CSR in SMEs inside the fashion industry
– Opportunities and difficulties
Abstract
This thesis is a research about how Corporate Social Responsibility (CSR) can be integrated within Small to medium sized enterprises (SME) inside the fashion industry. It examines the drivers for fashion companies to take social and environmental responsibility and what difficulties and opportunities that they might face in their work towards a more sustainable supply chain. There is no doubt about that the fashion industry needs to re-think their strategies in order to be ethical and environmentally friendly, however focus usually lies on the large chains and their impact. In this report, focus lies on fashion companies that belongs to the category “SME”. SME plays a significant role to the economy and have a great impact on the society yet there is little research and empirical findings on how SME can contribute in a profitable way to a sustainable future. A literature review was made to find the current status of how small companies work with CSR together with relevant theories on how to apply it in reality. Three companies chose to participate in an interview in order to get empirical findings and to connect the literature review with reality. The main barrier for SMEs within the fashion industry to involve in CSR is the financial aspect however there is many advantages such as improved stakeholder relationships as well as improved brand reputation that will generate profit in the long run. This study tries to motivate fashion companies to engage in CSR in order to build a stable business.

Keywords: Corporate Social Responsibility, Stakeholder, Small to Medium sized Enterprises, Sustainable, Triple Bottom Line, Fashion industry
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1 Introduction

The following chapter aims to give the reader a background to the issued area. First the textile industry’s current status, secondly the problem and discussion statement, which leads us into the purpose of this thesis. Lastly, a list of definitions in order to ensure that the reader fully understand some important terminology of this report, will be presented.

The constantly growing textile industry has become highly important to take action towards in terms of social and environmental aspects. A couple of decades ago, the productions of clothes from Swedish brands were mostly located in Sweden. However, when the salaries increased for the workers and the communications and transports between different countries developed the companies’ started to move their productions abroad in order to save money; first within the Nordic countries, then to south of Europe, and lastly to Asia where most of the production is located today. Companies within the fashion industry always try to find the lowest possible production costs. This leads to that the production is in constant movement, often to countries with low salaries, high unemployment rate and where there are no unions allowed (Kennberg, 2008). The working conditions in the factories are rarely beneficial for the workers. Common problems are; short or no breaks, high working pace, lack of protection gear, and bad ventilation, which leads not only to high temperatures and headache, but also to respiratory diseases since the small cotton fibres are inhaled daily by workers, etc. One of the most hazardous consequences would be all the toxic chemicals which are dealt with on a daily basis and due to lack of protection gears it is not uncommon for workers to get chronic diseases and in some cases even decease after a time of sickness (ibid).

When it comes to the environmental aspects of the fashion industry the impact is huge. Today, the cotton covers 50% of the world’s textile production. This is a serious threat to the world’s fresh water supply. As much as 29 000 litres of water can be needed to produce only one kilo of cotton. This leads to that the biodiversity and the people around the areas where the cotton is produced suffers from lack of water. Furthermore, the production of cotton is highly toxic due to the many chemicals used in the making (Världsnaturfonden WWF, 2013).
During the past decade the supply chain within the industry has become more questioned. This has very much to do with the numerous scandals covering the industry. H&M and Nike are only two of many companies that have suffered great loss after it became official how their production actually operates in terms of working conditions, etc. This have led to that many consumers and customers all over the world have started to demand that companies within the textile industry starts to take greater responsibility for their businesses and its impacts on society. They want to see an even more transparent supply chain to make sure they purchase clothes produced from fair conditions (Svensson, G., 2009; Lim, S-J. et Phillips, J., 2008).

In Sweden, the textile consumption is large. This is because of the high welfare in the country, which enables people to spend money on clothes. There are many successful brands who operates not only in the Swedish market but in the international one as well. The turnover for the Swedish fashion industry in 2013 was 237 billion SEK. This includes the export, which makes up 38% of the sales (Sternö et Nielsèn, 2015).

1.1.1 CSR background

According to Arjan J. Van Weele, author of the book “Purchasing and supply chain management” CSR means how to contribute to a better world, a better environment and better labour conditions. He states that companies needs to balance the interests of customers, employees, the environment and its shareholders.

The willingness to do good and pay back to the society for an organization is far from modern even though the concept of CSR is. History says that it can be traced to over 4000 years ago. For example, ancient texts form both Hinduism and Buddhism advocates for ethical admonitions and Islam promoted a wealth tax (Visser, W., 2010). In the 1950’s a man called Howard R. Bowen published a book “Social Responsibilities of the Businessman” (Bowen, 1953) and CSR then entered the lexicon. During the 60’s when the environmental movement started to evolve the concept was even more strengthened. In the 70’s a general definition of CSR emerged. A man called Archie Carroll (Carroll, 1991) introduced the “4-part concept of economic, legal, ethical and philanthropic responsibilities” that became a CSR pyramid and sort of a framework on how to apply CSR. In the 90’s, CSR was institutionalized. Standards like ISO 14000 (standard for Environmental management) and SA 8000 (standard for social accountability) started to work as guidelines.
These days, according to Kotler and Lee, CSR is more like a business strategy rather than an obligation with the approach “doing good and doing well” compared to the 90’s when most companies engaged in CSR due to “doing good to look good” (Kotler and Lee, 2005).

The reason for why the mentality in organizations have shifted is believed to be that consumers and customers puts more pressure on companies to have a more responsible supply chain as well as the direct negative effects a company is exposed to if it becomes official that they misbehave in terms of the ethical, economic, environmental and legal aspects. The society have started to demand a more transparent supply chain in order to get a good insight in organizations businesses. More and more companies have started to make annual reports on how their CSR performance actually have contributed to the society and to the organization itself. These reports measures a company’s financial profit gains from their CSR work and what they have actually accomplished during a year in terms of their set targets. In 2014 EU came out with a new directive suggesting that companies with more than 500 employees should conduct annual CSR reports (CSR Sweden, 2014). In 2014 it was estimated that about 2500 companies conducted CSR reports on free initiatives. However in 2017, the year of which the directive will start to apply, more than 7000 companies are estimated to follow the trend (Carina Lundberg, 2014). This is an initiative that hopefully will rise the importance of CSR even further but what about the Small and Medium sized Enterprises- SME’s? Traditionally CSR have mostly been associated with large enterprises and activities concerning CSR have been difficult to adapt for a SME (Jenkins, 2006). Therefor the research and literature about CSR in SME’s is limited (Sweeny, 2006). However, since Small medium-sized enterprises represent 99% of all business in the EU (European Commission, 2016) the emphasis on their environmental and social impact have become of greater importance.

