it spreadable either through traditional media, such as PR, and social media. In the past, the company has also relied on a more "*formalised national branding effort*" (Appendix B:33), where some of the content included stories about local projects. However in present time, the communication is mostly carried out by ambassadors, both online and in the physical world. Specifically regarding PR, the key of success is to have the right connection with the local media in order to reach the local community with stories about the local projects that Spar Nord helps facilitate (Appendix B).

Moreover, the CCO mentioned that an active engagement within the local community is a skill they look for when hiring new personnel and, in general, that they want to see in a local manager. In addition, Spar Nord takes the responsibility to actually train and encourage everybody to develop such skill sets, even outside the organization. Furthermore, the company is currently looking into how it can facilitate crowdfunding activities in local areas (Appendix B).

Additionally, the autonomous and decentralized decision-making empowers each affiliation to decide what is best for the local society in which they operate (CSR Report, 2019). However, there are certain risks when each bank has the power to decide on its own. First of all, there is a risk of favouritism, and especially, nepotism. Since the employees and affiliation directors most likely live in the affiliation's local community, they may favour projects that have a positive impact on their own, their family or their friends' lives. For instance, decision-makers may choose to do a sponsorship with a sports club in which their own children are enrolled. In this way, there is a risk that they choose what is beneficial for themselves rather than for the local community as an entity (Ibid).

Moreover, decentralised decision-making affects local community engagement activities in the sense that it is up to the decision-maker in the local area to invest money in such initiatives. A sustainability agenda can be truly successful only when deeply rooted in the day-to-day business. This way the organization will fulfill expectations from stakeholders and achieve concrete results with regards to CSR initiatives. For this reason, it is essential to devote great efforts to incorporate a supporting CSR mindset into the different local affiliates.

However, this becomes a difficult task as the local managers' empowerment is an important asset for the company, and the decision regarding the engagement in local communities still remains voluntary. This clearly explains the difficulty to find the right balance between implementing local initiatives as an overall CSR commitment embraced by the whole company and leaving the local managers their autonomy and decision to adhere or not.

The CCO acknowledges that the strategy works best in the areas where local managers and employees are committed and engaged, and that the company is not going to implement local engagement activities in a top-down approach. Hence, when local decision-makers are not keen on changing approach, Spar Nord will let them "*stick to their old habits*" (Appendix B:15).

> *"It's also a realistic scenario that our colleagues in the local areas will not want to be conceptualized in this area, but they'll just want to be left alone to enact the local community engagement in the same way they've all always done it. Right? So it's this whole balance between trying to come up with concepts that makes the return on the efforts made in local areas even better, but at the same time, preserving the right to do stuff that engages you." (Appendix B:33)*

Thus, both the CCO and CEO assert that Spar Nord's local community engagement presents a differentiating factor for the bank (Appendix B). Therefore, the bank must leverage on this aspect and implement it properly in all branches - not with a top down approach, but by rooting the CSR agenda and guiding the employees through the change process.

3.3.3.4. Climate and Environment

As mentioned earlier, Spar Nord supports the SDGs and has increased its focus on taking local, national and global responsibility by reducing its negative impacts on the environment and by promoting sustainable products and solutions.

Furthermore, Spar Nord is working towards a more environmentally focused corporate culture, where the employees comply with Spar Nord's rules and initiatives. Additionally, Spar Nord wants to spread awareness and knowledge about how to be a responsible citizen outside of the company and how to behave in a sustainable and eco-friendly way.

Spar Nord's primary initiative to reduce its carbon footprint is to buy company vehicles that are environmentally friendly; encourage employees to carpool; hold online meetings instead of travelling; and in general encourage its employees to travel less. Moreover, Spar Nord seeks to become carbon

neutral as early as 2020 with regards to the bank's power consumption, vehicle transport and air travel (CSR Report, 2019).

Spar Nord has outlined the initiatives that will enable their goal to become carbon neutral by 2025. First of all, they wish to reduce their energy consumption by energy optimising their company-owned buildings e.g. by installing a new roof and windows and enhance insulation; using 100% green power; expanding the use of solar cell panels at the head quarter; switching to energy-friendly servers; and converting to LED light sources. Second of all, the bank works towards reducing its paper consumption by 100% paper recycling and by encouraging its employees to avoid any unnecessary use of paper; requiring a reduction in the use of hard plastics by its suppliers; installing water saving toilets; and reducing food waste through information campaigns and the app Too Good to Go (Ibid).

The climate and environment agenda is not left to the personal decision of regional managers - as for local initiatives - but is regulated and executed with a top-down approach with formal policies. Moreover, an organizational entity will be specifically appointed for a separate communication and marketing strategy devoted to this focus area.

Furthermore, once the time is perceived to be right, a series of internal and external communication activities will be launched to raise awareness. Both the CCO and CEO strongly believe that the Global Pandemic has helped the company on some climate-related actions such as reducing car-travels by using online-meetings with both co-workers, suppliers and customers (Appendix B).

3.3.3.5. Responsible Supplier Relationships

Since Spar Nord is partnered up with hundreds of Danish and international suppliers, they have a joint responsibility to ensure transparency and climate – and environmentally friendly operations. Consequently, Spar Nord launched a code of conduct for its suppliers in 2019, which in 2020 will form as a guideline for Spar Nord's supply chain management. Spar Nord's requirements in this code of conduct is that its suppliers should live up to the same standards as Spar Nord such as having high ethical standards; reducing the environmental footprint; protecting its employees against discrimination; ensuring a healthy work-life balance; and complying with all national and international labour rights legislation (CSR Report, 2019). If Spar Nord's suppliers display harmful or unsustainable behaviour, it will not only harm the suppliers, but it will jeopardise Spar Nord's reputation and business. Therefore, in a time where consumers are extremely aware and sensitive towards unethical behaviour, it is vital that the whole value chain is thoroughly examined, evaluated and monitored (Appendix B). According to the CCO, the CSR initiative concerns the larger suppliers which account for around 50 in number and a business volume of more than DKK 5 million. An

assessment of the group is carried out; if a supplier is found to be out of the company's Code of Conduct guidelines, the first step would be to enter into dialogue with the supplier and discuss the violation of the principles. The relationship is first to be discontinued when the supplier is not willing to adjust and change. So far, this scenario has never presented itself, probably because the supply chain is domestically oriented and relatively simple, meaning that Spar Nord's suppliers are less likely to be exposed to the issues that are more common in other industries.

3.3.3.6. Countermeasures Against Money Laundering and Financial Crime

Money laundering and terrorist financing is undeniably an everyday threat to the banking sector. Therefore, ensuring that the bank and the employees comply with laws and regulations is of great importance. Moreover, compliance must be an integral part of Spar Nord's strategy and general operations. Consequently, Spar Nord has defined a money laundering policy and preventive measures, and is constantly updating itself according to legislation and current threats in the industry. More specifically, the money laundering policy includes on-going monitoring and screening of financial transactions, customer relationships, employee matters and agreements. Before entering into new customer relationships, the employees must evaluate thoroughly each customer and ensure that the customer will not expose the bank to any risk of abuse with regards to money laundering, breach of sanctions and terrorist financing. Furthermore, the employees are obligated to contact the Anti Money Laundering function, which is responsible for investigating suspicious financial behaviour if the employees experience or identify any unusual transactions or behaviour. Moreover, the employees must monitor customer transactions effectively, must keep record of current and previous customers (at least five years after the customer relationship ends), and must screen international payments to ensure that Spar Nord does not violate other countries' sanction (CSR Report, 2019).

Ensuring countermeasures against money laundering and financial crime is extremely important for any bank, since financial crime is undeniably a high risk factor. The consequence of participating indirectly or directly to financial crime, such as money laundering, can be extremely harmful for the bank's reputation and business, as we have experienced with the Nordea and Danske Bank money laundering scandals. Therefore, Spar Nord is constantly training and updating its employees, and is promoting a corporate culture in which the employees are attentive and sceptical towards any suspicious behaviour (Ibid).

However, Spar Nord has not experienced any misconduct issue so far, therefore it can be said that there is not any specific unethical behaviour they currently have to focus on. Nevertheless, it has been highlighted by the CCO that the ongoing effort in this area is put on implementing already existing regulations (Appendix B).

Three components and main steps have been identified in this CSR area, which are strictly related to the CSR-communication aspect: the importance of providing employees with the necessary digital support to perform the duties at best; the stress on educating employees to be able to prevent mishaps related to financial crime; on a customer-facing level, take the time to explain people what the company is doing and the reason for doing so. Regarding the latter, it is essential to establish a dialogue with the customer in order to clarify why, for instance, Spar Nord is questioning the customers' financial behaviour as well as requiring specific documentation, etc., in order to prevent issues and guarantee an impeccable performance (Appendix B).

3.3.3.7. Data and Cyber Security

Cyber crime and online bank fraud is a high threat to the banking sector, and 2019 was marked by increasingly high criminal activity directed towards the Danish customers. Therefore, it is vital that Spar Nord secures its data and has strong and secure IT-systems that can protect Spar Nord's business and, in particular, their customers. As a consequence, Spar Nord has implemented an extensive IT security policy in order to protect Spar Nord and its customers against abuse, IT-related crime and loss of important data. Furthermore, Spar Nord constantly performs risk assessments and adjusts its policy accordingly, and informs its customers when new criminal activity occurs and how to react (CSR Report, 2019).

3.3.3.8. Employees

Spar Nord acknowledges that its most important resource is its employees. Therefore, the bank sees the need in terms of creating a healthy, developing and efficient working environment, where people can unfold their potential – whether it being on a personal or professional level. Additionally, Spar Nord seeks not only to promote socially responsible employee conditions, but also a culture where the employees act responsible towards each other, the customers, the bank and the external environment (CSR Report, 2019).

Furthermore, Spar Nord seeks to improve its customer service and competitiveness by attracting skilled employees based on their professional and human qualities rather than gender, age, sexual orientation, religion or ethnic origin. Thus, Spar Nord wishes to promote organizational diversity to ensure a healthy working environment and a good reputation (Ibid).

Another aspect of Spar Nord's intent to become a diverse workplace includes its defined goal that women should represent at least 33% of the total number of board members. However, already by the end of 2019, women represented 44% of the board members. Additionally, Spar Nord's long-term

objective is that management should be equally distributed between genders. Thus, their goal for 2020 is to increase the amount of female executives from 21% to 25% (Ibid).

Moreover, Spar Nord seeks to promote a healthy work-life balance for its employees by adapting and providing benefits that match their current life stage and situation. Spar Nord hopes that this will increase the employees' job satisfaction and, as a result, increase its overall performance. In order to understand each employee's personal needs, desires and situation, Spar Nord has formalised the dialogue between the employees and management by the means of on-going status interviews and annual appraisal interviews (Ibid).

