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AN INTERNAL VIEW TO CORPORATE SOCIAL RESPONSIBILITY: A CASE STUDY IN A FINNISH FOREST INDUSTRY MULTINATIONAL

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Corporate social responsibility is a concept where companies voluntarily set guidelines on how to conduct responsible business and how to meet the growing requirements of external stakeholders. Having business operations internationally in multiple regions, multinational companies are subject to more stakeholder pressure than companies that are active in only one market. Responsibilities that are expected to be considered by companies by stakeholders are usually described to be interrelated and include economic, legal, ethical, philanthropic and environmental aspects.

This thesis aims to add the internal view of the company to the existing theoretical body of work that mostly consists of reactive solutions to external stakeholder pressure. To gain insight as to how the internal CSR environment differs from the existing theoretical framework, empirical data was acquired by holding semi-structured interviews to three employees that work in CSR related tasks in UPM, the case company chosen for this thesis. The interview data was then analyzed in an effort to provide an oversight into the internal views and values towards CSR within the case company.

This study found out that the internal view to CSR in the case company revolves heavily around the interconnected layers of economic, environmental and social responsibilities. By conducting dialogue with various stakeholder groups that have different expectations related to CSR, the case company is able to pursue the optimal position between legal requirements, the stakeholder expectation and the possibilities of the company to meet those expectations. Furthermore, findings show that industry plays a heavy part in what CSR is conducted by a company and that the integration of CSR into corporate strategy is a fundamental part of creating a corporate culture where responsibility is not a separate entity from the business. Additionally, many CSR issues are global in nature and overcoming those requires a tremendous amount of effort from a growing network of companies and stakeholders, whose aim it should be to create requirements to responsibility that do not vary heavily between regions.

By using CSR, a company can increase their advantages and reduce their challenges arising from being a multinational company. Integrating CSR into business strategy creates internal advantages. Active stakeholder interaction improves and broadens the networks the company is a part of. Also, conducting responsible business reduces the external pressure the companies are subjected to.

The findings of this study could be used to show that further research in the field of CSR needs to be put into the integration of responsibility and business functions, the relationships between a company and its stakeholder groups. The latter especially from the perspective that stakeholder expectations and company possibilities are unlikely to completely match and an optimal solution can be achieved regardless. Lastly, research can be directed towards the growing amount of global issues and the responsibilities placed on them by governments and other regulatory bodies with enforcement capabilities.

Keywords
Corporate governance, stakeholder relationships, business ethics
# CONTENTS

1 **INTRODUCTION** .......................................................................................................................... 6  
  1.1 Research gap and goal of research ......................................................................................... 8  
  1.2 Research data and methods .................................................................................................... 9  
  1.3 Key concepts .......................................................................................................................... 10  
  1.4 Structure of the study .............................................................................................................. 10  

2 **RESEARCH ON THE MULTINATIONAL ENTERPRISE** ..................................................... 12  
  2.1 The concept of the multinational enterprise ............................................................................ 12  
  2.2 Advantages of multinational companies ................................................................................. 16   
    2.2.1 Market knowledge ............................................................................................................ 16  
    2.2.2 Transaction costs ............................................................................................................ 18  
    2.2.3 Culture and internalization ............................................................................................ 20  
  2.3 Internal advantages and networks ............................................................................................ 23  
  2.4 Summary of multinational advantages .................................................................................... 27  

3 **CORPORATE SOCIAL RESPONSIBILITY** ............................................................................. 29  
  3.1 The origin and evolution of corporate social responsibility theory ..................................... 29  
  3.2 The pyramid of corporate social responsibility ...................................................................... 34   
    3.2.1 The pyramid of corporate social responsibility for developing countries .................... 37  
    3.2.2 The universal model of corporate social responsibility .................................................. 40  
  3.3 Corporate social responsibility in the Finnish forest industry .............................................. 41  
  3.4 Theoretical framework ........................................................................................................... 45  

4 **METHODOLOGY** ....................................................................................................................... 47  
  4.1 Research strategy ..................................................................................................................... 47  
  4.2 Data collection ......................................................................................................................... 48  
  4.3 Data analysis ............................................................................................................................ 49   
    4.3.1 Specifics in case study analysis ......................................................................................... 50
4.3.2 Specifics in analyzing semi-structured interviews

4.4 Case company overview

5 INTERNAL VIEW TO CORPORATE SOCIAL RESPONSIBILITY

5.1 Background

5.2 Corporate social responsibility

5.2.1 Corporate social responsibility in UPM

5.2.2 Successful CSR

5.3 Stakeholder interaction

5.3.1 Cooperation in Finland

5.3.2 International CSR

5.4 Current state of CSR in UPM

5.5 Future considerations

5.6 Summary of the empirical analysis

6 DISCUSSION

6.1 Conclusions

6.2 Theoretical contribution

6.3 Managerial contribution

6.4 Limitations

6.5 Validity and reliability

6.6 Topics for further research

APPENDICES

Appendix 1 Interview themes and questions
FIGURES

Figure 1. Sources of advantages for multinationals .................................................. 28
Figure 2. Theoretical framework of multinational advantages and CSR. .................. 45
Figure 3. Internal focus points of UPM CSR (divided by Triple Bottom Line (Elkington 1997)).................................................................................................................... 70
Figure 4. UPM internal view to CSR........................................................................... 71

TABLES

Table 1. Important areas of CSR divided by region (modified from Carroll (1991), Visser (2008), Nalband & Al Kelabi (2014)). ................................................................. 46
1 INTRODUCTION

Companies do not exist in a void. They are subjects to external forces, such as supply, demand, competition and outside stakeholder expectations existing within the country or countries they operate in. A multinational company operates, owns or controls activities in more than one country (Dunning & Lundan 2008) and as such is subject to both global and local external forces. From the beginning of the multinational enterprise, multiple authors have contributed on the field such as Hymer (1976), Johanson & Vahlne (1977), Hennart (1988) from the viewpoint that multinationals thrive on minimizing these external differences. However, these external forces are the same for each multinational and eventually the competitive environment will develop towards a situation where companies cannot be differentiated from one another by the external pressure they face. This leads to the next stage of development in multinational research, the understanding that there are differences within the companies and it is through these differences that multinationals are able to gain competitive advantage over each other whether it is through internalization (Dunning 1980), networks (Johanson & Mattsson 1988), or core competencies (Pralahad & Hamel 1990) or one of the many other theories of multinational enterprise which concentrates on internal differentiation and advantages.

As entities within a greater social whole, companies are seen to have responsibilities to the business environment they operate in. Corporate social responsibility is a concept through which companies voluntarily integrate social and environmental responsibilities into their business model and conduct dialogue with stakeholders regarding these issues (CEC 2001). Research has identified that many responsibilities such as economic, legal, ethical and philanthropic (Carroll 1991) can be imposed on the company by outside stakeholders such as governments, non-governmental organizations, employees, communities and other entities that either influence or are influenced by the actions of the company. These responsibilities have a variable degree of importance depending on the geographical and economical area (Crane & Matten 2007; Visser 2008).
Because the research on CSR is so concentrated on the enforced and expected responsibilities, it has not been able to sufficiently explain the differences between companies’ CSR policies and the reasons for these aforementioned differences. Only the most recent research (Nalband & Al Kelabi 2014) has proposed that there are underlying influences to any regional CSR and that the CSR policy of a company is formed based on the cultural concepts, beliefs, values and assumptions of stakeholders within the operating environment. It is therefore logical that the next step in CSR research, particularly for multinationals, concentrates on the development of CSR from two points of view; the internal, consisting of the strategy, goals and values of the company and its employees as the source of what CSR policies are implemented and the external socio-cultural sphere that explains why these policies are needed.

The forest industry in Finland is relatively large and its multinationals are among the largest in the world (PPI 2013). While vocal about their corporate social responsibility, these companies have regardless encountered significant resistance from outside stakeholders in their international operations. Particularly in developing economies, the difference between practiced CSR in Finland and the expectations of the target economies can have significant differences (Panapanaan et al. 2003). As companies that deal with natural resources, the forest industry is subject to an even stricter scrutiny than other industries. By recognizing the requirements and concerns of the stakeholders and adjusting CSR accordingly companies should be able to reduce the resistance towards their international operations. Research conducted at the Lappeenranta University Technology (2013) found out that the larger forest industry companies, such as the case company in this thesis, are very active in both practicing and reporting about their CSR.

From a theoretical perspective CSR, including aspects such as philanthropy, could be seen as harmful to business. Friedman (1970) stated that there are no responsibilities outside of creating value to shareholders. In 2014 however, it would be difficult to find a multinational company not participating in or acknowledging the importance of CSR activities. If an assumption is made that companies try to increase their profitability while participating in CSR, it makes no sense to take the juxtaposition of
economic and social responsibilities for granted. Rather, research must be conducted to see how increasing responsibilities and economic growth can both be achieved.

1.1 Research gap and goal of research

Considering the international challenges that arise when more stakeholders are introduced to the list of entities affected by the company in some way, it becomes increasingly important for companies to participate in CSR and to integrate the demands of stakeholders into their business strategy. The existing research focuses on two main points: the notion that stakeholder requirements exist towards a company and the theory that internationally, these requirements can differ greatly. However, acknowledging only these main parts proposes that CSR is entirely reactive towards stakeholders and the responsibilities they expect from a company. Since these aforementioned responsibilities translate loosely and slowly into enforced legislature or even moderated certification, there must be a reason why and how companies are able to predict and proactively influence the emergence of new, intangible responsibilities before they manifest in a tangible form.

The goal of the research is to create an internal view to CSR by using a semi-structured interview and interview managers who work in responsibility related tasks at the case company. The data gained through these interviews is then used to find out why the corporate social responsibility of the case company surpasses the requirements placed on it by outside stakeholders. Using multinational theory, it can also be examined how participating in CSR affects the existing multinational advantages. The interview data should also be able to find similarities and differences between the existing, externally focused theories of CSR and the new, internal approach used in this thesis.

Because the boundaries of the phenomenon and the context are not clearly visible, an exploratory case study must be conducted (Yin 1994), and as such the following main research question is chosen:

How is corporate social responsibility seen from inside the company?
Following that, the building of the theoretical framework can be started by first using the following question, which will help with building an understanding of the multinational environment:

\[ a) \text{ What theoretical advantages and challenges exist for a multinational company in its international operations?} \]

Followed by the two questions that both provide a reason for describing the current research on CSR, especially in relation to international operations and create a wider theoretical base to reflect with the empirical data:

\[ b) \text{ What are the most important stakeholder groups in terms of corporate social responsibility?} \]
\[ c) \text{ How do the demands of corporate social responsibility change internationally?} \]

Earlier research is concentrated on CSR being imposed by stakeholders with the assumption that most of the practices are reactive. This study aims to explore an internal perspective to the development of CSR and its related trends and megatrends in such a way that further research could be seen necessary. In essence, this thesis aims to produce an internal, proactive view of corporate social responsibility as it is seen from within a forest industry multinational and to pinpoint those views in a meaningful manner to provide a basis for future research.

1.2 Research data and methods

This study is conducted as a qualitative, exploratory single case study on UPM, a multinational Finnish forest industry company. The empirical data used in this thesis was obtained from three interviews, conducted in a semi-structured manner via telephone during October 2014. Supporting secondary data was obtained from the company’s annual reports. The methodology chapter (Chapter 4) describes the chosen data acquisition method and its theoretical justifications.
The empirical data is analyzed through the theoretical framework obtained by examining the multinational environment and the most prevalent CSR themes. The sources of this theoretical data are articles in scientific journals and books written on the subjects. The pyramids of CSR were chosen because their prevalence in literature as well as the fact that they have been developed, improved and scrutinized for nearly three decades. No other models have been so thoroughly analyzed.

1.3 Key concepts

The key concepts used in the study are briefly explained in order to create understanding for the reader as to what is examined. The concepts are then further explained and elaborated on later in the thesis.

*Internal view* describes how something is seen from within the company. The challenges, actions, results and even failures are more visible in the internal, but often polished out in external view of the company, which can be seen as the end result.

*A multinational* company is any company that is registered and operates in more than one country at a time (Encyclopedia Britannica 2014).

*Corporate social responsibility* is a largely voluntary practice where companies integrate responsibilities towards various stakeholder groups into their business operations (European Commission 2001).

*Forest industry* comprises of two types, mechanical meaning sawmills, construction products and industries and chemical, meaning the pulp and paper industry (Forest.fi 2014).

1.4 Structure of the study

After this introductory chapter, the rest of the study is divided into two main chapters: theoretical and empirical, with a smaller methodology chapter in between.
First, is the theoretical part, which is also divided into two: multinational and CSR. After the theoretical chapter, the next chapter goes over the methodology, the data acquisition process and provides an overview of the case company. Afterwards, the empirical data is presented and analyzed, with the study then ending in the conclusions drawn from reflecting the empirical analysis results on the theoretical background.

The theoretical chapter about the multinational environment goes through the most important research and advantages of multinational throughout the century that provides reasoning as to why the focus of research on multinationals has focused from the external factors to the internal. This in turn creates a situation where the theory of CSR, which is mostly external in nature, should also be viewed from an internal perspective. The theoretical part on CSR describes briefly the development of CSR so far and the main theories applied in this thesis, which are the CSR pyramids by Carroll (1991) and Visser (2008). The very recent addition to these two by Nalband and AI Kelabi (2014) is also described. The end of the theoretical part focuses primarily on showing the differences identified in the CSR of Finnish forest industry companies.

The methodology chapter describes the advantages and disadvantages of a single case study, the data acquisition through semi-structured interviews and the reasoning behind choosing that as the primary means of data acquisition. The chapter also includes an overview of the company used in the case study, with excerpts from their annual report describing their CSR policies.

As the other main chapter, the empirical part of this study presents the findings of the semi-structured interviews and their analysis, providing an internal view of the corporate social responsibility of the case company through its managers. The obtained data is also reflected against the theoretical background and a summary of the overall results is introduced. The last part of the study provides the conclusions drawn from the research and the empirical data analysis, their possible managerial implications. The chapter also includes the evaluation the study and presents suggestions for future research.
2 RESEARCH ON THE MULTINATIONAL ENTERPRISE

A company that engages in foreign direct investment (FDI), operates, owns or controls value creation activities in more than one country is considered to be a multinational enterprise (MNE); a definition is used by the Organization for Economic Co-operation and Development (OECD), the Division on Investment, Technology and Enterprise Development (DITE) of the United Nations Conference on Trade and Development (UNCTAD) and by most national governments and thus can be seen as the most precise definition available. (Dunning & Lundan 2008)

From a historical research perspective, there have been many names and many terms for the same phenomenon. Multinational, transnational and global have all been used to explain the scope of the company and its actions, whereas firm, enterprise, business, company and corporation have been descriptions of the enterprise itself (Wilkins 2001). The common denominator for all these definitions is that they all meet the aforementioned criteria and as such, for the purposes of this thesis, to avoid further confusion and conflicting terms, the term used to define the company or companies in question will henceforth be solely multinational enterprise or MNE.