The concept of CSR is a hot debated topic where there are several different opinions involved of what it actually is. Some due to the differences in ideology about what role a company plays in the society; if it is a public owned or a private owned company. Another factor would be the cultural difference between countries. This leaves CSR free for interpretations which can be problematic when the actual meaning of CSR is discussed hence the same topic is discussed but in different meanings. For example the American view on CSR is very much related to the legal aspects in terms of labor which means that the focus lies on the relationship between the company and its employees and also on profit maximization. Furthermore, social sponsoring following the American charity tradition also tangents the view of CSR. The European view
however differs from the American one. This approach tends to focus more on a sustainable basis, which involves “Maintenance and Repair” questions, human rights and environmental aspects. When looking at international organizations such as the UN and the OECD it differs slightly between them as well. UN’s-Global Compact has a limited amount of basic guidelines whereas OECD’s guidelines cover a wider range of aspects (Magnusson et Norén, 2001).

Sweden has a very long history when it comes to involve in CSR activities and are often seen as a pioneer in the field. In 2013 Sweden topped the RobecoSAM Country Sustainability Ranking, which ranks 59 countries based on 17 environmental, social and governance indicators (Corporate Social Responsibility in Sweden 2015).

There are several reasons for why Sweden has become successful in the work of CSR. One is believed to be due to the political state in the country. Sweden has for a long time had a stable government, which enables a stable business climate. This is something Sweden shares with most Nordic countries and is known as the “Nordic model”. The Nordic model is described as a model with stable labor relations, reforms in working conditions with a trade union through bargain system and strong governments in support of extensive welfare and social security (Maria Gjølberg 2010).

**Problem and discussion**

One of the main problems when discussing CSR in SME’s would be that CSR studies and practices mostly apply only to large companies. Tilley argues that it is not the CSR itself that differs between large firms and SME’s but that SME’s are not “little big firms” (Tilley, 2000) SME’s works differently in nature compared to large companies since SME’s tend to be independent, multitasking, cash limited and based on personal relationships and informality (Russo et Perrini, 2009), in addition actively managed by owners, highly personalized, largely local in their area of operation and largely dependent on internal sources to finance growth (Lepoutre and Heene, 2006; Vyakarnam et al., 1997).

Another factor for why CSR in SMEs is a relatively unknown field is believed to be since large enterprises naturally gets more attention than SMEs. This have led to that activities concerning a smaller company’s social and environmental impact have been difficult to adapt. Therefor the
research and literature about corporate social responsibility (CSR) in SME is limited (Sweeney, 2006). However, since SME represent 99% of all business in the EU (Ec.europa.eu, 2016), the emphasis on their environmental and social impact have become of greater importance. Even in Sweden SME have a significant role in financial terms, as 59.2% in value added comes from SME (ibid).

An interesting part with this is that most of the SME are in consumer facing industries, meaning that the companies are in direct contact with their customers and consumers rather than companies selling products or services from business to business Bunse et al, 2002). Additionally, due to the high competitive climate in the market companies must find a way to not only have a “good” product or service but to be unique in terms of value added or the customer (Löjman et al, 2003).

When it comes to the fashion industry, as mentioned before, the sales for 2013 in Sweden was 237 billion SEK, 92 billion of these are excluding H&M and other large chains. This means that the smaller brands in Sweden still plays a significant role both in the domestic market as well as the international one (Sternö et Nielsén, 2015). This is interesting concerning the textile industry’s impact on society together with SME.

During this study a couple of companies were contacted that falls into this category. They shared information through an interview about how they take social and environmental responsibility in this meaning known as Corporate Social Responsibility, what the opportunities and/or barriers are and where they put their emphasis.

**Purpose**

The purpose of this thesis is to investigate what role CSR plays in SME within the textile industry in Sweden and to clarify the opportunities as well as the barriers to take social and environmental responsibility for SME, additionally what the drives might be and how it would be applied in reality.

**1.1.2 Research questions**

- What are the drivers to engage in CSR for SME in textile companies?
- What are the opportunities and/or difficulties?
How does it apply in reality?

List of definitions

The following section will define some of the terminology used in this thesis in order to provide the reader with necessary knowledge.

1.1.3 Corporate Social Responsibility

The definition of CSR differs slightly from whom you speak with. However we chose the one cited on the European Commission’s website since it has been in broad use when conducting research in European countries. Therefore we find it applicable in our study as well.

According to the European Commission, corporate social responsibilities refer to companies taking responsibility for their impact on society. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general (Ec.europa.eu, 2016).
1.1.4 Small to medium sized enterprises

SMEs represent 99% of all businesses in the EU. To fall into this category the company needs to have a headcount that is less than 250 people. In addition, the company should not have a turnover that exceeds 50 million euro and/or the balance sheet should not exceed 43 million euro (Ec.europa.eu, 2016).

1.1.5 Stakeholder

By definition, a stakeholder is a person, group, or organization that have interest or concern in an organization. Stakeholders can affect or be affected by the organization’s actions, objectives or policies. Examples of key stakeholders are creditors, directors, employees, government, shareholders, suppliers, customers, consumers, unions, and the community (Businessdictionary.com, 2016). What is important to know is that not all stakeholders are equal. Meaning that a company needs to handle them individually. For example, a company’s customers are not treated the same way as the company’s employees (ibid).
2 Method

This chapter explains the approach used through this study. The purpose of this section is to motivate the decisions that were taken in order to conduct this report step by step. The first section discusses the methods base, followed by the approach of empirical and theoretical analyses. Finally, the reliability of this report will be discussed.