Furthermore, since the external environment, customer requirements, technology etc. is in constant change, Spar Nord and its employees need to adapt on a regular basis. Therefore, Spar Nord offers training and education both with regards to acquiring new professional, social, technical and personal skills, and also in order for the employees to develop internally in the organization. In practice, Spar Nord defines and plans development goals for every employee in the status – and annual appraisal interviews. Each year, the well-being and satisfaction of Spar Nord's employees is being measured. On the basis of the employee satisfaction measurements, new initiatives and efforts are planned and developed by management and employees to ensure higher job satisfaction and increased well-being (Ibid).

Additionally, a 360-degree management assessment is going to be launched soon, as an opportunity for the whole organization to share thoughts about the quality of leadership and management team. Also, this tool will be used in order to assess the strategy formation process and opinions related to it to promote an inclusive environment where everybody takes part in the strategy development (Appendix B).

Both the CCO and CEO value the importance of having regular and meaningful conversations with the employees, who are considered as the most valuable resources of the company. Thus, the proximity between leadership, middle-management and employees is considered to be the key to a successful alignment with all the affiliates (Ibid).

Conclusively, Spar Nord will target its CSR efforts towards a consistent number of areas, specifically around climate impact, responsible business and ethical behavior towards society. Based on the progress of our dissertation, the next section will provide a discussion of whether or not CSR can be a differentiating factor in the homogenous banking sector and, consequently, if CSR can enable a SCA for Spar Nord.

3.3.4. CSR as a Sustainable Competitive Advantage

Since the late 1990's, CSR has been linked to strategic management, and strategic CSR research has emphasized CSR as a differentiation factor and a potential competitive advantage. Thus, CSR is increasingly perceived as an integral part of a company's strategy and value capture rather than merely as a tool for enhancing employee motivation and public relations (Frynas, 2015).

However, many companies fail in integrating social and environmental concerns, and CSR in general, in their overall business strategy. This is due to the fact that some companies lack a clear link between their CSR concerns and their businesses value drivers. Thus, the CSR concerns, business strategy and value drivers have to be aligned in order to be successful (Frynas, 2015).

According to Burke and Logsdon (1996), CSR is strategic when it supports the company's core business activities and thereby contributes to the company's effectiveness in accomplishing its core mission. Additionally, McWilliams and Siegel (2001), define strategic CSR as responsible activities that allow a company to achieve a sustainable competitive advantage (SCA).

Within a business environment, such as the Danish banking industry, CSR strategies and activities often become very similar due to the fact that the companies within this particular business environment face similar social expectations. This process is also referred to as "institutional isomorphism" (Frynas, 2015). However, even though banks share the same expectations from the environment, their success with CSR is dependent on their ability to align their social and environmental goals with their core business strategies – also called a proactive strategy. Therefore, only companies that use a proactive strategy can gain a competitive advantage from CSR (Ibid).

Many scholars have linked proactive strategies to the resource-based view to explain the proactive strategic choices regarding CSR. As previously discussed, Spar Nord's core capabilities and resources are highly linked to its exceptional human capital and decentralized organization. Thereby, if Spar Nord searches for CSR-related business opportunities that correspond and align with its already established goals, values, mission and, not to forget, its business model, the bank can possibly differentiate from its competitors and, ultimately, create a sustainable competitive advantage.

While there is an increasing focus on CSR in the banking industry, the CEO and CCO do not see CSR as driving a SCA. This is especially due to the homogeneity of the industry, where every bank has to follow the same regulations and obligations with regards to compliance and other CSR related issues. Moreover, similarities in products and prices increase the difficulty to differentiate from their competitors. Nonetheless, with regards to the social dimensions of CSR, Spar Nord already has a distinct advantage over several of their competitors. Spar Nord's employees are already highly active

when it comes to building personal customer relationships and being engaged in the local communities.

> *"I think the part of the strategy that probably has... is the hardest to imitate is especially our engagement with the local community and the way we empower our decentralized business units to actually engage with the community surrounding the bank. Whereas on the other hand, for instance, launching a financing product or a savings product or an investment product with a smaller or higher degree of sustainability has already become more or less generic in the industry"* (Appendix B:30)

As previously mentioned, two of Spar Nord's focus areas within CSR are *Local Community Engagement* and *Employees*. Accordingly, their primary focuses are on stimulating and promoting well-being; education; and strengthen the sense of community in the different local areas. This includes donations, sponsorships, crowdfunding and other initiatives and projects where they seek to invest in the local communities. And as stated earlier, Spar Nord has already created an estimated value to society of approximately DKK 60 million in 2019, which equals a SROI per krone invested of DK 1.77 in the category of sport and leisure, and DKK 1.12 in the category of culture.

Contributing to the local community has always been one of Spar Nord's key missions and values, which has been enabled by the decentralized structure of the organization. Thus, the local affiliates can decide what is best for their respective communities and, consequently, ensuring a higher degree of participatory feeling, sense of belonging and employee satisfaction in general. Not to forget, it enables building strong personal relationships with the customers. Therefore, Spar Nord already has an established framework for improving its local community engagement, especially with regards to CSR concerns. This means that Spar Nord may create a SCA by combining its strong infrastructure, human capital and decentralized organization with an increasing focus on sustainable, environmental-friendly and social responsible contributions to the communities. Whether it being donating and sponsoring to facilities that promote health and education, or by initiating a crowdfunding platform to support homeless people etc., Spar Nord will, possibly, be able to differentiate from its competitors. Furthermore, as customers may perceive CSR as an increasingly important decision factor for choosing a bank in the future, it may also drive long-termed economical benefits.

Accordingly, the employees are Spar Nord's most valuable and important resource. Therefore, Spar Nord takes responsibility for creating a healthy and developing working environment that makes it possible for the employees to unfold and explore their potential on both a personal – and a professional level. Furthermore, Spar Nord wants to be a workplace with great employee and working conditions, but also a workplace that promotes a culture in which employees act responsible towards customers,

colleagues, the bank and society in general. Accordingly, Spar Nord's primary concerns are related to organizational diversity; getting more women in management and as board members; promoting a healthy work-life balance; and providing the employees with training and education possibilities. Thus, since Spar Nord has dedicated one of its eight CSR focus areas to the employees, it is quite important to take the employees' perceptions and attitudes towards CSR and the new strategic change into consideration. Therefore, this dissertation will elaborate more in depth on how to manage human capital in organizations along with an analysis and discussion on the findings from the survey related to organizational diversity and training and education possibilities.

Thus, Spar Nord's business model and key resources support the particular CSR areas, *Local Community Engagement* and *Employees*, which could serve as a differentiating factor. Consequently, if Spar Nord focuses on a proactive strategic approach with regards to CSR, they can potentially create a SCA. Therefore, CSR can perhaps not be seen as driving a SCA in itself and in all focus areas. However, if Spar Nord puts emphasis on aligning the CSR concerns with its established goals, vision, values, resources and business model, it may enable a SCA with regards to some specific areas.

Nevertheless, research highlights the importance to strictly link the theoretical crafting of strategy to its practical execution. Thus, in the next section, we will reflect on the so-called Implementation Gap and the challenges Spar Nord has raised with regards to the practical incorporation of CSR into the company's natural flow of business. Later in this paper, an analysis of the questionnaire will help us evaluate whether the foreseen challenges of top-management are actually reflected in practise.

3.4. The Strategy Implementation Gap

> *"I believe that many companies undermine their own strategies. Nobody does it to them. They do it themselves. Their strategies fail from within".*
> *Michael Porter in* HBS Working Knowledge (2020)

As previously mentioned, the purpose of strategic management is to find a guiding path that leads the whole organization towards creating and sustaining competitive advantage (Bowman, Singh and Thomas, 2002; Dess, Lumpkin and Eisner, 2007).
However, the strategic management literature and research mostly focus on strategy formulation, only devoting a limited space to strategy implementation. Thus, one of the most important parts of strategy formation, the execution, is often undervalued.

With the term "implementation", we refer to the action of putting an idea or a plan into effect (Toma and Marinescu, 2015). The main activity of strategy implementation is "*to bring the strategy into the life as a part of everyday decision making process of the company*" (Mišankováa & Kočišová,

2014:861). One of the biggest mistakes when creating a strategy is to perceive it as an indistinct entity from its execution (Mintzberg, 1987; Martin, 2010; Hooley et al., 2017). This leads organizations to fall into the so-called "implementation gap" that will inevitably result in strategic failure, even though the strategy is well-designed. For this reason, strategy cannot be successful when it lacks implementation through the whole company (Galbreath, 2009; Mišankováa & Kočišová, 2014; Engert and Baumbgartner, 2016).

Furthermore, integrating CSR into the core strategy of a company allows organizations to lower the impact of the environment and to contribute to societal development (Engert and Baumgartner, 2016). Furthermore, it allows to "*improve stakeholder perceptions and create sustainable business*" (Jhunjhunwala, 2014:214). Not all companies are ready to implement an environmental and socially responsible strategy as suitable premises are needed, such as corporate structure, stakeholders' needs, product type, changes in the competitive market, etc.. Therefore, it must be highlighted that a company must carefully consider and tailor the stakeholders' needs in order to fit the company's circumstances at best (Baumgartner, 2014). Moreover, CSR programs' often result in failure because the reason behind them is mere business interest and profits, rather than a genuine desire of doing good to be intertwined with business identity and strategy (Maon et al., 2009; Hooley et al., 2017).

Literature supports the idea that formulating a strategy that includes corporate sustainability is relevant for companies (Gazzola and Colombo, 2014; Engert and Baumgartner, 2016). However, extensive attention should be given to the implementation process, which is already considered challenging in strategy execution in general as. Limited research is available with regards to concrete steps that an organization should take to execute a CSR strategy, arguably because the specificities of every organization and the industry they compete in play an essential part. Therefore, the concrete strategic steps related to CSR are determined by the specific industry and organization (Maon et al., 2009).

3.4.1. Dilemmas and Issues Related to Strategy Implementation

The dilemmas related to strategy implementation affect the process of putting the theoretical part of the strategy into action, causing a widening of the "implementation gap", which refers to the separation between strategy formulation and its execution.

According to Freedman (2003), there are eight common issues related to strategy implementation: *strategic inertia*, which refers to the issue when initiatives that have been formulated in theory never advance from the initial phase; *lack of stakeholder commitment*, when for instance middle management is not on board with the new strategy and consequently impedes the execution process; *strategic drift* or a lack of focus on the ultimate goal of the new strategy; *strategic dilution*, which

happens when top management focuses more on operational decisions than the strategic goals; *failure to understand progress*, which is caused by not having the appropriate metrics to evaluate what has been implemented or executed; *initiative fatigue,* which relates to the issue that occurs when a firm has too many top priority projects and, thus, fails to execute them; *impatience in the management layer,* which refers to the issue that arises when decision-makers expect quick results and, thereby, struggle to accept that a strategy implementation requires time; *lack of success celebrations* when important steps in the strategy implementation are achieved.