2.1 The concept of the multinational enterprise

The very first recorded MNEs, that were not merely international trading companies, can be traced down to the commenda in the 10th century Italy, a business partnership where investors with unlimited liability hired traders with limited liability to conduct trade on their behalf (North 1985). Out of necessity, the MNEs of Medieval times often had to build the infrastructure and banking system by themselves and for themselves and their customers in order to conduct business more efficiently (Williams 1929, Dunning & Lundan 2008). While it might have been entirely selfish and all done to better the results of business, what these trading companies did resulted in the first acts of corporate social responsibility, centuries before the term was coined and defined. And it is through actions such as mentioned above that the company is distinguished as a MNE; it conducts economic activities in a country or countries other than the one it was incorporated in (Dunning & Lundan 2008).
In following centuries, very little happened in terms of MNE development as the requirements of international trade were high and outside Europe trading options were very limited. This is not to say that the development of trade had no effect on the MNE, contrarily, the widespread exploitation via colonization had such an effect, that even contemporary MNEs carry the stigma of being seen as exploiters of developing economies and many of the good things an MNE does via corporate social responsibility is quickly dismissed. That is not to say that it is an unfair comparison and that such businesses do not exist, because most certainly they do, but just to point out that situation in global markets draws no comparison to that of the age of colonization. More recently, the term exploitation has been used in relation to international business to describe the information advantage a multinational company may have across national boundaries (Buckley & Casson 1976)

In the early 19th century however, the industrial revolution changed everything in terms of business and international business alike. Production increased and the demand of raw materials, such as coal, wood and metals grew massively. Economies of scale became available through increase in production capacity. Factories were built and the amount of workers increased. MNEs that had been conducting all the business and supporting activities required, such as banking, shipping and manufacturing, started to specialize in activities that were most profitable, creating in return a reorganization of production and institutional mechanics where cost efficiency was paramount (North 1999).

The ease of access to international markets had begun, and the first companies founded solely on the premise of conducting international business were starting to arise. European businessmen were starting to move to the United States, whereas US businessmen were starting up businesses in Canada and South and Latin America. While the capital investments at the time were low, the transfer of knowledge from one region to another through these entrepreneurs was massive (Wilkins 1970, 1988a). Essentially these pioneers of international business were founding international new ventures in order to obtain competitive advantage; a business technique that has been recognized by Oviatt and McDougall (1994) as a part of an important and relevant internationalization theory in international business today.
The businessmen starting up these international new ventures, as mentioned above, were not doing so with their own money. Foreign direct investment was on a large scale conducted, mainly with money from Europe flowing towards countries were conducting business and gathering resources was more profitable. Authors such as Wilkins (1988b) and Corley (1998) estimated that thousands of MNEs were created and that 45% of the capital for the FDIs required by these companies was free-standing. (Dunning & Lundan 2008)

By the change of the century from the 19th to the 20th, MNEs had begun to utilize all the competitive advantages described in Dunning’s (1980) eclectic paradigm, also known as the OLI-model. They had ownership advantages through technology, locational advantages through vast areas of non-colonized and undeveloped regions and internalization advantages because they had the means to enter foreign markets. These advantages they then managed to use either singularly, or grouped up in conjugation, using all of the advantages simultaneously, an FDI being a prime example of such a process. Furthermore, the MNEs pre-1914 were conducting activities that are relative today: they sought to gain advantages by focusing on market, resources, efficiency or strategic assets (Behrman 1972, Dunning 1988). A change had occurred from exploitation towards more sustainable business practices.

Between the wars the MNEs continued to grow, but Dunning & Lundan (2008) pinpoint significant changes that happened in the global economy. US direct investment had matured and through it more diversified and integrated MNEs emerged. Investments were less aggressive and especially in Europe there was a decline from market-seeking to resource-seeking foreign investments. The cooperation between Japan and America sparked a growth in commerce and economic development in Japan. The Second World War had obvious consequences for MNEs and the view towards globalization as a whole, with Allied countries winning territories, resources and payments from the defeated nations, boosting their economy. But Japan and Germany and their MNEs were not completely decimated by the ordeal; instead, due to being unable to continue with the arms race, they had time to focus on developing their expertise in other products. MNEs were also largely set up abroad.
After the war, between 1945 and 1960, the US MNEs had an advantage due to being relatively untouched by the war and because there was a growing disparity between the wages in the United States and the rest of the world. The investments by the US and a handful of wealthy European nations were directed largely towards Latin America, Asia, Africa and the Middle East. And some companies, such as Royal Dutch Shell, despite suffering heavy losses to its production facilities, managed to bounce back and achieve growth by integrating its functions and drilling its own oil, mainly in the Gulf of Mexico (Schermerhorn 2011).

It is noteworthy then to realize that there are historical problems with MNEs, and not all of them are caused by the process of conducting international business. Rather, an MNE, just like any other entity that exists on this planet is subject to all of its forces, however miniscule the effect. The impact that multinational enterprises have on the environment, nations, stakeholders and other businesses might have been overshadowed in the past by the far larger conflicts such as wars and colonization, but they have still existed far before any concept of corporate social responsibility. As such, it is important to bring these issues to light not only in the context that they originally existed, but also in the way they are visible in the international business spectrum today.

While the historical aspect of the MNE might not be at the absolute center of this thesis, it is important in building a framework of the issues, both positive and negative, that have been relevant to the multinational enterprises, as mentioned above. And those are issues that affect the evaluation of the MNE even today, maybe not entirely in the exact manner they might have in the past, but in some other way. And understanding what has happened beginning of international business to the watershed moment of the 1960s identified by Forsgren (2008) is furthermore important because as Wilkins (2001), recognizing the earlier work on the history of the multinational company by Dunning, Casson, Kindleberger, Hennart, Kogut and Kobrin, summarized that “there is no absence of appreciation in the field of international business of the historical dimension”.
2.2 Advantages of multinational companies

The purpose of the earlier chapter was to bring forth issues that MNEs have in their international operations that are not necessarily because of any business aspect, but rather results of globalization or other great historical events, such as wars. The purpose of this chapter then is to examine the state of the modern multinational, the relevant theories that accompany such an enterprise and what conceptual elements there are for an MNE. The reason for this is to build a sufficient framework of issues, both positive and negative, that can and should be taken into consideration when researching how and where CSR can be used most effectively.

The watershed moment of the 1960s mentioned in the above chapter, most scholars agree (Dunning 2001), was the result of one Stephen Hymer, who in his seminal thesis *The International Operations of National Firms: A Study of Foreign Direct Investment*, attempted to explain the growth and significance of value-adding activities in international operations, rather than concentrate singularly on the FDI. This was fundamental in transferring the focus of research to match the current economic environment at the time. MNEs were no longer merely transferring capital across borders through FDIs, but those early FDIs were starting to evolve to be relevant investors themselves (Forsgren 2008).

2.2.1 Market knowledge

The key theoretical contribution in Hymer’s thesis, written in 1960 and published in 1976, was that international companies are at a disadvantage in relation to the domestic companies already participating in the market that they enter. The domestic company will be more likely to have an advantage due to their superior knowledge in local economy, language, law and politics. As a result, the foreign companies are then being subject to liability of foreignness (Hymer 1976: 39). Companies must then possess some advantages that they can utilize to overcome this liability. At the time, these advantages were related to production, profitability or in more general terms, market imperfection (Kindleberger 1969, Hymer 1976, Forsgren 2008). Further research into liability of foreignness by Johanson & Vahlne (1977, 2009), Caves
(1982) and Zaheer (1995) refined the concept to include and recognize the organizational differences, amount of foreignness and psychic distance.

Following Hymer’s thesis, the focus of MNE research and internationalization theory of multinationals begun to follow the assumption that overcoming liability of foreignness required market imperfection, which existed on at least the firm and industry level, if not also on a national level as well (Forsgren 2008). Criticism of this type of thinking included questions as to why would companies choose foreign production and suffer extra costs rather than license abroad (Hennart 1991) and according to Caves (1982), a horizontal MNE, with production in several countries suffers more from the liability as opposed to a vertical MNE that stage their production.

Closely tied to the findings above was the internalization theory proposed by Buckley & Casson (1976), where the authors concluded that most MNEs at the time internationalized rather than subcontracted or franchised because they had an advantage in knowledge, and in order to keep this knowledge valuable required to keep control of their foreign direct investments and as such, any capital that internationalizing firms transferred across national borders was not to obtain some specific advantages but to rather keep the advantages they already had and to safeguard those from competition.

The theory that an internationalizing firm is at a disadvantage due to imperfect knowledge about the foreign location was also present in the Uppsala-model devised by Johanson & Vahlne (1977) which concluded that internationalization is a gradual process where companies gain international experience by committing to a relatively known market and build up their market knowledge, before repeating the cycle and committing heavier into the very same market by using more resources. Internationalization in such this way, while relatively risk-free, is extremely slow and might not be the most efficient way for a multinational that is seeking for cost advantages in developing economies, it is then extremely relevant for MNEs to find ways to bypass the gradual process by becoming insiders of business circles in target markets and opening up more options for internationalization, something that
Johanson & Vahlne (2009) have also recognized and concentrated on in their more recent work.

Summarizing the earlier chapters, it was recognized that an MNE entering a foreign market required an advantage to do so and the bigger the advantage, and the easier it was to exploit, the higher could the market commitment be. Smaller advantages required more careful steps and higher benefits allowed for more flexibility in the internationalization process. The acquirement of these advantages however was neglected, as these could not have simply manifested themselves out of nothing (Buckley & Casson 1991), they also carried a cost (Forgren 2008). And depending on circumstances, companies were subject to further costs due to having to internationalize themselves to protect their competitive advantage and keep the markets imperfect, a situation that most of the international business theory keeps as a prerequisite due to many advantages disappearing if a perfect market existed. The focus of MNE research was shifting towards cost efficiency and transaction cost analysis driven by authors such as Anderson & Gatignon (1986, 1988) and Hennart (1988, 1991)

2.2.2 Transaction costs

Transaction cost comes with its limitations however, as Anderson & Gatignon (1988) point out. A large amount of the options that could be feasible when examining the transaction cost advantages alone can be rendered impossible by governmental, competitive or informational restrictions. Hennart (1991) points out that the reason transaction costs exist is the imperfection of information in markets and business as a whole, and should these issues be removed entirely, transaction costs would be nonexistent. It is also worth mentioning, that while Bartlett and Ghoshal (1989) recognized three dominating types of multinationals, Rugman’s (1996) research shows that the same explanations and predictions could be reached by examining the types through transaction cost analysis.

During the time where transaction cost theory was the focus of many researchers as explained above, Dunning (1980, 1988) introduced his eclectic paradigm as an
internationalization theory. Relevant to MNEs, Dunning proposed that companies decided their internationalization efforts based on how well they can sustain their competitive advantage while crossing national boundaries, whether they can add value into their production while doing so and to which extent these value-adding activities should be located outside the national border of the originating country of the MNE.

The theory in itself, in addition to the definitions of the types of MNEs by Behrman (1972) defined an array of different reasons for an internationalization process and its goals. There are problems to such definitions however, as it is difficult to categorize a multinational company from the Finnish forest industry with such wide descriptions, for example, such a company could easily be any or all of Behrmans (1972) categories and cover all of Dunning’s (1988) requirements for internationalization. It is then necessary, later on in the chapter, to point out and summarize relevant definitions from each of these categories consider their impacts to a firm’s internationalization.

Recognizing the earlier works by Caves (1971), Buckley & Casson (1976) and Rugman (1980), Kogut & Zander (1993) also recognizes the importance of information within the firm, but takes its importance to the next step by suggesting that information creation and replication are significant advantages to a company. A company that efficiently creates and transfers the information it possesses without allowing it to become easily replicable, retains its competitive advantage. Earlier research had considered the ownership and retaining once acquired information as an advantage that should be kept within the company (Buckley & Casson 1976). Equally so, according to Kogut & Zander (1993), is of great importance to a company to be able to produce new information that leads to the same information asymmetry in markets that competitive advantage requires.

Being able to produce information that the competitors do not possess is advantageous, but in a situation where such information has already been acquired by another company, the ability to mimic and imitate the same information is equally important. Because keeping information within a company for prolonged periods is
hard, Kogut & Zander (1993) argue against the internalization process and decree that withholding any and all information might be less than optimal; rather, companies should seek to license and franchise their information while it is at the highest value. However, some companies will drive for internalization and hold on to their information even though it has no inherent value and is therefore not the best available practice (Kogut & Zander 1993). In conjunction with other theories, it is obvious that the information within a company is equally important to its competitive advantage as are any physical, locational or other advantages it may have.

2.2.3 Culture and internalization

Multinationals, operating in more countries than one, are also subject to cultural influences. Authors such as Hofstede (1983) and Kogut & Singh (1988) have been fundamental in researching the extent of effects that the differences in national cultures have on the management and operation of a multinational enterprise. While Hofstede’s (1983) work concentrates mostly on the notion that cultural differences are relevant and need to be taken into consideration, because, as Hofstede himself puts it “the convergence of management will never come. What we can bring about is an understanding of how the culture in which we grew up and which is dear to us affects our thinking differently from other people’s thinking”.

Kogut and Singh (1983), taking the quote above in to heart, evaluated these differences and their impact on internationalization, finding that while significant, cultural differences did not prevent companies from entering markets they should theoretically have avoided, Japanese companies being the outliers in this particular case. They concluded that while the results seem to correlate with cultural differences, one has to be careful when analyzing the data so that the other contributing factors will not be ignored. Such factors could include the type of foreign direct investment, whether it is a greenfield, a joint venture or an acquisition, companies can mitigate the cultural risk they are taking by choosing an investment type where they hold more control, something that is also supported by the internalization theory. (Kogut & Singh 1983)
Also, according to Kogut & Singh (1983) it does not matter how good the information transfer is within the MNE, the foreign location will regardless be influenced by the dominant culture. While the original text refers to the adjustments in management, it must be taken into consideration that outside stakeholder requirements towards the firm will likewise be influenced and as an addition to the differences causing liability of foreignness, the implications caused by cultural differences must also be taken into consideration by an MNE seeking for the best country, market and entry mode, and in some cases industry to move into, should that only exist in a foreign market. Whether these will have an effect on the final decision on how the entry mode is chosen, is a matter of a broad view of transaction costs, including costs derived from cultural aspects, such as communication and control (Kogut & Singh 1983).