Literature review

To collect the background information necessary for this report research in the field of CSR, CSR in SMEs and the difficulties for SME’s to involve in CSR as well as the opportunities, were conducted. To find the current CSR state in Sweden for SMEs, studies from Tillväxtvärket, Svenskt Näringsliv, and CSR-Sweden were used to centralize the perspective of the this thesis. Furthermore, information was gathered about the textile industry and what role CSR plays in SMEs that operates in that particular area. Websites like renaklader.se and WWF.com where used to find the root to why the textile industry is a largely damaging factor for the society and environment. After that information was gathered, research about how and if clothing companies in Sweden engage in environmental and social questions. The research was found via the library of University of Borås and its database. Keywords like “CSR,” “CSR in the textile industry”, “CSR in SME” where used in order to find related articles. The literature used came from magazines, scientific articles and published books. It was important to choose information that had a high form of reliability and validity, up-to-date research was therefore used. Additionally, a look at the sources used in the literature that was gathered, to further strengthen the accuracy were made

Qualitative method

In this thesis a qualitative method was chosen. A qualitative research is focused on the complexity in the empirical findings usually made from case studies (Maycut & Morehouse, 1994). Since this study is based on the answers of an interview, this method was chosen, which is a well-known method when conducting a qualitative research. In order to fulfil the purpose of this study it is of great importance to deeply analyse the outcome from each case represented. Additionally, the empirical findings from the case studies were compared to the
presented theories in order to find similarities and/or differences. This motivates why a qualitative study is the best method of choice.

**Empirical research**

This study’s empirical research is based on three companies that were contacted through email and phone. They agreed on answering the questions and to be a part of this report. The questions conducted in the interview were relevant for this study since they would answer how CSR applies in reality versus what the literature said (see appendix 1). There were only open questions to encourage the person who answered them to evaluate the answers. The questions were built up in a way so that the answers would relate to the chosen theories. After the interview was sent out to the companies they had approximately one week to fill in the answers.

The reason for why three companies were chosen is because a qualitative research was used. Additionally, this thesis had to be limited as well as have the amount of information that can be handle in a neat and structured way.

The interview used for these study is divided into 18 questions, which was then divided into two sections. The first section consists of 11 questions and is mainly about what the companies motives and activities are in terms of their CSR involvement. This section also gives the researcher an understanding about at what level of knowledge and awareness the companies are when discussing CSR, in the textile industry. The second section of the interview is about CSR in general and what the companies does to work towards CSR and apply it in their company. The questions are asked openly to the person in charge of CSR for each company and aims to investigate what they think about the CSR climate as a whole hence not only through their company eyes (see appendix 1). In chapter 4.1 “The interviews”, the answers to the interview will be discussed. The questions for the interview were chosen for the research questions to be answered. Also, the interview questions are connected to the theories chosen for this thesis as well for the report to have a purpose and a connection throughout the whole reading.

**2.1.1 Companies of choice**

The criteria when choosing companies to be a part of this study were: Swedish, Small to medium sized, operate within the fashion industry, exist at least in a small scale on the
international market. An examination of a few different companies and their backgrounds were conducted. Out of these Nudie, Hope, and Fjällräven were contacted. All three of these companies are interesting for this study in different ways. Nudie for their already exceptional work within CSR, Fjällräven since they are well known for their high quality products, sustainability management and have existed in the market for a long time, and Hope due to their constantly increasing popularity within high fashion products.

All of these companies are different when it comes to their set target group, however they all fall into the same category; they are all more or less well-known companies whom are small to medium sized and operates in the textile industry.

A specifically requirement that the person in charge of CSR for each company should answered the interview. For Nudie, the contact person where their CSR Manager, whom has many years of experience within CSR. For Fjällräven, their Sustainability Manager. Hope did not have a person that specifically worked with these questions therefore their contact person was their senior buyer whom are in charge of selecting Hope’s suppliers.

**Limitations**

During the development of the research questions for this thesis, the questions had to be demarcation for it to not be too big of a subject to work with. Our first demarcation was to decide to only investigate in the textile industry. The reason behind this choice lies in the interest of the industry. Still, the subject had to be demarcated due to all the countries and their different laws, and this lead to the decision of only doing research about Swedish textile companies. From there it was only the choice of deciding which companies should be included in the research. The interview was sent out for the companies to answer and as expected not all the companies choose to answer it. The question for the interviews were made when the theories were chosen. This method was used to minimize the area and follow the theories for the thesis. This limitation made the research manageable and able to be structured in a neat way.

**Reliability**

The person that answered the interview from each company were the one that possessed the most knowledge within the field of CSR and how their company worked according to it. This
contributes to a higher validity of this report. However if more than one person from each company were to answer the interview there is a potential that the results could have been more nuanced. By having more employees answering the interview the overall knowledge of CSR and how their company work with it would be represented. Yet only the one in charge of CSR were contacted since her or his answers felt honest and clear.

To get further reliability for this study, an interview instead of an interview would be an option. During an interview the interviewer have the ability to ask follow-up questions and to get a deeper insight in the issued area. The reason for why an interview was used and not an interview was because of the location of the companies’ headquarters.
3 Theoretical framework

In this chapter different theories will be presented in order to provide the reader with a theoretical framework. This section provides an overview of the research from previous studies about CSR and SME’s.

The pyramid of CSR

The pyramid of CSR is a tool with the form of a pyramid suggesting what types of activities that are fundamental for CSR and which ones that should be prioritized (Szczanowicz et Saniuk, 2016). The four social responsibilities that build up the pyramid are economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility (Carroll A.B, 1993). These different layers help the managers in the companies to see the different types of responsibilities that the society expects from them (Dudovskiy, 2012). It should not be forgotten that these components have always existed in CSR, additionally ethical and philanthropic have been considered more important than before (Carroll A.B, 1993).

Economic responsibility. In the beginning when business organisations started they were designed to provide services and goods to their social members. The motivation for companies have always been to gain profit, organisations are basic economic units in the society and are created as economic entities (Wickert, 2014). The economic responsibility principle for companies is to provide services and goods to their customers and to satisfy their needs and from that make an acceptable profit during the process. However today the companies’ are striving to gain more and more profit due to the capitalistic society. This leads to that other stakeholders, usually suppliers, in the supply chain suffers. There are many reasons for why they suffer but the most common ones are because of cost savings and time pressure that they are exposed to from the focal company. The first block is about the responsibility to sell and provide a certain product or service to a reasonable price. This is to protect all parties in the supply chain. When building the pyramids, economic responsibility is placed as the base. All the other responsibilities are based upon this responsibility, see table 1 (Carroll A.B, 1993).
Legal responsibility. There are ground rules for business to operate. They have laws and regulations they are expected to comply with by state, federal, and local government. The legal rules need to be fulfilled at all time therefore the companies are expected to pursue their economic tasks within the framework set up by the lawmakers. Carroll states that the legal and economical responsibilities are concurrent and are called the “formal responsibilities”, see table 1 (Carroll, 1993).