Furthermore, Shah (2005) considers inadequate management skills; poor comprehension of roles; inadequate leadership and direction provided by departmental managers; poorly defined key implementation tasks and activities; poor information systems and lack of employee commitment as major barriers to a successful strategy implementation.

Moreover, Hrebiniak (2006) highlighted the importance of two critical points that should be considered before the strategy execution phase. First, it is essential that the people in charge of executing the new strategy are also a part of the planning phase. Subsequently, this increases the chance for a successful strategic outcome. Second, management should simultaneously consider the formulation phase and the implementation phase in order to foresee related problems in advance. As regards these two crucial points, it can be argued that Spar Nord is acting accordingly since the entire organization has been a part of the strategic planning and formulation phase. Another issue raised by Hrebiniak (2006) relates to the tendency that top management considers strategy implementation as something that should be executed by low-level employees and not seen as top management's responsibility.

Moreover, the company's top management has explicitly presented us with potential challenges that will accompany the strategy execution, meaning they are already aware of typical issues that arise when implementing a strategy. Specifically, the difficulties mentioned are related to two dilemmas: the implementation of a new strategy within a decentralized organization; and resistance from directors. As regards the first dilemma, the organizational structure generates challenges with changes that have to be implemented consistently throughout the organization. In this case, it is considered challenging to integrate CSR in the daily routines because of the high degree of local autonomy.Moreover, as aforementioned, the implementation process in Spar Nord follows both a top-down and a bottom-up approach. Thus, while policies and regulations are an imperative across the organization, the execution of some CSR initiatives depends on the local managers. This is considered to be a challenge because arguably CSR will not be incorporated consistently from either a bottom-up approach or a top-down approach. Thus, the degree of the implementation of CSR initiatives from a bottom-up approach will

depend on the individual affiliates (Appendix B). Hence, this inconsistency might cause confusion regarding the company's image and strategic direction.

Other issues identified by Hrebiniak (2006) related to strategy execution relate to the managers' lack of experience in strategy execution, as managers are more familiar with the planning phase than the execution phase. In this specific case, it can be said that Spar Nord's CEO has acquired considerable knowledge on the company's assets by being a part of Spar Nord for 34 years; a part of top management for the last 25 years; and the CEO for 20 years. Moreover, having been in the company during the most important changing phases arguably enables him to foresee typical challenges that the company could encounter. These valuable experiences enable him to acquire knowledge that is considered useful to cope with present challenges. According to his own words, Spar Nord has undergone major strategic changes the last couple of decades, which have affected its structure and business model in general. The first internal change happened in 2001, when the bank shifted from a relatively centralized approach to a more decentralized one. Thus, Spar Nord shifted from being a regional bank to a nationwide bank because of its considerable growth. This represented a turning point for the organization and had an impact on the implementation of the strategy change, which still represents a challenge today. More changes came after the Global Financial Crisis, when 18 new branches were established outside North Jutland, and then some affiliates had been incorporated into the company again. Again, the most recent change happened in 2016, when Spar Nord implemented a more digitized strategic approach. For the above, it can be argued that the CEO is competent and experienced as regards strategic and organizational changes and common challenges that the company has faced in the past.

Furthermore, a study by Hrebiniak (2006) identified the most common problems that organizations encounter when implementing a new strategy. Below, we have selected the ones we consider relevant to the case of Spar Nord. More specifically, we will address these common issues and dilemmas in light of the results from the questionnaire.

3.5. Overview of the Questionnaire

In order for a strategy to be successful, it requires the support, understanding and execution from its employees (Mišankováa & Kočišová, 2013). Therefore, we considered it crucial to assess the status of the execution based on the employees' points of views.

Moreover, the employees' perspectives have often been neglected when it comes to investigating CSR execution and embeddedness in the business (Engert, Rauter and Baumgartner, 2016). Therefore, our goal is to provide valuable insight to fill the gap in literature. Since the role of employees is essential

in strategy implementation (Galbreath, 2009; Simas et al., 2013), we consider it important to gather and analyse their perspectives and attitudes towards strategic change and CSR.

At the moment, the Global Pandemic has put the overall implementation of CSR strategy on hold (Appendix B). Therefore, the main purpose of the questionnaire is to understand the current status and advancement of the strategy execution and to analyse the employees' perceptions. Furthermore, we aim at identifying specific issues and critical factors that the company should take into account when proceeding with the implementation in the future.

At the time of the survey, the employees were presented with the overall CSR agenda by top management. Moreover, top management informed the employees that the bank has increased its ambitions and objectives related to the CSR agenda. Furthermore, the launch and the execution of individual campaigns such as the ones related to transportation, energy consumption etc., has not taken place yet as the "*agenda is full of other stuff*" specifically with regards to the Corona crisis (Appendix B:35). Consequently, some CSR areas have not been prioritized in the survey since they have not been explicitly communicated to the entire organization so far. Thus, we have only included the CSR areas that are relevant for the present situation.

Based on the demographic information gathered, it can be claimed that Spar Nord's workforce is composed of individuals spanning from the age of 20 to the age of 60+ years, which means that the company has a quite generational diversified workforce. Of a total of 276 respondents, nearly 40% of the respondents are in their 50's and another 40% are aged between their 30's and 40's; the youngest segment (20's) accounts for around 10% of the total; and another 10% of employees is in their 60's.

There seems to be a more or less equally distributed gender balance, as female and male respondents account respectively for 45% and 54%. Furthermore, we cannot consider the aspect of national diversity since all the respondents are Danish. The majority of respondents have been working in the bank for more than 10 years. Nevertheless, almost the same amount has been part of Spar Nord for less than 5 years.

With regards to geographical location, we organized the clusters according to the regions in which Denmark is divided: Headquarter, Zealand, Northern Jutland, Mid Jutland, Eastern Jutland, Southern Jutland and Funen. This choice originated from our decision to ensure anonymity. Our aim was to guarantee a certain level of "privacy" for the employees, and to limit the possibility to detect who gave specific answers based on the geographical location and, thus, reconnect the findings to specific affiliations.

The majority of respondents belong to four out of seven geographical areas. Most participants belong to affiliations located in Northern Jutland (32%) and Mid Jutland (24%); 16% of the respondents work in branches located in Zealand; 13% work in the Capital Region; and approximately 5% belong to affiliates in Eastern Jutland, Southern Jutland and Funen.

We also put emphasis on the departments/functions the employees belong to. In our questionnaire, the highest number of participants are working with "Privatrådgivning" (*Private Advisors*) accounting for 36% of the respondents; this is followed by 15% working with "Erhvervsrådgivning" (*Business Advisors/Consultants*). Other significant data is represented by the number of affiliation directors. Accordingly, 30 affiliation directors responded out of 50 branches, which consequently means that only 20 directors did not answer the survey. The rest of the departments/functions can be seen in Appendix C.

As the CCO expected (Appendix B), a general level of awareness regarding the new strategy can be confirmed by the answers to Q7, in which only 1% declare not to be aware of the CSR addition to the strategy developed for the years 2020-2022. The rest of the respondents are either "aware" (86%) or "a little bit aware" (13%). Moreover, in this question the employees were presented with the diagram of the new strategy in order to directly show the respondents what we were referring to. Almost the same amount of respondents, with little variation, identify with the new strategy designed by Spar Nord (Q8), which arguably confirms the fact that the whole organization has been involved in the strategy formulation process. On the same line, based on Q14, more than 70% of respondents either do not perceive CSR as integrated in their daily routine yet, or only have a small perception of it, which further demonstrates that the company still has a long way to go in the actual implementation (Appendix C).

According to Pangkar (2015), the likelihood of effective changes within an organization is strictly related to the extent of the stakeholders' commitment. Moreover, employee engagement is also considered as a decisive factor in achieving competitive success (Gibbons, 2006). Specifically, when it comes to implementing and executing CSR into strategy, the employees represent the *primary actors* of the sustainable and socially responsible programs as they are the ones on the front line dealing with the other stakeholders. Therefore, we decided to assess the general level of interest and perception of CSR to understand whether Spar Nord's employees value CSR. In case the employees show low interest and engagement in the CSR agenda, the company should drive awareness towards the CSR initiatives, in order to make the employees see the value that CSR may bring.

The findings in the questionnaire show that nearly 99% of the respondents value working for a company that is committed to CSR. This is important data because it shows that the respondents value CSR. Moreover, this finding arguably sets the foundation to implement CSR since the overall interest is perceived to be quite high. Furthermore, it can be said that this demonstrates appreciation and pride for their workplace. Accordingly, when employees are proud of being a part of a company that shows commitment for social and environmental responsibilities, it results in more commitment, engagement and productivity (Dulebohn et al., 2009). In general, it can be said that working for companies that are devoted to environmentally and socially responsible activities is considered to be emotionally rewarding.

Although almost 90% of the respondents are satisfied with Spar Nord's CSR initiatives; Q11 shows that around 10% is not updated on what the company is investing in. According to Bhattacharya, Sen and Korschun (2008), it is quite common for employees not to be aware of which CSR initiatives the company focuses on. Sometimes employees are only aware of the activities that affect them personally, while other initiatives might be unfamiliar and, thus, they will feel detached to those particular initiatives. Consequently, assuming that this information is related to the fact that implementation is in its first stages, we decided to cross check this information with the following question (Q12), related to whether the employees would like to know more about Spar Nord's CSR activities. As figure 10 demonstrates, 83% of the respondents who are not very familiar with the company's CSR initiatives would actually be interested to know more. This is arguably a proof of interest in the CSR agenda, meaning that there is "fertile ground" to engage employees more in the future.

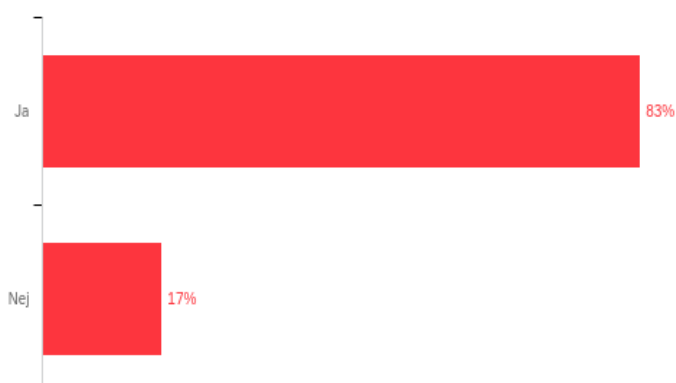Q12 - Vil du gerne vide mere om hvad Spar Nord gør inden for CSR/Samfundsansvar?

