Corporate Social Responsibility of SMEs during Times of Turbulence

- A Case Study of Small and Medium-sized Exporters in a Changing Environment

Authors: Stylianos Papaioannou, Kristofer Pettersson

Supervisor: Dr. Hans Jansson
Examiner: Dr. Bertil Hultén

Program: International Business Strategy
Level and semester: Master, Spring 2012
Abstract

The increased globalization has brought increased interdependency between countries as well as markets. The 2007 financial crisis impacted companies on a global scale and the need for companies to be socially responsible has increased. Corporate social responsibility (CSR) can build reputation and lead to societal and competitive advantage, which can be especially useful for small and medium sized enterprises (SME) with limited resources. CSR has traditionally been the domain of multinational corporations and little is known about CSR in SMEs. Recent research shows mixed results of how the financial crisis has affected CSR strategies. The purpose of this study is to explore how stakeholders’ issues and CSR strategies change during times of market turbulence and SMEs conform to the changes of the internal and external environment. This was studied through a qualitative case study of three Swedish exporting SMEs and their key stakeholders. Interviews with managing directors of the companies and key stakeholders together with secondary data constitute the gathered empirical data. Key stakeholders, key issues, legitimacy with stakeholders, company matching with the external environment and the CSR strategy, as well as changes during crisis were analyzed based on the empirical data. We found an increased need for CSR activities during times of turbulence. Two companies increased their CSR activities while one decreased the activities. The results of the study indicate that the external environment changes during times of market turbulence and companies need to adapt to the newly shaped environment. CSR activities became more important for some stakeholders during market turbulence. Companies which adapted to the changes of the external environment improved legitimacy with their stakeholders and moved toward enhancing their competitive advantage as well as improved their performance. The study contributes to the knowledge of how SME form CSR strategy as well as how this strategy is changed during times of turbulence. We found CSR strategies of the studied SMEs to be emergent and intuitive, and that CSR strategy changed in a mixed direction during the crisis. Finally, a recommendation is made based on the results. SMEs can strategically use CSR activities in order to develop a competitive advantage through differentiation by a creating societal advantage.

Keywords: CSR, SMEs, export, crisis, market turbulence, legitimacy, matching strategies, societal advantage, competitive advantage.
Acknowledgements

We would like to express our deepest gratitude to our supervisor Hans Jansson who supported us with the most efficient way throughout the development of this study. Additionally, we want to express our deepest gratitude to Hans Jansson who influenced our thought style and personal values and played a major role in our development on a student as well as on a personal level.

Furthermore we want to express our gratitude to Mikael Hilmersson, who was always there for us to support and to solve every problem we had. We want to thank our professor Joachim Timlon who gave us valuable advice and motivated us to become better students. We want to thank Susanne Sandberg, Niklas Åkerman, Peder Veng Søberg, Hubert Fromlet, Martin Johanson and Nils Nilsson for providing us new ways of thinking with their lectures throughout our Master Program which influenced the development of this study.

Our special thanks to the program coordinator Terese Johansson, who actively supported us and solved all of our problems during the whole program and especially during the conduct of our master Thesis.

We want to express our deep gratitude to the managing directors and employees of Amokabel, Rörvik Timber Tvärskog and Luma Metall for dedicating their valuable time and patience. Moreover, customers, suppliers and community members gave us valuable information and time and contributed to the development of this study.

We want to express our appreciation to our families and friends who actively encouraged and supported us. Additional thanks to our classmates with whom we created a group with team working spirit and their comments improved the quality of our thesis.

Kristofer Pettersson       Stylianos Papaioannou       2012-05-27
# Contents

1. Introduction ................................................................................................................................. 1  
   1.1 Background ............................................................................................................................... 1  
      1.1.1 CSR and market turbulence ............................................................................................... 1  
      1.1.2 Globalization and importance of SMEs ............................................................................. 2  
      1.1.3 The global financial crisis ................................................................................................. 3  
      1.1.4 Need for social responsible companies ............................................................................. 4  
      1.1.5 Benefits of CSR ................................................................................................................ 5  
   1.2 Problem discussion .................................................................................................................... 6  
      1.2.1 CSR and Small and Medium sized Enterprises ................................................................. 6  
      1.2.2 Prior research on CSR in SMEs ......................................................................................... 6  
   1.3 Problem definition .................................................................................................................... 7  
      1.3.1 Research question ............................................................................................................. 7  
      1.3.2 Purpose of the paper ........................................................................................................ 8  
   1.4 Thesis outline ........................................................................................................................... 9  
2. Methodology ............................................................................................................................... 10  
   2.1 Research Approach and method ............................................................................................. 10  
   2.2 Research Strategy ................................................................................................................... 12  
   2.3 Case study design .................................................................................................................... 13  
   2.4 Data Collection ....................................................................................................................... 15  
      2.4.1 Collecting primary and secondary data ............................................................................ 16  
   2.5 Data analysis ........................................................................................................................... 18  
   2.6 Quality of the research ........................................................................................................... 19  
      2.6.1 Internal Validity ................................................................................................................. 19  
      2.6.2 External Validity ............................................................................................................... 20  
      2.6.3 Reliability ......................................................................................................................... 21  
3. Literature review and theoretical framework ............................................................................. 23  
   3.1 Literature review ..................................................................................................................... 23  
      3.1.1 Corporate Social Responsibility ....................................................................................... 23  
      3.1.2 The link between internal and external environment ....................................................... 23
1. Introduction

In this chapter we provide a background to the main concepts and discuss and define the research problem. We will describe the effects of market turbulence on international business and on small and medium-sized enterprises (SMEs). Furthermore, we will describe the importance of corporate social responsibility (CSR) to SMEs. We discuss the problem by identifying gap in the research of CSR in SMEs and how it is affected by market turbulence. At the end of the chapter, we will describe the purpose of the paper and present an illustrative outline of the thesis.

1.1 Background

1.1.1. CSR and market turbulence

Research on the effects of the recent market turbulence caused by the financial crisis on corporate social responsibility, often abbreviated as CSR, has led to controversial results. On one hand, surveys have shown that corporations have sacrificed CSR investments in reaction to financial constraints. On the other hand, other research found an increase of CSR activities and investments in CSR during recent financial crisis. A survey among 1050 CFOs indicated that the financial crisis systematically affected real investment but unequally across firms (Campello et al., 2010). Campello et al. (2010) found that there have been cancellations and postponements of investments in more than half of the companies taking part in the survey because of the financial crisis and concluded that investments, including CSR activities, have decreased and even been abolished because of the recent crisis.

On the other hand, Giannarakis et al. (2011) found that CSR performance of 112 major companies increased during the period 2007 to 2010. According to the authors, this happened since companies aim to maintain brand value and the sense of confidence of customers as well as keep redefined relationships with society. Giannarakis et al. (2011) also found an increased interest in CSR activities and an increase of CSR performance during the crisis.
Moreover, Yelkikalan and Köse (2012) state that the recent financial crisis had different effects on different types of CSR activities. In addition, the authors state that companies continue CSR activities in order to pursue the opportunity of long-term profitability and to ensure the survival of the business. However, Yelkikalan and Köse (2012) found mixed directions of strategic CSR change because of the financial crisis.

To summarize, research is shows that financial constraints and the financial crisis affects CSR strategy but the research is divided on the direction of the change. This creates a great need for further research.

1.1.2 Globalization and importance of SMEs

The term globalization can be defined as the growing interdependence of countries and is a result of the increasing integration of trade, finance, people, and ideas into one global marketplace. International trade and FDI flows are the main elements of this integration. (Soubbotina & Sheram, 2000).

Globalization has accelerated sharply since the middle of the 1980s due to technological advances and economic liberalization. The cost for companies to locate different parts of production in different countries has been lowered through technological advances in transportation and communications, such as IT technologies. Another very important factor that has led to the acceleration of globalization is economic liberalization of capital markets and trade. The trend has been for governments to decrease protection of local markets to foreign competition and at the same time there has been a reduction of trade barriers such as import quotas, export restraints and legal restrictions (Soubbotina and Sheram, 2000).

Globalization is measured by the ratio of a country's exports and imports relative to its GDP. According to this measure, globalization has accelerated sharply and doubled since the 1950s (Soubbotina and Sheram, 2000). In 1996 the ratio of world trade to world GDP was 36 percent and in 2008 it reached 53.2 percent. (World Bank: Merchandise Trade). As a result, countries and companies are greatly affected by global economic changes due to the high level of international trade and FDI.
The importance of SMEs for the global economy as well as the Swedish industry has increased during the last decades. SMEs make up over 90 percent of businesses and account for about 50 to 60 percent of global employment (Jenkins, 2004). Around 99 percent of Swedish companies are SMEs which are employing 52 percent of the Swedish workforce (SCB, 2008). Globalization and increased international trade has made SMEs more susceptible to changes and turbulence from countries and markets all over the world.

1.1.3 The global financial crisis

The world economy is currently facing a severe global crisis that started in the financial sector and later spilled over to the real economy and greatly affected international trade. The crisis has it has been described as the worst economic situation since the great depression in the 1930's (UNCTAD, 2010) and started 2007 in the US with the liquidity crisis that followed the loss of confidence in the mortgage credit markets. In 2008 the crisis had spread to the real economy and caused large downward fluctuations in the stock markets and exchange rate volatility as well as a substantial reduction of economic growth and of demand and consumption. (UNCTAD, 2009) This lead to a decrease in production and international trade, as world trade decreased with nearly 10 percent in 2009 and the global GDP growth was reduced by 6.2 percent between the 2007 and 2009 (World bank statistics). Companies in industries with global production and supply chains were hit the hardest by the crisis (UNCTAD, 2009). Increased economic risks pose a threat for companies around the world and can impact sustainability and competitiveness.

As SMEs constitutes a large part of the global as well as the Swedish economy, they are to a large extent exposed to global fluctuations in demand and exchange rates. Therefore, we find that the current financial crisis provides an opportunity to study the effect of turbulent times on CSR strategies of exporting SMEs. Moreover, during market turbulence, the external business environment is more unstable than in times of growth which cause changes to happen more frequently and at a faster pace than normal. This rapidly changing environment of the current financial crisis provides an ideal opportunity for a study investigating how companies act and react in a fast changing environment. The global markets turbulence with high uncertainty creates an interesting business environment in which theoretical frameworks can be tested and
useful results can be made about theories concerning sustainability. This is why the current global market turbulence is an intriguing setting for our study.

1.1.4 Need for social responsible companies

Criticism and distrust of businesses is growing and large scale scandals fuel protests all over the globe. Recent accounting and corporate governance scandals such as Enron, WorldCom and other major corporations have damaged the public standing of business and its practices. Small and large scale protests at most of the recent global business summits and meetings are evidence of this criticism (Smith, 2003). More recently, executive equity compensation of a number of well know financial institutions has come under increased public scrutiny during the economic crisis (Raviv et.al, 2010). Financial constraints due to the financial crisis have increased tension between contradictory or divergent stakeholders’ key issues (Campelo et al. 2010). Shareholders, having profitability as their main interest and employees needing stable or increasing wages is one example of such contradictory stakeholder interests.

Business strategies and decisions impact society and influences company reputation, both in a local and global context (Zadek, 2001) and businesses are under increasing pressure to engage in activities that are socially responsible (Jenkins, 2004). Stricter regulations and laws along with increased customer’s awareness create a demand for companies to adapt CSR strategies (Moskowitz, 2008) in order to lower reputational risks. With the rise of social media, billions of people can instantly access and spread information on a global scale which means that negative company publicity can spread very quickly. Protests and consumer boycotts experienced by Nestle in selling baby formula in Africa and by Nike as a result of child labor abuse in outsourcing in Asia are examples showing increased awareness of consumers as well as the importance of interests of others than shareholders (Husted et al.,2006).

As a result, companies are under pressure to adopt investments and strategies that are societal responsible (Jenkins, 2006) and companies engage in corporate social responsibility in order to manage the impact of business on society (Zadek, 2001).
1.1.5 Benefits of CSR

In addition to the defense mechanism against negative reputation, CSR can play an active role in establishing competitive advantage as well as increase the sustainability of that advantage. Effective strategic management of CSR can reduce negative reputation (Husted et al., 2006) and CSR initiatives may also bring significant benefits to the firm. Through CSR activities companies can enhance their reputation toward their stakeholders (Porter and Kramer, 2006) which can improve the ability of companies to attract resources, enhance its performance and to build competitive advantage (Fombrun, 1996). Reputational capital can act as an economic safeguard which can make companies less vulnerable in turbulent economic situations like an economic crisis (Fombrun, 1996).

Successfully building relationships with key stakeholder by addressing CSR issues can be turned into a societal advantage and competitive advantage, and even a sustainable competitive advantage (Jansson 2007a). A competitive advantage that builds on reputation can be the foundation of a sustainable competitive advantage (Barney, 1991)

However, the benefits of CSR go beyond reputation building to the development of valuable organizational capabilities (Sharma and Vredenburg, 1998). Falkenberg and Brunsael (2011) further argue that when CSR activities leads to an economic advantage for the firm competitors may seek to copy these activities, making the activities no longer an advantage but a strategic necessity since firms not possessing this resource have a competitive disadvantage. This illustrates the importance of CSR for all types of industries and companies, from large multinational corporations to small and medium sized enterprises.
1.2 Problem discussion

1.2.1 CSR and Small and Medium sized Enterprises

During the recent years, small and medium sized enterprises have taken an increased number of initiatives aiming at engaging in CSR (Jenkins, 2006). CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable (European Commission, 2007). While MNCs having access to knowledge, information, technology and financing find it easier to engage CSR activities, the SMEs’ lack of resources can become a barrier for CSR strategy implementation.