In more recent studies, researchers have sought to improve on the existing research and theories of the culture and its differences in MNEs and international business as a whole. Shenkar (2001) recognized the effects of cultural distance on FDIs, entry mode choice and the performance of foreign affiliates and suggested multiple improvements to the cultural distance research by Hofstede (1983) and the index devised by Kogut and Singh (1988). Introducing long term orientation, measures of general cultural relativity, addition of qualitative data of past cultural experiences, mechanisms that close the cultural distance and the fact that not only does cultural distance affect FDI, but FDIs, their performance, results and actions can influence the perception of cultural distance as well.

Kirkman et al. (2006) summarized over two decades of research literature related to Hofstede’s cultural distance work and concluded, that while a significant amount of research had been done on the subject, and their findings were indeed substantial, the cultural aspects themselves were broadly defined and quite liberally attributed to perceived effects. Furthermore, Kirkman et al. (2006) thought that it was noteworthy how organizational and non-organizational cultural impacts were often not cited with one another, resulting in a homogenized environment in both aspects of cultural distance research. In order to remedy the underlying problem, they suggested
enhanced scrutiny when deciding what is worth researching and where Hofstede’s framework is applicable and if applied, to stay within the boundaries given by it.

While Kirkman et al. (2006) suggest multiple theoretical and empirical guidelines, they also point out that with Trompenaars (1993), Schwartz (1992, 1994) and Smith et al. (1996) have had significant supporting contributions to Hofstede’s original (1980) framework and have helped to keep the research into cultural issues, challenges and possibilities relevant for a long time. As theoretical corrections, they suggested that more attention should be paid on the levels where the cultural interaction happened, on the specific changes that can occur within and across countries and they called for more variety in chosen theoretical moderators and mediators, especially from other disciplines such as psychology or sociology. More studies should also be conducted on the group and individual levels as opposed to the most common, organizational level as the findings between levels can even show contradictory results in some occasions. (Kirkman et al. 2006)

There has been criticism over the other studies, largely mentioned before, of having a too singular scope and only looking at foreign entry as a singular event, whereas it should be considered as a part of a whole internationalization strategy. In addition, the performance of a subsidiary or a joint venture comes secondary to the total performance of the company, and should not therefore be detached and examined alone, unless that is exactly the focus of the research. Again, the issues are reinforced with the three-pronged approach of the entry mode: wholly owned subsidiary, a joint venture and licensing and the resource commitments in each of the entries, going from high to low in order presented. (Kim & Hwang 1992)

The context and the industry where studies are made also carry some weight. For example, as Kim & Hwang (1992) quickly point out, a relevant issue in all of the research and especially in how empirical data is gained and analyzed is the fact that it is industry specific. The authors also agree that it is of utmost importance to conduct further studies through primary data from the companies themselves, rather than to continue contributing to the research through other research and secondary data observations. Therefore, considering the effects and possibilities of the theories
presented in this chapter, it is important to keep in mind that the focus in the corporate social responsibility of a Finnish forest industry multinational. Should any special issues rise from this industry and location specific fact, they will be addressed later on in the chapter in their own subsection.

It is worth noting that while a type of international business, exporting seems to be absent from a lot of the research as a type of foreign entry. The theories in the previous chapters have also neglected to mention one of the costs attributed to entry selection, because it is not necessary but can sometimes be beneficial. That is the cost of changing from one entry mode to another and to avoid this cost, it is preferred the correct entry mode will be chosen on the first try (Root 1987, Agarwal & Ramaswami 1992). It is also equally important that the aforementioned entry mode will be managed well enough to reduce the necessity for change; an issue where corporate social responsibility and the idea of meeting the outside stakeholder requirements will surely be beneficial.

### 2.3 Internal advantages and networks

While the earlier research had mostly focused on advantages gained by resources or location, the development of the multinational business environment have made it possible for two similar companies to acquire the same resources and work in the same markets. So, assuming same resources and same location, the differences between two companies must come through other means and one must be able to gain advantage over another through those means. This is why the focus of the multinational research has, if not shifted, then at least included the internal strengths of companies and a more personal approach as to who or what exactly are the sources of these internal advantages that separate two, seemingly similar companies, from one another. This subchapter aims to describe the most fundamental theories in order to provide an accurate view into why exploring multinational companies from the inside is significant.

The interactions between companies, governments and outside can also be seen as a multinational network. This network approach was introduced by Johanson &
Mattsom (1988) and came with the premise that the actions of companies create a network that grows slowly, increasing trust and commitment over time and as they become stronger, they become harder to adjust. So it is obvious that networks are important to multinational companies, but managing them is also a very fickle situation; you want to commit into the right networks but you want to reduce commitment in potentially harmful networks. There are four types of companies that utilize these networks: The Early Starter, The Later Starter, The Lonely International and the International Among Others (Johanson & Mattsson 1988). It is not difficult to deduct what sort of network interaction the aforementioned companies possess and how significant are the various networks to their internationalization; the important aspect is the amount of internationalization the company currently has and aims for and how networks can help it achieve success in those actions.

Another advantage that MNEs can achieve through networks is a diverse system of local networks they enter through their subsidiaries (Anderson et al. 2002). Not only is the subsidiary interacting within the existing environment and getting influenced by it, but so too is the subsidiary and the network it participates in locally influencing the company as a whole, globally. Ghoshal and Nohria (1997) consider the MNE as a business network onto itself, with internal suppliers and customers, further complicating the web of networks that an MNE is a part of. Anderson et al. (2002) describe that the units within these networks are tied together through two types of embeddedness; business, consisting of a prolonged sales and purchases relationship between partners or technical embeddedness, consisting of a high degree of interdependency through technological cooperation such as product development or production.

Embeddedness explains how a subsidiary generates a competence worth transferring within the MNE and how easily can this competency be transferred. Surprisingly, it is not a drawback if the subsidiary has a high degree of technical embeddedness within its external network; instead, the subsidiary has a high degree of knowledge and information on the product or the production process that it can then relay to other units within the MNE. (Anderson et al. 2002) To elaborate further; within an MNE exist the internal networks and outside of the company and its subsidiaries are
the external networks. The two networks are then connected through the bridging subsidiaries. The information and competence transference that happens between the subsidiaries within the internal network and between the subsidiary and its external network are dependent on the technical and business embeddedness; both internally and externally (Anderson et al 2002).

An addition to the network approach, partially from the same authors as the original theory, was also used to modify liability of foreignness into a liability of outsidership (Johanson & Vahlne 2009). This further promoted the importance of strategic alliances and networks included in much of the existing theories, such as the OLI paradigm (Dunning & Lundan 2008). The main differences between the initial Uppsala-model is this: where liability of foreignness was closely tied to psychic distance, geography and national borders, outsidership transcended these restrictions and instead sought to explain the difficulty of internationalization and the friction towards it on a network level.

In essence, a company without a network entering a foreign market is subject to not only the liability of foreignness, but to the liability of outsidership as well. On the other hand, a company doing the same but being a part of a network faces no liability through outsidership and the effect of foreignness is faced in a reduced capacity as well. Furthermore, the revised Uppsala-model recognizes that the liabilities of both foreignness and outsidership can be reduced by gaining knowledge and opportunities through the network of relationships (Johanson & Vahlne 2009).

The avenues of improvement for an MNE, much like its competitive environment, are not entirely external. There are many internal issues to take into consideration as well. The identification of core competencies is extremely important. Like any informational advantage that an MNE can have, core competencies are essentially factors that differentiate the company from its competitors in three distinguishable ways. First, it is difficult to imitate. Second, it can be reused globally in different markets and products and third, it contributes to the benefits and value that the product or service offered generates for the customer (Pralahad & Hamel 1990).
Core competencies are not a diminishing resource, instead, the more they are used, managed and concentrated on, the more refined they will become, evolving ever further. Whereas the external world of the MNE is conducting business over geographical borders, core competences are an internal issue of communication, commitment and concentration of work through organizational borders (Pralahad & Hamel 1990). Core competencies are especially useful for multinational companies whose competencies allow for a diversified product portfolio. If one refined competency can be used for a multitude of product lines, or when new products and technologies can be derived from the existing expertise, it is a significant competitive advantage.

Another issue that MNEs have to take into consideration is the matter of intra-organizational competition. While external competition is one of the foundations of international business, it is worth considering that there is more significance in the local market of a given subsidiary and as such, the proximity to that market is of great importance (Porter 1990, Birkinshaw et al. 2005). Birkinshaw et al. (2005) go into further detail in explaining the internal competition by defining that, much like its external counterpart, the subsidiaries are in competition with one another for funds from the HQ and equally for opportunities to provide other subsidiaries with their produced goods, improving efficiency and performance. Each subsidiary then, even as a part of the whole that is the MNE, is also a singular business unit and the subsidiary managers are aware of the opportunities of both the external and internal markets.

Internal markets are, or theoretically should be, cooperative in nature and there should be flow of knowledge and information (Birkinshaw et al. 2005) as well as the shared use of acquired network knowledge between the subsidiaries and the HQ. Internal competition is necessary so that subsidiaries vie for more autonomy and control over their own local markets, because has shown, such progress for a subsidiary allows it develop its connections to local suppliers and customers more efficiently. This in turn allows for “greater potential for competitive advantage, because it combines a strong external focus with internal integration (Birkinshaw et al. 2005).”
2.4 Summary of multinational advantages

The challenges and opportunities MNEs have in international markets can be roughly divided into being outside the company or external and inside the company or internal. However, multinational companies are usually broad and diverse enough to be subject to both categories simultaneously. There is also significant overlap between the different theories and links through which changes in one theoretical aspect are likely to affect other parts of the MNE and its internationalization strategy. However, a division into external and internal challenges and opportunities, in broad terms, allows for a more direct focus of the potential effects of CSR.

For the purposes of this thesis, the forces mainly influencing companies from the outside of it are considered external. These include global competition, liabilities of foreignness and outsidership cultural, entry mode decision, various networks, transaction costs and the considerations of the eclectic paradigm. The external forces can also be considered the primary forces as the secondary, company scale issues, usually result from larger internationalization decisions. Considering the expectations that outside stakeholders have, external factors are likely to be more enforced and rigid to influence through CSR, some governments can have specific CSR-related regulations that do not allow an internationalized, common CSR policy unless the same conditions can be applied in all the countries where the MNE operates.

The internal challenges and opportunities are then concentrated on the possibilities, decisions and managerial activities that happen within an MNE or its subsidiaries. These include information and information management, core competences, and internalization. Also internal networks and competition between subsidiaries is something to keep in mind. It seems possible that using CSR to influence the internal situation within the MNE is more flexible and allows for a better control of the overall strategy by the MNE, however as mentioned above, some overlap may exist through legislation and the like.

It is a matter of consideration whether internalization or internal competition should be considered in relation to CSR, as holding on to the information would surely have
an impact of the sociality of it all. However, it is a difficult issue if it is a decision between something that has significant benefit for the company and less so should the information be shared. It is also entirely possible that CSR decisions will be made that have negative effects on performance as a whole and of course the opposite will also be true as long as CSR policies are not enforced, but remain self-regulated by the MNE.

Figure 1. Sources of advantages for multinationals

There are three main aspects for multinationals to increase their advantages over competitors (Figure 1). Firstly, they can increase their internal strengths; cultivate core competences and streamlining their creation and management of internal processes. Second, they can manage their existing networks and relationships between internal and external advantages. Thirdly, they can search for ways to reduce external pressure, for example by taking into account regional or cultural differences before establishing international operations. In relation to CSR, the theoretical focus is mostly in examining and reducing external pressure while conducting dialogue with the stakeholders, or networks. This study aims to produce a viewpoint of how participating in CSR contributes to the strengths of the multinational, starting from the internal and spreading outwards to networks and external environment.
3 CORPORATE SOCIAL RESPONSIBILITY

The Commission of the European Communities (2001) defines corporate social responsibility (CSR) as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with the stakeholders on a voluntary basis”. According to Dahlsrud (2006) the aforementioned is the most commonly used in literature and it also manages to adequately encompass the five dimensions of CSR; voluntariness, stakeholder view, social aspect, environmental and economic requirements.

There are multiple other definitions as well, Dahlsrud (2006) compared 37 of them, but as Van Marrewijk (2003) found out, many of them are biased towards the interests of companies that create suitable definitions for themselves according to their own interests rather than use a commonly accepted definition. This leads to an abundance of definitions that, while partially following the five dimensions, often leave some of them out if it does not seem useful and creates cause for concern in trying to find an all-encompassing and acceptable definition that would suitably cover a fast-moving topic such as CSR.

3.1 The origin and evolution of corporate social responsibility theory

There has always been a relationship between society and the businesses that operate within it. The economic concept of CSR is a recent addition to that relationship. The proposition that companies should be responsible towards more than their stakeholders was first mentioned in the 1950s by Howard R. Bowen in his book Social Responsibilities of the Businessman (1953). In the aforementioned book Bowen described the concept of social responsibility (SR) and proposed that companies should also think about their responsibilities towards external stakeholders. Bowen noted that while the ideologies of profit maximization and responsibilities to internal stakeholders still hold true, the pursuit of these aforementioned responsibilities should also be “desirable in terms of the objectives and values of our society.” (Carroll 1999)
With the inclusion of the social aspect, CSR was a fundamentally differentiating concept from the contemporary ideas of what business should be doing and as such it obviously had its critics, most notably the 1962 Nobel Laureate Milton Friedman whose article *The Social Responsibility of Business is to Increase its Profits* (1970) was published in the New York Times. In the article Friedman expressed his concern that shareholders and stakeholders have completely different interests and should a company focus on the interests of one group, they would be away from the interests of the other group. Friedman also saw the problem with CSR and the possibility of abusing it by using it as a disguise for some business practices and wrote that the focus should instead be on the promotion of free and open competition. As such, the notion of corporate social responsibility would be doomed to fail. From Friedman’s point of view, the only way for corporate social responsibility to operate would be to direct the actions of corporations through legislature and while to some readers choose to simply see Friedman as only a strong supporter of profit maximization and concentration on the shareholder needs, he did not condone the pursuit of profit by “any means necessary” over acting in accordance to laws and regulations. (Carroll 1991)

After the initial concept was founded and it’s most vocal critics, such as Friedman above, had had their say, more strict definitions of CSR were required. The research of the 1970s concentrated on solving the aforementioned problem. Steiner (1971), Manne & Wallich (1972) and Davis (1973) contributed to the field, coming to a more or less joint conclusion that while social responsibilities help the situation of outside stakeholders, in some ways that are extremely hard to measure, it also misdirect the company from optimal profitability and thus weakens the optimal position of a shareholder, much like Friedman had assumed. While the smart money might have followed towards optimal profitability, the general consensus shifted towards more responsible action, culminating in a situation where “a large corporation these days not only may engage in social responsibility, it had damn well better try to do so (Samuelson 1971).” (Carroll 1999)

The decades from 1950s to 1970s saw two views of business, on the other hand was the original, profit-driven approach and on the other, the new and emerging
responsibility view. The Committee for Economic Development (CED) in 1971 published a combination of the aforementioned two views, a layered circle; economic issues at the center, surrounded by employee and customer treatment, again surrounded by the socioeconomic circle, including problems and issues such as poverty (Carroll 1999). Like Friedman had described a year earlier, the governing authorities of society were starting to get interested in the responsibility aspects of business.