Figure 10: Cross-check between Q11 and Q12.
Source: Appendix A, Our own survey

3.5.1. Critical Factors to Effective CSR Strategy Implementation

"The critical success factors for implementing CSR include having an overarching vision that includes CSR, having senior management and board level commitment, engaged staff and the provision of skills, tools and incentives." (Strandberg, 2009:6)

We will, on the basis of theory and the findings from the questionnaire, provide our reflections and recommendations that Spar Nord should take into consideration regarding the critical factors in order to bridge the gap between strategy formulation and implementation.

3.5.1.1. Resistance and Inability to Manage Change

When dealing with change management, it is essential to take into consideration that people involved in the change and its consequences might show resistance (Hrebiniak, 2006). With resistance to change, we refer to any behaviour that hinders the implementation of change and slows it down in order to keep the status quo (Pardo del Val and Martínez Fuentes, 2003). Inability to manage change and cope with resistance to change represent one of the most common issues that impedes an effective CSR strategy implementation. Moreover, inability to cope with resistance may lead to failure since, as aforementioned, employees are key in the execution phase. Resistant behavior is usually linked to misunderstandings and communication barriers; unclear strategy; past failures related to change within the company; denial; routine; lack of shared vision between employees and management and lack of clear commitment from top management. Nevertheless, resistance can also be considered as a source of information and knowledge, which managers can utilize to better understand employees' reactions. Consequently, by taking the insightful information about employees' attitudes into account, management can improve future strategies and may be able to reduce resistance (Erwin and Garman, 2010).

Our findings show that around 50% of the respondents do not perceive any particular issue with the new strategy implementation, which could be related to the strategy execution pause or, arguably, that employees are not fully aware of what the strategic change entails (Appendix C).

Based on the remaining respondents' comments, resistance to change seems to be a widespread feeling. According to Gibbons (2006), resistance to change can manifest on different levels, from a softer one related to lack of information, dislike of the idea, lack of training, lack of perceived relevance, to a deeper and entrenched level that is mostly related to deeper conflicts, usually related to race, culture and gender. In this case, we argue that the resistance to change emerges specifically in

relation to the difficulty to modify strong habits that are deeply rooted in the company's culture. This highlights a certain lack of adaptability among employees.

"Challenges with regards to doing things differently and rethink things in the organization, making it a part of everyday life/daily routines" (Appendix C, Q27)

"Habitual changes are always difficult especially in a workplace, which has a strong culture such as Spar Nord." (Appendix C, Q27)

Based on the comments presented below, it can be argued that some employees are disagreeing with the new strategy and the company's overall direction. Thereby, some employees do not consider CSR as a relevant addition to the company's strategy. Arguably, not understanding the relevance of the strategy for the company also generates a sense of confusion among the employees and might result in resistance to change and, ultimately, decrease employee satisfaction. Moreover, some respondents fear that Spar Nord might have directed its focus towards CSR as a marketing move in order to enhance the corporate image. Consequently, this means that the CSR agenda is not based on intrinsic motivations. Additionally, 8 respondents lack trust in the actual implementation of CSR since CSR is extremely costly and requires a lot of resources.

"I think it seems weird that a company becomes more concerned with the climate by planting trees in Africa or another country. Work with more digital solutions instead, there is no demand for sustainable car loans yet, price and yields/interests are in focus, so provide sharper interests on electric cars rather than regular cars. The product is too complex. " (Appendix C, Q29)

"I'm afraid that CSR is something we have to do because it looks good, and maybe not something we really mean by heart" (Appendix C, Q29)

"What we say is not what we do – returns before CSR" *(Appendix C, Q29)*

"There becomes too many tasks, which takes focus away from my customers" (Appendix C, Q27)

Some respondents firmly believe that focusing on the new strategy will direct the employees away from their usual business and, thus, Spar Nord's other core values and missions could be at stake. Furthermore, adding another aspect also means adding more work load to an already busy working day. Ultimately, this stresses the employees.

3.5.1.2. The Green Car Loan

As mentioned in the Sustainable Finance section, the launch of the green challenges come along with the green car loan. As the CCO mentioned (Appendix B), as this is Spar Nord's first sustainable project, it requires specific attention on monitoring its performance. Moreover, the CCO assumed that green initiatives more easily could be implemented in specific geographical areas, such as the Capital Region. This is due to the assumption that big cities such as Copenhagen might be more open towards CSR related topics and a green agenda in general.

> *"So that's going to be a concrete challenge to get that implemented, to get the individual customer service or personal advisor to actually suggest that and have that conversation with the customer. It's going to be very easy in Copenhagen for instance because everybody thinks that the world runs on sustainable electricity over here, but to kind of get it implemented in North Jutland for instance, that's what's that all about. Eh, so that's going to be interesting."* (Appendix B:13)

Based on the CCO's comments, we acknowledged that the launch of this product and the subsequent sale of the product presented some challenges. Specifically, mistakes have been identified in the implementation of the sustainable product. The reason for this might be related to the nature of the product, meaning that the green car loan is both a regular banking product and a CSR initiative. Therefore, the issues related to its implementation might originate from the collaboration between two different departments (Appendix B). Thus, we decided to explore why the employees in charge of selling the green car loan prioritize it or not when interacting with the customers. Overall, the issues with the green car loan could help form a basic understanding of the resistance that might emerge when dealing with sustainable products within banking.

Awareness about the launch of the green car loan among respondents can be confirmed in Q15. Since we wanted to evaluate the answers of the respondents who deal with car loan sales (including the green car loan), only their answers will be considered in this section.
The respondents in charge of selling the green car loans account for 124 people (Q16), and around half of them (43%) confirm to prioritize the green car loan sales over the regular car loan; almost the same amount of people (42%) do not prioritise it; 13% of the respondents decided not to provide an answer.

The majority of respondents who prioritize selling the car loan, around 41%, claim to prioritize it because some of the customers are interested in environmentally friendly alternatives. Moreover, 33% of the employees prioritize selling the green car loan because they highly believe in this particular

CSR initiative. Furthermore, around 24%, state that they prioritize it because "they have been told to do so", implying that there has been a "top-down" request or demand.

Q17 - Hvis du prioriterer at sælge det CO2 venlige billån frem for et almindeligt billån må du meget gerne angive hvorfor herunder - hvis du ikke prioriterer det CO2 venlige billån, må du gerne gå videre til næste spørgsmål.
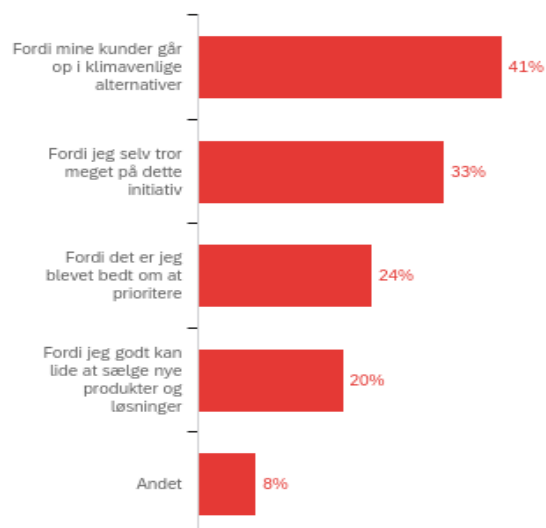

Figure 11: Respondents who are prioritising to sell the CO2 friendly car loan
Source: Appendix C, Our own survey

When looking at the comments connected to the green car loan question, some highlighted that they prioritize it because there is a very small difference between the two car loans in terms of price and features. Moreover, some of the respondents also highlighted that the customers are usually given the choice between the two car loans. Therefore, this could suggest that sometimes there is not a prioritization of one option over the other, since the customers are given both options at the same time.

When it comes to the respondents who do not prioritize selling the green car loan (Q18), the most popular choice has been "Because I am used to selling regular car loans". This is a key information for Spar Nord as it clearly demonstrates that the employees' working behaviour and attitudes need to change and adjust to the new strategic direction. Therefore, Spar Nord should devote specific attention to ease the transition and transformation from old habits to new and more sustainable ones.

Q18 - Hvis du ikke prioriterer at sælge det CO2 venlige billån frem for et almindeligt billån
må du meget gerne angive hvorfor herunder - hvis du prioriterer det CO2 venlige billån,
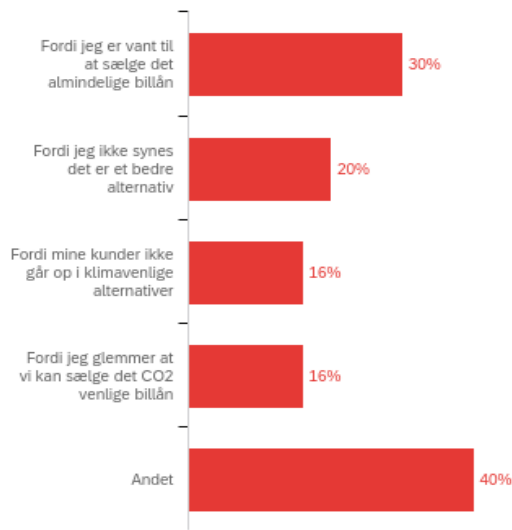må du gerne gå videre til næste spørgsmål.

Figure 12: Respondents who are not prioritising to sell the CO2 friendly car loan
Source: Appendix C, Our own survey

Moreover, several comments that further elaborate on the respondents' answers have been registered. Specifically, the comments are related to other reasons why they do not prioritize to sell the green car loan. Moreover, the comments indicate a general feeling of "dislike" of the product, as well as an overall skepticism with regards to the customers' interest in sustainable products such as the green car loan.

"I don't believe in the product"

"It will not be requested"

"Not a product that affects my target audience" (Appendix C, Q18).

Furthermore, it could also be argued that some respondents might not prioritize selling the sustainable car loan because they do not feel confident. Moreover, some respondents have indicated that they have not received pertinent information and knowledge about the product.

"[...] I don't sell it because I don't feel well enough dressed for it"

"Lack of focus"

"Haven't experienced the need from my customers due to the too little focus to the product"; "We are too poorly informed about it, which is why I have doubts about the bank's prioritisation of it"

(Appendix C, Q18)

As aforementioned, resistance to change may hinder strategy implementation throughout the company. Thus, we decided to specifically address the sustainable car loan product to provide an example of how the resistance can hinder strategic change and its execution. As seen above, the reluctance of employees not only affects the business but can also influence their job satisfaction and general attitude and commitment to their workplace. For this reason, there must be a smooth shift from planning to execution and the employees must be fully engaged from the planning to the execution phase.