SMEs face challenges when implementing CSR activities, which can be transformed into opportunities. However, SMEs have difficulty to identify key stakeholder issues (Jenkins, 2006), which is a vital part of transforming CSR activities to an economic advantage.

Creating suitable CSR strategies is a challenge for SMEs. A challenge for SME’s is that they do not recognize specific social responsibility issues which in turn are the issues of key stakeholders (Lepoutre and Heene, 2006). The lack of this knowledge causes a lack of social responsible actions by companies. Managers who have absorptive capacity, knowledge and network engagement are more likely to recognize responsibility issues and contribute in ways of solving them (Lepoutre and Heene, 2006).

1.2.2 Prior research on CSR in SMEs

The focus of CSR research is on multinational corporations and less research has been done on SMEs. CSR is fast becoming one of the essential principles on which modern business is built on (Hancock, 2005). Large multinational companies have recognized the significance of stakeholder-centered management rather than the market approach, and CSR has traditionally been the domain of the corporate sector rather than to SMEs. The academic literature reveals the need to undertake more in-depth studies in order to discover the organizational culture, the difficulties and the perceptions surrounding CSR in SMEs (Murillo and Lozano, 2006) and how they can, with limited resources available, implement CSR strategies.
In addition, even less of the limited prior research on CSR strategies of SMEs has been done during times of turbulence. The financial crisis has still not subsided even if many markets have gained substantial stability and there is limited research done to analyze the strategic changes of CSR, if any, as a reaction to the current financial crisis.

Therefore, the current financial crisis is a great opportunity to study strategic change of CSR in times of turbulence. The current financial crisis is a rare phenomenon in the economic history and studying the possible effects of it has a very narrow window of opportunity.

1.3 Problem definition

We conclude from the introduction and the problems discussion that there are divergent research results of how CSR strategies are affected by turbulent economic times such as the current economic crisis. As no research on how CSR strategies of SMEs are affected by economic turbulence has been done we aim to investigate this phenomenon.

1.3.1 Research question

*How are CSR strategies of exporting SMEs affected in times of turbulence?*

In order to answer the main research question we need to identify company's key stakeholders and what issues they consider important. We also need to explain the CSR strategies of the SMEs before and during the crisis. To address these two problems we have formulated two sub research problems.

The first sub question discusses the important stakeholders which are the target groups of CSR activities and strategies. To be able to identify CSR strategies we must firstly identify these key stakeholder and what issues are important to them. This enables us to analyze the CSR strategies of the companies and if they target relevant issues. The second sub question refers to how effective the strategies are at matching the company’s values and actions toward the issues and values of the stakeholders.
Research problem 1

*Who are the key stakeholders and which are the key stakeholders’ issues during and after the crisis?*

Research problem 2

*How do SMEs achieve legitimacy with stakeholders during and after the crisis?*

1. 3. 2 Purpose of the paper

The aim of the study is to describe how stakeholder issues and CSR strategies change during times of turbulence, and how the companies conform to the changing external environment as well as to explain what influences the CSR strategies of exporting SME's.
1.4 Thesis outline

This thesis contains 6 chapters and one appendix. The outline of the thesis in short is the following:

In chapter 1 we describe the background of the main concepts of the study as well as the purpose of this paper.

In chapter 2 we describe the method of the study and the validity and reliability issues.

In chapter 3 we define the concepts based on theory and the frameworks we will use for analyzing the empirical data.

In chapter 4 we present the empirical data in forms of cases for three companies.

In chapter 5 we analyze the empirical data of chapter 4 using the frameworks described in chapter 3.

In chapter 6 we present our conclusions and the recommendations for the companies based on the analysis of chapter 5.
2. Methodology

In this chapter we describe the method we used in conducting this study. We will describe our research approach, method and strategy. Furthermore we describe the way we gathered empirical data as well as how it was analyzed. Lastly, we describe research quality issues and how we addressed the internal and external validity and the reliability of this study.

2.1 Research Approach and method

Alvesson and Sköldberg (2009) describe three approaches to how to develop and interpret theory, which are induction, deduction and abduction. Induction has its starting point in the empirical data while deduction starts in theory. An inductive process is based on identifying a phenomenon and develop and construct theory based on observation. The deductive approach can be seen as the opposite of induction, as deducting starts in previous or existing theories to explain a phenomenon. According to Alvesson and Sköldberg (2009) the abductive approach is common in case study based research and further claims that inductive and deductive approaches appear to be one sided and unrealistic.

The abductive approach has characteristics of both induction and deduction (Alvesson and Sköldberg, 2009). Abduction starts in the empirical data, similarly to induction, but does not reject theoretical preconceptions. It is a process of reinterpreting empirical data and theory as the research progresses. This combination of induction and deduction is a way of discovering new patterns and deepen the understanding of a phenomenon.

Dubois and Gadde (2002) argue that a case study should take a systematic combination approach. The authors argue that most case study methodology describes the case study process as linear and argue that a back and forth matching between theory and the research findings is advantageous for theory development. By going back and forth between research activities and between empirical data and the theory enables the researcher to expand the understanding of theory and empirical phenomenon (Dubois and Gadde, 2002)
This process of matching is illustrated in the figure below:

![Diagram](image)

**Fig. 2.1. Developed from Dubois and Gadde (2002)**

The abductive approach with a systematic combination best describes our research approach since the theoretical framework, empirical data and the case analysis has been developed simultaneously. Initially, we had a deductive approach by starting in existing theory and frameworks regarding SMEs and CSR strategies. We developed constructs and questions based on existing theory and tried to match the empirical findings with theories. However, as the research progressed we analyzed the empirical data with an inductive approach by trying to identify similarities and differences aiming to find patterns. We went back and forth between analysis, empirical data and theory to find the best possible match between these factors to best describe and explain the real-life phenomenon. We removed models that we previously thought important and focused on theoretical constructs that provided a way of explaining the empirical data. Therefore, the abductive approach best describes how we developed theory in our study.

The debate about the research methods is usually paired with the qualitative and quantitative methods (Alvesson and Sköldberg, 2009). Qualitative research method is mainly devoted to
explore and produce hypotheses while the quantitative research method aims to test an already developed hypothesis. Even if qualitative and quantitative data can be used for verification as well as for generation of theory, the authors argue that qualitative is more appropriate for generating theory and quantitative is appropriate for verifying theory.

The formulation of our research question defines the appropriate research method for the study. Trying to answer how and not how much defines the exploratory nature of this study. Yin (2009) also finds research trying to answer how questions to be explanatory. We aim to identify patterns based on qualitative data and observations and not test an already established hypothesis. We have stated in the introduction chapter that that we have identified a gap in the existing literature of how in CSR strategy in SMEs is affected during times of turbulence. Therefore, we want to develop a deep understanding of CSR activities in SMEs and of changes during turbulent times. Answering the research question requires detailed and in-depth understanding of a specific phenomenon in a specific external environment and therefore we have selected a qualitative research method.

2.2 Research Strategy

According to Yin (2003) there are five research strategies; experiment, survey, archival analysis, history and case study. Using a case study is preferable when the research poses how and why questions and when studying a real-life phenomenon. Merriam (2009, p. 51) agrees and states that a "the case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon". Further, Merriam (2009) argues that the case studies that are founded on real-life situations results in a holistic account of the phenomena. Renmenyi et al. (1998) also state that a case study provides a multi-dimensional picture of a situation and that it can illustrate relationships and patterns of influence.

One of the limitations of a qualitative case study is the difficulty to generalize and predict future outcomes. Qualitative case studies with a small number of cases studied cannot generate as statistically significant results as quantitative studies with larger samples (Merriam, 2009). Case studies are bounded to the units of the study, and because of this they do not have the same potential of resulting in generalization, however case studies does enable deeper understanding of a phenomenon in the particular case (Merriam, 2009). Moreover, Yin (2009) states a common
concern about case studies is that they provide little basis for scientific generalization. Furthermore, Yin (2009) states that case studies can generate large amount of documents and facts that are time consuming to read and process.

We have chosen to conduct a case study since our research requires a deep understanding of a specific phenomenon in a specific type of company under specific circumstances. Further, with a complex phenomenon such as changes in CSR strategies in SMES during the financial crisis we find the case study to be the most suitable strategy. It provides us with a holistic view of factors influencing CSR activities and CSR strategy formulation in SMEs. Lastly, we find that a case study is appropriate for our research since we are studying a contemporary real-life phenomenon which has no prior research.

2.3 Case study design

There are different approaches to case study design. Merriam (2009) has an inductive view on how to design case studies while Yin (2003) takes a deductive stance. We have combined the two approaches in our case study design.

2.3.1 Type of case study

A case study can be based on either a single case of a multitude of cases with a holistic or embedded design (Yin, 2009). A multitude case as described by Merriam (2009) involves collecting and analyzing data from several cases, while a single case study might have subunits. Moreover, cases can be holistic containing a single unit or embedded with multiple units within each case (Yin, 2009). Yin (2009) argues that a single case should be used in a case study when it is a unique or extreme case, as well when testing well formulated theories. Further, Yin (2009) argues that a multitude case study is more robust when a study seeks to investigate a phenomenon that is not well described by previous research. The use of several cases gives a more compelling interpretation and strengthens the precision, validity and stability of the findings (Merriam, 2009). Yin (2003) argues that a multiple case design can improve the generalizability of findings compared to a single case.
We have chosen a multitude case study design since our topic is not well described in previous research. Further, we selected a multitude case study since it improves the validity of the study and provides more stable and stronger interpretations. We use an embedded design as each of the three case companies since we study has several stakeholders.

2.3.2 Selecting case companies

Merriam (2009) states that the aim for a qualitative study should be to select information-rich cases that can contribute to understanding the phenomenon studied. This type of case selection is called purposeful sampling; where selected cases have potential to provide much information to answer the research question. In contrast with quantitative studies which often have probability sampling, where random samples are selected (Merriam, 2009), we have decided to carefully select cases which we believe can provide a basis for a deeper understanding for our research question.

We have partly selected the cases based on convenience. Merriam (2009) describes convenience sampling as based on availability, time, money and other such factors. However, a sample based only on these factors are often not credible, therefore we have used some key criteria that the cases should meet. Our method of selecting our case companies therefore is a combination between convenience sampling and chain sampling, as they are described by Merriam (2009). The aim of the purposeful method is to use as many cases as possible and sampling should end when no new information is derived from the new samples (Merriam, 2009). However, Merriam (2009) states the number of cases to be included is influenced of the resources at hand and we have decided to select three cases due to limitations in time.

Our first criterion for selecting cases was that the companies should conform to the definition of small and medium sized enterprises as set by the European Commission:

<table>
<thead>
<tr>
<th>Company category</th>
<th>Employees</th>
<th>Turnover or</th>
<th>Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 m</td>
<td>≤ € 43 m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 m</td>
<td>≤ € 10 m</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 m</td>
<td>≤ € 2 m</td>
</tr>
</tbody>
</table>

*Fig. 2.2. Developed from European Commission: What is SME?*
Prospective companies were found using online databases such as Affärsdata, where we matched companies with the definition of SMEs. Our second criterion was that the companies had significant exports. We wanted to research companies with a large involvement in international business in order to ensure exposure to the financial crisis. We selected companies where at least 50 percent of sales came from exports. Initially we used online databases such as 121.nu to get an estimation of level of exports of the prospective companies. The companies that fulfilled both these criterion were evaluated on the third and last criterion; that the companies had CSR activities both before and during the financial crisis that started in 2007. We visited company websites looking involvement in environmental and social issues and one indicator was for example an ISO 14001 environmental certification. The companies where then contacted and we inquired further to ensure all three criteria was met. Finally, we chose with different types of ownership since it might be an influential factor for the formulation of strategy. In order to have a company representing each possible ownership we chose one family owned company, one company owned by a foreign investor and one public company. Through this process we selected three companies from the industrial manufacturing industry located in the vicinity of Kalmar. After initial discussions with the companies we decided on the selection of common stakeholders for the study.

2.4 Data Collection

According to Yin (2009) there are six possible sources of evidence for case studies; documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. Yin (2009) further argues that the case study unique strength is the ability to deal with a full variety of evidence such as documents, interviews, and observations. Interviews are preferable when studying behaviors, feelings, and how people interpret the world around them; factors that are not easily observable (Merriam, 2009). Patton in Merriam (2009) argues that interviewing should be used to "find out what is in and on someone else’s mind".

Yin (2009) describes three principles to maximize the benefits of the sources of evidence. The first is to use multiple sources of evidence. The use of multiple sources of investigation enables the researcher to address a broader spectrum of attitudinal, historical as well as behavioral issues. The second principle is the creation of a case study database which is needed in order to organize
the collected evidence and to ensure objectivity as it separates the interpretations of the researcher from the raw data. The last principle when using multiple sources is to maintaining a chain of evidence. A case study protocol can be used to show how the data was collected and compounded into the empirical findings and our constructs and questions are available in the appendix.

2.4.1 Collecting primary and secondary data

2.4.1.1 Interview and question design

As we will investigate a change of attitudes, norms and values of the company and stakeholder we will use interviews as the primary source of data. A semi-structured interview type was used in this study. A semi-structured interview is in between an open interview, where the respondent leads the conversation, and an interview where the interviewer strictly follows a script with answer options (Fisher, 2010). A semi-structured interview provides flexibility and the interview is guided by the answers given by the respondent, which enables the interviewer to respond to the situation as it unfolds and explore new topics (Merriam, 2009).

The preparation to collect case study evidence was primarily aimed at design a procedure where Yin’s (2009) five attributes for the basic required skills were followed: To ask good questions and interpret appropriately the answers, to be good listeners and observers without being predetermined for the expected answers, to be flexible and to adapt to unexpected situation or answers, to have as complete theoretical background as possible for the matters we will analyze, and be unbiased without predetermined notions including those derived from theory.