The research of the social aspects of corporations fragmented and authors such as Sethi (1975) were more interested in the social performance aspect (CSP), whereas in Carroll (1979), augmented the idea proposed by the CED and CSP research and created his Social Performance Model to more clearly differentiate responsibilities and performance. This model, much like his later CSR Pyramid model, included four distinct responsibility categories for companies: economic, legal, ethical and discretionary. There was some critique as to whether or not the economic field should be added into responsibility models as, for a business responsibility it was argued to be too obvious and for a social responsibility its values were questionable and uncertain. However, here Carroll made the distinction that while economic responsibilities are obvious from the shareholder point of view, the stakeholder responsibilities are also worth mentioning (Carroll 1999).

Carroll’s model became popular among researchers such as Tuzzolino & Armandi (1981), Dalton & Cosier (1982) and Strand (1983) who wanted to augment it with their own theoretical approaches. Because of the interest in his model and the perceived needs of other authors to add to it, Carroll (1983) took it to himself to clarify his original model. Firstly, he emphasized that within the spectrum of social responsibility, an ethical company would be both profitable and law-abiding all the while contributing money, time and talent to outside stakeholders. Secondly, he included notion of philanthropy which replaced the earlier discretionary responsibilities. Carroll argued that companies should outright sacrifice some of their profits to improve the society they are a part of, a notion that Drucker (1984) improved in proposing that social responsibilities should be transformed into business opportunities. A more contemporary approach might be to consider the
philanthropic responsibilities as opportunities for funding local social entrepreneurship.

During the 1980s the amount of companies utilizing CSR in some form grew and this gave researchers (Cochran & Wood 1984; Aupperle, Carroll & Hatfied 1985; Wartick & Cochran 1985) access to vast quantities of empirical data, which in turn allowed them to analyze what kind of effects having CSR had on the profitability of aforementioned companies. As the amount of companies practicing grew, so too grew the needs of better definition for CSR. Luckily, the empirical data obtained provided evidence towards the four dimensions of CSR described by Carroll and that analyzing said dimensions together with the principles, processes and policies used in the companies was extremely helpful creating definitions of CSR. (Carroll 1999)

After significant contributions to the field of CSR research by way of elaborating and combining Carroll’s (1979) Social Performance Model and the work done towards defining CSR by Wartick & Cochran (1985), Wood (1991) was able to discover and address new issues that, while known to exist beforehand through the performance model research, had not yet been explored or explained. The significance of these new contributions to his research drove Carroll to improve on his design of the model, finalizing it in 1991 into its current pyramid shape. This change also heralded the more significant, permanent change from the performance focus of the original model towards the strict responsibility view of the new pyramid model. The pyramid shape was chosen to signify the existence of four layers and at the same time portray their relative importance for the sphere of stakeholder influence in which the company operates. A survey (Carroll 1994) about social issues showed that while most of the issues raised and deemed important for research fell under the CSR definition, most of them had not yet been linked with CSR. (Carroll 1999)

While Carroll’s pyramid might be seen as vague enough to encompass the most pressing social responsibilities of companies, from a research perspective there still are and will be responsibilities that lie outside the four main parts. What is also observable is that many companies are biased towards social responsibilities that are the easiest to accomplish for them (van Marrewjik 2003). According to Dahslrud
(2006), a common definition of what exactly falls under CSR must be reached if the field is ever going to be rid of the biased practices. In his analysis of the 37 most common CSR definitions, Dahlsrud found that despite the great amount of more accurate definitions presented, a five-dimensional common ground was found: all of the definitions could have been categorized under economic, environmental, stakeholder, social and voluntary responsibilities. Environmental issues, while no doubt important, are not necessarily social in nature and were left off further research because it had only been introduced in the CSR definition by the World Business Council for Sustainable Development (WBCSD) (Dahlsrud 2006).

Using only the four dimensions of the CSR pyramid allows for the research to stay focused and simpler than it would, were sustainability and environmental issues also addressed whenever CSR was mentioned. According to Dahlsrud (2006) it is not feasible to seek an all-encompassing definition for CSR, but rather focus must be placed on how responsibility is viewed and understood in certain social contexts. CSR then should not be seen as a combination of easy-to-reach goals picked by the company to best combine the lowest amount of effort and highest perceived effect, but rather as a set of higher, nobler aspirations. Stakeholders should keep in mind that neither the requirements nor the reactions to those requirements happen overnight and as such corporate social responsibility is not a static, but rather an ongoing process.

At least three major attempts at unifying guidelines for corporate social responsibility have been made. These are the United Nations (UN) Global Compact, the OECD Guidelines of Multinational Enterprises and the ISO 26000 Guidance Standard on Social Responsibility. While all of them exist to improve amount of responsible business in their members, they do so in different ways and hold their members, if at all, accountable in different ways. Despite having a complaint mechanism that allows for discourse with outside stakeholders, the OECD guideline only affects companies working from or in one of the 46 OECD countries. The strengths of the ISO 26000 standard lie in the cooperation with NGOs, especially in developing economies and research has shown companies in these countries to be interested in following the standard however, without any sanctions or verification the effects of adhering to the
standard are still unclear. The same problems exist with the UN Global Compact, as it is wildly popular and a great way for companies to showcase their responsibility through the defining ten principles, but it fails in making sure that its members follow and try to improve in their responsibilities (Theuws & Huijstee 2013).

3.2 The pyramid of corporate social responsibility

As the research focus shifted from solely the shareholders to a wider stakeholder approach, there was increase in demand for a good definition for CSR. From the three circled model of the CED in 1971 to the Social Performance Model of 1979, the pyramid of corporate social responsibility was a result of two decades of research towards understanding what exactly the areas that social responsibilities include are. Carroll decided that the most significant were: economic, legal, ethical and philanthropic. The pyramid shape of the model was used to portray the significance of each responsibility, the wider the layer, the greater its significance. It is worth mentioning that the layers themselves do not exclude one another, and something that falls solely into one category can also influence any of the other layers. For example, a law demanding a certain degree of profitability can be both an economical and a legal responsibility. (Carroll 1991)

As can be expected, the bottom and most significant layer is the economic: the purpose of a company is to create profits for its stakeholders. The difference with the pyramid and the traditional approach is however, that where shareholder value optimization is paramount in the latter, the former could be seen to optimize stakeholder value. This is not to say that one should exist without the other, the best way would be to pursue both without compromising the social responsibility aspect (Carroll 19991). While the economic layer should be most important for most traditional businesses, new concepts such as social entrepreneurship have risen to challenge the notion that companies, at their core, should be based on economic profitability.

As they are legal objects, companies are also bound by the laws and regulations of society. Carroll (1991) wrote that businesses which operate according to the
aforementioned bounds enter a “social contact” that ties together the social and business environment. Laws, being “codified ethics”, are both an integral part of any modern society and a more strict version of the following, ethical layer. Adhering to them is the second most important responsibility from a business perspective, a fact that even one of the most proponent critics of CSR, Friedman (1971), saw as an absolute necessity even when pursuing optimized shareholder value. This, however, does not mean that the pursuit of economic responsibilities goes before the legal, as said earlier; the layers are there to describe a relative situation where one should come first but at the same time work together with the following layers to produce a meaningful whole.

The third layer of the CSR pyramid consists of the ethical responsibilities, by Merriam-Webster’s (www.merriam-webster.com 2014) definition, the ideology of what is morally good or bad and the actions thereof that fall under one of those categories. As per the definition above, ethics are not concrete regulations, but rather the guidelines and expectations of the society and the consumers, employees, shareholders and other stakeholders in it, that, if reinforced and codified, will move on to become laws (Carroll 1991). Because of this, the ethical responsibility layer is the entryway to the pyramid. Also, due to its unregulated nature, the ethical responsibility layer is the most volatile and the responsibilities within can change very quickly depending on geographic regions. The ethical requirements and expectations can also follow multinational corporations from their originating country to the country of current operations, and this needs to be addressed when considering a more wholesome corporate social responsibility practice.

The last layer of the pyramid is the philanthropic responsibilities. These are seen as a way for the companies to “give back” to society (Carroll 1991) and, as Adam Smith put it in The Wealth of Nations: “It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.” While Smith’s quote strictly speaking means only that something that is proportionately more taxing on the rich should not be rejected outright, it can also been seen that those with the ability to improve the lives of others, should do so. Philanthropy and abstaining from it should never reflect
negatively on the company. Companies themselves should see whether they have the ability to conduct environmental research, promote arts and actively support studies after all the other responsibilities are met, a sort of “icing on the cake” (Carroll 1991). It needs to be mentioned however that the focus of philanthropy is often misplaced, the focus of funds can go awry and that more locally empowering practices, such as social entrepreneurship, should be considered where applicable.

As the original pyramid model was tested on and modeled after Western companies (Aupperle et al. 1985) its applicability to developing economies and the meaningfulness of applying a westernized model across the globe has been questioned. In his application of the pyramid model to developing nations in Africa, Visser (2008) recognized significant differences in the position and emphasis of the layers compared to the original Western approach. Not only the state of the economy, but also the cultural influence on markets in regions such Asia and Latin America, are both sources of discernible changes. Furthermore, changes to the layer position and importance thereof can be seen to have been caused by national business systems, even in adjacent regions of similar cultural systems and state of development (Visser 2008).

The differences do not exist only between Western economies and those with different cultural backgrounds and developmental statues, but also between regions that can be considered Western (Crane and Matten 2007: 51). Crane and Matten explained that corporate social responsibility in Europe differs somewhat from the North American example because of differences in governmental interference and less profit-centered practices when it comes to unprofitability and plants in regions where shutting them down would stagnate the entire area. In Europe there is larger overlay of the layers, even across the adjacent ones: running an unprofitable plant might be uneconomical, but at the same time extremely ethically responsible. Additionally, Wootliff and Deri (2001) present that the amount of governmental scrutiny and other supervision in Europe is much higher due to the inherent suspicion towards the activities of large, multinational corporations.
Crane and Matten (2007) also argue that because the degree of taxation in Europe is higher than that of the other Western economies, mainly United States, where the original study to create the CSR pyramid was made. Because of the taxation differences and the funneling of tax money through to governmental channels into social betterment such as welfare, European companies can be seen to practice mandatory, involuntary philanthropy and that in turn decreases the possibilities of philanthropic action according to the original pyramids definitions. While noticeable differences exist in the pyramid depending where it is utilized, it is not applicable to argue about the feasibility of the model, rather to use it as is and acknowledge the four layers, economic, legal, ethical and philanthropic, regardless of the variance in their usage domestically in Finland and abroad where the case company operates. A more broad study might be able to include further analysis on the applicability of the model in relation to the Finnish forest industry.

3.2.1 The pyramid of corporate social responsibility for developing countries

The array of variables that cause differentiation in the CSR pyramid is great; cultural tradition, political reform, market access, crisis response, degree of international and national standardization, incentives to investment and stakeholder activism each contribute to building a framework through which the “distinctive picture of how CSR is conceived, incentivized and practiced in emerging economies.” (Crane & Matten 2007: 52). The following pyramid, adjusted through the framework above and specifically concentrating on the African developing economies was created by Visser (2008). It shows fundamental changes in its structure, caused by the differences in the CSR expectations of outside stakeholders between regions, regardless of whether same companies operate in both markets.

Taking into consideration the basis of Carroll’s CSR pyramid, which was the Social Performance Model (Carroll 1979, 1991), the differences in approaches to responsibility demands in developing countries are understandable. Whereas Western economies have traditionally focused more on profits and performance, their developing counterparts have more issues in the social sphere that companies may help with (Crane & Matten 2007; Visser 2008). Regardless of the operating company
in the developing economy actually originating from that economy, or the active party in the region being an FDI owned by a company from another country, the idea of how their social responsibilities affect their stakeholders is two-fold. Firstly, the companies are responsible to their owners and require a certain degree of profitability to continue working in the region. Second, a successful company or an FDI in a developing region is in the position to be a catalyst of economic growth for the region, which in turn would help the company by making the area where it operates more attractive for workers and further investments.

Visser (2008) recognizes philanthropic responsibilities to be the second most important in developing economies. The reasoning behind this lies behind four main concepts of how philanthropy is seen to be different: firstly, there is more to be done in developing economies in terms of empowering the local population and strengthening the infrastructure and working with the government than there is in developing economies. Secondly, as mentioned above, philanthropy can be used to improve the area where an FDI operates in order to maximize its long-term profits. Thirdly, the culture in developing economies is such that there are certain expectations of philanthropy and having the more developed countries “help” the developing, maybe they might feel they need to do this to atone for the bad treatment via colonialism where applicable. A general cultural difference between the “haves” and “have-nots” makes it easier for stakeholders in developing economies to expect better times. This brings forward the last, fundamental difference, and that is the concept of CSR is so foreign that its purpose might not be fully understood and might even be confused as a whole with the partial CSR concept of philanthropy.

The reason why the legal responsibility layer has moved up in developing economies is not because companies taking advantage of a more relaxed legal system and conducting questionable business practices. Rather, it is because of the fact that developing economies are called that for a reason. Their weaknesses in infrastructure, lack of resources and poor efficiency in enforcing policies on a general level make it impossible for companies to put the same importance in legal responsibilities as they would in a developing country. While there are developing economies that have taken action in creating laws for social and environmental
responsibilities and the betterment of human rights (Visser 2008), there are many such economies that have not (Mwaura 2004). There is also the possibility that young governments would rather focus on being appealing to foreign investors, at the cost of lower tax revenue, but higher total income, and continuing slow development within the social responsibility field. This reluctance to change the status quo also allows for companies to abuse the legal system and avoid taxes, despite what their own CSR policies might dictate (Christensen and Murphy 2004).