Table 1: The economic and legal components of CSR (Carroll, 1993. pp. 40).

<table>
<thead>
<tr>
<th>Economic Components (Responsibilities)</th>
<th>Legal Components (Responsibilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is important to perform in a manner consistent with maximizing earnings per share.</td>
<td>1. It is important to perform in a manner consistent with expectations of government and law.</td>
</tr>
<tr>
<td>2. It is important to be committed to being as profitable as possible.</td>
<td>2. It is important to comply with various federal, state, and local regulations.</td>
</tr>
<tr>
<td>3. It is important to maintain a strong competitive position.</td>
<td>3. It is important to be a law-abiding corporate citizen.</td>
</tr>
<tr>
<td>4. It is important to maintain a high level of operating efficiency.</td>
<td>4. It is important that a successful firm be defined as one that fulfills its legal obligations.</td>
</tr>
<tr>
<td>5. It is important that a successful firm be defined as one that is consistently profitable.</td>
<td>5. It is important to provide goods and services that at least meet minimal legal requirements.</td>
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Ethical responsibility. For the next layer of the pyramid it is important to part what is the law and what is an ethical act of action. It is expected that companies participate in activities and
practices even though it is not codified into laws (Carroll, 1993). Ethical responsibility is responsibilities what generally is expected by society above economic and legal expectations (Dudovskiy, 2012). Furthermore, this responsibility is about the citizen as much as the environment and animals. This part of the pyramid gives the organizations a higher responsibility than what is required from them. What separates ethical with legal responsibility is that the values and norms in the ethical responsibility are not laws made by the lawmakers, but is still expected to be performed by the companies for ethical reasons, and if not performed the companies will be seen as unethical. Even though there is a fine line between these two components they are still in dynamic interplay with each other. When citizens or companies do changes in ethics or value it will forgo the establishments of the law. This is because these changes become the drive force for the creation of regulations and laws, see table 2 (Carroll, 1993).

**Philanthropic responsibility.** This is the last layer of the pyramid is the Philanthropic responsibility. This is not a component that is required from the companies compared to the other blocks. This is up to the company itself to choose to engage in (Carroll, 1993). This responsibility has a closer focus on the more luxury things (Dudovskiy, 2012). These things are such as improving the quality of the life of the employees and local communications. This component is about being a good citizen. It can be difficult to see the differences between ethical and philanthropic responsibility. The difference is that philanthropic responsibility is not expected from the companies and they will not be questioned if not performing the tasks. This last layer is about engaging in activities that is about goodwill to the people, welfare, and the environment. It can be donations to the community, schools, or financial resources. Communities also wish firms to contribute with money, time, facilities, and employee time to programmes. Philanthropic responsibility is more a voluntary act and is therefore not as important as the other components but has over the years been more desired together with the ethical responsibility, see table 2 (Carroll, 1993).

Table 2: The ethical and philanthropic components of CSR (Carroll, 1993. pp. 41).

<table>
<thead>
<tr>
<th>Ethical and Philanthropic Components of Corporate Social Responsibility</th>
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<tr>
<td>Ethical Components (Responsibilities)</td>
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</table>
6. It is important to perform in a manner consistent with expectations of social mores and ethical norms.

6. It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.

7. It is important to be recognized and respect new or evolving ethical/moral norms adopted by society.

7. It is important to assist the fine and performing arts.

8. It is important to prevent ethical norms from being compromised in order to achieve corporate goals.

8. It is important that managers and employees participate in voluntary and charitable activities within their local communities.

9. It is important that good corporate citizenship be defined as doing what is expected morally or ethically.

9. It is important to provide assistance to provide and public educational institutions.

10. It is important to recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.

10. It is important to assist voluntarily those projects that enhance a community’s “quality of life”.

CSR is not as divided into these components as the pyramid shows but more a mixture of all four of them, yet still some of the component is the basis of CSR. The more important the component is the lower down it is places as a symbol of the strength of carrying the pyramid up. These different layers of the pyramid helps the companies to see what is required and expected from them and can be divided as “concern of profit” and “concern of society” (Carroll, 1993).

These all responsibilities are shown in figure 1.
Figure 1: Carroll’s CSR pyramid with the four responsibilities; economic, legal, ethical, and philanthropic responsibility (Dudovskiy, 2012).

The triple bottom line

SMEs play a great role in the community they operate in due to their impact on the economy (Ec.europa.eu, 2016). Their CSR and growth are therefore of great importance for the local economy and environment. In order to measure the actual contribution to society from these companies there is a strategy or a concept called “The triple bottom line”.

The Triple bottom line- *TBL* or the “*Three P’s*” is a concept coined by John Elkington in 1994 (Hindle et Books, 2008). As the name implies the concept refers to a company’s bottom line, which traditionally would be the “profit and loss” for the company. However Elkington’s theory emphasize that in order for a company to take full account for its costs it must consider two more factors: people and planet. The “people-account” measures how socially responsible an organization has been throughout its operations and the “planet-account” how environmentally responsible it has been. Elkington (1997), claims that a company must take these two other factors into account in order to be financially stable in the long run.
Additionally, to involve these factors a company integrates them into its core strategies without waive the overall financial results.

Thus it is of great importance that none of these three categories plays a bigger role than the other in order for it to work (Henriques, Adrian 2004).

The fundamental principle of TBL is: what you see is what you get, because what you measure is what you are likely to pay attention to. Only when companies measure their social and environmental impact will there be socially and environmentally responsible organizations (www.economist.com, 2009).

The TBL is not only a strategy to measure a company’s influence on society but also a great tool to gain competitive advantage. If a company successfully use the TBL theory and manage to permeate social and environmental thinking throughout the whole business it can lead to cost reductions, improved quality and a strengthened brand in terms of value added for customers and consumers (Savitz, 2013).