Using a semi-structured approach we prepared questions to be asked during the interviews. The process of constructing the interview questionnaires consisted of first identifying relevant constructs. From our research questions we derived a list of constructs based on theory that we considered to be relevant for the study. Thereafter, we operationalized the constructs by creating questions that included all of the listed constructs. We focused on open questions asking how and why, and made more specific follow up questions as the interviews unfolded. Lastly, we made sure that the questions were formulated in a way that was easy to understand and ubiquitous.
We created one set of questions for the company representatives and one set for the stakeholders. These questions were also translated into Swedish, in case a respondent did not speak English or had difficulties understanding specific questions. The translation of the questions into Swedish was reviewed and discussed with our supervisor in order to increase the accuracy of the translation. Both the lists of constructs as well as the company and stakeholder questionnaires are available as appendixes. Moreover, we decided not to send the questions in advance to neither company representatives nor to stakeholders since the questions deal with sensitive issues. Instead, we wanted to establish a rapport with the respondent before asking these sensitive questions whereby we could get more reliable and full answers. We did provide the respondents with information of what general topics we would discuss in our interview in order for respondents to be prepared.

2.4.1.2 Company and stakeholder interviews

The interviews took place during April and May of 2012. We interviewed the CEO or the MD of the companies as well as representatives of employees, suppliers, customers and the local community. We did 15 interviews with representatives of the companies and their respective stakeholders. The interviews were conducted in English with the company representatives while six of the stakeholder interviews were held in Swedish as requested by the stakeholder.

The contacts to customers and supplier stakeholders where provided to us by the companies, which ensures that these respondents have knowledge about the company and its activities. We realize the risk that the companies could select customers and suppliers that only would have a positive view of the company; however we could only access customers and suppliers with the consent of the companies. In the case of the employee representative, we were able to talk to union representatives at two of the companies, which ensures that the respondent has a good overall understanding of the issues and values of the employees.

These interviews have been our primary source of data. We recorded all interviews, with permission from the respondents, which ensured that no information would be missed and we could also focus more on the interview. Recording the interview meant that we also could develop follow up questions after the interview had taken place. However, the drawback of recording the interview is that the respondent might not feel comfortable to reveal the whole
truth regarding problems or the company. Interviews with the representatives and employees were done face-to-face while five interviews with other stakeholder were done over the phone. This was due to time constrains as well as the fact that some stakeholders were located abroad.

We have been provided with secondary data in form of company presentations, internal reports as well as financial statements. This data together with researched theories and academic research will be the foundation of our secondary data.

2.5 Data analysis

According to Merriam (2009) the analysis of qualitative data is the most difficult part of the entire research process and recommends an inductive and comparative approach. However, Yin (2009) suggests a more deductive approach to analysis through testing theories.

Yin (2009) describes data analysis as consists of examining, testing or recombining evidence to answer the research questions of a study and has deductive approach. This can be done through three general strategies for analyzing evidence, namely relying on theoretical propositions, thinking about rival explanations or developing a case description. These strategies can be used in practicing five specific techniques for analyzing case studies: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. (Yin, 2009).

We will take an abductive approach to the data analysis by combining testing of theories with the data with patterns of the data expanding our theoretical framework. At the initial stage of the data analysis we conduct a deductive analysis. We use the frameworks presented in the theory chapter and we apply them on the empirical data we gather. Afterwards we make observations and develop analytical understanding of the empirical data in order to find patterns between different areas of the empirical data following the inductive approach, aiming to find expansions or new interpretations of the theory we used.
2.6. Quality of the research

The quality of research is discussed by both Yin (2003) and Merriam (2009) in terms of internal and external validity and reliability. Yin (2003) focuses on generalization and to be able to draw general conclusion from the research through testing theory and has a deductive view of research while Merriam (2009) has an inductive and comparative view on research. As we have an abductive approach, we have used recommendations from both authors in different parts of the research process to improve the quality of our research.

2.6.1 Internal Validity

According to Merriam (2009) internal validity regards how deeply the findings match reality and how credible the findings are with regards to the data presented.

As our point of departure was in the theory, we had a deductive approach in designing constructs and questions. Therefore we used the recommendations of Yin (2003) for increasing validity in stage of the research. Yin (2003, p. 34) defines construct validity as "establishing a correct operational measures for the concepts being studied" argues that construct validity is critical especially for case studies. The operationalization of the questions ensures that the questions reflect the underlying concepts. Further, translating constructs into questions of a everyday language ensure that the respondents understand the questions and that their answers reflect the concepts we are investigating. This operationalization also improves the validity of the analysis as we are able to match the answers back with the constructs. By doing this, we followed the two steps recommended by Yin (2003) to select what specific changes are to be studied and demonstrated that the selected measures reflect selected changes.

During the collection of data we recorded all interviews and thereby established chain of evidence as recommended by Yin (2003). To make sure that the data collected matched reality we used triangulation by multiple sources of data. We have used multiple sources within the company as well as several external sources in form of the external stakeholders such as suppliers, customers and the community. We have been able to cross-check the information from these sources, as well as with the secondary data. Merriam (2009) states that this improves internal validity and Yin (2003) argues that it also improves the construct validity.
During the analysis process we went back and forth between empirical data, case analysis and the theory as we developed our theoretical framework. The result of the analysis was that the models used matched empirical data, indicating that our operationalization and developed theory was correct. We conclude that the study has high validity, as our finding matches reality to a high degree.

However, a weakness of our study is that we were unable to interview a supplier of Luma Metall. The supplier provided by Luma Metall did not meet our standards set for every stakeholder. These standards were set in order to create validity in the comparisons between similar stakeholders among case companies. The standard not met in this case was that the supplier (a store providing stationary products) was not critical for the main operations of the company and if used, it would lower the quality of the analysis and conclusions.

To increase the internal validity of our research we have used multiple sources of data. Moreover the group of students conducting this study has two different nationalities with different background and thought styles combining Swedish rationality and Greek abstract thinking. This way one individual student could not develop a process without being balanced and monitored by the other student. The analysis of the empirical data was conducted in parallel before sharing the results. The empirical data were processed individually and afterwards a discussion between the students produced the analysis chapter and the conclusions after sharing and discussing every aspect of the findings. The same process was conducted in every part of the development of this thesis in order to reduce influence and bias from an individual researcher and thought style which improves the internal validity of the research.

2.6.2 External Validity

External validity is to what extent the findings of a study can be applied in another situation (Merriam, 2009), hence if the findings can be generalized. Merriam (2009) states that the researcher needs to provide sufficient descriptive data to make it possible to transfer the findings. The most common method is to use a "highly descriptive, detailed presentation of the setting and in particular, the findings of a study" (Merriam, 2009, p. 227). A second strategy described by
Merriam (2009) to improve external validity is to purposefully seek diversity in the sample selection which allows for a greater range of application.

Through in-depth interviews we have been able to in detail describe the situation of both the companies and its stakeholders and present this in rich description in the empirical section. Through our analysis and conclusion we have consistently based our findings on the empirical data. This provides a rich, thick description which would enable other SMEs to evaluate if they would fit the specific company profile used in this study which will enhance external validity. Further, we have included companies of varying size and located is both small and larger cities. The diversity of the sample is further illustrated by the companies having different types of ownership and being in different industries. This increases the generalizability and improves external validity. Lastly, as the financial crisis had a global impact on business, especially international trade, and society we consider our study to have a good external validity.

2.6.3 Reliability

Merriam (2009) explain the concept of reliability as to what extent the research findings can be replicated with the same result. The author further argues that reliability is problematic measure for social sciences compared to natural sciences. This is due to the fact that human behavior and experiences change and replication of a qualitative study will not yield the same result (Merriam, 2009). (Merriam, 2009) states that keeping an audit trail and using triangulation are two strategies that can increase reliability.

Reliability is difficult to measure, but we argue that it relates to disturbances during the collection of data. Things such as how questions are asked, the attitude of the respondent and the interviewer, if answers are written down correctly and if answers really are true are conducted are factors that can impact reliability.

A strength of our study is that we have kept an audit trail by keeping records of all the data collected and how the collection process was done, through interview recordings and construct and question appendixes for example. We have described the research process with details of how we decided on case companies and stakeholders, how we categorized and designed questions, as well as how data was collected in this methodology chapter as well in the appendix.
Another strength is that most interviews was also conducted face-to-face which enabled us to interpret body language and the surrounding environment that could influence us and the respondent. We realize that this was not possible during the phone interviews, which negatively impacts reliability.

We realize that one weakness of our research is the risk of misinterpretation. Having semi-structured interviews also ensured that we could explain questions and make follow up question to make sure the respondents understood all questions and hence we ensured that all respondents answered the same questions. Another possible weakness can be that the respondents were not giving honest answers to the questions. Follow up questions in a more indirect form were followed after recognizing the intention of the interviewee to avoid answering a question or after realizing intention of hiding facts. The fact that we had consent to record all interviews as well as conduct some interviews in Swedish if the respondent did not feel comfortable with English as reduced the risk of misinterpretation. The reviewed translation of our questions into Swedish by a third part also reduces the risk for misinterpretation comparing the answers given in Swedish and English.
3. Literature review and theoretical framework

In this chapter we will review the literature and present our and framework. This chapter is divided in two main parts. The first part consists of the literature and theoretical background needed to understand the problem. The second part consists of the framework and theoretical tools we will use in order to analyze our empirical data and answer our research questions.

3.1 Literature review

3.1.1 Corporate Social Responsibility

A literature review by Dahlsrud (2006) revealed 37 different academic definitions of CSR. But why are there so many different definitions? The reason is that the concept of CSR embeds many different dimensions. Five common dimensions of CSR can be identified; the environmental-, social-, economic-, stakeholder- and voluntariness dimension (Dahlsrud, 2006). The most common definition is that CSR is:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”

(Commission of the European Communities, 2001 in Dahlsrud, 2006).

This definition reflects the need to integrate these concerns in the company’s business operations. In order to integrate a concern in business operations, CSR has to be part of the company’s strategy.

3.1.2 The link between internal and external environment

Strategy is defined as the link between internal and external environment of the company. Mintzberg (1987) views strategy as a means of locating an organization in an environment. By this definition strategy becomes the match between organization and environment, or in other words, between the internal and the external context (Mintzberg, 1987; Grant 2010). The scope of strategy includes the internal environment of the company as well as the external environment.
Strategies can be planned ahead of the action taken, as *deliberate* strategies but strategy can also evolve as an outcome of action, whereby it then is an *emergent* strategy. Strategy as a plan is an *intended* course of action which is made in advance and with a purpose. Strategy as a plan can also be used as a ploy to outwit competitors by being used as a threat. These strategies are intended, that is they are plans but they are not the patterns of action. Mintzberg (1987) argues that strategy can be viewed as a consistent pattern of actions, where these actions are intended or not. The strategy as a plan might go unrealized while the pattern of actual action becomes the realized strategy of the company. This more dynamic view of how strategy actually forms shows the importance strategy not only as an overall plan or vision, but how it is implemented into action. The interplay between these dimensions is that each of these factors can serve as a starting point influencing the other aspects of strategy, giving a dynamic view of strategy and how it is formulated and implemented (Mintzberg, 1987). Andrews (1980) presents a broader view of the nature of strategy:

“Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities” (Andrews, 1980, p.18).

This view of strategy goes beyond addressing the economic contributions to shareholders and gives focus also to non-economic contributions to stakeholders and society as a whole. It illustrates the interdependency and interrelations between the society and the company.

### 3.1.3 Need for CSR

The need for CSR has increased with globalization and increased expectations and influence of society on business. The increasing influence of non-governmental organizations (NGOs) and the increased awareness and demand for social responsibility by society, in combination globalization, has led to civil regulation of companies and increased the need for companies to engage in CSR activates (Zadek, 2001). Keinert (2008) also states that societies' expectations
could increase pressure to companies to comply with norms beyond the legal scope. For success in this new economy, it is essential for companies to create shared values with key stakeholders (Zadek, 2001). The need for stakeholder management and CSR is also reinforced by the notion of license to operate as companies need permission from governments, communities and other stakeholders to do business (Porter and Kramer, 2006).

Measures of CSR include the impact of business on society and the environment and engaging in CSR activities can have positive economic impacts for companies. A way for companies to measure their societal and environmental impact beyond the mere financial success measured by growth or profits is by the triple bottom line (Keinert, 2007, Zadek, 2001). While a profit and loss statement only includes internal company factors, the triple bottom line accounts for costs arising from external company activities. It accounts for the profit and loss of profits, people and planet (Keinert, 2007), which can be viewed as economic, social and environmental sustainability (Zadek, 2001). Following a triple bottom line and also focusing on social and environmental performance is in the best interest of companies since it’s necessary for the long term success of a company (Porter and Kramer, 2006).

3.1.3 Resource based view

Why then should a company integrate CSR to its business strategy? The answer will come after analyzing the internal environment of the company with a resource-based view.

The resource-based view (RBV) of strategy is an inside-out approach. The starting point of the analysis is the internal environment of the company which consists of the resources and the capabilities of the company (Grant, 2010). RBV place emphasis on the impact of idiosyncratic company attributes on the competitive position (Barney, 1991). RBV builds on two basic assumptions; firstly resources of a company within an industry may be heterogeneous and secondly that resources have imperfect immobility across firms (Barney, 1991). Based on this view, a company consists of strengths which should be exploited and weaknesses which should be outsourced.

Resources according to Grant (2010) are the “productive assets owned by the firm”. Individual resources do not confer competitive advantage. They should be used and combined in such a way
that they create organizational capabilities. These capabilities are what the company does well compared to the competitors in the eyes of customers. The resources and capabilities of a company are the primary constructs upon which a firm establishes its strategy and they are the primary sources of the company’s profitability and competitive advantage (Grant, 1991; 2010).