The ethical responsibility layer is the least important or meaningful in the pyramid for developing countries. This holds true even if Visser (2008) argues that it should be of utmost importance because the positive impact improved ethical responsibilities would carry on to the other layers, improving the whole. Unfortunately, for the stakeholders in developing economies the consideration of ethics cannot be as important as it should. The lack of focus in ethical responsibilities can be caused by widespread corruption, problems with legal issues and other problems such as the importance of basic needs over their ethical counterparts could very likely fill out a study of their own. Initiatives have been taken to reduce these difficulties, but the governments with the possibility and the access to implement meaningful changes have often outright refused. Simply, the people responsible and with possibility for improving the ethical situation for everyone in the economic region see that it is more lucrative to continue to allow companies to keep bringing in the money and conducting questionable business practices (Visser 2008).

For all its rigidity and perceived lack of scope for a concept as large and multifaceted as corporate social responsibility, the pyramid model wonderfully describes the most important aspects of CSR. Furthermore, using Visser's (2008) analysis of the differences between regions with varying states of economic development, an understanding can be reached that CSR is not and should not be a singular entity within a company; rather, companies should have different approaches to CSR on local, regional, national and international levels to more efficiently tackle the responsibility issues that they see most important but also the ones the outside stakeholders in each given group reacts most strongly to. There seems to be a need in
the contemporary research for creating a transitional model that allows for different CSR focal points between the aforementioned levels of different stakeholder groups.

3.2.2 The universal model of corporate social responsibility

The most recent addition to Carroll’s (1991) and Visser’s (2008) pyramids is the proposed Universal Model of CSR (Nalband & Al Kelabi 2014) which broadens the scope of the pyramid, while introducing elements for the business environment and the beliefs and values of promoters, stakeholders, strategists and influential groups. Nalband & Al Kelabi also move legal responsibility ahead economical with the argument that legality of a business comes before any economical action. This is because while they agree that economies with questionable legal systems exist, investing there is too risky to be taken into account and as such this should not matter when creating a universally suitable CSR model.

Nalband & Al Kelabi (2014) point out that since the original pyramid model will be too easily skewed by managers seeking to disguise their real motivations by “greenwashing”, having a wider scope than the four layers will allow for explaining certain managerial actions. The inclusion of the whole environment of stakeholders also allows for introducing concepts from outside the traditional view of CSR as motivators for CSR, while holding on to the actual definition which is more widely known. As one of the most important critiques that the authors recognize, this model should be able to explain Porter’s (2003) question as to “why companies should practice CSR?”

While the model is too recent to have been tested properly, the authors make good points in that the “beliefs, values and assumptions” of governments and stakeholders are important to the creation of CSR from both in- and outside of the company. These drivers also exist in every region regardless of the level of economic development and as such provide a solution to the differences pointed out by Visser (2008). If the changes in environment and cultural aspects are taken into account, the existing layers of Carroll’s (1991) pyramid can adjust accordingly and still remain relevant as a part of the new CSR model.
The development of CSR practices, as observed by the focus of CSR research, since the 1950s has largely developed in a similar fashion to the multinational research. First, the research focuses on the external, what are the demands for CSR, how is the company viewed and reviewed from the outside and so on. Second, the interaction of a company in its environment is taken into account from a singular viewpoint, which in turn creates the pyramid model, giving weight to effect of each requirement. Third, regional differences are identified and evaluated, each region demanding certain responsibilities while being more relaxed in others. Last, the bigger picture, network-themes and a complex business environment is established where companies create their own ecosystems, with the social constructs and cultures of the employees as the most significant source of a company’s CSR strategy. And so, a company entering another country may be able to match the CSR requirements from its own framework, but as it has been shown, the laws and regulations do not change instantaneously nor do they accurately reflect the total CSR demands of a region. It is not enough to know what the situation is on the outside, to be wholly involved in CSR across borders a company needs to know the underlying motivators and drivers of the stakeholders.

3.3 Corporate social responsibility in the Finnish forest industry

“The purpose of the company is to generate profits for its shareholders.” is a straight quote from the Finnish legislature on corporation (The Limited Liability Companies Act 624/2006, 5§). Keeping in mind the bottom layer of both of the CSR pyramid approaches, regardless of economic development, it is understandable that such a fundamental also exists as a forced, legal guideline. What the law does not mention however, and this is a common misconception, is the maximization of the aforementioned profits. Many critics, and sometimes even proponents, of corporate social responsibility tend to make that mistake when arguing against the use of resources for CSR or the possible lack of effort in achieving some CSR objectives. The Finnish Ministry of Employment and the Economy has advised companies to “have mechanisms in place to help them identify their key stakeholders and conduct dialog with them in order to find solutions for shared problems.” The Ministry also decrees that the degree with which the government is involved in the development of
national policies of CSR is well established. An advisory board has also been established to interact with the OECD and their Multinational Enterprise Guidelines. ([www.tem.fi](http://www.tem.fi), cited 8.10.2014)

In Finland, most of the companies follow the simplest regulations, including the one above whereas the larger companies tend to be very vocal about their high standards of corporate social responsibility and often practice it according to their claims (Panapanaan et al. 2003). The reason why larger companies are more active in their CSR could be a derivative from the prevalence of media and larger amount of active stakeholders. This means that larger companies are under relatively higher pressure to conduct responsible actions, whereas the actions of a smaller company might go unseen whether they are positive or negative.

Panapanaan et al. (2003) also found out that despite some companies in Finland practicing a lot of CSR, as a whole the responsibility approach is not integrated with other business concepts such as profitability and performance, even if Carroll’s (1979, 1991) research shows that there should have been a change in the focus of companies from those two to a more broad approach with CSR included. This might be partially explained by the perceived differences between CSR in United States and Europe (Crane & Matten 2007, Visser 2008) which confirmed the findings Panapanaan et al. had had earlier in Finland. Companies tended to build their CSR practices around the existing governmental systems: Legality was of high importance, whereas issues such as forced- and child labor were not considered as they were largely thought to be addressed by the social structure of Finland. Understandably, the same does not hold true in many developing economies, causing various problems when a static CSR policy built from a European viewpoint is transferred elsewhere.

Globalization is the biggest driving force behind CSR due to the issues already mentioned. If CSR is expected to be a part of the company, the larger the company grows, the larger will be the amount of stakeholders that are influenced by it and influence it in return. The main stakeholder group, which breadth is determined by the degree of globalization comes next. In Finland these include a multitude of
regulatory bodies, industrial federations and employees (Panapanaan *et al.* 2003). The employee angle is particularly interesting as there have been findings that correlate the amount of CSR practiced with the appeal of the company as an employer. The interaction between companies and employees has usually been busy and companies have been found to actively cooperate with labor unions and related organizations (Takala & Hawk 2001).

The pursuit towards sustainable development (SD) is in many cases thought to be an integral part of CSR, and in Finland this is particularly important as many of the biggest companies in the country utilize nature and natural resources in their business. Companies that utilize natural resources also have an increased amount of focus from NGOs and other stakeholders that have different ideas about how they should be used. Lastly, the avoidance of bad experiences, conflicts and other mistakes in business while striving to meet customer demands are basic requirements for any business and therefore quite weak drivers for additional CSR practices, however they need to be mentioned as a failure in these weak, but mandatory drivers can cause a chain reaction that undoes years of positive publicity gained by responsible business, the effect of which requires more research (Panapanaan *et al.* 2003).

Finnish companies face multiple issues regarding CSR and identifying the correct drivers in the correct situations is crucial in creating a successful overall policy, which then needs to be concretely integrated into the overall strategy. Relevant links between drivers and different aspects of CSR must also be recognized, for example supply chains and customer relationships are tightly intermingled with the environmentalism issue within the corporate social responsibility practices of Finnish companies (Panapanaan *et al.* 2003). This is because usually the origins of a product and the care about the environment are something that customers might base their purchasing decisions on and this goes for larger companies too who are similarly interested in controlling and reviewing the CSR practices within their supply chain.

According to corporate social responsibility research conducted at the Lappeenranta University of Technology (LUT), within the forest industry there are but a few
forerunners in the field of CSR. Major companies (averaging 36000 employees) tend to be more active in their responsibility whereas smaller (averaging 10000 employees or less) are observably less active. A significant prevalence of reports in social and environmental responsibilities were found and the reasons behind some of the most recent developments came from outside the legal requirements, which is understandable considering the findings of Nalband & Al Kelabi (2014). Another finding was the pressure on the supply chain to adopt CSR practices, as in most cases the mistakes in CSR within the supply chain carries a negative impact on the forest industry company itself. Some of the issues within supply chain can be derived from the different regional CSR requirements, such as South America or Asia. (lut.fi 2014)

The forest industry companies, particularly the larger ones, have made significant advances in understanding the geographical and locational differences between the traditional North American and European markets and the South American and Asian markets. The observable differences between the two, as was also obvious in the pyramid models (Carroll 1991, Visser 2003) has forced companies to adjust their policies considering legal, ethical and environmental responsibilities. Rather than waiting for the differences to manifest through campaigning, which is often negative, companies have taken a proactive and preventative stance to understanding why these campaigns happen and how their causes could be eliminated beforehand. In summary, the LUT webpage presents the conclusion of the study with the following: “Out of areas related to corporate social responsibility, issues to do with the environment have been addressed the most prominently, but in recent years the forest industry has also had to take a public stand on ethical and social issues. More generally, issues related to corporate social responsibility can be expected to become an increasingly central element in the activities and communications of companies.” (lut.fi 2014)
3.4 Theoretical framework

The theories of multinationals and CSR are linked through internal and external activities and the management of everything in between those two dimensions, namely management of business networks for multinationals and stakeholder dialogue for CSR practices. The following figure (Figure 2) explains the similarities in dimensions and differences in how those dimensions relate to the practices for both multinationals and their CSR. The boxes above describe the multinational activities and the boxes beneath explain the corresponding CSR activities for those multinational activities.

![Figure 2. Theoretical framework of multinational advantages and CSR.](image)

The figure also presents the CSR activities as such that using them to their full potential can reduce or increase, whichever is more applicable, the relative activities of the multinationals. So integrating CSR and business will contribute to increased internal strengths. Conducting continuous stakeholder dialogue will increase the strength, variety and breadth of the networks the company is involved with. And finally, conducting responsible business will provide a reduction in external pressure, whether it is cultural, environmental or economic. Additionally, the following figure presents a combination of the most important areas of CSR, divided by degree of development and finally the universal 2014 model, which introduces assumptions, values, beliefs and environments as additional attributes for the requirements of corporate social responsibility.
Table 1. Important areas of CSR divided by region (modified from Carroll (1991), Visser (2008), Nalband & Al Kelabi (2014)).

<table>
<thead>
<tr>
<th>Degree of importance</th>
<th>Developing economies</th>
<th>Developed economies</th>
<th>Universal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least important</td>
<td>Philanthropic</td>
<td>Ethical</td>
<td>Philanthropic</td>
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<tr>
<td></td>
<td>Ethical</td>
<td>Legal</td>
<td>Ethical</td>
</tr>
<tr>
<td></td>
<td>Legal</td>
<td>Philanthropic</td>
<td>Economic</td>
</tr>
<tr>
<td>Most important</td>
<td>Economical</td>
<td>Economical</td>
<td>Legal</td>
</tr>
</tbody>
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Assumptions
Values
Beliefs
Environment
4 METHODOLOGY

This chapter illustrates the methodology used in the research process and the justification behind the chosen methods with the help of specific research literature by Hirsjärvi & Hurme (1988), Yin (1994), and Hirsjärvi et al. (1998). The combination of research literature with the chosen strategy is done to make sure that the validity and reliability of the study are not compromised by faulty research planning. The chapter also introduces the data collection process, the persons interviewed for the aforementioned data and a perfunctory case company overview. As the subjective views of the interviewees are at the focus of this research, no further examination into the case company as an entity is warranted.

4.1 Research strategy

A case study aims to “understand complex social phenomena” and retains “the holistic and meaningful characteristics of real-life events” (Yin 1994). A case study is also suitable for examining managerial processes, international relations and individuals, all of which are pertinent for this study. As a single-case study, this thesis aims to satisfy two of the four rationales for case study designs described by Yin (1994). Primarily, this case study works as a precursor for future research on the interaction between corporate social responsibility and the internal factors of the company, as well as aiming to identify possible advantages and challenges that might be evident from an internal perspective but have not been taken into account in existing CSR theories. As Yin (1994) elaborates, this does not solely satisfy the requirements of a complete study and as such, this thesis also functions as a critical case, testing the existing theories of CSR against the obtained empirical data.

The empirical data in this study is quantitative, which is suitable for finding out something new and reveal previously undiscovered themes (Hirsjärvi et al. 1998: 161). As such the subjective nature of the semi-structured interview data is very suitable, especially as Hirsjärvi et al. further explain that objectivity is unlikely to be achieved with qualitative data. The wide ranging theoretical background for both the multinational and the corporate social responsibility view is partially to avoid the
pitfall of qualitative studies where the theoretical aspects of the research are only examined in a very perfunctory manner (Hirsjärvi et al. 1998: 162).

The case company selected for this study was done chosen with three qualifying criteria in mind. First, the company had to be Finnish and it had to operate internationally. Second, the company had to be active in corporate social responsibility and third, the company and the industry were already familiar to the author on the basis of previous research. As there were originally multiple companies that met these criteria, all of them were contacted via e-mail and phone calls. UPM was eventually chosen due to their willingness and activity in participating in the study.

4.2 Data collection

The data for this study was collected with three semi-structured interviews, conducted in October 2014. After contacting the communications department of UPM in January, the interviewees were internally chosen by the company, which increased the probability that they were also suitable to answer the questions and contribute to the research. The interviewed persons were: Timo Lehesvirta, Director of UPM Forest Global, Kaisa Vainikka who works as Senior Specialist of Corporate Responsibility and Päivi Salpakivi-Salomaa, Vice President of UPM Environment and Responsibility. The interviewees will be referred later in the analysis by abbreviations of their name; TL, KV and PSS, respectively. The interviewees were asked whether they wanted to be identified and whether their company should stay anonymous. They obtained a copy of this work for review before publication and no objections for lack of anonymity or major mistakes were found. As the selection of interviewees needs to be justified (Hirsjärvi & Hurme 1988: 46, 130), the aforementioned can be viewed as experts in their respective fields and should therefore provide suitable empirical data. Due to time constraints and difficulty in establishing a date for face-to-face interviews, the data collection through interviews was eventually chosen to be held as individual phone conferences. The semi-structured interview was chosen to allow the interviewees the possibility to talk
about their own views and opinions on the subject matter, allowing for an exploratory study to be conducted.