3.5.1.3. Managing Human Capital

What may be the most important resource for implementing a new strategy is human capital. This is also the case for Spar Nord, which considers its employees as a primary resource and recognises their importance by involving them into the strategy formulation phase. This is due to the fact that most capabilities require high-quality human capital to be implemented successfully. Therefore, organizations must engage in effective human resource management (HRM) practices to be able to attract, motivate, develop and retain human talent (Ketchen et al, 2017).

One of the key issues within HRM is the changing workforce demographics such as generational differences and gender issues. These include the challenges such as managing a more age-diverse workforce where younger and older people work side-by-side, and the persistent underrepresentation of women in executive positions (Ketchen et al, 2017). These specific issues will be unfolded and discussed later in this paper.

Consequently, as the strategic implementation cannot be separated from human capital and the workforce's job tasks, it is critical to acquire, develop and motivate the firm's workforce (Ketchen et al, 2017). In the survey, Spar Nord's employees were asked: "Do you feel that Spar Nord gives you enough opportunities to develop your competencies?" (Q25). The findings from the survey showed that 29% answered: "Yes, but I would like more opportunities" and 10% answered "No, and I would like more opportunities". Consequently, a rather high amount of the respondents were currently satisfied with their competence development opportunities, but a total of 39% indicated a need or request for more opportunities (Appendix C). When management is aware of what the employees value is another way of creating engagement and connection with the workforce (Bauman and Skitka, 2012). Moreover, employees who are able to fulfil certain personal needs at work are likely to identify themselves more with the company, transferring drive and success of the company to their personal life and vice versa.

Additionally, in Q10, the respondents were asked which CSR activities they would rather that Spar Nord spends its resources on. Accordingly, 'Development of employees' was the most popular choice (64%), followed by "Digital Products, Services and Innovation" (55%) and "Replacing harmful activities with environmentally friendly ones (e.g. lighting, heating systems, company cars, recycling)" (36%) (Appendix C). Specifically, the employees clearly stated the importance of having great development opportunities. This is insightful data because it shows the importance of an employee-centered approach in order to encourage commitment to the CSR strategy. A company should in fact not only guarantee basic needs such as proper working conditions and remuneration, but also provide opportunities for personal and professional development (Bauman and Skitka, 2012).

As previously mentioned, to ensure successful CSR strategy implementation, the employees must be motivated and committed to the new strategy. The employees' dedication might originate from a company's commitment to *employee care, compensation,* and *development* (Turban and Greening, 1997; Bhattacharya, Sen and Korschun, 2008; Bauman and Skitka, 2012). Therefore, although a certain amount of interest can be claimed based on the previous paragraphs, motivation and engagement should be nurtured by providing specific opportunities of active involvement and – personal and professional development opportunities. Moreover, research suggests that managers consider employees as "*internal customers*" (Bhattacharya, Sen and Korschun, 2008: 37), meaning that the company should acknowledge their importance by addressing their needs and dedicate specific attention to them.

Moreover, human capital is a great asset, since having motivated and loyal employees is beneficial for the organization. Therefore, as employees have needs that should be satisfied by the employer, it becomes essential for managers to identify and understand the employees' needs and expectations (Nwosu et al. 2016).

Furthermore, age is becoming one of the main concerns when it comes to managing diversity and inclusiveness, and especially the so-called generational gap is a challenge for many businesses. The challenge is especially profound because of the generational differences regarding different mind-sets, attitudes, beliefs, needs and work style. Thus, today's multi-generational workforce is complex to manage because of its distinct differences. Therefore, management needs to be aware of the generational diversity in order to increase employee satisfaction and, consequently, work efficiency (Nwosu et al. 2016). Therefore, since the respondents of our questionnaire range between 20 and 60+ years, it is interesting to analyse the different age groups based on their generational traits and characteristics.

Spar Nord's workforce consists of three different generations: Baby Boomers (1946-1964); Generation X (1065-1980); and Generation Y (1981-2000). However, in scholarly research, the characteristics of each generation are often unclear and contradictory. Thus, there is not any clear-cut definition or description of the generations' traits and characteristics. This means that the discussion that follows cannot be used to make any definite recommendation or conclusion, but could be used to form an understanding or assumption about the reality. Furthermore, it is important to stress that the stereotypical generational characteristics convey tendencies, not necessities. Thus, it is important to make the statement that people cannot be defined solemnly based on which generation they belong to. In this dissertation, we will analyse the generational diversity based on the systematic review by Woodward et al. (2015).

An important aspect in terms of attracting and retaining satisfied employees is to understand their individual needs and expectations, so that the managers can adapt the workplace to the multigenerational labour force (Woodward et al., 2015). Accordingly, the Baby Boomers emphasize the importance of respecting rules and codes of conduct, and perceive fun and stimulation at work as less important than their younger generations, whereas, Generation Y seems to value having fun at the workplace more than the older generations (Woodward et al., 2015). In the questionnaire, teambuilding, Friday bars and other social activities scored an average score of 3% in the age groups ranging from 20's-50's, whereas, none in the age group "60's" valued it as important at the workplace. Even though an average score of 3% does not sound impressive, it is still quite interesting that not a single person from the Baby Boomer generation chose this option as one of the three most important aspects to spend resources on. On the contrary, the Baby Boomers attach more importance to rules and codes of conduct than the younger generations (Woodward et al., 2015). In the questionnaire, the age group "60s" emphasizes the replacement of irresponsible suppliers, investors and partners; enhancement of cyber security; and countermeasures against money laundering and financial crime to a greater degree than the younger employees (Appendix C).

Furthermore, Generation Y puts more emphasis on a diverse workforce compared to the previous generations (Woodward et al., 2015). For instance, in the case of Spar Nord's employees, 27,5% of Generation Y think that there could be more diversity with regards to nationality, 29,5% believe there could be more age diversity and 19,7% think there could be more gender diversity. On the contrary, 18,75% of the Baby Boomers believe there could be more diversity with regards to nationality, 28% think there could be more age diversity and 12,5% believe there could be more gender diversity. Consequently, Generation Y believes, to a higher extent than the Baby Boomers, that there could be more diversity in the workforce, especially with regards to nationality and gender.

According to Woodward et al. (2015), there also seems to be a generational gap with regards to development, growth and learning opportunities at the workplace. Accordingly, Generation Y in particular is more likely to be attracted to jobs with advancement – and learning opportunities than the older generations. In the questionnaire, the respondents were asked if they feel that they are offered enough opportunities to develop their competences in Spar Nord. Where 48% of the age group "30s" answered "Yes, but I would like more opportunities", and 17% said "No, and I would like more opportunities". On the contrary, the need for development opportunities seems to decrease for every age group above "30s". For instance, only 18% in the age group "50's" answered "Yes, but I would like more opportunities" and 6% said "No, and I would like more opportunities" (Appendix C, Q25). Thus, it seems that the younger generation has a greater need and desire to learn and develop skills and competences than the older generations.

3.5.1.4. Leadership

The absence of appropriate leadership that should guide the strategy implementation has been identified as one of the greatest limitations to an effective execution of the new strategy (Lynch 1997; Jooste & Fourie, 2009). According to Waldman and Siegel (2008), research has failed to explore the deep interconnection between the corporate leader and the implementation of CSR initiatives. Moreover, when it comes to organizational change, the crucial effect of leadership ethics and style have often been neglected. Furthermore, it can be claimed that leaders have a substantial influence on performance and behavior (Ibid). A strong corporate leader is capable of translating personal views into a collective perspective - leading the employees by motivation and inspiration. Therefore, a successful integration of CSR into the core strategy of the company is strictly dependent on the leaders' behaviour. Thus, by setting the example and showing strong involvement in the CSR agenda, the same values are more likely to be transferred to the employees (Ibid). Moreover, it can be argued that a successful implementation not only requires effective leadership, but it also requires that management and lower-level employees collaborate and communicate with each other.

With regards to leadership, it can be said that Spar Nord's leadership spirit is characterized by an engaging style with high participation of the company's employees. Accordingly, the entire organization is directly involved in the strategy formulation process. Thus, it can be claimed that employees are engaged to a high extent in the decision making. According to the CCO, this is a "*traditional strength*" (Appendix B:30) of Spar Nord. The company believes that empowering people in decentralized units helps the employees achieve higher performances and increased satisfaction, thanks to the positive feeling deriving from the empowerment and authority that is given due to the decentralized structure. Arguably, this can be further confirmed by high levels of engagement and participation in Strategy (75%); Collaboration (87%); Motivation (88%); Commitment (82%) (CSR

Report, 2019:22). Spar Nord needs to increase the internal marketing and communication efforts in order to teach the employees the potential and value of the initiatives (Appendix B). Moreover, leadership encourages regular conversations with the employees to understand which adjustments should be made. This is the essence and strength of having a very flat and non-hierarchical organization, which allows direct conversations between top management, middle management and employees. Moreover, while the company does not rely on incentives and bonuses to motivate their employees, internal competitions are sometimes initiated to celebrate the affiliates and teams' outstanding performances (Appendix B).

For the above, we identified leadership as a crucial factor to successfully implement the new CSR strategy in Spar Nord. With "leadership", we refer to both top management and the affiliation directors/directors. Subsequently, a section dedicated to middle managers will be presented.

In our questionnaire, the employees were not asked to display their opinion regarding top management and the local managers, rather we specifically explored the level of engagement that leadership has with regards to support/encouragement of employees and communication of the new strategy. The leadership style in Spar Nord can be considered as participative, as for instance the company involves employees in the strategy crafting process. However, the questionnaire shows that encouragement from leadership is not widespread with regards to the sustainability agenda.

Based on Q28 ("Does your leader encourage you to change your behaviour into a more sustainable and environmentally friendly behaviour"), only 37% of respondents assert that they perceive a strong guidance from leadership as regards the integration of CSR in their behavior. Moreover, 45% feel to be encouraged only "a little" (Appendix C).

According to some of the respondents, change in behaviour or attitude is needed for the new strategy implementation, and it represents one of the biggest concerns. For this reason, it is considered to be fundamental that the leadership not only fully supports the initiatives but also firmly stands behind them, in order to minimize resistance to change. Research shows that commitment among employees can be fuelled by leaders who act as role models and demonstrate a strong commitment to the CSR initiatives (Knights and O'Leary, 2006). In this specific case, the fact that the CEO still drives in a "*diesel consuming big car*" (appendix B:46) arguably contradicts the strategy direction and portrays an inconsistent image of what leadership should represent, which could lead to increased employee resistance. As one of the final comments to our survey recites, it is necessary to "*walk the talk*" (Appendix C, Q29). Moreover, it is essential to inspire and encourage employees to embrace CSR in order to fully embed it into the essence of the company. According to Jooste & Fourie (2009), among

a set of strategic actions, leadership should emphasise ethical practices. This idea is also shared by some respondents who strongly believe that the implementation of the strategy can only be successful in the hands of leadership.