Fig. 3.1.1 Resource based view in contrast with market based view. Developed from Barney (1991)
3.1.4 Competitive advantage and sustainability

A competitive advantage is built on superior performing resources and capabilities and unique value creating strategies. Porter (1980) describes the term competitive advantage as the "ability gained through attributes and resources to perform at a higher level than others in the same industry or market". A company can gain competitive advantage by for example accessing or developing an attribute or a combination of attributes such as natural resources, human resources and technology (Porter, 1980). Barney (1991) states that a company has a competitive advantage when it is "implementing a value creating strategy not simultaneously being implemented by any current or potential competitor". In order to obtain a competitive advantage, a company must deliver greater value to its customers or create similar value a lower cost than rivals, or do both (Porter, 1996). This can be done through cost leadership or differentiation based on the source of the competitive advantage and focus based on the scope of the competitive advantage (Porter, 1985).

Differentiation advantage stems from doing things differently from rivals, by being unique in the industry, and thereby being able to charge a price premium (Porter, 1985). According to Porter (1996) a company can only outperform its rivals when it can establish a difference which it can preserve. In times of market turbulence like globalized crisis or global recession the need for sustainability of the competitive advantage increases. However, Porter (1985) states that these strategies only lead to competitive advantage only if they are sustainable from erosion by industry rival.

Fig. 3.1.2 Developed from Porter (1985)
A company has sustained competitive advantage when it implements a unique value creating strategy, which depends on heterogeneity and immobility of the company resources. Barney (1991) argues, based on the resource based view that a sustained competitive advantage comes from the internal environment of the firm and is based on firm resource heterogeneity and resource immobility. The resource has to be scarce or be of rareness. The notion of rareness also apply to bundles of resources, such as a mix of human resources, physical and organizational resources (Barney 1991). Therefore, companies that are able to build their competitive advantage based on their uniqueness of resources and capabilities that are durable, less transferable and irreplaceable, are able to achieve a sustainable competitive advantage (Grant, 2010).

In short, a way to develop a strong and sustainable competitive advantage can be based on multiple resources and capabilities in a mix which has causal ambiguity.

### 3.1.5 CSR strategy and competitive advantage

One way of building a competitive advantage which is based on multiple resources and capabilities is to engage in corporate social responsibility activities. CSR has financial impacts as CSR activities can lead to increased loyalty, willingness to pay premium prices and better coping with blame when facing a crisis (Peloza and Shang, 2011). A higher economic performance is an indicator that CSR, as a result of combining multiple resources, could provide basis for competitive advantage as described by Porter (1980).

Recent research and related theories by Jansson (2007a); Li and Toppinen (2011); Melo and Garrido-Morgado (2012); Zhang et al. (2011) reveals the importance of Corporate Social Responsibility in gaining an advantage compared to competitors and how it can help in sustaining the competitive advantage.

A company based on corporate citizenship can maximize price premiums and give access to the best resources. Corporate citizenship is the ability of the corporation to successfully build a notion of shared values with stakeholders (Zadek, 2001). Corporations reaching this goal, will extract the maximum marginal premium for their products, have the best human resources in terms of efficiency, provide security and commitment to their employees, and proactively avoid criticism from non-governmental organizations or other globalized networks (Zadek, 2001). CSR
strategies are included in corporate citizenship to reach sustainable development since rapid changes in needs, priorities and emerging issues creates the need for corporate citizenship to include all social factors and take all of the society's elements into account (Zadek, 2001).

Moreover, CSR is a way the company can gain and maintain legitimacy from its external environment. Legitimacy can be defined as “the attribution of validity to a given situation, action or authority and the more or less motivated justification of what by itself would not be lawful or valid” (Cipriani, 1987 in Jansson, 2007a, p. 85). A firm legitimize its operations by adapting to the social rules prevailing in the local environment (Jansson, 2007a). Companies can gain legitimacy through shared values with stakeholders resulting in positive reputation that can provide a sustainable competitive advantage. Jansson (2007a) states that gaining legitimacy with stakeholders is considered an intangible resource forming a positive company reputation. By combining more than one resource, both social and commercial resources, this reputation can create causal ambiguity (Grant, 2010) which in turn is a characteristic of a resource that can provide a sustainable competitive advantage as described by the framework of Barney (1991).

Benefits of a positive reputation go beyond mere reputation-building to the development of valuable organizational capabilities (Sharma and Vredenburg, 1998).

CSR can be a source of competitive advantage through differentiation. Kanter (1999) provides examples of CSR as a source of differentiating innovation, and Porter and Kramer (2006) explain how philanthropy can provide a competitive advantage through positioning.

CSR strategies can provide a competitive advantage for companies but in order to gain sustainability of not only the competitive advantage but also the business as whole, companies must not only provide economic value but also social and natural values.

### 3.1.6 CSR enhancing sustainability to the competitive advantage

Companies can gain a better reputation through CSR activities which can act as a safeguard in turbulent times and increase performance. In recent decades the concept of corporate social responsibility has turned out to be a vital strategy for companies to survive in a very competitive market environment. In conditions where markets shift and customer preferences become more unpredictable, complex and unstable, adopting CSR strategy could be a powerful tool for
survival. CSR can be viewed as a source of competitive advantage, opportunities and innovation rather than a cost or charitable deed (Porter and Kramer, 2006). Porter and Kramer (2006) argue that companies can enhance their reputation toward their stakeholders through CSR activities. As described by Zadek (2001), studies have shown a connection between an increase in societal value leads to an increase in the company reputation, for both retailers and manufacturers. By doing good a company can generate reputational gains that in turn would improve the ability of the company to attract resources, enhance its performance and also to build competitive advantage (Fombrun, 1996). Further, Midttun (2007) argue that corporate reputation can be described as reputational capital, as the reputation of the company is a reflection of its ability to deliver value for its stakeholders. Reputational capital can be a safeguard for a company's current assets and serving against future losses (Fombrun, 1996). Porter and Kramer (2006) views the company and society as interdependent and argues that companies should prioritize social issues to address. The more closely the social issue is tied to the company then greater is the opportunity to the leverage the resources to benefit the society (Porter and Kramer 2006), thus gaining the most reputational capital (Midttun, 2007).

Reputation from gained legitimacy can help to create a sustainable business. Jansson (2007a) argues that a competitive advantage is created through a mix of economic values, natural values and societal values especially in emerging country markets. This way a firm achieves a sustainable business. Jansson (2007a) argues that social factors also influence profitability. Profitable firms need to be legitimate, meaning that competitive advantage is influenced by the success of the firm in the social environment.

A sustainable business is formed by creating three major types of values according to the following formula:

![Figure 3.1.3 Developed from Jansson (2007a)]
Jansson (2007a) argues that central to achieving a sustainable business is identifying and matching with key stakeholders and their issues. By successfully matching economic, social and natural values, companies can create a sustainable business (Jansson, 2007a). As this builds on the relationship with stakeholders, which is a resource that is socially complex and difficult to imitate, a company could gain a sustainable competitive advantage through CSR activities. Barney (1991) states that reputation can be a basis for sustainable competitive advantage, since a positive reputation often build on "specific, difficult-to-duplicate historical settings". Barney (1991) views reputation as an informal social relationship between the firm and its stakeholders and argues that such a relationship is likely socially complex and therefore imperfectly imitable.

From the above we extrapolate that identifying and adapting to key stakeholders is crucial for companies to maximize the effectiveness of their CSR activities in building reputational capital. In order to create relationships with stakeholders that are socially complex and difficult to imitate, companies need to match their activities with the interest its stakeholders.
3.2 Theoretical framework

3.2.1 The Stakeholder view

Until the 1980s businesses were considered to mainly be responsible to shareholders. Milton Friedman stated on the 13th of September of 1970 in The New York Times Magazine that corporations do not have any social responsibilities since he did not accept there was such a thing as social responsibility of businesses. Friedman argued that businesses only has a responsibility to the shareholders and their interests which mainly concerns maximization of profitability.

On the other hand, early elements of social responsibility of organizations can be found back in the Victorian era. Quaker families such as Cadburys, Hersheys, and Rowntrees improved their employees’ standards of living and enhanced their communities by corporate philanthropy (Hancock, 2005). In 1984 Freeman published the book Strategic Management: A stakeholder approach in which he formulated the stakeholder view. Freeman (1984) developed a theory describing groups of stakeholders that have an interest in and are affected by the corporation. Freeman’s model include interest groups of the external environment as well as the internal environment.

The approach of CSR is that companies not only have an obligation to shareholders but to stakeholders (Kercher, 2007). Barnett (2007) argues that the ability of CSR to create firm value lies in its ability to generate positive stakeholder relations for the firm. The management of relationships and interest of groups that have a stake in the business is essential, as the long term survival of the company is dependent its entire network of relationship, business as well as non-business relationships (Jansson, 2007a).
The above figure is an example of the network of generic stakeholders of companies. It is clear that beyond the customers, supplier and competitors, there are a number of stakeholders outside the commercial activities of the company that can impact the company. Activist groups as well as political groups are two examples of such stakeholders.

Ferrell et al. (2005) divides stakeholders into two groups based on the importance of the stakeholder to the survival of the company. Stakeholders which continued association is essential for company survival are primary stakeholders and include, customers, suppliers, investors and employees as well as government and communities as they provide necessary infrastructure.
Secondary stakeholders, like special-interest groups and trade associations, are not vital as they typically don't engage in transactions with companies.

### 3.2.2 Institutional Network Approach – Basic Rules model

Jansson (2007a) argues that it is not possible to separate business from society. Societal values are reflected in ethics, which are principles guiding the society. Both groups and individuals are guided by ethical principles which relates to the basic institutional model giving how companies adopt to such principles a high strategic relevance. Groups such as unions or suppliers are guided by rules, rules which differ between groups in the society. These groupings can be seen as forming an institution where behavior follows specific rules (Jansson, 2007a). A company is influenced both by internal decision-making rules and other rules as well as by social groupings in the external environment. As rules and regulations affect the strategies and operations of a company, therefore the strategy of a company is affected both by internal and external rules (Jansson, 2007a).

Society is divided into social groupings that have different rules that are embedded together, creating a system of institutions. According to the basic rule model there are three levels, micro institutions, meso institutions, and macro institutions. There rules consist of values, norms, thought styles and enforcement mechanisms of every institution describing inter-organizational behavior (Jansson 2007a). Values are the basic conceptions of what is preferred by culture and behavior. Norms are the principles of the activities and the priorities of how should someone act or something to be done or organized. Enforcement mechanisms are the rewarding and punishing structures within an organization to control organizational behavior of individuals and groups. The societal fields impact the organizational fields, which in turn impact the micro level of the company.
3.2.3 Identifying key stakeholder issues through the CSR Matrix

In order to monitor multiple stakeholders and their important issues, a matrix is needed which includes the stakeholders' interest of each issue.

The CSR matrix illustrates the relations between key stakeholders and the key issues of corporate social responsibility (Jansson, 2007a). This matrix include three dimensions needed for CSR strategy: key issues, key stakeholders and the importance of each issue to each stakeholder. The CSR matrix provides an easy way to prioritize CSR strategic actions based on the importance key issues have to key stakeholder. The vertical dimension consists of key issues. The horizontal dimension consists of key stakeholders. The shade of each cell depicts the importance of each issue with each stakeholder. The darker the shade of the cell, the more important this issue is for the stakeholder. An illustration of the CSR matrix is the following:

A, B, C: Key Stakeholders 1, 2, 3: Key issues

Fig 3.2.2 Developed from Jansson (2007a)
3.2.4 Matching strategy

Matching strategy involves linking the internal environment of resources and capabilities with the external environment of stakeholders in order to make them compatible with each other (Jansson, 2007a). The matching strategy’s main focus is on the social environment and how the company relates its own values to the values of the stakeholders in the market. Matching strategy can therefore be defined as the tool of linking the internal environment and the external environment and creating consistency between strategy and the competitive advantage and strategy and the resource and capabilities available. The matching strategy builds on the logic of appropriateness between these environments (Jansson, 2007a).

Matching strategy has three levels, society, stakeholder and individual stakeholder level. This progression focus on identifying which parts of the society are relevant for the company, then identifying what groups of stakeholders within the society affect the company and how to establish and maintain relationships with these stakeholders. Lastly, individual stakeholders that influence the company are identified and how to match social characteristics to each specific stakeholder and create a network with this stakeholder.

![Fig. 3.2.3 Stakeholder levels. Developed from Jansson (2007a)](image)

The matching strategy creates order through matching rules with situations based on similarity or difference. Hence, matching strategy is concerned with how companies respond to a particular strategic change situation. Jansson (2007a) describes four major strategic change situations; the company adapts its internal environment, the external environment adapts, both adapt or there is
no change. These are called, company change, external context change, twin change and no change situations respectively.

Matching strategy concerns how companies respond to these change situations and the company can act under rules or actively try to impact the current rules. Matching strategies focus on how to best organize a response to change situation to create compatibility between the internal and external environments. Matching occurs at three levels, micro-, meso-, and macro institutions level with the micro and meso levels being the immediate commercial environment for the company (Jansson, 2007a). The matching strategies can be proactive, active and passive and are described in the table below, with the strategies at the top being proactive then moving downwards to more passive strategies.