Apart from the first interview conducted on the 2\textsuperscript{nd} of October 2014, the interviewees were e-mailed a preparatory list of themes and structural questions (Appendix 1). As the interviewer and the interviewees were all native Finnish speakers, Finnish language was used for convenience and the text later translated to English by the author. The interviews lasted between 45 and 60 minutes. The interviews were recorded with the permission from the interviewees and transcribed word-for-word. The transcribed interview texts were combined thematically into background, CSR in general, in Finland, internationally and in the future. These themes were also used in the interview to guide the process. The thematic division was done twice to allow the comparison between interviews and also to identify and collect the most frequently occurring themes and relevant topics, even if the interviewees talked about them under a separate interview theme. To make sure that all of the data was taken into account, the recordings and transcribed texts were reviewed multiple times and extra care was taken to preserve all of the spoken data as it is common that taking shortcuts in transcribing might compromise the accuracy of the information and thus the validity of the empirical data (Hirsjärvi & Hurme 1988:130, Yin 1994:86).

As supporting secondary data, the annual reports of UPM were also reviewed. However, due to the exploratory nature of this thesis, the information in these reports is not heavily reflected on the empirical analysis, as the purpose of the study is to obtain knowledge from the employee perspective rather than the refined, corporate reporting.

4.3 Data analysis

Qualitative data is often used in an analysis that aims to understand a phenomenon and draw conclusions thereof. In order to properly analyze the data and have a suitable base to draw conclusions from, Hirsjärvi \textit{et al.} (1998) have listed three preparatory functions that should be done before the data is complete enough for an analysis to take place. These steps are the verifying of the data and that it the
information in it is not inaccurate, the obtaining of additional supporting data for the obtained empirical data and lastly the sorting and codifying of the complete data.

For this study the actions taken in each of these steps include multiple revisions of the interviews through repeated viewings of both, the spoken audio in the form of recordings and the transcribed text. The reason behind this is to make sure that all of the data is available for the final analysis and to make sure there have not been any mistakes between the listening and transcribing processes with the end result being data that is verified and accurate.

As supporting data for the semi-structured interviews, yearly reports and in some cases press releases from the company were viewed and reflected to gain a complete understanding of the phenomena and to better understand some of the underlying themes that are evident in the interview data but might not exist in the theoretical framework. While not entirely scientific, some non-governmental organizations and their views towards the case company were also investigated to illustrate possible the differences between stakeholders and the company.

There are many computer programs are available for codifying and sorting qualitative data, the relative small size of the transcribed interview data is not too unwieldy to be analyzed manually, and as such computer assistance is not warranted. The data was sorted by the main themes used in the interview, with extra emphasis put on words and topics that would arise from the data.

4.3.1 Specifics in case study analysis

Yin (1994:102) explains that the analysis of case study data requires some additional thoughts. Firstly, an analytic strategy must be chosen based on the evidence and what the best main analytical strategy would be to get the most out of that evidence. For this study, the option is to rely on the theoretical propositions as something that has been researched but has not sufficiently taken into account the position taken in this study; that it is an internal force that drives CSR to surpass the requirements of outside stakeholders. As these propositions have influenced the buildup of the
theoretical background and played an integral part in the selection of the qualitative data collection method, they will also influence the filtering of the transcribed interview data to portray the most relevant information.

As a supporting method of analysis, *pattern-matching* will be utilized against the empirical data to build meaningful analytical statements that are common for all the produced interviews (Yin 1994:106). The patterns however have to be chosen carefully so as to not explain the obvious patterns of a single-case study and the company in question, but to link the underlying thoughts and values of the interviewees. It should be obvious that the company culture and environment create a similar pattern in the background of each interview. As a single-case study the possibility to replicate the found patterns will remain to be realized in further studies.

Four particular points have been emphasized by Yin (1994:123) that determine the success of any analysis: first, all the relevant evidence must be examined. Second, all major rival interpretations have to be addressed. Third, the analysis should address the most significant aspects of the case and fourth, the case study should include the authors own, previous expert knowledge. Furthermore, the analysis of case study data is the most difficult yet important part of the research process and concern should be put towards simplicity in the analysis for novice researchers.

4.3.2 Specifics in analyzing semi-structured interviews

The rich qualitative data obtained from the interviews was not transcribed *verbatim*, and even further liberties will be taken in pinpointing the essentials in quotes chosen to represent the interview data as the text is translated from the transcribed Finnish, to the English used in this study. Because of this, a lot of the analytical process is already done by choosing what is written down in the final study and Hirsjärvi et al. (1988) explain that such a filtering process can be a part of the qualitative analysis and works to create an overall consensus of the obtained data.

Analysis of the interview data can be both qualitative and quantitative (Hirsjärvi et al. 1988), but for the purposes of this study a fully qualitative approach is most
suitable as the amount of interviews is low and to enrich the analysis and bring out more from a limited amount of data a more versatile approach is required than merely numbering different themes with values and performing a quantitative analysis. So as mentioned above in the case study specifics, it is better in this case to create new theoretical ideas by shifting through the obtained empirical data and examining it through loose categorization to find new, attributable themes and write an analysis based on those. The main thematic guidelines in the interviews will work as rudimentary guidelines that direct the analytical process both outside and within the study.

4.4 Case company overview

The case company used in this study is UPM-Kymmene Corporation, a pulp, paper and timber manufacturer usually known by the shorter acronym UPM, which stands for United Paper Mills. In 1995 the companies Kymmene Corporation, Repola Ltd. and its subsidiary United Paper Mills announced a merger. The resulting company, UPM officially started its operations in 1996 (upm.com 2014). As of 2014, UPM employs around 21000 people in 14 different countries (UPM Annual report 2013). In order to better portray its focus, UPM has created the Biofore brand that better describes its operating strategy over the industrial connotations that simply being United Paper Mills would have. This aforementioned brand is derived from “Bio”, which consists of future orientation, sustainable solutions and environmental performance, whereas “fore” is drawn from forest and being at the forefront of development (upm.com 2014). UPM is also listed as the industry leader on the European and World Dow Jones Sustainability Indices (DJSI) (upm.com 2014). The company describes its involvement in CSR with the following words:

“Corporate responsibility is an integral part of the company’s long term business development, which enables UPM to partner and create value with stakeholders, benefitting both the business and local communities.”
“The foundation for corporate responsibility at UPM is the company’s Biofore strategy. It sets the direction for innovation, product development and safe and sustainable operations.” (UPM Annual report 2013)

The quotes show that UPM has a very broad approach to CSR. It recognizes the importance of stakeholder interaction both locally and internationally, and has a win-win approach in terms of how meeting perceived responsibilities can be beneficial to everyone involved. UPM also strongly believes in sustainable development and innovation through its Biofore brand. Unlike many of its competitors, UPM has not received any negative press about its CSR practices lately, which could indicate that a diligent and broad focus on these issues has been successful thus far.
5 INTERNAL VIEW TO CORPORATE SOCIAL RESPONSIBILITY

This chapter presents the analysis of the qualitative interview data obtained through interviews and analyzed with the methods and criteria described in the earlier chapter. The analytical process and the use of descriptive subheadings loosely follow the themes and questions used in the interview appendix.

5.1 Background

The interview process begun with mapping the backgrounds of the interviewees: their educational background, their work history and how they have ended up in their current work. A rudimentary view of how much CSR work is involved in the current work of the interviewees was also established. The education of the interviewees was diverse; backgrounds in business, biology and forestry, which was to be expected considering the breadth of themes relative to CSR, especially in a company that works with renewable and natural materials is equally diverse. Furthermore, a probable link was found between the original educational background and the type of CSR that the person in question is tasked with. A background in biology has resulted in forest and environmentally related CSR work, whereas a background in business works more with social issues and the management of policies.

All of the interviewees had a long working history within the company, ranging from 7 to 20 years. Beginning with summer internships or trainee-type programs during studies and continuing from there towards their currently held positions. By obtaining working experience in multiple areas, even if the work is concentrated in one aspect of the multinational company, most likely results in a wider understanding of the corporate structure, the corporate culture and the goals of the business unit in question as a part of a bigger whole. This leads to a situation where the culture in the company can influence and be influenced by the employees in the long-term. This can also result in an employee moving from traditional business task towards a more responsibility related area:
While I was a student I started as an intern in our human resources department and then moved on to material acquisitions and then later on was involved and got acquainted with corporate responsibility through the work I did in acquisitions. (KV 16.10.2014)

Their work that the interviewees did was mostly if not completely about different CSR issues, relative again to their previous working experience and educational background. It could be seen as the background driving the person to work in a field related to their interest, or the company realizing the potential of said person in the field and thus directing him or her to that job:

It (CSR) is quite strongly linked with my work. I coordinate and improve the acquisition of our main resource, wood. I follow, develop and try to improve issues related to it and its sustainability on a corporate and international. In practical terms I almost exclusively work on matters related to corporate responsibility. (TL 2.10.2014)

Even with being focused to CSR related to the background, interviewees also had a good idea of the general corporate CSR. The interview data also portrayed people who were also highly motivated and felt like they were doing work which was interesting to them and what had motivated them to enter such a field in the first place:

Back in the 90s when environmentalism and stakeholder interaction I worked as an environmental manager... Later I transferred to work with international forest environment question... Five years ago I started as VP of Environment and Responsibility and with the change in corporate structure am now responsible also for corporate responsibility, so environmental-, social- and economic responsibility reporting and coordination. I have always been really interested and enthusiastic about improving these things. (PSS 16.10.2014)

The case company had undergone a structural change in 2009, creating the Biofore strategy and moving from three separate business units to six. During that transition
period some changes were done to the responsibility functions, and employees from a centralized responsibility team were transferred to unit specific jobs that utilize in responsibility tasks. Currently the centralized team employs around 20 people and works in conjunction with the responsibility workers within their respective business units. In general, some of the responsibility work is done by full-time employees and some is done in the business units in addition to the normal operational work. The organizational change both clarified the work done on the CSR and improved the integration of CSR into the overall business strategy. Because the two are strongly interrelated, the change was perceived to have increased the added value UPM can provide for its stakeholders:

In a way this new organizational structure has brought us closer to the business function, so we are closer to the business and the people responsible for those functions. I am sure we can say this organizational change both clarified and made easier the (CSR) work that we do. (KV 16.10.2014)

The impact of theoretical background on the analysis of background information is minimal because CSR theories presented in the study observe the phenomena mainly from the stakeholder perspective and as such are not suited in analyzing the values and motivations of employees and managers. Whereas the later theories of the multinational recognize the importance of looking inward, they also fail to link the responsibilities with the aforementioned qualities in workers, rather seeking to understand internal advantages from a managerial or functional viewpoint.

5.2 Corporate social responsibility

Some difficulty with the concepts and definitions was found during the interview process, especially when translating English to Finnish and then back to English. Corporate social responsibility was perceived more as corporate responsibility and environmental responsibility, which might have affected the interview process somewhat. However, interviewees were quick to point out that even if the term sounded wrong in Finnish, it was all part of a larger whole as the theoretical background in this study presents. Corporate social responsibility has become CSR
in literature and environmental concerns, while still separate and not as prevalent in the theoretical background used in this thesis. That being said, they sometimes get mixed up in the definitions especially when companies that work with natural resources are concerned. Despite the fragmented nature of the thematic differences, all final responsibility of CSR and any other functions of the company are with the CEO, the employees and managers under him being responsible for the concepts they are tasked with.

The view towards responsibility within the company is very traditional in a sense that it mostly revolves around the three responsibilities, which according to Dahlsrud (2006) have always existed as responsibilities of a company: the responsibility over the economic, environmental and social. On face value, the results of the interview data are not directly applicable with the pyramid model of Carroll (1991). However, when the interconnectedness of the separate terms is considered, it can be said that in order for environmental responsibilities to have an impact, someone from the stakeholder group has to be affected about what is done with that responsibility. As such, it can be further divided from an environmental responsibility towards one or more of the layers of responsibilities in the pyramid. The responsibility of the company is seen to be profit maximization, much like Friedman (1970) prophesized. But it is not an all-driving agenda; rather profits maximization should be pursued in relation to the stakeholder groups and their requirements.

From a social perspective, responsibility is taking into account the environment but also the people and the society so that producing materials, acquiring it, using the soil and other work is not taking something away from anyone’s rights or interests. (TL 2.10.2014)

CSR is all about cooperation and trying to find a situation where, if possible, everyone wins. The challenges therein are with finding the optimal situation for all the stakeholders and the company from a web of interchangeable interests and definitions. Furthermore, many issues related to CSR or some of its thematic subjects, such as sustainable development, conservation of biodiversity and reducing global warming are too big for any company or stakeholder group to solve alone. The
global trends and megatrends towards these issues are the underlying drivers of responsibilities regardless of the operating region of the company. This again increases the importance of cooperation and dialogue between influential parties towards the goal of continuing and sustainable business in any environment.

Within UPM there is some adjusting of focus within concepts, such as dividing environmental issues into products, water, resources, climate and waste. Internal responsibilities can also be divided into subchapters such as employee safety, development, health and so on. The safety and the well-being of employees in an industrial company are also of great concern, and emphasis from an internal perspective needs to be put separately into business units where hazardous materials or heavy machinery are used. Separation seems to be benefiting the CSR work, where the expert of a field can focus on that area in CSR while keeping in mind the overall status and the strategy of the company.

*I do work as an expert with these environmental issues and work with a carefully chosen and diverse group of stakeholders, environmental groups, researchers and government officials to move this “big train” forward. (TL 2.10.2014)*

As previous research had found (Wootliff and Deri 2001, Crane and Matten 2007) the effect of legislature on what is expected from conducted CSR is evident, especially in Finland. The policies, practices, goals and actions of UPM are self-defined and regulated like the definition of the concept decrees. As the required legal responsibilities are met, further responsibilities have to be viewed from a feasibility viewpoint so that the resources spent in increasing one type of responsibility are best utilized there and not elsewhere. It is however challenging to maximize the potential of this overlap so that what is done to cover for the responsibilities of the other benefits the other in some way and in some cases make sacrifices when increasing one type of responsibility means, in the worst scenario, decreasing the work put into another. This does not mean what is the responsibility of the government is not the responsibility of the company and *vice versa*, there can be some overlapping but the main point is that it is not feasible to separate the two.
We (UPM) do not carry the responsibilities of the government. The legislature makes the Ministry of the Environment responsible in the end. We, as a large player, take a part of that responsibility and show best practices and act as an example. (TL 2.10.2014)

5.2.1 Corporate social responsibility in UPM

While it was said above that UPM is not responsible for what the Ministry is responsible for, certain national themes such as moving towards sustainable use of biomaterials and reduction of fossil fuels are both goals of Finland and UPM as a Finnish company. Strategically, CSR has been integrated to the business functions of UPM with the creation of the Biofore Company in 2009. The brand is a promise from the company to the stakeholders to take a certain direction in its business. When something is done in the company, whether it is improving the old by increasing efficiency or innovating something new and creating business opportunities, it goes back to the strategy and if the new project fits with the main concepts, it can go forward. There are three big aspects to this strategy: one is the increased performance and development of existing products, functions and other company elements, such as the reuse of property when mills need to be shut down. Second is the innovation and research of new products and methods that come from natural materials, such as biodiesel production in Lappeenranta. The third is the sustainable use of these renewable resources, which is the main driver behind the two aspects that come before.