> *"[A challenge is] That not all people are engaged and agree with this agenda. The managers/directors have a big responsibility since they have to set the example"*
> *(Appendix C, Q29)*

> *"It depends a lot on local management to get all on-board" (Appendix C, Q29)*

> *"I think they have to think big… There could be constructed a new climate- and environmentally friendly headquarter close to public infrastructure, so that the employees working in the headquarter easily could use public transportation to and from work."*
> *(Appendix C, Q29)*

Additionally, it is interesting to notice that 33% of the respondents gave consistent attention to the CSR initiative "Employee benefits", such as bonus, pay rise, childcare, insurance, etc. (Q10). Although some researchers argue that financial incentives are not as effective as providing development opportunities (Du et al., 2015; Zappalá, 2004), involving employees from a financial perspective could lead to significant impact on success and achieving the strategic goals (Gavurová 2010). Thus, it could be interesting for the company to explore this path as well when it comes to the implementation of CSR.

3.5.1.4.1. Affiliation Directors/Directors

As previously mentioned, top management considers middle managers to be one of the primary concerns as regards the new strategy implementation. For this reason, we decided to analyse the survey findings on the basis of the directors' answers to see whether these directors are aligned with the company's strategy and CSR agenda. Surprisingly, we also discovered a huge gap in gender balance with regards to the directors/affiliation director positions, thus we explore this further below.

According to Ali, Kulik and Metz (2015), there is an increasing agenda on an international level to increase the representation of women at the top of organizations. Accordingly, this agenda is driven by empirical evidence that shows that gender diversity brings value to organizations.

Even though there seems to be a more or less equal gender divide across the organization (Appendix C), there seems to be a major gender gap at the executive level. According to our findings from the survey, 83% of Spar Nord's directors/affiliation directors are men, whereas only 17% are women. It is

however important to note that these numbers are only indicators since not all of Spar Nord's employees have answered the survey.

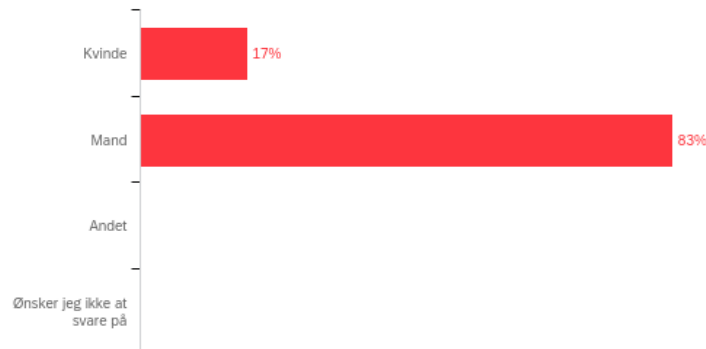Q2 - Hvilket køn identificerer du dig mest med?

Figure 13: Gender differences at the executive level
Source: Appendix A: Our own survey

Accordingly, the resource-based view of competitive advantage and strategy analysis can also be used to describe the relationship between women and financial performance outcomes. Hence, the resource-based perspective argues that it is not the industry structure that leads to a competitive advantage and great performance, but it is the ability to capitalize and utilize the organization's internal resources in dynamic contexts. Consequently, it is in particular the human capital resources that are key to building a competitive advantage (Ali et al., 2015). According to Shrader et al (1997), organizations with a greater percentage of female managers have, according to the resource-based view, successfully acquired a bundle of resources that are difficult to obtain.

According to Ali et al. (2015), female leaders and managers have been described as more participative than their male counterparts. As three studies indicate, (linking gender diversity among managers to financial performance), organizations with high levels of gender diversity in management had the highest employee productivity. Furthermore, the studies showed that there was a significant interaction between gender diversity in management and clan culture. This means that those organizations with a clan culture that value innovations, flexibility and interaction were more likely to experience high employee productivity. The studies do, however, indicate that gender diversity's impact on management depends on its fit within the organization context (Ali et al., 2015). While Spar Nord can possibly not be defined as having a clan culture, it does have some similar characteristics such as valuing innovations and interactions. Moreover, Spar Nord has an organizational structure that promotes flexibility.

Furthermore, female – and male leaders differ in their leadership styles. Studies demonstrate that female leaders are more likely than men to engage in participatory decision-making, communication,

and consideration for employees. With regards to Spar Nord, these characteristics may have a positive impact on its strategic change, since the implementation of the new strategy, including the CSR initiatives, will require participatory decision-making from the different directors/affiliation directors. As stated earlier by the CEO, it is vital for the implementation's survival that the affiliation directors participate in the strategy formulation and implementation. Furthermore, it is a necessity that the affiliation directors are able to communicate the new strategy and initiatives to their subordinates. Consequently, it would potentially be more beneficial to have more gender diversity, or at least a larger representation of women in management positions when implementing a new strategy that requires high participation and communication skills (Ali et al, 2015).

Furthermore, a small body of research has investigated whether or not women on the boards of directors will encourage CSR, philanthropy and ethical behaviour. Accordingly, because of women's gender stereotypical tendencies to be more socially sensitive, women will more likely raise awareness of issues that benefit society and will be more willing to trade off the financial performance in pursuit of these social-value goals (Ali et al., 2015). Accordingly a study by Ibrahima and Angelidis (1994) found that female directors had a stronger orientation toward CSR, while their male counterparts were more concerned about the firm's economic performance. Thus, when more women sit at a board of directors, the organization will more likely be focused on CSR (Ali et al., 2015).

In the survey, there was a small difference between female and male affiliation directors/directors with regards to the question: "In what degree do you agree with the following statement: "I am proud of working for a company that has a strong CSR policy". According to our findings, 100% of the female directors said: "I totally agree" (Figure 14). Whereas, 80 % of the male directors said: "I totally agree", and 20% said: "I partly agree" (Figure 15).

Q9 - I hvor stor grad er du enig i følgende udsagn: "Jeg er stolt af at arbejde for en virksomhed, der har en stærk CSR politik"

Figure 14: Cross-check: Female directors and the value of CSR in the workplace
Source: Appendix A: Our own survey

Q9 - I hvor stor grad er du enig i følgende udsagn: "Jeg er stolt af at arbejde for en virksomhed, der har en stærk CSR politik"
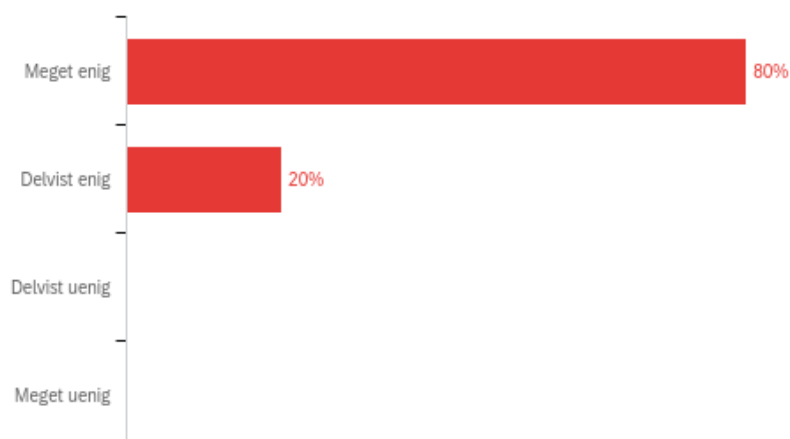

Figure 15: Cross-check: Male directors and the value of CSR in the workplace
Source: Appendix A: Our own survey

As regards the new strategy, 97% of the directors are aware that CSR is integrated into the new strategy and only 3% are only a little aware. Thus, the identification with the new strategy is embraced by all the respondents. Moreover, all directors value being part of a company that is committed to CSR, whether they value it a lot or a little.

Moreover, based on the answers to Q10, the directors seem to be in line with the new strategy and show preferences for "Employees' Competence Building" (90%) as the most important focus area, followed by "Digital products, services and innovation" (63%) and "Replacing harmful activities with environmentally friendly ones (e.g. lighting, heating systems, company cars, recycling)" (37%). Furthermore, it is interesting to notice that the initiative related to "Sponsorship and donations to local initiatives" is also preferred by a quite high percentage (33%), which arguably demonstrates the commitment to the local community.

Q10 - Hvilke af følgende valgmuligheder ser du helst at Spar Nord bruger sine ressourcer på (Vælg 3)

Field		Choice Count
Kompetenceudvikling af medarbejdere	90%	27
Digitale produkter, services og innovationer	63%	19
Udskiftning af alle miljøskadelige genstande og aktiviteter med mere miljøvenlige alternativer (f.eks. belysning, opvarmningssytemer, firmabiler, genbrug)	37%	11
Sponsorater og donationer til lokalsamfundet	33%	10
Udskiftning af uansvarlige investorer, partnere og leverandører, der ikke lever op til Spar Nords betingelser	27%	8
Indsatser mod hvidvask og økonomisk kriminalitet	20%	6
Personalegoder (bonus, lønforhøjelse, børnepasning, forsikring m.fl.)	17%	5
Teambuilding, fredagsbare, udflugter og andre sociale aktiviteter	10%	3
Forbedre data- og cybersikkerheden	3%	1
Kantineordning	0%	0
		30

Figure 16: The Directors' preferred CSR initiatives in Spar Nord

Source: Appendix A: Our own survey

Although the "Employees' Benefits" initiative has a quite high score in the survey, it does not seem to be a preferred CSR initiative among directors. Therefore, it could be argued that the employees might need more incentives such as the possibility of getting a bonus; insurance; pay rise etc. to achieve the strategic goals.

Furthermore, as seen in Q12, there is an equal distribution between wanting to know more about CSR in Spar Nord (53%) and not being interested in receiving more information (47%). This could arguably prove that middle management is either sufficiently aware of what CSR in the company entails or that they are not interested in terms of receiving more information about the topic. However, this would contradict their previous statements that they value the new CSR strategy and their responsibilities as role models. On the other hand, the fact that some directors affirm that they would like to know more about CSR initiatives could both demonstrate their deep and sincere interest or, instead, that they are not sufficiently informed about it.