<table>
<thead>
<tr>
<th>Matching strategy</th>
<th>Organizational Routine</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovate</td>
<td>Generate change</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Move fast</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Developing a new product development routine</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creating flexible capabilities and organizational controls</td>
</tr>
<tr>
<td>Manipulate</td>
<td>Co-Opt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Influence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Importing influential constituents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shaping values and criteria</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dominating institutional constituents and processes</td>
</tr>
<tr>
<td>Defy</td>
<td>Dismiss</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Challenge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attack</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ignoring explicit norms and values</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contesting rules and requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assaulting the sources of institutional pressure</td>
</tr>
<tr>
<td>Avoid</td>
<td>Conceal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buffer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Escape</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Disguising nonconformity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loosening institutional attachments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changing goals, activities or domains</td>
</tr>
<tr>
<td>Compromise</td>
<td>Balance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pacify</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bargain</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balancing the expectations of multiple constituents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Placating and accommodating intuitional elements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negotiating with institutional stakeholders</td>
</tr>
<tr>
<td>Acquiesce</td>
<td>Habit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Imitate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comply</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Following invisible, taken-for-granted norms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mimicking institutional models</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Obeying rules and accepting norms</td>
</tr>
</tbody>
</table>

Fig. 3.2.3 Matching strategy table, developed from Jansson (2007a) and Oliver (1991)
Matching strategies are related to organizational routines. In short, the matching strategies are the possible strategies of an organization to match the internal rules to the rules of the external environment. Below we describe each strategy and organizational routine based on Oliver (1991) and Jansson (2007a), starting from the most passive strategy to the most active.

Acquiesce: When an acquiescence matching strategy is implemented the organization adapts passively completely to external demands without protesting. This passive matching can be implemented by:

- Imitate: Conscious internalization of external rules following the example of other institutions
- Comply: Internalize external rules and conform the organization’s strategy accordingly.

Compromise: When an organization has a compromising matching strategy it adapts to conflicting institutional demands with the alternative forms of:

- Balance: Accommodate multiple constituent demands.
- Pacify: Partial conformity or accommodation of one of the multiple demands
- Bargain: More active form of compromising, negotiate with institutional constituents.

Avoid: A more active form of matching strategy is avoidance. The organization does not respond to external pressures for conformity with the alternative forms of:

- Conceal: Disguised nonconformity
- Buffer: Decouple part of the organization to protect it from external pressures.
- Escape: Exit the domain of external pressure

Defy: If an organization chooses to resist to adapt to local conditions it defies the external environment demands with the alternative forms of:

- Dismiss: Ignore institutional rules
- Challenge: Active and offensive defiance of external rules.
Attack: Aggressive contradiction to institutional expectations and rules.

Manipulate: When more actively, the organization make efforts to change the content or the sources of external demands with the alternative forms of:

- Co-opt: Attempt to create common interests with the institutional constituent in order to neutralize institutional opposition.
- Influence: Manipulation of institutional values and beliefs
- Control: Dominate external constituents which apply pressure to the organization

Innovate: As described by Jansson (2007a), an organization implements an innovative matching strategy as a proactive strategy to bring innovation to external environment by:

- Create change: Actively manage to change institutional rules of the external environment
- Move fast: Flexible and fast changing capabilities within short time.

According to the matching strategy developed by Jansson (2007a) the process which leads to a competitive advantage can be described in a stepwise way. According to Jansson (2007a), the matching strategy of the company’s rules with the economic environment’s rules leads to claims of responsibility, credibility, reliability and respectability. These claims come after the fulfillment of stakeholders needs which include social needs. For example, if the employees find it hard to travel far away where the hospital is located and they consider their health care important, then funding a near private clinic to treat employees with no additional charge, justifies the claim of responsibility reliability and trustworthiness for the company. The outcome is that the company is considered by the constituent as responsible, reliable and trustworthy. The company, by proving it is a positive influence on the societal values and rules for healthcare of the general public, it is considered to influence positively the standards of the society. This way the company gains legitimacy from the employees and indirectly from the government and the local community as being a social responsible company for their workers. This increased societal advantages which are needed for a sustainable advantage and profitability.

The next step is the process that leads from the social advantage to a competitive advantage which would be hard to duplicate and transfer. After adding social and natural values to customer
values then makes it much more difficult for competitors to duplicate or transfer it which cause causal ambiguity. Where there is ambiguity associated with the causes of a competitor’s success, any attempt to imitate is subject to uncertain success. The more the advantage is based on complex bundles of organizational capabilities rather than individual resources, the more difficult to imitate (Grant, 2010).

Next step of this stepwise process is the improved reputation of the company due to legitimacy gained. Gaining legitimacy towards the stakeholders improves the reputation of the company. The development of positive reputation is viewed as an intangible resource of the company (Jansson, 2007a). This is a joint resource that is established from both commercial and social resources linking resources that create economic and the ones that create social or natural value. (Jansson, 2007a). Increased reputation can create a source for a differentiation advantage or cost advantage. A high reputation can create new opportunities for product differentiation, or increase strategic flexibility. Moreover, increased efficiency of production from responsible usage of natural resources can cause a cost differentiation by exploiting economies of scale in production and less volume of input resources. If the societal advantages originating from the stakeholders values improve the competitive advantage of the company, this results in higher profitability compared to the competitors. Lastly, if the competitive advantage is a result of a combination of multiple resources, such as brand, reputation, production etc., and encompasses economic as well as societal and natural value, gives a sense of uniqueness which is hard to duplicate based on the complexity of its components which can be a step towards sustainable competitive advantage. Increased reputation from improved legitimacy is converted into competitive advantage.

This stepwise process is a simplified way of presenting the way the matching strategy between the internal environment of the company and the external environment, expressed by the stakeholders, can lead to a competitive advantage which is difficult to duplicate or transfer.
Fig 3.2.4 Developed from Jansson (2007a).
4. Empirical section

In this chapter we will present the empirical data of the study. Primary and secondary data are presented in forms of cases. The data are gathered mainly from interviews conducted in the headquarters of each of the companies. Furthermore, we will present the data collected from interviews with key stakeholders, such as employees, customers, suppliers and communities in which each company is located.

4.1 Amokabel

<table>
<thead>
<tr>
<th>Company: Amokabel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Founded</strong></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
</tr>
<tr>
<td><strong>Location</strong></td>
</tr>
<tr>
<td><strong>Production</strong></td>
</tr>
</tbody>
</table>

4.1.1 CEO interview

According to the CEO, the company has long term goals and is long term oriented. The second generation of the two families is now running the company and the company's main goal is maximization of profitability and explicitly stated not the turnover.

The company keep power distance between the employees and management and keep a goal based salary system. Whenever the company reaches the goals on profits employees receive a fixed bonus as a part of their salary. They always deliver what they promised after reaching each goal. Employees are focused on the profitability and lowering the cost in their jobs in order to achieve the profitability goals at each quarter. Customers call the company last after asking all the other competitors so they have limited a reputational stock. The company is not engaged in activities about their reputation as they do not actively market themselves.
The company does not have any explicit strategy except their core values which is mainly focused on profitability and deal with day-by-day problems when they occur. The decisions for issues coming up are taken after short meetings and in most of the cases the CEO just announces his decision and the others follow. The company do not offer at any product the best price but offer the easiest customization to each customer’s specifications with the shortest lead times in the market, which differentiates the company from others in the industry. A large part of the company's turnover consists of exports.

The company has CSR activities without having any explicit strategy or separated budget for it. During the crisis, the local health care center would close down and the local community couldn’t find either a physician, nor had the funds for one. Amokabel with the help of other local companies found the physician and this group of companies paid for the expenses of this health care center. The reason the company gave to justify this action, was that without keeping the health center running, the company would risk losing employees who would leave for a place where they would have local health center. Moreover the company sponsor the local football and handball teams and in addition to sponsorships, the company own the football and handball fields where the local teams play. During the peak of the impact of the crisis for the company, no employees were fired. Instead, they made temporary inter-organization swaps of 10 employees between the three divisions of the group which are collocated. During the crisis, the company found opportunities to expand and to invest which is another sign of long term orientation of the company’s strategy. The order of importance of the company's stakeholders didn’t change during the crisis and remained the same as before the financial crisis. Customers, employees, shareholders and suppliers are the company’s stakeholders in order of the importance they stated. However, even after helping the local community, the company does not consider it as an important stakeholder.

All the CSR activities are aimed at the employees of which about 97 percent are part of the local community. International customers respond very positively when they are informed about the CSR activities of the company which help the local community and this is the reason they are currently developing presentations of these activities for the customers. The company do not have any structured process of how to manage and monitor stakeholders’ issues. During lunch
breaks they receive employees issues if the employees in a passive way as the company do not ask about their issues if the employees do not raise them. The company deal with issues in terms of profitability and if they harm profitability in any way they are reluctant to solve them. The company conceives the need for secure employment as a more important issue for employees during the crisis than before. Customers reduce stocks so the crisis increased their need for short volume and more frequent deliveries. The community ask for more involvement of the company to the local community but Amokabel is not interested on this since the company state that they are focused only on their core business activities which would directly add to the profits to the company.

4.1.2 Employee stakeholder - Junior manager

The employee values are based on honesty and simplicity which did not change during the crisis. The employee perceives the company’s values to be profitability and simplicity in decision making. The crisis affected the business environment but not the company’s values which remained the same before and during the crisis. The employee aim to fulfill the ambition to climb the ladder of the hierarchy of the company and seeks an environment which can enable him work efficiently and in a structured way. The employee is concerned with performing as best as he can in order to acquire as much responsibilities as possible. Another issues is to have structure in what the company expects from him.

The most important issue concerning the CSR activities of the company is the involvement to the local hospital. The employee would move from the town if the hospital would close down and therefore this is a key issue. About 50 percent of the employees in his opinion are directly involved to the sporting activities the company is involved. About 95% of the employees live and are part of the local community. Another important issue is employment safety and stability which became more important during the crisis. Salary is also an important issue is the amount of but not as important as employment security.

The employees are informed by about the company’s issues but there is no formal way the company is informed about the employees’ issues. The company will put a box for employees to submit issues and complaints in order to fill the lack of information from the employees. There is
a power distance between the managers and the employees on the floor and the employee thinks that the company does not know much about the employees issues. The employee thinks that the employees are a bit afraid of expressing their issues to managers, which is another sign of power distance between the company and employees. The company pays the employees with a lower salary and an additional bonus fee when the profitability goals are been reached. This way, employees are motivated and are aligned with the company’s goal for maximization of profitability. He finds that the company is effective in job security and in general the company is perceived to deal with the employees’ issues effectively during the crisis since no employee was fired. The employees find it very important that the owners sit and eat their lunch in the same lunchroom as the employees.

4.1.3. Employee stakeholder - Floor Employee

The most important issues are secure employments and working conditions. Amokabel provides good working conditions and also provide flexible working hours. Employees also feel that they are generous and caring in that they providing gifts, pays for sport activities, and social activities, such as Christmas parties and other social activities outside working hours. The bonus system is an important part for the salary, works well and is appreciated by the employees. In handling issues, they employees state that they agree that Amokabel has been effective. The hospital is important to employees, since without it there would be no local doctor. There has not been any changes in CSR activities during the crisis period, that were apparent to the employee.

4.1.4 Community Stakeholder

Before the crisis the most important value for the community is that Alstermo is an active community where people can be active, both in sports and business. During the crisis these values have been influenced and mainly the community has grown stronger. The issues before the crisis were mainly that of keeping the functions in the community, such as banks and healthcare, and this issue has grown even more strong. These issues are mainly influenced by people over 50 years of age which are more engaged in social issues.

The community views Amokabels values as doing business and developing, but also to be a part of the community and develop the community by providing stability to the community through
secure employment. These values have not changed during the crisis and the community view Amokabel as doing well financially and is expanding and entering into green electricity and new initiatives.

The most important issue of the community is stability and to maintain the standard of the community with functions, such as bank and healthcare. During the crisis the issues have not change but the same issues are now even more important and the community now realize the importance of these issues. During the crisis, the importance of attracting people to live and work in Alstermo has grown, which the community cooperate with the company. A change that is ranked as less important but still present is environmental issues, such as getting a recycling station with access for all members of the community. The community also trust Amokabel to deal with environmental issues in a satisfactory way.

Amokabel has handled the issue of employment by "borrowing" employees from the different sub-companies within the corporation instead of letting people go which is very positive from the community perspective, and the company is viewed as flexible. On the issue of community functions, Amokabel has been active the board of the hospital to provide knowledge. This has also worked as a way of spreading information between the company and community. Amokabel also sponsored a football field and sponsoring handball, which is viewed as positive from the community since being active is important for the people of Alstermo. Amokabel also helped in rebuilding the old gymnasium to become a daycare center and canteen for the local school, by investing money as well as time and know-how. The school is important in being able to attract people to Alstermo and bring jobs, because families need a local school, and without it then the hospital would not be needed. During the crisis the company handled issues by focusing on more important functions like the hospital, which also has great value for the company. Amokabel increased the commitment to the important function of the community, hence also to key issues of the community.

The community informs Amokabel about new issues through the board and other position, as in the hospital for example, as well as annual meetings. This is used to communicate correct information to the company and the company employees and formal lines of communication are used.
Before the crisis the community was affected most by the participation of Amokabel in social activities such as Alstermo-dagen and sponsoring social and sporting events and clubs. Now Amokabel takes also a greater responsibility for the more serious issues, such as the school and hospital. Now the hospital is the most important activity, however this is not easily associated with Amokabel by the members of the local community, since it's not so visual. However, the football field and the handball arena is more visual and shows a commitment to the social activities of Alstermo. The hospital was an initiative from Amokabel, being proactive in the activity, since Amokabel contacts in the local hospital. They also had found a doctor to work there that they suggested. The requirement form the doctor was that Amokabel hired her husband which they did.

The community found Amokabel to effective in dealing with issues and Amokabel always follows promises and is seen as reliable and trustworthy. This changes during crisis and Amokabel are seen as even more effective, since they have been able to address issues by innovating and creating new products which help keeping employment making it possible for the community have been able to continue and to develop as well.