**The drivers to engage in CSR**

One important driver for companies to involve in CSR is the legal and regulatory one, which comes from the government’s role of controlling firms’ social and environmental conduct through laws and regulations (Ehrgott et al., 2011). The regulatory force plays a significant role of pushing firms towards further improvements within their supply chains. Firms face pressure from their stakeholders such as suppliers, customers and the government to be sustainable. This enables maximum stakeholder benefits, hence generates in a more equal and sustainable supply chain since the goal would be that none of the parties would operate on the behalf of the other. (Garriga et Melé, 2004).

One of the main drivers to engage in CSR for textile supply chains is the increasing consumer demand for clothing sourced through ethical supply chains. There is a strong business argument for implementing CSR in fashion supply chains since it’s a high profile consumer industry. Poor CSR practices in subcontractor facilities can result in bad publicity, consumer boycotts and loss of retail brand value in the home market (Perry et Towers, 2013).

In the past the relationship between buyers and suppliers in the fashion industry have often been on the behalf of the other. Usually since the buyer got the most power many suppliers
have got little to say about the manufacturing of the products. This occurs today as well, however, the continuously changing nature in the fashion industry requires the formation of new relationships between buyers and suppliers. They seek to get a long-term mutually beneficial partnership (Towers et Burnes, 2008). This leads to a holistic, inclusive approach and enhances cost reductions, profit improvements and service enhancements and improves the competitive performance of the supply chain as a whole (Croom et al., 2000).

While short-term oriented firms rely on the market to maximize their profits in each transaction, long-term oriented firms rely on series of relational exchanges to maximize their profits over a series of transactions, by achieving synergy between parties and sharing risk (Ganesan, 1994). Towers and Burnes (2008), argues that it is difficult for competitors to replicate the offering of other suppliers who have created seamless manufacturing processes based on close, beneficial trading relationships with their customers. Many apparel companies have adopted this theory to gain competitive advantage. They focus on a small number of suppliers with close relationships. From a CSR perspective this enables a more transparent supply chain as well as improved control (Perry et Towers, 2013).

### 3.1.1 Opportunities and barriers in CSR for SME’s

For SME’s there are several opportunities well as barriers when dealing with CSR. These are important to know about in order to have a successful strategy. This section will present the most common factors according to literature.

**Barriers:**

One of the main barriers when discussing CSR in SME’s would be that CSR studies and practices mostly apply only to large companies. Tilley (2000), argues that it is not the CSR itself that differs between large firms and SME’s but that SME’s are not “little big firms”. SME’s works differently in nature compared to large companies since SME’s tend to be independent, multitasking, cash limited, and based on personal relationships and informality (Russo et Perrini, 2009). In addition, they are actively managed by owners, highly personalized, largely local in their area of operation, and largely dependent in internal sources to finance growth (Lepoutre and Heene, 2006; Vyakarnam et al., 1997).

Unfortunately due to this problem, CSR in SME’s have received little attention. This becomes problematic since SME’s plays a significant economic, environmental, and social part in the society in Sweden as well as in Europe.
Other barriers are cost/benefit ratio (capacity) and external control (risk). Because SME’s are smaller than larger companies they have a disadvantage when comparing the capacity of liquidity. Because of this gap the research shows that larger companies are more active in CSR than SME’s. Also, this gives the dominant companies more competitive advantage because they can afford the financial resources to be able to invest in CSR (McWilliams et Siegel, 2001)

SME’s stakeholders are the one that should guide the SME’s through CSR issues, which are difficult for SME to detect themselves, due to lack of monitoring capacity of their marketing environment and knowledge (Lepoutre et Heene, 2006).

**Opportunities:**

There are many arguments for why CSR could bring benefits and unique opportunities for SME’s. Since SME’s are usually flatter in hierarchy and quicker in their decision-making, they can manage their strategy instantly if necessary (Sarbutts, 2003).

In 2004 there was a study made in the UK that reveals that SME’s who implement standards like ISO 9001 could work as a CSR integration tool. Castka et al. who made the study argues that when SMEs implement CSR, efforts to meet stakeholders expectations where adapted in CSR agenda, therefor SMEs’ could benefit from CSR such as stakeholder satisfaction as well as business improvement and development for competitive advantage. SMEs’ tend to have a close relationship with their stakeholders and this enables stakeholder management for SMEs. One of the main opportunities is the ability to be flexible. By being flexible, the company can respond to stakeholder demands and implement stakeholder policy. They can easily adjust fast to trends and prevent potential risks (Sweeney, 2007).

**Connection between theory and case companies**

As mentioned in chapter 1.2.1, the research questions for this thesis work are; what are the drivers to engage in CSR for SME? What are the opportunities and/or difficulties? And how does it apply in reality? And the purpose is to investigate what role CSR plays in SME within the textile industry in Sweden and to clarify the opportunities as well as the barriers to take social and environmental responsibility for SME. Later in the report the answers for the
interview will be analysed and further investigated in (see chapter 4.1 The interviews). During the first section of the interview, basic questions are asked to get a clearer picture about how the companies understand CSR in general. It is during the second section the companies are asked to answer questions closer related to the research questions. From investigating the answers of the interview the theoretical framework were developed. The theories chosen for this report are all linked to questions such as morals about the environment and society, responsibilities, and the drive why companies choose CSR, all in the same area as the core questions of the thesis.
4 Empirical findings

From chapter two one could see that there is a great collection of information about CSR and its possibilities. What is more difficult to find in the literature is empirical research for the engagement in CSR and the actual outcome from it.

In this chapter the companies as well as the collected data from the interviews will be presented. That is why the companies in this study engage in CSR, the possibilities and difficulties with it and how it applies in reality. The data and information collected from the three companies will be used when conducting an analysis of this study.

The companies

In this section contains a short presentation of each company that participated in this study. Further down in section 4.2 “The interviews” the companies are referred to as A,B and C, the companies where randomly given a name without any specific order or thought. This because some of the companies wanted to be anonymous.