Another critical point can be found in Q14. So far, 76% of the directors do not perceive CSR as part of their work routine. Arguably, this is due to the fact that the implementation is at its earliest stages. Thus, when the implementation phase progresses, CSR will most likely be a part of the directors' (and employees') daily work lives to a higher degree. Moreover, Q21 shows that, as anticipated by the CCO, activities such as recycling and traveling reduction are the most implemented ones, respectively

by 57% and 33% of affiliates. However, 27% of the affiliates are still not executing any activity to reduce the affiliations' climate footprint. Interestingly, the CEO considered the activities initiated to reduce the climate footprint as the easiest part to implement and thus "*not worth discussing*" (Appendix B:37). Thus, it can be argued that there is still a long way to go with regards to improving the sustainable and eco-friendly practices in the workplace.

Moreover, 67% of the directors do not foresee any challenges with the strategy implementation, which is arguably a very confident attitude when it comes to strategy change. The rest identify challenges regarding the whole implementation process.

"Implementation in general seems to be difficult in the bank" (Appendix C, Q29)
"We have to do more than the pretty powerpoints – it has to live" (Appendix C, Q29)
"It will demand a consistent focus on having "hands on" all the time, and continuous adjustments since the world, fortunately, is in constant change" (Appendix C, Q29)

Moreover, a certain extent of concern and mistrust is also related to the strategy itself.

"With regards to our business customers – if we still want to be Denmark's most personal bank, it does not correlate with online meetings (reduced travel activity)" (Appendix C, Q29)
"Can we be green enough" (Appendix C, Q29)

Since power and decision-making is decentralized at Spar Nord and, consequently, middle managers have a high degree of autonomy. Thus, it is essential that they, in the first place, understand the motivation behind the strategy change. This way, they will be able to inspire and constantly demonstrate their commitment to the new strategy, while engaging employees and helping them to see the ultimate goals and benefits.

It can be concluded that leadership (top management and middle managers) represents one of the crucial factors that could mine the strategy implementation and its successful outcome. People covering those positions have a huge impact on the employees. They are not only in charge of guiding people through change, which is often perceived as a difficult moment, but they have the responsibility of acting as role models and helping the employees to understand the motivation that drives the strategic change.

Moreover, middle managers play a major role in the CSR strategy implementation within Spar Nord. Their main task is to execute the directions and instructions given by top management by ensuring a

correct employment of resources and by monitoring of the employees' performance and behaviour. An impeccable communication chain should be put into effect in order to provide clarifications and guidance in the execution and to identify knowledge gaps and specific training when needed. Moreover, middle managers represent a source of inspiration for their employees by driving commitment to a more ethical business and personal behavior. Furthermore, local managers are responsible for a consistent implementation of the strategic direction throughout the decentralized organization.

3.5.1.5. Communication and Poor Information Sharing

Accordingly, strategy implementation cannot be separated from *effective leadership and communication within the company* (Gurowitz, 207). Thus, we consider communication as strictly linked to the leadership role. Furthermore, when it comes to changes within the organization, it is considered to be crucial to thoroughly explain the reason and motivation behind the change. Otherwise, people will struggle to embrace the change and accept (Ibid).

Poor communication is one of the most common reasons for strategy execution failure together with staff resistance (Speculand, 2006; Hrebiniak, 2006). According to Gavurová (2010), communicating the strategy through the whole company helps ease the implementation. It is claimed that employees usually do not favor organizational changes that accompany the implementation of the strategy, therefore it is fundamental that leadership effectively communicates strategic goals. Moreover, it would be appropriate to explain to the employees how the company can achieve the new objectives and how the employees' work life will be affected by the change.

When CSR is to be integrated into the strategy, it is essential to present the employees to the reasons behind the CSR involvement; the characteristics of the CSR agenda; the resources necessary; and the success that may be achieved through CSR. This will help increase the level of awareness across the company and the overall participation to the strategy change (Strandeberg, 2009). Moreover, the company's management should listen to *"key concerns, priorities and perspectives of stakeholders"* - the employees in particular (Ibid, 2009:18).

When employees have poor knowledge of the CSR agenda due to lack of communication, the integration of the new strategy in their mindset and workflow is compromised. We therefore decided to gain information regarding the employees' preferred communication channels, especially when providing new information about the CSR initiatives. It is in fact crucial that the company does not miss the opportunity to actively engage and connect with its employees to make them even more participative and up to date with the progress of CSR activities. Accordingly, as the CCO said, *"change has a lot to do with communication"* (Appendix B:24).

As Q13 demonstrates (Appendix C), the respondents' most preferred communication channels and mediums are the company's Intranet (61%), followed by the affiliate directors (43%) and then top management (42%). The Intranet arguably represents a virtual community that connects the decentralized company. Therefore, it might be a useful platform through which to inform the entire organization. Moreover, the fact that *affiliation directors* and *top management* are quite popular answers proves that leadership plays a key role in the communication process for Spar Nord's employees.

3.5.1.6. Decentralization

According to Hrebiniak (2006), the implementation phase is considered to be more difficult when many people are involved. When strategies are to be executed in complex organizations; cooperation; coordination; and effective communication sharing is fundamental. Thus, we strictly related the issues with communication to the decentralized structure of Spar Nord.

Decentralization has often been considered both a strength and a weakness for Spar Nord. It is the essence of the company and an unique trait, thus it cannot be changed and it is important to find the right way to overcome issues with implementing changes. Moreover, based on the employees' comments and the interview with the CEO, the decentralized structure and decision making has always impeded the implementation of strategic changes in Spar Nord (Appendix B and C). When it comes to widespread and decentralized organizations, such as Spar Nord, coordination and communication is particularly important. According to Hrebiniak (2006), the organizational size and structure hinders the training, informing and engaging process when it comes to strategy implementation. Thus, communication along the organizational structure and across functions constitutes a challenge. Also, it becomes difficult to link the strategic goals to the employees' daily objectives, as suggested by some respondents (Appendix C, Q27). Moreover, as also foreseen by the CCO (Appendix B), it is difficult to find a fine balance between implementing CSR consistently throughout the company and allowing local managers to maintain a high degree of autonomy. Based on Hrebiniak's personal experience with regards to strategy implementation in a large bank, it can be said that the decentralized branches challenge the strategy execution to an even higher extent, slowing down the process and mining communication, as well as making it difficult to educate employees to the new change (Hrebiniak, 2006).

Spar Nord is aware of the difficulty of implementing CSR consistently throughout the organization since decentralization has already presented challenges with strategy changes and implementation in the past. An example has been provided by the CEO with regards to digitization:

"The last change made in the bank probably was in 2016, where we started to work much more with digitization, which to some extent disturbed our... what we call our local strategy, where we try to keep as many of the decisions out in all branches. Because when you're working with digitization, you have to work with processes being the same all over the bank, and we had all the years where we grew, we accepted that things were done differently in many of the new branches. So therefore, we had to unify, especially the processes when we started to work more business-wise with digitization in 2016 and at that time, we felt that, especially branch employees got a little demotivated because their freedom to do what they wanted to do became a little more limited. So I think that's probably the most experience I have with change management." (Appendix B:45)

However, decentralization is also what makes the bank unique, allowing a great deal of local autonomy and better performances. Thanks to this freedom, employees are more satisfied when given responsibility. Moreover, they can be considered experts on what happens locally so the decentralized structure is considered a core strength, as aforementioned. Thus, it is essential that Spar Nord leverages this and when implementing CSR initiatives pays attention to the fragmentation of the company by putting effort in getting everybody on board.

Based on Strandberg, changing values and behavior happen through *"role modeling, building awareness and generating desire and conviction, developing knowledge and ability and reinforcement through incentive programs"* (2009:17). Leadership plays a crucial role in effectively executing a CSR strategy, since both top management and middle management have the responsibility to set the example and inspire the employees. Furthermore, a humble and transparent leader is perceived as trustworthy. Therefore, sharing information openly can contribute in terms of strengthening the connection with employees, especially in a decentralized organization; moreover, it also increases their commitment to the CSR agenda. This is especially due to the fact that employees' participation and adherence to the new strategy represent key ingredients for a successful execution of CSR initiatives. Moreover, to minimize resistance to change, leadership must create a strong connection between the corporate values, employees' personal values and the new strategy. Having a shared vision in which everybody can identify is essential to facilitate the embeddedness of CSR (Maon et al., 2006). Furthermore, inputs from employees should be constantly collected in order to ensure an immediate response to solve any issue that arises. Internal communication should be continuous in order to identify and help provide solutions promptly (Ibid).

We consider one of the respondents' final comments particularly interesting. The comment encourages the company (thus, leadership) to *"use more energy"* when talking about CSR and the company's

actions towards it (Appendix C, Q29). This would help the employees become more conscious about it and see those initiatives reflected in their daily routines. Accordingly, this respondent believes that CSR is in fact becoming an imperative for a modern company and that it is acquiring more and more focus among the bank's partners and stakeholders in general. Furthermore, the respondent claims that *"A well-informed employee executes and talks more actively about CSR with their customers etc. which can make Spar Nord reach an even higher level"*. Thus, it is considered essential that employees are engaged and motivated in order to ensure that they are committed to the new strategy.

4. Limitations

Although our study presents interesting findings, it is also accompanied with certain limitations. Research limitations can be divided into limits affecting the researchers and limitations related to the methodology.

First of all, the Global Pandemic called COVID-19 had a large impact on our Master's Thesis. The disease COVID-19, also referred to as Corona, was first identified in Wuhan in December 2019. However, Corona came to Denmark in the beginning of March. Unfortunately, in the period where Denmark closed its borders, one of us was still in Italy. As a consequence, we had to write our dissertation with a distance of approximately 1,500 kilometres. And even though we managed to work ourselves through by using Skype and FaceTime, it was still a different setting than expected. The conditions under which the thesis has been conducted affected our brainstorming, writing and confrontation process, making it difficult to motivate each other at a distance and slowing the whole process. Moreover, we both believe that meeting with each other face to face would have been useful to communicate more effectively. Furthermore, the lockdown affected the CBS library, which we both consider as an important place where to concentrate and be productive. Not being able to access the library also meant that the primary source on which to base our theoretical framework was extremely limited, since not all the books are available in digital version.

Overall, the uncertainty of these times challenged us by creating financial, emotional and temporal pressures, which we did not expect at the time we planned our thesis.

Furthermore, the Corona crisis affected the case company as Spar Nord had to put a hold on its CSR implementation. Consequently, this affected our dissertation as we had to adjust our direction on the way such as rephrasing the questions in the survey to adapt to the current situation and status of Spar Nord's strategy execution. Although our study presents interesting findings, it would have provided the readers and the company itself with more concrete results if conducted in a normal situation.

Moreover, it can be said that the Coronavirus also had an impact on the employees who were affected by this situation in their private lives as well. Thus, perhaps they had a different focus at that time, which could have had an impact on their participation, interest and responses in the survey.