They community find that there not really are any improvements to be made in dealing with issues and there is a belief that Amokabel will engage and help the community with issues if new issues would arise. The people of Alstermo are satisfied with engagement in boards and investments done by Amokabel. Amokabel are positive to the community, and always jump aboard on projects if approached. However, sometimes they do not participate consistently some social activities but this is because of the size of the company that is has grown bigger, and are not able to spontaneously always participate in "small " activities, but need a formal request.

As for general changes during the crisis, not much has happened. Companies such as Talent has let people go with a very small impact on society at large, still very low unemployment. To close the hospital was not due to the crisis, but the fact that there were not doctors willing to work in Alstermo. Amokabels social responsibility is ranked by the interviewee as an 8, on a scale from 1 to 10. In such a small community there is not a possibility not to be social responsible because then the community would stop to exist. If companies did not engage in CSR then there would be some sort of compromise that would work poorly for the community.
4.1.5 Supplier stakeholder

The supplier deal with both industrial companies as well as the municipality, 20 percent of business is from municipality and the industrial firms around 40-50 percent. The values of the company is good service, always be accessible, a good place for employees. Business relationships is very important and is key for the supplier. The employees are very important, and they have a low employees turnover it's important for the employees to feel at home and have a good work environment. The financial crisis has not had a large impact on the supplier financially however they did recognize a dip downwards but then tried to increase the customer base, which was their focus. Amokabel purchase a lot of materials and they have a close relationship and good cooperation, keeping special items in stock just for them. The CEO does not know how Amokabel work with environmental issues and quality and states that it is not important locally since they largely export. The supplier does not know Amokabel in terms of values or CSR activities and he says Amokabel does not stand out and describes them as quite anonymous.

The most important issues to the supplier before the crisis was to have a sustainable profitability. This creates stability which is important and also creates stability and satisfaction for employees. During the crisis the competition increase for the supplier and customers became more cost focused and evaluated their suppliers. The supplier acted more aggressively to keep volumes in order not to cut employees. It was important to keep the relationships as customers reviewed costs and evaluated suppliers and put pressure to lower prices.

It became more common during the crisis that suppliers and customers created a partnership, too keep stocks and create stability and loyalty for the customers. The supplier have had a good growth after 2008, and according to the CEO, Amokabel has been buying quite a lot during the crisis as well.

The customers' needs are price, vicinity, flexibility in creating solutions and keeping delivery times. Keeping promises, such basic things are very important. During the crisis this changed and the need for the supplier to be environmental friendly increased, as customers started to ask how the supplier handles such issues. They have ISO14001 but also working for 10 years with CSR activities mainly toward their employees. All their supplier also have to sign an agreement,
that they do not use child labor, fair salaries etc. They know that all their materials come from companies having social responsibility and follow those rules. However, the demand from customers regarding CSR activities regarding environmental and social issues are still low.

"There are not that many customer that have had these types of demands toward us today. They haven´t reached that far, even though companies are working with it they have not had it as a demand from us as suppliers. [...] However, some customer have these demands such as municipalities and also larger corporations such as Volvo."

This demand for CSR activities has become important in the last two years as large companies and governmental customers are now looking into CSR issues, such as child labor and other social issues but the supplier states it's still quite low overall. For large customers, having the proper paperwork and assurances that working conditions are good and that no child labor, as well as environmental certifications has been used is a key selling point in attracting large customers as well as municipalities.

"The demand from SME on us is still low. Probably, they work with these issues towards their customers but not toward the suppliers"

The key issues for the supplier is to get paid on time and to keep a long term business relationship with the customers during the crisis. During the crisis, some customers have started to demand longer credit times, with larger customers asking for this the most.

With any changes of issues, the communication with Amokabel is done through the sellers that visit and deal with the company, most often via physical contact with the purchaser at the customers company. From the suppliers point of view, they didn't know of the CSR activities of Amokabel before the crisis and this was still the same during the crisis period as the supplier focuses on changes in order volumes and sales.

"Our company had a goal of creating "environmental customers", to help customers to switch to products used to ones that are more environmentally friendly and giving them a diploma. However, this was a fiasco and our customer did think this was good. [...] We cannot tell our customer what to do, it's up to each company to do something good in their business."
4.1.6. Customer stakeholder

The customer to a large extent acts as an agent for a large US based company and mainly market their product on the Swedish market. However, the customer also use other suppliers to extend their product range. The focus of the customer is on high quality which also is important in the selection of suppliers. Since the end customers require high quality and timely deliveries, the customer evaluate the suppliers on transport reliability and quality of the product. Additionally, transport pollution is also an important factor as there are demands from large end customers that the products are within certain limits of pollution due to transport. It is very important that suppliers meet the standards set by the customers. The most important issue before as well as during the crisis is the reliability of its suppliers in terms of delivery times and quality. The customer focused on creating long term business relationships, which makes reliability very important. Lead times are very expensive for the end customers and reliability is described as something very important and the customer has a nationwide delivery reliability of 97 percent.

The customer also has a policy that all suppliers must meet a standard of what is called environmental diploma. The customers describes this certification to include actively addressing environmental issues but it is not as encompassing as an ISO14001 certification. The environmental issue became increasingly important during the crisis, with end customers starting enquire and put demands on for example pollution. This increased environmental demands started in 2005 and peaked in 2009 and it was mainly larger companies that had these demands.

The customer stated that it found Amokabel to be effective in dealing with its important issues and that Amokabel was reliable in terms of quality and delivery and consider the company to be reliable and flexible.
4.2 Rörvik Timber Tvärskog

<table>
<thead>
<tr>
<th>Company: Rörvik Timber Tvärskog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Ownership</td>
</tr>
<tr>
<td>Location</td>
</tr>
<tr>
<td>Production</td>
</tr>
</tbody>
</table>

4.2.1 CEO and sales manager

Rörvik Timber Tvärskog AB is a part the Rörvik Timber corporation which conducts wood processing operations at ten production units in southern Sweden. The business operations are organized into two business segments. Business segment Timber comprises seven sawmills, a pressure impregnation unit, and a unit producing stable bedding. The other business segment consists of an organization purchasing raw material for our own sawmills and trading operation. Rörvik Timber Tvärskog is a sawmill located in Tvärskog in Kalmar county.

The company was hit severely from the current financial crisis and faced solvency problems. The majority of the stocks were then sold to a Swedish Oil & Gas trading company located in Genève. During the crisis a reconstruction of the company took place which aimed for consolidating the different parts and organizations of the group and creating a more centralized structure than previously. Moreover, the most important problem that the reconstruction aimed to deal with was the negative economic performance of the company.

The company had large losses which peaked in 2009. International customers asked for lower volumes and short lead times. The company went from three working shifts to one and lowered the number of employees by twenty. In addition, a new contract was signed with the employees with a salary reduction of around 12 percent. After December of 2011, a second shift was added.
to the production unit and twenty employees were hired. The company is still not making profits and the shareholders cover the annual losses.

The new direction of the company can be summarized in some key goals; reach long term profitability, lower costs, increase the production volume and sustain the flexibility of production. The financial crisis affected the strategy and the goals of the company. Before crisis there was no clear strategy as goals were not clear and problems were not solved efficiently due this lack of a clear strategy. One example given by the CEO was that previously logs had to be manually cut in order to fit in the sawmills machinery which was very costly in terms of time and money.

Because of heavy losses during the crisis the shareholders put pressure and influenced the new management for a single clear goal: company’s profitability. In order to achieve profitability, the new management developed a list of actions needed in order to reach the goal of profitability. This list includes actions to lower the cost of production by increasing the efficiency of the unit, have flexibility in order to offer tailor made products and to account for the long term impact of every decision.

According to the CEO, the majority of the employees appear to understand the strategy and the direction of the company. The style of management described by the CEO appears to be centralized with power distance between the managerial and the employees at lower levels of the organizational hierarchy. The decisions are made by managerial staff and are announced to the members who are expected to follow them with the least possible negotiations. There is no communication between the higher management and the employees in production. The management is satisfied with the communication with the employees even if it is described as a one way process.

According to the sales manager around 80 percent of the company's sales comes from exports. Exports to Germany account for 30 percent and about 14 percent to U.K. Other major markets for the company include Denmark, the middle-East, Poland and North Africa. The company’s uses agents in foreign markets with the exception of Denmark where the company owns a local sales subsidiary. U.K. customers demand the PEFC certification which the company has acquired as well as the ISO 14001 for environmental issues while Germany customers mainly
ask for the ISO 14001 certificate. In both cases the certificates are required by regulation in the foreign markets.

According to the area sales manager, the competitive advantage comes from a combination of different resources. The brand name is connected with reliability and customers prefer the company since the company can meet very high standard of specification for their products. Competitors often substandard parts of logs which is not well perceived by the customers and Rörvik Timber Tvärskog is perceived as credible and reliable company using only the best parts of the logs. The company does not offer competitive pricing but the combination of customized products to customer's specifications with a trustworthy and close relationships is the selling point of Rörvik Timber Tvärskog. This is achieved by long experience and knowledge of the industry and by know-how of the employees.

The competitive advantage of the company is perceived to have low sustainability in the future according to both the CEO and the area sales manager. There are many competitors who can offer similar products in a mature market where the products appear to be commodititized and customers are more price sensitive.

The company's most important stakeholders before the crisis were employees and customers and second in importance were the suppliers and shareholders stakeholders. This order changed during crisis as shareholders became the most important stakeholder. This was due to that fact shareholder provide the capital do the company and the survival of the company during the difficult financial times depended on its shareholders.

The company monitors the issues and concerns of the customers through regular visits where salespersons inquire about customers issues and their needs. Moreover, in case of any issues arising the customers can contact the company whenever needed. The Shareholders are the main concern of the CEO and he keeps in direct contact with them. As for the other stakeholders, there is no formal procedure with which the company monitors the their concerns and issues.

According to sales managers, customers find the price of the product to be important, the certain environmental certificates required by law, as well as well established relationships with the salesmen. These issues changed during the crisis and customers asked for lower volumes as they wanted to reduce stock to improve cash flow. Customer also broke purchases into smaller
volumes which they brought more frequent. Moreover, the customers demand more detailed specifications of the products even in low volumes.

Prior to the crisis, the company sponsored the local sports association but due to financial difficulties the company faced during they have decreased the sponsorship. Instead, the company asks members of the sports team to do voluntary for the company and in return they receive some sponsorship.

4.2.2 Employee stakeholder

Before the crisis the values of employees was to produces as much as possible and focus was on quantity rather than quality. The employees found the values of the companies before the crisis to be quite vague as the company focused merely on production. As a result of the crisis and the lowered production of the company, the employees now state that there is a greater understanding of the important to do things correctly rather than focusing on quantity in production.

The crisis and the difficult financial situation made the employees more aware of the issue of job security, as the realized they could actually lose their jobs which made them more concerned about the issue of job security. Before the crisis the most important issues were holidays and higher salaries. The employees worked extra hours to have days of when holidays occurred in the middle of the week and this was most important issue for the employees before the crisis. The importance of the issues changed for the employees during the crisis as the most important issue instead became employment stability. As a result the employees worked harder during the crisis and realize the importance of giving 100 percent at work.

The company dealt with the issues of the employees before the crisis by trying to find a middle ground with the union to make the employees feel at home, which worked well. This approach remain the same during the crisis, however the demands from the union was lowered in terms of salaries and working hours. The employees informs the company about their issues and any changes of the issues through the union or the work safety committee meetings, which remain the same both before and during the crisis. The attitude toward the union changed during the crisis and there was a loss of faith in the power of the union. The employees describe the union at
Rörvik Timber Tvärskog to be quite weak and passive. However, there have often been local solutions to the most problems. The employees showed understanding for the new direction of the company which included lower wages and more working hours than before. The survival of the company and keeping their jobs was more important to the employees than lowering their salary. A major concern of the employees was the way the union handled the turbulent situation when the management had to let some employees go. The union then chose to remove more employees than the company asked for in order to keep to the order of which employees had been hired. The employees lost faith in their union and after that their relationship with the union has not improved. On the other hand, the employees showed respect for the decision to fire some employees as they understood the overall situation for the industry.

Before the crisis, the company was quite effective in dealing with the important issues, however the employees felt that the union did not put a lot of pressure on the company and there was always a compromise to be made with as little friction as possible. The employees had the view of the company as trustworthy both before and during the crisis. However, the company became quite passive during the crisis with no clear direction or issues raised except for the daily work.

The employees would like the company to listen more to them in order to better deal with their issues. Still, an important issue now is the salary but the employees realize that it's difficult to raise salaries with the current financial situation of the company. Also, there is no additional increase in salary based on years worked in the company. Employees working for 20 year or to employees having knowledge of all machines in the company since the salary is the same for all employees and from the employees perspective therefore there is no carrot to learn. This changed during the crisis as new employees had a slightly lower salary than current employees. A few of the old employees did return to the company but most did not since they would receive the lower salary.

The perception of the employees is that the company does quite a lot in terms of social and environmental issues. The company sponsors the local sports club, as well working actively with the surrounding environment and the working environment for the employees. The employees view the sponsorship of the local sports club as very positive since the local sports association plays a big part in the local community of Tvärskog. The sponsorship is also important for the
financial situation of the sports association. The company also had social activities for the employees, such as bowling and dinners which decreased during the crisis.

The work the company did toward working conditions and the work environment had the biggest impact on employees before the crisis and this remained as an important issue during the crisis. Also reduction of shifts affected the employees since it reduced their working hours as well as some benefits where such as shift compensation.

The employees also stated that Rörvik Timber Tvärskog is important for the local community would disappear if the company would close down its operations.

### 4.2.3 Community stakeholder

The community is represented by the local sports association Tvärskog IF, that has sporting activities, such as football and gymnastics but also organizes social events. They cooperate with the local Community development association to organize activities, like the Village-day. The sports association also does the yearly Valborgscelebration. They currently have 360 households in Tvärskog as members, which is nearly everyone living in the community of 450 people. Many employees of Rörvik Timber Tvärskog are members of Tvärskog IF.