4.1.1 Nudie Jeans & CO

Nudie Jeans is a Swedish clothing company founded in 2001 by Maria Erixon and Joakim Levin. Maria Erixon was a former employee for the denim brand “Lee”. This explains why they chose to focus on jeans. The company is privately held and consists of 170 employees, where 60 of them are working at the headquarter in Gothenburg. Nudie’s current CEO is Palle Stenberg. During the year of 2015 they had a revenue of 400 MSEK (Brinkberg, 2016). They started early to engage in CSR and are now one of the leading companies within CSR performance, in Sweden (Egels-Zandén, N. 2016). Nudie is an international established brand with stores located in 8 countries. Their production is mainly located in Europe. A total of 55% of their production comes from Italy. This is an active choice since Europe is considered a low risk region to operate in when it comes to CSR. Nudie has a small amount of suppliers, because it makes it easier to keep track of their production and to have a transparent supply chain. Nudie use 100% organic cotton in their production and many of their clothes comes from recycled materials such as old Jeans. Their strategies are built on sustainability throughout their whole supply chain. One main goal for Nudie is to keep the life cycle for their products as long as possible. They offer free repair for their customers and when it is time to get a new pair of
Nudie’s one can turn in the old and get a discount on the new pair. They then recycle the old pair of Jeans (Nudiejeans.com, 2016).

### 4.1.2 Hope Retail AB

Hope Retail AB is a subsidiary to Ringstrand & Söderbeg AB and was founded in 2001 by two friends Ann Ringstrand and Stefan Söderberg. They had their first collection for women clothing’s launched in 2002. Then in 2005 they launched their first collection for men, and the following year they opened their first store in Stockholm, Sweden. Today Hope has 9 flagship stores in 4 different countries, which are Sweden, Norway, Denmark, and The Netherlands. Not only do they have their own stores where they sell their clothes but also 260 retailers on 23 markets (Hope STHLM, 2016). During 2015 Hope’s revenue at the end of 2015 after the year was 97 MSEK and they have 76 employees (Allabolag.se, 2016).

Hope has been receiving a couple of awards over the years. They were the first to receive the Nordic Design award “Ginen” by IN Magazine in 2003. In 2005 when the company gave out their first men’s collection it was awarded by the Café Magazine award for “Newcomer of the Year”, and “Designer of the Year” in 2007 by both Café Magazine and Swedish Elle Magazine. In 2012 Hope was rewarded by the Swedish most desirable design award “Guldknappen” and is given by the Swedish fashion magazine “Damernas Värld” (ibid). Hope aims to produce clothes with high quality and with a timeless look. They have a project called “Stay warm in your heart”. This project support organizations that helps homeless people in need. They contribute with both money and clothes.

### 4.1.3 Fjällräven AB

50 years ago Åke Nordin founded the brand Fjällräven. The main purpose with their products was to make the life of hikers easier and “...to develop products that makes it easier for people to enjoy the nature” (Fjallraven.se, 2016).

Fjällräven is one of Fenix Outdoor International AB brands, former Fenix Outdoor AB, which was registered in 1967. They are a company with retailers focusing on nature and hiking. Fjällräven’s products are available in countries all over the world (ibid). Today their CEO is Martin Axelheden and their parent company has 50 employees. The company do not want to go out with exact numbers about their yearly revenue and refers to Fenix Outdoor International AB (Dolva, 2016). Fenix Outdoor International AB’s revenue in the end of 2015 was 115
MSEK (Allabolag.se, 2016). Fjällräven produces accessories and clothing’s that are flexible and comfortable, and yet fashionable for hikers. Additionally, they feel strongly for the nature and environment and they are working hard with CSR questions. Their employees are people spending time in the nature themselves, and therefore the question about having a sustainable production and business are of great importance for the whole company. They want people who uses their products to be able to easily pack their equipment and leave for their next adventure without leaving any footprints in the nature. Furthermore, they investigate and control everything from raw material to finished product. They continuously execute audits to control where the raw materials are coming from as well as the amount of water, energy and chemicals used during the production. One of their top priorities is to have the best quality possible on all products. Fjällräven works actively to develop the local societies that they operate in. They aim to improve the living standards for their production workers as well as the surrounding nature. Additionally, Fjällräven involves in philanthropic work in many of those societies (Fjallraven.se, 2016).

**The interviews**

When asked about how the three companies would define CSR, company A and C agree that CSR stands for keeping the nature clean and to take responsibility for their production in terms of social and environmental aspects, and to minimize their waste. Company B did not understand this particular question and simply answered Corporate Social Responsibility. The main purpose for company A’s CSR-strategy is to always do the best they can to take responsibility for their business given their circumstances. They emphasize that this stands for all parts of the company. They have environmental certifications for all their stores as well as their headquarter to minimize all types of impact. Company B Answers that their purpose of their CSR-strategy is to make sure that all their work will be done in an ethical and sustainable way. Company C’s main goal is to minimize their impact on the nature. Company A started to work with CSR since they first founded the company. However they have developed it over time and in 2012 they lanched their first 100% ecological cotton line and the same year became members of the organization FWF (Fairwear) and started to perform audits with their suppliers. Company B Have as Company A worked with CSR from scratch. They say that their collections are built on styles that are timeless. Company C explains that CSR are very much
integrated in the company’s core values and has been so the past five to ten years. On the question “Which type of CSR is most important for your company (legal, economic, ethical)?”

Company A says that they strive to take more and more responsibility but they emphasize that the most important factor for them are the environmental and ethical aspect. However they also state that the economic part is important, therefor they focus actively on having the best possible products that speaks to a wide customer range. The interviewed person said “If nobody wants to buy our products, it does not matter how much time and energy we spend on the social and environmental parts.” Company B says that the economic factor is the most important one but they always strive to be ethical. They motivate their answer by saying “If you start a brand without external financing you have to take good care of the money you have. Every cent is carefully taken care of to ensure survival of the brand and also further profitability.” Company C’s says that the base of their CSR is the environmental factor. However they want to add ethical and economic as well. To make sure that company A’s CSR covers their entire supply chain they visit and audit all their suppliers. They have also chosen to perform audits in low risk countries, mainly European countries, since they think that it is equally important. Company B simply answered that their goal is to cover the entire supply chain with CSR but did not answer on how they control it. Company C did not have a clear answer to that question. When asked what each of the companies have gained from their involvement in CSR, company A says that it has been essential for their entire business. Since they have integrated it in their core values from the very beginning it has permeated their way of working which they believe is necessary for this industry in order to survive in the future. They repeat how important it is to always take responsibility for their actions and that it should be an obligation for all companies to do so. They also say that they have gained more customers and that the customers are extremely loyal to the brand due to their CSR engagement. Company B says that they have gained profitability and a better reputation in the business. Company C have gained stronger core values, efficiency and strategic positioning.