In the future the forest industry will provide us with more than just paper. And from a responsibility perspective the sincere and active cooperation with stakeholders and increased transparency in all business practices are our main objectives. (TL 2.10.2014)

In a large company with facilities in 14 countries, resource acquirement from 100 countries and customers from all over the world, UPM requires a tremendous amount of coordination and communication in its CSR. It is that the two things are utilized efficiently to reduce extra work and effort in achieving the set CSR goals. And
because the area where business is conducted is so large, thought must be placed in situations where the choice is between what resource providers to audit or how strictly are the subcontractors scrutinized, where and when. UPM can and is seen to influence its business environment in three areas of different size and breadth: local, domestic and global. Things in direct proximity to the business units, such as mills, are in the local environment, paying corporate taxes in Finland is in the domestic and tackling the global issues is in its namesake environment. Each of these three have different responsibility requirements and require different amounts of resources depending on which geographical region they exist, as was recognized by Visser (2008) except for the global which can be seen as a static requirement.

Through processes like materiality analysis, employee engagement survey and internal partner satisfaction survey, UPM creates a comprehensive understanding of its internal CSR, pinpointing the most significant current issues and selecting the most important points of focus for future plans. Externally, the views of and feedback from stakeholders, customers, et cetera are reviewed by experts and everything is summarized as topics of dialogue. By addressing all the significant points of interest in the aforementioned dialogue, the most important plans are then considered to be focused either short-term (3 years) or long-term (year 2020 plans). In some cases the planning process takes even longer, such as new ground-breaking innovations, with the recent example of biofuel, which is starting its production this year was initialized in early 2000s.

Individually, the respondents of the interviews saw that they had good chances to influence the CSR done by the company. The ability to initiate changes whether or not they ultimately succeed was the main way of creating a meaningful impact to future CSR. While there are situations where the corporate strategy might not reflect the individual aspirations, the possibility to demonstrate the changing requirements of the world outside and the fact that it gets taken into account is meaningful enough:

*If some occupation has good chances to influence CSR, it is this one. I feel like I can always take the initiative, even if I do not always have the power to make the decision myself.* (PSS 16.10.2014)
But not only direct influencing exists; also the employment of relevant expert of the field is a process that eventually builds up to a situation where issues that arise can be addressed with other than economic argumentation. That there are more than one way of looking at a problem without immediately deciding on its feasibility through profitability. By staying proactive the company can control its working environment rather than forcefully trying to adjust its business around the growing and changing requirements and laws of the stakeholder environment. The basics come from the strategy and the actions that build on that strategy aim to control how the external environment behaves.

_Economic responsibility is in the center and other things revolve around it. It is not that I or others individually drive these issues inside the company. Rather, they are linked through individuals to the corporate strategy._ (TL 2.10.2014)

It is not up to any one person or even all the people working in CSR related fields to bring the responsible actions to fruition, it is a concentrated effort of all of the above and the people conducting the core business to produce a corporate environment where responsibility is taken into account and woven deep in to the corporate agenda. And if that is important internally, it is the same externally. Participants that are involved in CSR include subcontractors, resource providers and the like and the communication between everyone participating can also be the focus of CSR work:

_You could say that I influence the CSR from cooperating and conducting dialogue with our business people who then proceed to implement the changes in our business units._ (KV 16.10.2014)

5.2.2 Successful CSR

The success of the CSR conducted by the company shows externally through various rankings, such as the Dow Jones Sustainability Index (DJSI), which heralds UPM as the most responsible company in its chosen industry (_upm.com_ 11.9.2014). Additionally UPM was placed on the A-list and received maximum scores from the CDP, a non-profit organization that tracks the environmental impact of companies.
However, success in these standards does not mean that the company is perfect. It means the company is conducting its CSR well enough for external recognition, something that is valuable for the company and for its stakeholder groups. But there still perceived room for improvement in CSR policies, both internally within the company and externally from stakeholder perspective. The fact that these rankings exist and that UPM excels in them is seen more as something that acknowledges the correct path the company has taken with its corporate strategy and the Biofore promise and it motivates the company to further develop its practices along the same guidelines.

*Success in CSR shows as a positive corporate image and news about the company. If there is a symposium or similar about these (CSR) issues, who are invited, is it UPM or a competitor? How sought after are we to these events and how relevant is the expertise we have as a company? (TL 2.10.2014)*

But success in CSR does not only translate into a better corporate image, previous research has shown links to better corporate performance (Waddock and Graves 1997) through better corporate responsibility and corporate performance practices. The same was also seen in the interview data, economic responsibilities are in the middle of all business and if CSR is practiced, it should correlate beneficially with the profitability of the company:

*The best case scenario is when the company conducts good and sustainable business and manages all the risks, creating added value with various stakeholders. As a result this benefits both, the company and the society it operates in. (KV 16.10.2014)*

Success should then reflect positively on the image of the company and this should again result in increased profits, which would motivate the company to work on improving the efficiency and variety CSR in order to maximize the potential gains from it to itself and to the stakeholders. Currently the improvement has concentrated on responsible procurement of materials, health and safety and using eco-markings on the products to signify sustainable and responsible practices in their production.
5.3 Stakeholder interaction

Stakeholder interaction is at the very core of all CSR activities. UPM has analyzed all of their most significant stakeholders and their primary objectives. As there are many variations of stakeholders, equally varied is the type of interaction that those groups require. The common theme for all interaction is the need for an increase in transparency, constant communication and long-term interaction because most of the responsibility issues are so large that while a permanent solution might never exist, getting as close to it as possible through cooperation is the key. But it is not always just about words and dialogue; sometimes concrete voluntary steps need to be taken, as with biodiversity conservation and protecting wildlife with the World Wildlife Fund (WWF).

5.3.1 Cooperation in Finland

The importance of dialogue stems from the fact that it is the best way for the company to find out what the requirements of the stakeholder groups are. However, it is also necessary for the company to inform the stakeholders of the limits of its capabilities in what it can do about CSR. It is unreasonable to expect companies to forgo all of their profitability for responsibilities.

We want to discuss with NGOs and stakeholder so that they realize what our company can do, what it has done and why everything they want us to do cannot be done. (PSS 16.10.2014)

In Finland UPM works together with many different external stakeholder groups, such as the government, environmental groups, worker’s unions, non-governmental organizations, forest owners, customers, suppliers, educational institutions and investors. The degree of cooperation is adjusted by the receptiveness of both in regards to having common goals. While the majority of external stakeholders are susceptible towards change and positively influencing the CSR issues as a whole, together with the company objectives, some NGOs and individuals are so adamant in their ways that they reject the whole notion of business. Such individuals will always
have complaints and a certain degree of influence over CSR policies, but can never be satisfied as the entire premise of using forests or increasing profits is alien to them. The relationship between UPM and organizations such as Greenpeace is seen as neutral in that regard because their views on things are known but no amount of interaction will be able to adjust their entire operational strategy much as their actions are unlikely to change the premise of business. There is still interaction with such groups, but it is more about getting along than moving towards common goals and results.

*Even critics who agree that a possibility exists in our current society and economic system for sustainable development are easy to interact with because we both have a similar basis.* (TL 2.10.2014)

Majority of the resources used with stakeholder cooperation is then directed towards fruitful partnerships and situations where working together will create positive results and increased value to everyone who participates and where the possibility to achieve those things mentioned exists. By the OECD definition CSR is a set of voluntary guidelines but stakeholder interaction can also be mandatory, as it is with governments who issue permits and make laws regarding how business is to be conducted. That is not to say the government sets rules and regulations and the company follows, contrarily, UPM has been advocating forestry standards such as Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) in Finland. By utilizing these standards, UPM as a big company can positively influence the decisions made by the government as to how strictly standardization should be used in Finland and by Finnish companies. If majority of the forest owners follow the guidelines through UPMs example, the government does not need to enforce the same rules and can focus on improving regulations elsewhere.

In its core, CSR cooperation in Finland is also influenced by the global trends and megatrends that drive the values and expectations of domestic stakeholders as they do to the stakeholders who are also globally active, such as investors or customers. It is about matching and managing the separate expectations and interests of
stakeholder groups towards a common goal, which is the increase in value for all participants. The interviewees emphasize that these issues require a transparent, long-term approach everywhere, not merely in Finland.

*There are different issues that arise in certain times, but the important issues are constant and global and we try to use our Biofore-strategy to answer these problems because they influence our actions in Finland and elsewhere.* (KV 16.10.2014)

5.3.2 International CSR

The interviewees recognize that there are significant differences in the stakeholder expectations in other countries, for UPM particularly in Uruguay and China. This is supported by the findings of research (Mwaura 2004; Crane and Matten 2007; Visser 2008). As was the case in Finland at one point in history, the people living near the pulp mill in Uruguay, which is a developing economy, can also benefit from UPM in many ways, not all of them directly related to the economic or environmental impact of the company. And this was also recognized by Visser (2008) when he said that stakeholders in developing economies expect companies to be more responsible than they would be in economies where government influence is higher. In Uruguay UPM has set up a trust in the area that provides funding for many activities, nutrition guidance and all kinds of quality of life improvements that make living in the communities better than thus create a better working environment near the mill that benefits both the community and the company.

The regional communities and their strengths and expectations have to be recognized and evaluated so that whatever UPM does in a region, it does so in a way that sustains and divides the resources provided in a wise and meaningful manner so that the company, the society and the local stakeholders each get the maximum benefit from them. The gains of the company and the benefit of local population are in no way excluding one another. The legislature in each region sets the minimum level of requirements and then UPM uses its own standards to add to these requirements and conduct business relative to the environment:
The actions are different because the environments where these actions are taken are different. It is about global goals and local, country specific solutions. (TL 2.10.2014)

Even if the requirements of developing economies are different, it does not mean that a company can lower its standards when going abroad. Contrarily, by holding higher standards stemming from higher legal responsibilities, UPM can be at a disadvantage because it uses more resources on CSR than its counterparts from less strict economies. However, bringing these higher standards from developed economies in Europe to developing economies in South America and Asia can also create a cultural change in the requirements of responsibility which again equalizes the competitive environment for multinational companies. One example an interviewee pointed out is the transferal of European Management and Audit Scheme (EMAS), a transparent reporting program about the environmental impacts of factories, from Europe to be used in UPM mills in Uruguay and China. This is just one way to increase the responsibility in foreign operations by using standards that are commonplace elsewhere for the company.

As a global company we have global customers, and this creates a pressure where we cannot, and would not even want to, have different standards in different countries. We cannot think that we can have lower standards somewhere, because you cannot hide what you do elsewhere. (PSS 16.10.2014)

When conducting global business, there is an increase in both, the varying requirements for responsibility and also the amount of possible positive impacts. It is therefore important for a company to find out how these influence the use of CSR in short- and long-term operations in different markets. The increased influence of the company also provides more forums for global improvement, such as the World Business Council of Sustainable Development (WBCSD) where UPM actively participates, and the Forest Solution Group which the CEO of UPM is co-chairing at the moment. Through these international forums, companies and other influential stakeholders create a more responsible future for everyone.
Also worth mentioning is that because UPM is a forest industry company, there are certain requirements that are more strict than in other companies. These include soil and water related requirements and also the origin of any wood related product is more strictly scrutinized than the origin of nearly any other kind of product, this means that suppliers and producers of the end-product are subject to more responsibilities than companies that provide some other products.

*When talking about wood, it is the only natural resource in the world where the origin and legality of its acquisition are of high importance. And as a customer you can always choose and get information of where it is from.* (TL 2.10.2014)

### 5.4 Current state of CSR in UPM

The interviewees are generally very satisfied and happy about the success UPM has had with CSR. While the success has indeed laudable, it bears recognizing that being the best at something does not equal being perfect at it, and it would be a mistake to get complacent while you are ahead. It is important to keep being proactive and trying to figure out the success factors that allow UPM to keep its position as an industry leader and a global forerunner in all things related to responsible business. The view from within the company is also more demanding in a sense that a false sense of security is hard to form when you obviously see the problems and issues that even a successful CSR company might have, first-hand. In general, there is still lot to do and there are also many ways to improve responsible business and sustainability. Environmental requirements will get tougher; the importance of communication, two-way consultation and all-around inclusion of the various stakeholder groups will become greater.

*In general communication has never been done very well in the industry, but it is extremely important. Using bad communication to tell about the things you do can wipe out a decade of hard work in an instant.* (TL 2.10.2014)

The minimum requirement for CSR is the legislature, but then there has to be some common sense in deciding what and how to conduct business. What is required from
CSR is seen to stem first from the issues where the laws are not up-to-date. If there are holes in the laws or a possibility exists to be ethically questionable, the choice has to be made towards actions that do not abuse those things even if the possibility is there.

_We should understand where the opportunities are and where the risks are. We should always be one step ahead in recognizing the expectations of different stakeholders._ (PSS 16.10.2014)

5.5 Future considerations

Interviewees are hopeful that by continuing as a large entity in the areas of business and responsibility, UPM will be able to influence the creation of standards and norms in environmental and sustainability matters that will help develop and improve the entire field of CSR. The degree of integration is also seen to be crucial in related matters. If the notion of bio-based economy is to be wholly adopted, companies cannot longer opt out from CSR and environmental responsibilities and must integrate them completely into their business strategy, to move away from separate green bubbles in an organizational chart to a completely integrated system. Bio-based economy means moving away from fossil fuels and efficiently utilizing biomass, which equals the forest and natural things related to it for the case company. There is still a lot of work to be done in transferring the social capital and the environmental or lack thereof into a discernible value in the end product. The use of eco markings is a step toward that direction, and even if the mark does not exactly convey what is different about the product to the end user, to have a mark is always better than to not have one.

_Whatever happens with CSR in the future it is important that it happens globally at the same rate, otherwise European companies will be at a disadvantage because the requirements here will be much higher than in the developing economies._ (PSS 16.10.2014)
Another issue that was hoped to be changing in the future was the clarification of the thematic world, where environmental, social and other responsibilities would not be differentiated from one another so much and would rather be seen as interconnected so that focusing on one would not mean the lack of focus in another. While the distinctions might be required to conduct business operations or research about very specific targets, as a whole all responsibilities should be equally important. There are a lot of companies and they might be focused on different responsibilities and communicate about them differently, but at the core the values should be the same.