To have local activities, sports and otherwise is important and is valued, also to have schools and other services in the local community is important. The people in Tvärskog value to be close to nature, and also a high standard living is possible than in the city. The crisis affected the community by loss of jobs in Tvärskog. However, the school has been extended and the community has the same number of habitants. The values has been change, that people are more careful with money and not building new houses. However, the people still has a trust in the future by keeping services and people within the community. It's important for the sports association also to provide activities to attract people.

Employment in the village is not very important since people can find jobs in surrounding cities and a lack of employment would not cause them to move.

Before the crisis, the company was acquired by a person working with finance. The community then lost the view of the company as a genuine wood company and trust in the wood industry
and instead view it only as a tool to make money and dealing with finance instead. Today, there is another owner and the community view the owner as better, to be more interested in developing the company.

Issues before the crisis was in order of importance is first quality of life such as having a nice property, then having services such as primary school and then employment as the least important. During the crisis, living in the community became more important especially from people losing their jobs as it was a fixed point in life.

Before the crisis, the company dealt with the issues by taking more part in the community to be more generous in sponsoring and lending equipment. The company also lent machines for clearing snow as a gesture to be good citizens. Rörvik Timber Tvärskog did not actively deal with the issues during the crisis, the community views that they did what they had to do when they fired employees but did not take any extra measure towards the village or community. However, this was viewed with understanding from the community. The company now does no direct sponsorship of the sports association. Now there is still sort of a gentlemen's agreement to borrow machines for helping the sports club, but now it's more difficult and they have to be more careful in using this privilege. During the crisis, the community was worried if the community would survive if the company had to shut down.

The issue of sound and dust pollution around the sawmill is not important for the community, and the neighbored was not bothered by this and it's not viewed as an environmental issue from the community.

The community informs the company through the employees of the company, which then brings things up internally in the company. The sports club does not directly contact the CEO. However, the community would like to see a vision for the plant form the company, to know what is going on and what the development plan is. This would be the most positive improvement for the community.
4.2.4 Suppliers stakeholder

The most important issue is the payment options and during the crisis the suppliers received payments from Rörvik Timber Tvärskog in advance, as well offering better prices than the competitors in order to gain trust. The supplier states that he finds Rörvik Timber Tvärskog reliable.

The local supplier states that it is important for his company to support local sawmills and thereby the local community. The most important issue for the supplier during the crisis was the survival of Rörvik Timber Tvärskog. The supplier delivers to other sawmills as Södra, and there are 4-5 sawmills in the local area. The supplier views the values of the company such as social responsibly, the supplier states that he company has a big responsibility toward the community. Rörvik has now hired employees from other sawmills and the suppliers views Rörvik as very engaged in developing Tvärskog as a community. The supplier has a long relationship and would like to support the local sawmill of Rörvik. The main reason for choosing to supply to Rörvik Timber Tvärskog, the ones that pay the best price is picked. The supplier has had good communication with Rörvik and state that they there have been able to discuss any problems and that Rörvik Timber Tvärskog responsive to his issues. If the supplier didn't want Rörvik Timber Tvärskog to drive on his land when the ice was melting they accepted that. Before the crisis, the supplier had to follow strict cutting and environmental rules During the crisis, environmental care has become more important issue, stricter rules for cutting and replanting by Skogsvårdsstyrelsen. The sawmills now ask for these issues from the supplier and this has increased over the last years. The supplier has the view that Rörvik Timber Tvärskog and its competitor deals with the environmental issues in a similar way, and that Rörvik is not unique in this regard.

The suppliers informs the company and discuss issues with a representative of Rörvik Timber Tvärskog, which is done through physical meetings where the company representative visits the supplie. The supplier describes a good relationship with the company as an important factor in choosing what company to supply. After the crisis at Rörvik Timber Tvärskog, the company had no local buyer but currently now they have a buyer locally in Tvärskog, who knows the local
area and this creates a trust for the company. Increased import of wood by Rörvik Timber Tvärskog is a concern for the supplier, which worries that this would drive down local prices.

The supplier find its very important for Rörvik Timber Tvärskog to take social responsibility, as otherwise people will move from the town. The supplier states that Rörvik deal with issues of social responsibility in a adequate way as well as the issue of payment and do not see any need for improvements. The issue of social responsibility is very important for the supplier and affect the choice of what company to supply.

"Is is very annoying to read about directors getting a 20 million SEK severance package, such in Södra. Even though I'm a member of Södra is trouble because the truck drivers and people working in the forest make very little money. [...] I would rather supply others in such cases."

4.2.5 Customer Stakeholder

The customer is a distributor of wood and wooden products located in Denmark, with the main market being Denmark but with some sales to Germany. Rörvik Timber Tvärskog is one of its suppliers, however it also has many external suppliers. The distributor can cover the whole market in terms of articles and products with the addition of the external suppliers.

The most important characteristic of a supplier is that it can be trusted. Trustworthiness is also important for the distributor toward its customers, and without this they would lose their customers. There is a lot of competition and this is a key issue. The customer was able to retain customers during the crisis even though it is not the cheapest in the market due to reliability and trustworthiness.

The most important issues for the customer is timely and reliable deliveries. When selecting a supplier the product range is important but of greater importance it that the supplier is a reliable partner and can ensure deliveries. Reliability is mentioned as essential since the customer also need to keep delivery times toward the end customers. The customers kept its suppliers that were considered good during the crisis, and still do business with those suppliers today. Overall, there has only been minor changes of the suppliers due to the financial crisis starting in 2007 as some suppliers did go bankrupt. The difficult financial times for Rörvik Timber Tvärskog also affected the customer and states it too had a some financial difficulties.
Before crisis the most important issue was reliable supply and that the sawmill really could supply what was ordered. The customer had a good really turnover during the years before the crisis however it was very difficult to get products and materials. The second most important issue before the crisis was prices since prices changed on a daily basis. During the crisis, the customer had a drop in turnover but these issues still remained the most important. The customer stated that Rörvik Timber Tvärskog dealt with these issues before the crisis effectively as had a steady supply Rörvik Timber Tvärskog supplied as promised. However, since Rörvik Timber Tvärskog reduced production output the customer could buy half of its usual volume had to covered the loss in the volume from other external suppliers.

Prices became a key issue for the end customers during the crisis and currently prices are the main concern of end customers and reliability of deliveries comes second.

During the crisis, environmental issues became very important and the ISO14001 and PEFC certifications helped to keep in retaining end customers during the crisis. End customers started to ask for these types of certifications in Denmark a few years back, especially end customer from the furniture segment. For the customer who is a distributor this is important to be able to sell products and materials to its customers in this segment.

According to the customer the values of Rörvik Timber Tvärskog are good quality and a good supply as well as good employees. Rörvik Timber Tvärskog has a good reputation on the Danish market. However, due to Rörvik Timber Tvärskogs financial situation it previously had to stop payments to suppliers in the Danish market.

"People here were not so keen about Rörvik because they had stopped payments to suppliers, and we had to pay cash every time very time we choose to buy from external sawmills."

The distributor informs Rörvik of changes in issues through direct contact with the company in conference meetings. The distributor would like for Rörvik to provide products of higher quality and that are more advanced, and today many competitors like Stora Enso, Södra Timber has such products but not Rörvik.
4.3 Luma Metall AB

<table>
<thead>
<tr>
<th>Company: Luma Metall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Ownership</td>
</tr>
<tr>
<td>Location</td>
</tr>
<tr>
<td>Production</td>
</tr>
</tbody>
</table>

4.3.1 Managing director interview

Luma Metall starts as Luma Lampa producing light bulbs in 1931. The company added more products to the product line including tungsten wires and in 1954 begins to produce gold plating grid wire for electron tubes. In 1976 all wire production is relocated to Kalmar, Sweden. Luma Metall AB is founded in 1976 in Kalmar. Nowadays Luma Metall produces fine and ultra-fine wire as well as plating products in tungsten, molybdenum copper, beryllium copper, brass, stainless steel and silver. After the rapid changes of light bulb technology, it faces survival problems starting from 2002 and until 2008 suffers from annual losses. In 2004 the ownership goes to a U.S. investor and a restructuring of the company takes place. After a balanced year of 2009 and a turnover of 20 million SEK it grows its turnover from about 32 million SEK in 2010 to 43 in 2011 with a projection of reaching 50 million SEK in 2012. Luma Metall exports to more than 40 countries including U.S.A., India, Canada, China, Costa Rica with 100% of its turnover from exports. Its wide variety of products is used from consumer goods to research experiments, or satellites. Famous end customers who use their products are the biggest particle collider CERN, ESA and HP.

The core values of the company are team work, safety, loyalty and trust. Decisions are taken after multiple meetings and group discussions in which every relevant employee is involved.
Every month there is a meeting with every department of the company. The power distance between the 21 employees is very low and the CEO interacts with all employees and departments of the value chain in a constant basis. The decision making procedures which include meetings and discussions with all involved members fosters the team working value of the company. Safety for the employees in every part of the production is another core value of the company.

Loyalty of the relationships with the employees of the company, their suppliers and customers is another value of Luma Metall. Employees leave the company only for retiring reasons and the company hires new personnel only to replace the ones that retire. When there is an occasional need for increased production volume, employees are asked to do overtime and work on weekends. This happens because the company does not want to hire people for a short period of time and removing them afterwards. This promotes loyalty form the employer’s side which influences the loyalty from the employees’ side.

The business plan of the company targets for growth. After dealing with solvency issues the company’s most important stakeholder according to the CEO is the shareholder. He pays four to five regular visits annually to the company and his goals become the goals of the business plan of the company. Another important stakeholder according to the CEO is the employees of the company. By having very close relationships with the employees, the goals of the success of the company is connected with the wellbeing of the employees. An example of this is the high quality ventilation of the production plant which keeps the air fresh and clear from dust and other particles which preserves a healthy environment for the workers and products which are clean and free from unwanted oxidation agents. Customers and suppliers are the next significant stakeholders and this lower place in order of significance is justified by the long lasting and trustworthy relationships with both stakeholders. This comes because the company feels high control and state of close relationships with both customers and suppliers. Regular visits are paid to customers and suppliers and many times employees work together with customers and suppliers to shape the exact needs and specifications of the products needs of them. Moreover a checklist is sent out to be filled from all customers to monitor their satisfaction and needs of their purchase. The close relationship with the customers is the main reason why they choose to do business with the company along with the reliability and the good service offered as well as the political stability which secures the long term relationships according to the CEO.
The company competes in the niche market of ultra-fine wirings and plating keeping 35% of margin profit as a minimum for every product. The production needs sophisticated machinery which unique specifications couldn’t be met with any machinery in the market. This is the reason that a number of the production equipment is designed and manufactured from the company itself with the cooperation of local companies. As a result, the company is proud for equipment that are unique and the in some cases the best around the world. The product line is diversified and the application of the products includes many irrelevant markets like printing equipment, conductors, connectors, antennas, medical equipment, automotive, integrated circuit testing equipment, musical strings, lighting and technical research. They always look for perfect delivery of every order which means the exact specified product in the exact specified way for the customer. They also offer high quality service aiming for prompt answer for every concern coming from the customer. Another valuable resource of their competitive advantage is the knowledge of the long experience of the employees.

The Crisis affected the company in a positive way as stimulus packages around the world increased the number of projects which the company could be involved. The diversification of the company was another factor which helped the stability and growth in the years of crisis. Shareholder during crisis was concerned about the type of the management and the person to lead the company. The employees increased their concern about their employment and their profits. Suppliers increased the details in the specifications asked.

The company is involved to small extent in CSR activities. This is changing recently after participating to seminars in accordance to ISO 26000 which is dedicated to CSR. The company trains the older employees and offers cheaper insurance and sports possibilities which the employees can exploit. Among to local sponsorships to the community they offer Christmas charities to local child protection organizations. Moreover the CEO gives lectures sharing his experience to students of Örebro University. During crisis sponsorships and charities were less and money spent to activities outside the main activities of the company has decreased.

The current plans of the company involve the improvement of the brand. Business partners are familiar with the brand because of the long history of the company but they are not familiar with the modern accomplishments of it. The company is aiming to build on the company’s reputation and enrich it with the modern shape of Luma Metall. Moreover, the company is involved in
seminars about the ISO 26000 which is a bundle of literature about the corporate social responsibility importance and applications for the company.

**4.3.2 Employee Stakeholder**

According to the union representative at Luma Metall the values of the employees are to perform a high quality job. During the crisis the values have been changed and influenced by the economical situation and there was a shift of values where keeping the employment became increasingly important. This then became the most important issue as well as value.

The most important issue for the employees is also job stability, with concerns growing due to market fluctuations and while the company has had a high level of orders there is still a worry that the situation might turn down again. Secondly, the work environment is of great concern to the employees as the plating business involves dealing with hazardous chemicals and a safe working environment is therefore very important to the employees. Connected with the work environment is also the working conditions. Before the crisis, in 2006, the company introduced a closed system for its waste. The employees also state that during the crisis the work environment also has continued to improve. The company now deal with issues like ergonomics.

"The closed system eliminated 30 pumps. There is always a certain leakage so this greatly improved the working environment. A cyanide scrubber was also introduced with improved which improved the ventilation and air quality. Before, the floors were not cleaned but recently the floors are cleaned with a floor-cleaning machine".

During the crisis the company has increased its working hours and the union representative describes that the company runs production around the clock at times. The company has also increased the number of employees from 12 to around 24, however the increased is workload positive is also creates stress for the employees.

The employees inform the company about their issues through the daily LEAN meetings, and also during weekly production meetings. The agenda for the LEAN meeting are anything concerning work and the employees have an opportunity to voice any concerns or suggestions.
Beside the formal communication with management through the meetings, the management and CEO also visit the production on a daily basis, which the employees also use as a way of discussing issues with the management. For health and safety issues the company has a safety round taking place quarterly where the work environment is checked and discussed by the safety council together with management.