Furthermore, we considered it limiting not to be able to conduct interviews face-to-face. This is due to the fact that being able to pose questions face-to-face is considered to be extremely valuable in order to establish a good connection with interviewees, but also to interpret their non-verbal behaviour and expressions. Nevertheless, it must be highlighted how gesture, posture and other non-verbal communication might affect the interview process negatively (Saunders et al., 2016).

Moreover, it was our plan to visit Spar Nord's headquarter in Aalborg to meet Spar Nord's CEO in person and meet with the CCO once again. This could have demonstrated our commitment to the project, and would most likely have put the interviewees at ease by interviewing them in a familiar location where they feel comfortable. This is also an important element in terms of ensuring or increasing reliability when gathering data and information. Thus, although phone interviews offer advantages related to access, speed and lower cost, they make it difficult to establish rapport and trust (Saunders et al., 2016). However, in spite of the difficulties, we have been lucky to be able to utilize technology in order to complete our research.

Additionally, we identified some issues related to methodology and data collection.

In the first phase of crafting our thesis plan, we decided to interview more personalities from top management that would have helped us gather insights and comments about higher levels' positions' view on CSR, its implementation and dilemmas. However, due to COVID-19, it was not possible to arrange the interviews.

Moreover, the lack of previous research regarding the CSR strategy implementation is consistent, especially as regards practical advice on how to address the common challenges. However, by using our case study, we managed to overcome this limitation and possibly be able to create new theory.

5. Conclusion

Global consciousness about environmental and societal issues has led to increasingly high demands and needs for sustainable products and services. As a consequence, more organizations acknowledge that they have a great responsibility to act in an environmentally and socially responsible way; to set the example in the global business world; and to keep up with fierce competition. Thereby, CSR is increasingly becoming a strategy driver and top priority in most companies and organizations.

The case company, the Danish bank Spar Nord, is currently facing several problems and dilemmas with its implementation of CSR initiatives and activities into its already established core strategy. Spar Nord's business model and core operations are built upon a strong decentralized structure and decision-making. This means that the daily routines and operations are set and determined by each autonomous affiliation's director. Consequently, some of Spar Nord's primary dilemmas are concerning the challenges that occur when seeking to make a strategic change in a decentralized organization along with attitudinal challenges towards the incorporation of CSR in the workplace.

Furthermore, the banking industry presents specificities, which make it a highly saturated, competitive and homogeneous market. Therefore, according to Spar Nord's top management, differentiation in such an industry is considered to be particularly tough. With regards to CSR, banks are obligated to follow precise guidelines and initiatives from the UN; regulations set from the Government; and basic codes of conduct. Thus, achieving differentiation in this homogenous industry is considered extremely difficult from a legal compliance perspective. Additionally, it is not sufficient to only comply with regulations in order to be a sustainable business. For the above, Spar Nord has decided to invest in concrete sustainable products in order to make its impact more concrete and tangible. In this matter, differentiating from competitors is also considered to be complicated, mostly as regards Sustainable Finance and Responsible Investment. As aforementioned, banks offer very similar products and services at similar prices, hence sustainable products could be replicated by competitors.

Nonetheless, there are other CSR focus areas that Spar Nord could leverage in order to differentiate in the long-term. Specifically, we refer to those activities that are strictly related to the core essence of the bank and that can be considered unique and inimitable because they are already deeply rooted in the company's culture and activities. In Spar Nord's case, those focus areas are *Local Community Engagement* and *Employees*.

The strategy formation process highly depends on a previous assessment of the competitive landscape and analysis of internal resources. It is essential to always regard the strategy formation as a process composed of both a planning and an execution phase, as they are strictly interdependent. Furthermore, in order to achieve a successful integration, the strategy formation process should be seen as collective, thus the people who are in charge of the practical execution should also be a part of the crafting and planning phase. Research highlights the importance of the implementation phase, which has often been neglected in research and practice. The implementation phase should be a top priority as most of the issues that lead to strategy failure are related to this specific phase. Additionally, implementation issues should be foreseen while crafting the strategy. Spar Nord has designed its new strategy by actively engaging the entire organization, and top management has identified potential challenges in advance, such as directors' resistance and issues related to the decentralized structure. However, more people are involved in the execution phase of the new strategy, which consequently complicates the implementation to a greater degree. This is due to the fact that a decentralized structure increases difficulties in terms of the communication processes; effective leadership; and the ability to manage people and to get them involved and committed to the new strategic direction.

During the research, we found that a decentralized organization provokes certain challenges when seeking to implement a new strategy. Accordingly, based on acknowledged theory, interviews with the CEO and CCO, and the questionnaire to the employees of Spar Nord, we encountered several challenges and concerns related to the strategic change. These are especially related to resistance to change; mistrust and detachment from the new strategy; communication barriers; and diversity issues. Thereby, management - both top management and middle management - should be particularly concerned about on-boarding all affiliation directors as well as all employees across the organization with regards to the new strategic direction. Furthermore, management should pay attention towards organizational diversity such as generational differences as well as gender specific traits in top management/middle management positions. This is especially due to the fact that attitudes towards CSR initiatives, and organizational change in general, may vary according to generational and gender specific traits, norms and, consequently, behaviour.

Additionally, since Spar Nord has dedicated one of their 8 CSR focus areas to the employees - and creating a healthy, developing and efficient working environment, it is quite important to take the employees' perceptions and attitudes towards CSR and the new strategic change into consideration. As our findings indicate, the employees regard competence building - and enhancement possibilities as the most important aspect of CSR, and the majority of the respondents (employees) would appreciate it if they were offered more possibilities within this particular area. Moreover, a considerable part of

the respondents provided comments regarding foreseen issues with the strategy implementation. In the comments there seems to be a general feeling of mistrust towards the new strategy and ability of the company to act accordingly. Furthermore, there seems to be a degree of resistance to change, along with fear and stress, mostly related to the changes that the new strategy will bring to the natural workflow. Essentially, having a strong culture like Spar Nord makes it difficult to modify deeply rooted habits and processes. Thus, by devoting extra attention towards providing better competence building opportunities; communicating the CSR initiatives to the employees; and on-boarding all employees in the new strategic direction, Spar Nord can potentially increase employee satisfaction and, ultimately, increased performance and profitability.

Furthermore, being active and engaged in the local communities has always been a crucial part of Spar Nord's vision to be the most personal bank in Denmark. Since Spar Nord's core resources and capabilities; decentralized structure; and human resources highly support this particular CSR area, there may be unexplored potential. Thus, by increasing Spar Nord's focus on the local community aspect of CSR by donating, investing and sponsoring local initiatives and activities - especially those that are either socially or environmentally rewarding - Spar Nord may build even stronger customer relationships and, consequently, increase its brand equity.

Therefore, our most significant finding is that CSR cannot be seen as providing Spar Nord with a sustainable competitive advantage in itself. However, using embedded core resources and capabilities; Spar Nord's strong business model; and an increased focus on CSR areas such as *Local Community Engagement* and *Employees*, Spar Nord can potentially differentiate from its competitors and, as a consequence, build a sustainable competitive advantage.

6. Future Research

At the beginning of our research, we were convinced that there would be an excessive amount of preliminary research about customer perceptions about CSR in the banking sector. However, we found that there is not sufficient research about whether or not Danish customers perceive CSR in banking as creating value or contributing in their decision of which bank they wish to be enrolled in. Sadly, we made the discovery too late, which meant that we did not have enough time to include another research aspect in our dissertation. Therefore, if we were to elaborate an even more thorough investigation and research about CSR in Spar Nord and in banking in general, we would see it as highly relevant to investigate customer perceptions with focus on CSR. This could potentially have served as a valuable insight for both Spar Nord as well as any other Danish bank that wishes or considers to increase its focus on CSR. Additionally, these insights would potentially help ourselves and Spar Nord in terms of researching if CSR could lead to a SCA.

Further studies could also be conducted specifically investigating the younger customers' perception towards CSR in banking. This is especially relevant since both scholars and the CCO and CEO argue that the younger generations may have an increasing interest in companies with a strong and trustworthy CSR agenda and strategy. This could be advantageous for Spar Nord, and other banks, in terms of knowing how valuable integrating CSR in their core strategy is in the long-term, and whether or not there is a future opportunity in terms of creating value for the younger generations. Moreover, we believe it could be interesting to take an even more demographic approach in the research by focusing on geographical location and age as main variables, as our study shows their prominent role when it comes to CSR. However, we encourage future researchers to take other factors into consideration that we have not particularly examined, such as gender or cultural aspects.

Moreover, it would be interesting to make a comparison between Spar Nord and other banks in Denmark that have embedded CSR in their overall strategy, or at least tried to do so. In this context, it could especially be interesting to compare Spar Nord with banks with a different organizational structure and, thereby, banks that have a more centralized approach with regards to decision making. Since our conclusion is based on Spar Nord's distinct business model and organization structure, it could be intriguing to see how much these characteristics determine the outcome when it comes to integrating a CSR strategy (or any other strategy for that matter).

Furthermore, we consider it intriguing to dig into the marketing and communication aspect of CSR and, specifically, the issue with greenwashing that arises whenever companies only promote

sustainability and social responsibility for profitable returns and a favourable brand reputation. Additionally, we discovered during the interviews that all affiliations manage their own social media profiles - and their communication and marketing strategies on these platforms. After checking different social media platforms such as Facebook and LinkedIn, we found that only a few affiliations manage to perform well within the social media aspect. Consequently, it could be interesting as well to research why different affiliation directors choose to either focus on communicating to/with their customers on social media or not. Not to forget, to research the positive or negative outcome of their engagement on social media.

Moreover, the literature highlights the importance of the human factor when implementing a new strategy, specifically when it comes to CSR, as well as the necessity to make the organizational structure fit with the strategy. For these reasons, we believe that it would be insightful to interview the affiliation directors. They represent an important key in the entire organizational chain as they are the ones linking top management to decentralized employees. Therefore, they play a key role in the transformation of strategic decisions into action and it is, thus, considered essential to have them "on board" with regards to the strategic change. Consequently, it would be highly relevant to investigate their genuine thoughts and attitudes towards CSR.

As control and monitoring represent another fundamental step when implementing a new strategy, we also encourage future researchers to investigate Spar Nord's CSR implementation within 6 months/a year with another survey directed to the employees. Since the implementation has been paused because of the Corona-crisis, our research can only be used to describe the employees' perceptions before the actual implementation has been initiated. Therefore, another research could demonstrate whether or not the execution and implementation of the strategy is giving fruitful results; if the employees feel motivated, involved and activated in terms of putting the CSR initiatives into practice; and what their general perceptions are towards Spar Nord's CSR strategy implementation. Moreover, that would help evaluate whether this research could be perceived as useful or not.

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