5.6 Summary of the empirical analysis

The internal view towards CSR in a forest industry company differs in many ways from the theoretical framework set out in this study. Most significantly, the impact of industry is visible in the emphasis of environmental and natural resource procurement related issues. The reason for this is the fact that CSR literature has distanced itself from environmental and sustainability issues in order to stay manageable, but the truth is that when it comes to companies and their views of CSR, the issues of responsibility cannot be separated from one another. As the interview data shows, conducting responsible business with forest owners and stakeholder groups near the production facilities cannot be separated from the impacts of business to said forests and the environmental impacts of the mills to the communities in their vicinity.

Rather than using the distinctions for responsibilities portrayed in Carroll’s (1991) pyramid, the view within UPM is more toward the economic, social and environmental and legal responsibilities. And by using these distinctions the business units are then conducting their CSR operations while recognizing the overlapping nature of any business responsibility, not just CSR, as a whole. It is not wrong to describe the corporate responsibilities through the three responsibility focuses, it is maybe a shortcoming in the theoretical framework that the inclusion of the descriptive theory is not presented there, as the internal view in UPM is more akin to that of the triple bottom line-theory (TBL) (Elkington 1997).
The economic responsibilities portrayed in the TBL model are similar to those of the CSR Pyramid (Carroll 1991) and the social aspect could be seen as a combination of the philanthropic and ethical layers of the same pyramid. The environmental pillar of the TBL model is a new addition consists of the ecological environment and responsibilities related to it. As is customary in the division of CSR into sections, while such distinction exists in the TBL model, the sections are interrelated, interconnected and sometimes even conflicting (Elkington 1997).

The figure (Figure 3) represents the most important focus points of CSR seen from within the company. It is the actions taken towards these focal points that then constitute the CSR strategy undertaken by UPM to match the responsibilities of its various stakeholder groups. The identification of these focal points and proactive actions taken towards their requirements are keys to success for UPM CSR. By staying ahead of the responsibilities and creating sustainable solutions, the company can gain advantage over its competitors.

The internal view to CSR inside UPM can be seen to consist of a linked relationship between three separate entities that are in dialogue with one another. The internal view, relative to the theoretical framework, can be displayed with the following figure:
As the analysis showed, the CSR in UPM begins with matching the minimum requirements of the working environment, whatever region that might be. The omission of the economic responsibilities from the internal view is because that is considered to be the reason behind the company’s existence and also it might work against what this model is trying to portray and add to the confusion by seeming too similar to the existing pyramid models of Carroll (1991), Visser (2008) and Nalband & Al Kelabi (2014).

After matching the minimum of CSR required, UPM adds the element of common sense and creates responsible practices following two distinct criteria: first by finding out what it is that most of the external stakeholder groups want and expect UPM to do and second, matching these expectations as well as possible. The internal view then is mostly about the relationship between the two top layers: their respective sizes changing depending on how well the expectations of the stakeholder groups can be matched.

The dialogue and cooperation with the stakeholder groups bears a strong resemblance to the multinational theories of core competencies (Pralahad & Hamel 1990) because being an industry leader in responsibilities can be seen as an internal strength and a competitive advantage, provided that the positive effect of CSR and its related positive company image and be evaluated. The constant interaction with the stakeholder groups is also a way for UPM to create networks akin to those described by Johanson & Mattsson (1988) that can be beneficial in reducing obstacles for international business (Johanson & Vahlne 2009).
It is this interaction and these networks that then play a crucial role in determining how CSR develops in the future and whether or not it is possible for companies to meaningfully influence its development equally in a global sense so that rather than widening competitive advantages at the cost of social responsibilities, different economies would have similar responsibility expectations regardless of existing cultural bias. And if that is not applicable, then at the very least the responsibilities in large scale issues such as global warming, human rights and so on should be globally enforced so that companies coming from developing economies would not be able to garner competitive advantage through questionable practices.
6 DISCUSSION

6.1 Conclusions

This thesis began with the premise that corporate social responsibility is a larger theme than what companies report about it and what companies tell about it. In order to figure out what other aspects there are to corporate social responsibility inside a company, the research question asked was: “How is corporate social responsibility seen from inside the company?” To answer this question a set of sub-questions was chosen as well as empirical data acquired and analyzed.

The first sub-question, “What theoretical advantages and challenges exist for multinational companies?” was chosen to describe through theoretical viewpoints the reason why multinational companies should look for internal advantages. The chosen theories showed that with the increase of globalization and global competition, external environments are getting increasingly similar for which is why an increasing amount of advantages and challenges can be found from internalization and intangible networks between companies and stakeholders.

The second and third sub-questions chosen where related to the other significant theoretical perspective used in this thesis, by asking “What are the most important stakeholder groups in terms of corporate social responsibility?” it is possible to recognize the most fundamental stakeholder groups or what kind responsibilities they represent from a theoretical perspective. Additionally since the case study is done to a multinational company, the question of how CSR requirements change internationally was approached with “How do the demands of corporate social responsibility change internationally?”

Finally, after establishing the necessity of internal perspective with the inclusion of traditional corporate social responsibility theories and obtaining the interview data from within the case company, the empirical analysis portrays how the internal perspective of the company and the theoretical CSR framework differ from one another.
In summary, the internal perspective to CSR is less about defining what kind of stakeholder expectations can be considered as economic, legal, ethical or philanthropic responsibilities. These are still recognized as the most influential stakeholder groups, along with environmental, especially if the industry is somehow related to it. Approaching CSR from inside the company, it can be seen that there is a minimum level of responsibilities set by laws, upon which the company imposes its own CSR standards in an attempt to be as responsible as possible with limited possibilities when faced with limitless demands. The goal of CSR is seen to be in finding the best responsibility practices possible.

There are changes in CSR demands internationally, and while developing economies may have lower demands from some stakeholder groups, a company cannot reduce its responsibilities to match them. This is because UPM has its responsibilities integrated into its strategy and as such changing the way it sees responsibilities would be to change its operating strategy. The international considerations are done in layers, with local, regional and global scales. The latter introducing a new set of responsibilities such as human rights, global warming or conservation of biodiversity, which cannot be enforced globally outside standardization voluntary standardization, but must be taken into account by all companies as they influence all stakeholder groups.

6.2 Theoretical contribution

The theories of CSR and multinational companies have provided a theoretical framework where internal advantages have only been considered from the viewpoint of the latter. However, as empirical data suggests, there is a wealth of corporate advantages in integrating CSR into the business strategy. Companies can increase their amount of internal advantages they have by introducing CSR policies; they can improve the creation, amount and management of their networks by introducing CSR related stakeholders into the dialogue. Finally, focus in CSR practices allows companies to reduce the international obstacles such as liability of foreignness and cultural differences by initiating responsible business practices that take those into account. In a final answer to Friedman (1970), it might be that conducting CSR
integrated into the corporate strategy works towards reducing the difficulties of companies while increasing their strengths.

6.3 Managerial contribution

All signs in the empirical data point towards the growing importance of CSR as something that companies have to take into account and to be able to integrate CSR into the core of the company strategy should be done or at least considered if the company is to stay ahead of the growing stakeholder demands. Especially in multinational companies that conduct business in developed and developing economies, the understanding of the different regional requirements and how they manifest through cultures, views and values into concrete expectations is paramount.

While not all companies work with natural resources and are subject to as much scrutiny as the forest industry companies, it makes managerial sense to take heed the success UPM has had in becoming an industry leader in one of the most responsibly demanding industries and how their Biofore-strategy has affected this success. Multinational theories suggest that once the external environment is mostly homogenized so that competitive advantages must be found from within the company, being proactive rather than reactive in CSR could be one thing that separates two companies from one another.

Additionally to integrating the CSR functions with the business functions, focus should be put into dialogue with relevant stakeholder groups and expertise in communicating about responsibility issues so that something good does not become something bad via miscommunication. And not just external communication but internal as well, to prevent inefficiency in CSR by having multiple business units conduct the same processes but rather have them achieve separate goals while proper management of the larger CSR strategy.
6.4 **Limitations**

To improve the results and create a more thorough understanding of how CSR is seen internally, the interview process should at least include multiple companies of the same industry or concentrate on a group of industry leaders. This would allow the research to build a model of internal CSR for the respective industry or guidelines or codes of conduct that would allow companies not yet excellent in their CSR to improve their status by learning from those who have succeeded before. This study has such a limited amount of interviewees and only focuses on one industry leader from one industry that, while it is entirely possible that the findings could be similar within the industry or within companies with equal success, it is not feasible to create such statements without further research.

The methodology should also be more thoroughly tested and interview questions chosen better to portray the actual goals of research. The relative inexperience of the author in both interviews and creating a meaningful and flexible semi-structured interview questionnaire may have influenced some of the research data. This combined with the difficulty in scheduling the interviews and eventually having to hold them via phone made the data gathering process less than ideal, something which should be avoided in future research of the subject.

Additionally the theoretical base does not sufficiently cover the requirements of a forest industry company, another fact which became obvious as the research progressed and further consideration should be put into introducing the triple bottom line and other possible omissions from the strategic framework so that all of the existing research could be considered before conducting more CSR related research in the forest industry and presenting any further results thereof. The lack of research of how CSR is conducted as opposed to how it is and should be reacted to made it somewhat difficult to reflect the existing theories with the newly acquired empirical data, something which should be remedied in the future.
6.5 Validity and reliability

The *construct validity*, or whether or not the chosen methods could provide accurate results for the issue chosen (Yin 1988), is sound and the selection of a semi-structured interview to acquire the empirical data for the study was the correct one to make. However, as mentioned above, the utilization of the selected techniques could have been better, which should not compromise the validity aspect but might influence the reliability of the data to a degree.

Even with relative inexperience to data acquisition in the interview process, the expertise of the interviewees complemented the process to a degree where more was said about the topic than the interview structure would have required. As such, the *internal validity*, or the quality of the analysis (Yin 1988), the richness of the data and its analytical process can be considered good and there should not be any mistakes in interpretation of themes, transcribing the data or translating it from Finnish to English. According to Hirsjärvi *et al.* (1998: 222) it is about whether the research conducted sufficiently resulted in what it set out to achieve.

Generalizing the findings of this study should provide sufficient *external validity* (Yin 1988) if the research was conducted among industry leaders of companies utilizing natural resources in this business. Without inclusion of either the status of the company as a leader in CSR or the aspect that the case company conducts business with renewable resources, it cannot be said that the results or findings of a semi-structured interviews would be the same. However, a company with similar base of operation and status as a responsible company might have the same internal views to CSR.

In terms of *reliability* and the small sample size of interviewees and the openness of the questions should provide the same results if conducted again by phone interviews, however if the theoretical framework was wider and the interview process would be more free and time-consuming, it might result in richer and more precise data. An increased amount of preparation given to the interviewees and their
possible increased understanding of the goal of the research could also cause different results.

6.6 Topics for further research

The results of this study created many opportunities for further research. Significant issues and research opportunities were discovered. There is room for future research in the integration of business and CSR functions and its possible impact on both corporate performance, and social responsiveness. Also worth investigating is the relationship between the stakeholder groups and the company and the opportunities in optimizing the expectations of the former with the possibilities of the latter. The research could be conducted within the forest industry, within other industries or for responsibility leaders in different industries.

Furthermore, research efforts could be put into examining whether or not companies or groups of companies can influence CSR conducted by governments through their existing networks of stakeholders. Even more, research can be conducted on the feasibility of international standardization and unification of CSR expectations across regions and different states of economic development. The matter is especially important to be achieved if competitive advantage of companies is to be kept in check and if the recognized larger, global CSR issues such as human rights violations are to be solved completely.
REFERENCES


INTERVIEW THEMES AND QUESTIONS

1. Taustakysymykset
Minkälainen kouluutus teillä on?
Voisitko kertoa hieman työhistoriastasi?
Miten päädyit nykyiseen työhön?
Miten yhteiskuntavastuuasiaat liittyvät työnkuvaasi?

2. Yhteiskuntavastuu
Mitä sinun mielestäsi on yhteiskuntavastuu?
Millaisista osa-alueista yhteiskuntavastuu mielestäsi koostuu?
Millainen on mielestäsi yhteiskuntavastuuillin yritys?
Mikä ovat yhteiskuntavastuuillin yrityksen tunnusmerkit?
Miten nykyinen organisaatio näyttäytyy yhteiskuntavastuuillisen?
Miten nykyisen yrityksen toiminnassa näkyy sen yhteiskuntavastuuillisuus?
Millä tavoin uudet yhteiskuntavastuuuprosessit käynnistyvät yrityksen sisällä?
Minkälaiset mahdollisuudet teillä on vaikuttaa yhteiskuntavastuuuprosessien
käynnistymiseen ja kehittämiseen yrityksen sisällä?
Kenen tehtävä on huolehtia yhteiskuntavastuun onnistumisesta?
Miten yhteiskuntavastuuussa onnistuminen näkyy yrityksessä?

3. Yhteiskuntavastuuillinen yhteistyö
Minkä/Kenen muiden toimijoiden kanssa teette yhteistyötä
yhteiskuntavastuuksymyksissä?
Millaisia piirteitä kuuluu yhteiskuntavastuuilliseen yhteistyöhön?
Minkälaisia mahdollisuuksia yhteiskuntavastuuillinen yhteistyö mielestäsi luo?
Entä haasteita?
Minkälaisia yhteiskuntavastuuukäytäntöihin vaikuttavia ulkoisia tekijöitä näet
paikallisessa toiminnassa?
Esimerkkejä ylläolevista?
4. **Kansainvälinen yhteistyö**
Millaisia piirteitä kuuluu kansainvälisten yhteiskuntavastuuinin yhteistyöhön?
Minkälaisia mahdollisuuksia kansainvälineen yhteiskuntavastuuinin yhteistyö mielestäsi luo?
Minkälaisia yhteiskuntavastuuukäyttäytymiseen vaikuttavia ulkoisia tekijöitä näet kansainvälissä toiminnassa?
Esimerkkejä ylläolevista?

5. **Yhteiskuntavastuun tulevaisuus**
Oletko tyytyväinen yrityksen tämänhetkiseen tilanteeseen yhteiskuntavastuun näkökulmasta?
Mitkä asiat ovat erityisen hyvin?
Miten haluaisit kehittää yhteiskuntavastuuta yrityksessä?
Miten haluaisit yhteiskuntavastuun kehittyvän yleisesti jatkossa?