The main driver for companies to engage in CSR for SMEs within the fashion industry is according to company A due to how important it is to have control over the supply chain in terms of ethical and environmental reasons. They say that it is a positive trend that more companies are discussing the topic and engage in CSR. However to speed up the process they think that there should be stronger laws and regulations for how companies are allowed to operate. Company B believes that the main driver is because of the profitability that might
come with it and company C answers that it simply just not a smart business strategy to operate in an un-sustainable way. The interviewed person for company A answers to the question: which would be the main barriers for SMEs to engage in CSR? “Many companies have excessively many suppliers which makes the auditing of each supplier overwhelming. To start off by evaluate the suppliers within a company is a great first step. Additionally, it is important not to see CSR only as an economic question, instead we must realise that this work has to be done in order to keep this planet alive.” Furthermore, they say that there are several opportunities for SMEs to engage in CSR such as increased brand reputation and cost savings in the long run. Company B believes that the main barrier is to get a company’s suppliers to engage and follow the CSR strategy the company would like them to follow. Company B did not answer anything concrete about the opportunities. Company C answers knowhow and personnel resources as the main barrier but believes that increased resource efficiency, strategic marketing and better employment engagement would be the opportunities.
5 Analysis

This chapter will analyse the interviews in comparison to the presented theories in ch 3. The analyse will be based on “Carolls pyramid” as well as the “Triple Bottom Line” in order to see how the companies perform in terms of CSR according to these theories.

The main reason why SME companies in general engage in CSR according to theory is except the type of CSR which is regulated by laws and regulations, the company’s own willingness to do good and contribute to the society together with the benefits that emerge with it. Companies have always taken advantage of all kinds of situations in order to make it beneficial for them, but why do companies in the textile industry want to take responsibility? An example is the information spread by media about H&M and Nike (see chapter 1.1 Background). Media got a hold of information about the employees working conditions in their factories. When the words spread about H&M and Nike, people started to boycott these companies for ethical and legal reasons. Because of this public power the textile companies need to be careful with whom they involve in business with, both the internal and external performance. These factors leads to different types of responsibilities that the companies need to have under control (see chapter 2, section 2.1 The pyramid of CSR). It is Carroll’s theory about the different responsibilities that the companies can adapt as well as the importance of them. The three companies interviewed do agree with the responsibilities but partly agree on the order of the importance.

When analysing the answers from the interviews with the pyramid of CSR, which explains that the economic factor within a company is the basis of the structure and holds up the company, the companies do not agree fully on this. The interesting discovery during the research is that only one of the companies (B) answer that the economic factor is the most important part when engaging in CSR. The other two companies (A and C) answer with confidence that the ethical, mainly environmental factors are the basis of the structure and the most important driver for the company. Additionally, company A explains that the ethical responsibility is in focus when they develop their engagement in CSR, while company B and C are discovering new CSR activates and prioritize different aspects as their company develop. These new activities that arises are CSR benefits that has not been available for the company due to the size but during development they can be seen more clearly and used.
Furthermore, the companies might disagree partly with the theory and each other when it comes to what aspect of Carrols pyramid that they believe to be the most important for their company but their main purpose of their company’s CSR strategy does not differ. Company A answers that all types of responsibilities are important but they focus more on the environmental part, while company B believes in ethical responsibilities and sustainability. Company C agree with both A and B and answer that both the ethical and environmental responsibilities are their main purpose in their companies CSR strategy. When asking the question “What is the main purpose of your company’s CSR strategy?” which is similar to the earlier one, they stay with their previous answer, which shows that they are consistent with their company’s business strategy and CSR engagement.

When it comes to the difficulties and the opportunities for SMEs to engage in CSR the answers from the interviews agrees with what the literature states. As mentioned in chapter, 1.2 Problem and discussions, it is important to remember that SMEs are not “little big firms” which makes it harder for SMEs to perform CSR. Larger companies might have a department only working with CSR with personnel specialised in that field. Furthermore, they have the ability to invest more money in CSR projects than SMEs has. What becomes clear is that SMEs need a different approach to their strategies compared to larger companies. Company A suggests that in order to make it easier, countries should impose stricter laws and regulations on how companies are allowed to operate on the market and sees that as an opportunity for all parties in the supply chain. This would make the cooperation between all stakeholders easier. Especially between buyers and suppliers since they would operate under the same conditions. This goes hand in hand with the concept of CSR. As mentioned in the background. CSR can be interpreted in many different ways, which can create a confusing climate for the involved parties.

SMEs within the fashion industry who engage in CSR have the ability to create a strong relationship with its suppliers (see chapter 2, section 2.3). Company A also emphasize the importance of this. They say that to have as few suppliers and a subcontractor as possible is preferable for a company since it generates a closer relationship to each and every one of them. This leads to enhanced control over the supply chain they say. Additionally, they say that it contributes to an increased stable business and a form of risk minimization.

All of the investigated companies are privately owned. This is considered a benefit in terms of CSR since it according to theory says that privately owned companies usually do not need to
consider any particular stakeholders interest. The companies agrees on that since it makes it easier for them to regulate their strategies and do not need to consider outside investors opinions about CSR.

One could see during the comparison of the data and the theories that the companies do follow and use the triple bottom line theory (see chapter 2, section 2.2). They all answers that consider the “people and planet” lies in the companies’ core and because of that the three pillars People, Profit and Planet have increased simultaneously. However one can see from the results that Company A and C does it on a higher scale (see “the interview” chapter 4, section 4.1). Company A for example works actively with audits on their suppliers to ensure that they follow their policies. They also emphasize that it is vital for them not to only look at the financial factor when involving in CSR activities. They state that since the resources on this earth are finite companies must change their focus and level up in their sustainability performance. This cannot be done if the People and Planet aspect in the bottom line is ignored. One thing that it is important is the definition of CSR, which in a way goes hand in hand with the TBL. The literature has not yet succeeded to mutually come up with an agreed definition of what CSR really is and does. Because if the many different definitions (see chapter 1.1.1 CSR-background), different companies with different sized or types engage in different parts in theories, such as in the TBL. It was shown that the companies do engage if the theory in higher or lower scales and this might be because of the different sizes.

When companies have started to engage in CSR they hopefully start to gain from it in terms of enhanced reputation, stronger relationship with stakeholders, and greater employee loyalty internally. What is interesting is that all the investigated companies bring up these aspects as achieved benefits. Company A said that by applying CSR strategically, it had made it possible for them to survive in a sustainable way on the market with continuously increased reputation and loyalty amongst its customers. This has naturally result in gained financial performance. Company B and C experience the same results. All three of the companies emphasize the importance of having a good reputation on the market, which is something the theory emphasizes as well. These days’ customers are conscious and by getting a bad reputation due to lack of ethical and environmental responsibility could be a question of survival for the companies.
6 Discussion

From the results one can see that it is important for all of the investigated companies to engage in CSR. What differs is the level of involvement in each company, especially one of the companies is standing out in performance. It becomes obvious that this company is very passionate about sustainability and always strives to improve their supply chain in terms of environmental and ethical aspects. They have managed to successfully implement CSR in the company’s bottom line, which have led to a holistic view of CSR throughout the whole company. What is interesting is that the company has used CSR in order to grow as a brand and it has showed to work. This can serve as empirical evidence that CSR actually contributes to the profitability of a company if it is executed with the right strategy.

One of the other interviewed companies thought that the biggest driver for them and other companies to engage in CSR was because of the profitability. The same company did not have very well for formulated answers and seemed to know little about CSR in general. The answers, where to some extent ambiguous which gave, the impression that this company profile themselves as environmentally and ethically conscious but in reality knows little about it. They more or less use CSR as a marketing tool rather than an actual strategy to be a responsible company.

For SMEs within the fashion industry to better implement CSR in reality and succeed they must educate their employees. Not only in the purchasing department but also throughout the whole company. As the study shows, the benefits with CSR are many and can give a company a unique competitive advantage. With a close collaboration with suppliers the company can continuously improve their environmental and ethical performance in their supply chain.

Since this study is limited to three companies the results cannot be applied to the industry as a whole. However as mentioned above, it can serve as a motivation for SMEs to develop their CSR strategies and to reevaluate why and how they can improve in terms of environmental and ethical aspects. Additionally it might inspire other companies to not only make CSR a question of great financial investments and to see that it is actually necessary for the company to survive in the future.
7 Conclusion

The research questions for this study where:

- What are the drivers to engage in CSR for SME in textile companies?
- What are the opportunities and/or difficulties
- How does it apply in reality.

What are the drivers to engage in CSR for SME in textile companies

The literature states that the main reasons for SMEs to engage in CSR would be because of their own willingness to do good and to take responsibility for their impact on society. This coincides with the investigated companies main reasons as well. It is important for them to operate in an ethical way. Another important driver is the customers’ demands on the companies to perform CSR. Gained financial performance is another important driver for companies even though it can be hard to measure. The investigated companies can see the increase in terms of enhanced reputation on the market, which leads to more customers as well as more loyal ones. The gained reputation can be the affect on environmental choices to do good and ethical reasons to do right for the people working within the company as well as the people in the surrounding of the facilities. This is something that has been a known factor, that the customers have a great impact over the company’s future in the market.

What are the opportunities and difficulties

The opportunities for SMEs to engage in CSR goes hand in hand with some of the drivers. Opportunities such as increased customer satisfaction, gained brand reputation, and of course additional profit such as liquidity, are drivers for SMEs inside the fashion industry. Also, the company structure of SMEs is flat, which makes it easier for them to make decisions faster than larger companies. Fast decisions can be the factor for, which to start a project or collaboration with a company. The difficulties that SMEs might encounter are how CSR are structured for larger sized companies. CSR, according to literature are not structured for SMEs, when comparing companies liquidity the larger companies gain from engaging in CSR than SMEs. Due to the larger amount of liquidity these companies can benefit from the advantage that require usage of liquidity.
How does it apply in reality

The interviews showed that the theories for companies to use when applying CSR in reality in a successful way do occur in the company’s structure but they do not follow all the methodologies of the theories. The theories do not take into account the different types of companies when explaining the usage of the theories and the outcome. Neither do the theories take into consideration the different sizes of the companies e.g., SMEs. Due to the lack of involvement of the different types and sizes of companies in theories, companies cannot apply all the steps from the theories and their methodology into their company structure. This does not mean that the theories are unusable rather they are incomplete and need to be developed and improved to fit all kinds of companies regarding industry.
Referenslista


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Appendixes

Appendix 1 - Interview questions

Interview regarding CSR activities for small to medium-sized companies

The company’s motives and activities
1. How would you define CSR?
2. What is the main purpose of your company’s CSR strategy?
3. When did you start working with CSR and what was the main drivers?
4. Which type of CSR would you say is the most important for your company (legal, economic, ethical) and why?
5. What main activities in CSR does your company perform and why?
6. Are your CSR targeted any particular stakeholder and in that case why?
7. How can you make sure your CSR covers your entire supply chain?
8. If it does not cover the entire supply chain, what are the reasons?
9. Does your stakeholders share the same view on CSR as your company do, if not please describe?
10. How have the CSR activities in your company developed over time?
11. What have your company gained from your CSR?

CSR in general
1. In general, do you think that it could be a problem that CSR can be interpreted in different ways (maybe it is different for small to medium-sized companies compared to large corporates)? please develop
2. What do you think would be the main drivers to engage in CSR for small to medium-sized companies within the fashion industry?
3. What would be the barriers for small to medium-sized companies in the fashion industry to engage in CSR?
4. What can you do to minimize these barriers or even prevent them?
5. What would be the opportunities for small to medium-sized companies to engage in CSR?
6. How have CSR in small to medium-sized companies in the fashion industry developed over time?
7. How do you think the future for small to medium-sized companies within the fashion industry looks?