Another important issue for the employees at Luma Metall is education, since many employees are older without formal education. Before the crisis the company only provided required education such as health and safety training and heavy equipment education as required by regulation. During the crisis the company increased its education of employees, however the employees still feel that there the company could put more focus on this issue and that more education is needed. The employees feel that this is vital for keeping the company competitive through higher and higher quality of products and production and innovations and as the employees are working with more advanced products. They want to be more deeply educated in the machinery as well as the chemical aspect of production.

Before crisis, the employees did not think the company was very effective in dealing with their issues. As a reason for this, the employees representative stated the financial situation which the company was in. Due to hard financial times the company had different priorities, however currently there is a better focus and the company is working more with environmental issues. Overall, the employees feel that now they are not so impacted by the current crisis but say that job stability and the fear of losing one's job is still present in the back of their minds.
4.3.2 Community stakeholder

According to the representative of the municipality the most important issues of the community before the crisis was to find work for people of Kalmar and to develop the municipality in order to make it more attractive in order to attract people to move and to live in Kalmar. A reason for the importance of these issues is that a couple of large companies, such as Ericsson and Volvo, recently closed their operations and consequently many jobs in the industrial sector were lost. The municipality move from having an industrial sector to more of a service based business sector.

During the crisis, the municipality focused on developing knowledge based companies in the region and the new university was an important part in attracting people and companies to the city. Education of employees and companies is therefore and important issue. Working conditions is also an issue that is considered to very important both before and during the crisis. The municipality values cooperation between companies as well as between companies and the municipality. A good cooperation between the parties is important for the growth of the municipality as well as the companies. If the company has any specific needs or problems they communicate with the business department of the municipality, which also is a way for the municipality to inform the company of arising issues.

The municipality has actively worked with and promoted environmental issues both before and during the crisis. However, there has been an increase activities addressing environmental concerns through for example as ISO 14001 certifications and the municipality is also promoting energy efficient building. Through the dedication to environmental improvements the municipality has won international awards for its work on environmental issues. The view of the community is that Luma Metall is working very actively with environmental issues and describes that the company came up with its own solution for waste management. Further, the community also states that Luma Metall has been searching for new employees and cooperate with the municipality in trying to find new engineers. Overall, the community states that Luma Metall works in good way with environmental and social issues.
4.3.3 Customer Stakeholder

The customer has not been greatly affected by the financial crisis. The company has maintain a relatively stable business with the exception of moving to a smaller premises. However, the production unit has been able to maintain a similar level of production both before and during the crisis.

The customer focuses on quality when selecting suppliers, and dedicates a lot of time to testing samples to ensure that the products are meeting the quality standards. Another key issue for the customer is reliability. It is very important that supplier are able to supply in order to ensure that production is halted and in the selection of suppliers this issue plays an important role. The focus on quality has not change during the crisis and quality is still very important. Overall, the most important issues for the customer are those relating to and that has an impact on the reliability of the supply of materials and products and of its quality.

The customer describes the values of Luma Metall as being easy to contact with a quick response to requests. Further, Luma Metall is consider to be reliable with deliveries within the timeframe of the supplier's orders. The customer contacts Luma Metall directly via phone or email for issues of quality through its quality team.

The customer requires certain environmental and quality certifications from its suppliers. These certifications are evaluated on a yearly basis or when suppliers are changed. The customer has to ensure that all its suppliers, including Luma Metall, meet the requirements of the REACH Compliance Certificate. This certificates ensures that the materials or products that are sourced from suppliers do not contain any hazardous chemicals. During the last few years, the REACH certificate has become more extensive and now including a wider range of chemicals and substances that the suppliers must ensure that their products do not contain. According to the customer, Luma Metall complied and met all requirements as set by the REACH compliance certificate. The customer also started request other types of certifications during the crisis period, especially the ISO14001 environmental certificate. The customer did not actively look for this type of ISO certification prior to 2010.
5. Analysis

In this chapter we will analyze the empirical findings using the theoretical frameworks presented in previous chapters. We will conduct a comparative analysis between the three companies regarding the importance of key stakeholders, importance of stakeholder issues and the companies CSR strategies toward the stakeholders. Moreover, we present the CSR matrix and the matching strategy table for each of the companies. Furthermore, we will compare the changes that occurred in the external and internal environment during time of turbulence because of the current financial crisis as well as discuss similarities and differences between these three companies and their stakeholders.

5.1 Key stakeholders

We have identified five common primary stakeholders that are of importance for the companies and made a stakeholder map.

![Stakeholder map](image)
**Shareholder**

The shareholders or owners is a very important stakeholder for all the three companies. Shareholders became the most important stakeholder during the crisis for both Rörvik Timber Tvärskog and Luma Metall for similar reasons. Rörvik Timber Tvärskog was hit hard during the crisis and its survival depended on shareholders investing capital to cover the annual loses and for restructuring the companies. Luma Metall also relied on shareholders to restructure and improve the financial situation. At Luma Metall there is a close relationship with the manager who influences the company’s strategy as well as the goals of business. Together with the manager, they shape the management style and the important decisions about the future goals. The primary issue of the shareholders of Luma Metall both before and during the crisis was the growth and expansion of the company.

On the other hand, the shareholders are not as important for Amokabel as for the two other companies. A reason for this may be that Amokabel is a family owned company and the managing director is part of the same family. This creates trust and reliability with the shareholders and therefore gaining legitimacy with shareholders is not a big concern for the company. The goal of the shareholder of both Amokabel and Rörvik is profitability in the long run and the shareholders were more cautious about expenses outside the company’s core business during the crisis. Profitability is the highest concern for Rörvik Timber Tvärskog and Amokabel and therefore lowering costs and keeping high margins are their strategic goals.

In all cases, the long term profitability was equally important for shareholders before and during crisis even if the strategy to achieve differed between the companies.

**Employees**

The employees is an important stakeholder for all companies as employees have long experience of working in the company and possess technical know-how. Luma Metall has an advanced product line with high customization and quality requirements and the employees play an integral role in providing this to customers as they have technical knowledge. Amokabel also provide customized the employees are important as the knowledge about specific production capabilities. At Rörvik Timber Tvärskog the products are commoditized and the employees instead have long experience and knowledge of machinery. The employees are important for
Rörvik Timber Tväskog but not to the same extent as for Amokabel and Luma Metall. Amokabel and Luma Metall rank their employees as the most second most important stakeholder while employees was ranked as the forth most important stakeholder by Rörvik Timber Tväskog.

The employees became even more important during the crisis, as Luma Metall had difficulty finding people with the needed skills and know-how. The importance of the employees as a stakeholder decreased for Rörvik Timber Tväskog as the company focused on cost cutting and survival. The company fired employees and reduced benefits and salaries, something which was an important issue for the employees. At Amokabel the employees still remained important, as they accommodated the employees needs of improving working conditions and did not fire anyone during the difficult financial times.

**Customers**

The customer varies of importance between all three companies. Amokabel ranked the customers as the most important stakeholder since the company is focused on profitability and not turnover and customers play a central part in keeping the company profitable. Amokabel also focus on customizing products to individual customers needs and therefore put high importance of the requirements and needs of the customer stakeholder. Luma Metall also provide customized products but ranked the customer as third of importance. The company stated customers are always available on some market since they have a niche product and only export. Rörvik Timber Tväskog ranked the customer second as the company have to follow customer requirements regarding quality and certifications.

During the crisis, the importance of customers increased for Luma Metall. The company adapted to environmental requirement and also activities showing social responsibility as requested by customers. The importance of the customer stakeholder remained unchanged for Rörvik Timber Tväskog and Amokabel during the crisis. Amokabel continued to focus on the customers and to develop new products and ensuring its production capabilities. Rörvik Timber Tväskog focused on improving the quality of production and ensuring that it complied with regulatory standards as demanded by customers.
**Suppliers**

Suppliers are of less importance for Rörvik Timber Tvärskog and Amokabel compared to Luma Metall. Luma Metall has a close cooperation and works together its suppliers to develop new products as well as equipment with high-end specifications which are specially developed for Luma Metall. The supplier demanded more detailed specifications regarding the materials and products supplied to Luma Metall during the crisis.

The main concern of the supplier of Rörvik Timber Tvärskog both before and during crisis was related to payments. During crisis the supplier received payments in advance in order for the company to secure the suppliers and maintain the trustworthy relationship.

Amokabel’s suppliers increased the concern for maintaining a good relationship with its customers and suppliers and created partnerships aiming to ensure continued business. Moreover, environmental issues became more important during the crisis because of the increased demand for environmental friendly products by its customers. Municipalities as well as multinational companies put more pressure to the supplier to assure proper working conditions and avoidance of child labor.

All the three case companies rank the suppliers stakeholder as the fourth most important stakeholder both before and during the crisis.

**Community**

The community is a more important stakeholder for companies located in smaller town compared to companies in larger cities. The majority of the employees of Rörvik Timber Tvärskog and Amokabel live in the local community and all local problems directly affect those employees. This is different for Luma Metall which is located in a medium sized city. The employees do not have the same close relationship with the community but the community affects the company in a different way since local universities and organizations have relationships with the company. The community of Kalmar, in which Luma Metall is located, was mainly concerned about job opportunities and attracting businesses during the crisis. Maintaining the size of the community is another concern that increased during the crisis since many industrial companies left the area and employees left Kalmar to look for jobs elsewhere.
The community of Rörvik Timber Tväskog more focused both before and during the crisis on the development of communal functions. The issues of attracting people to live in the local community and the preservation of the surrounding environment were equally important Rörvik Timber Tväskogs' community before and during the crisis. However, the issue of job opportunities increase in importance because of the crisis.

Amokabel’s community stakeholder was focused on maintaining communal functions such as banks and healthcare facilities in the local community before the crisis. The community was active and local people were interested in sports and business. The interest in job stability and job opportunities increased during the crisis. The danger of the shutting down of the medical center dominated their concerns during the crisis.

Overall, the communities of all of the companies were more concerned about increasing job opportunities in order to attract more habitants during the crisis. Employment and communal functions became more important.
5. 2 Key stakeholders Issues

Through the interviews with the companies and stakeholders we have identified seven key issues. We mapped how the different stakeholders interest on these issues changed during the crisis. These issues are:

1. Long term profitability
2. Job stability
3. Communal functions
4. Customer development
5. Working conditions and benefits
6. Supplier development
7. Environmental issues

Fig. 5.2.1 Rörvik Timber CSR matrix

<table>
<thead>
<tr>
<th>Stakeholder Issue</th>
<th>Shareholders Before/During Crisis</th>
<th>Employees Before/During Crisis</th>
<th>Customers Before/During Crisis</th>
<th>Suppliers Before/During Crisis</th>
<th>Community Before/During Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Weak interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Medium interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Strong interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 5.2.2. Amokabel CSR matrix

<table>
<thead>
<tr>
<th>Stakeholder Issue</th>
<th>Shareholders Before/During Crisis</th>
<th>Employees Before/During Crisis</th>
<th>Customers Before/During Crisis</th>
<th>Suppliers Before/During Crisis</th>
<th>Community Before/During Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fig. 5.2.3 Luma Metall CSR matrix**

<table>
<thead>
<tr>
<th>Stakeholder Issue</th>
<th>Shareholders Before/During Crisis</th>
<th>Employees Before/during crisis</th>
<th>Customers Before/During crisis</th>
<th>Suppliers Before/During crisis</th>
<th>Community Before/During crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The shareholders of all the three companies had a strong interest in the issue of long term profitability before the crisis and this remained unchanged during the crisis.

A commonality between the companies that employees increased their interest in the issue of job stability during the crisis. This was caused by the volatility of the industry and the impact on the company which raised the importance of the issue of job stability for employees in all three companies. The employees of Amokabel had an increased interest of working conditions which was directly related to external changes in the local community, and not due to the financial performance of the company. Employees in the other two companies had a unchanged interest in working conditions during the crisis. The employees of Amokabel and Rörvik Timber Tvärskog, which are the two companies located in small towns, found the issue of communal functions to be increasingly important during the crisis period since most employees lived in the local communities.

The issue of communal development as well as job stability became a very important issue for the communities of Rörvik and Amokabel, since both are in very small communities. The community of Luma Metall already had job stability as an important issue before the crisis as they faced a long period of companies moving away from the area. A difference between the three communities is that only the community of Amokabel increased its interest in the issue of environmental care, partly due to the influence of Amokabel.

Customers of all three companies had a strong interest in customer development both before and during the crisis. There is a also similarity in the interests of customers toward environmental care. Customers of all of the three companies moved from a medium interest to making the issue of high importance, as the customers required higher environmental certifications and standards. The customers of Luma Metall also had an increased interest in working conditions and benefits as they requested the company to engage in activities that showed both environmental and social responsibility. The suppliers of Rörvik Timber Tvärskog and Amokabel showed the same change of interest in environmental issues. The supplier of Rörvik Timber Tvärskog this was due to increased demands in regulations of the wood industry and for the supplier of Amokabel it was due to demands from other customers. These requirement caused the interest for supplier development become of strong importance for the suppliers during the crisis.
5.3 CSR strategies toward stakeholders

**Issue 1. Long term profitability**

Profitability is part of the economic value of a company. In cases of market turbulence many financial organizations face the solvency problems and some of them go bankrupt. When market turbulence affect companies which are located in small towns or villages and also are the biggest employer in the area, this economic value directly affects the societal value of the local external environment. Moreover, the close relationship of a SME located in a small town or village with the community creates common and interconnected interests. This is the reason the long term profitability is analyzed as part of the CSR issues in order to identify if such common interests exist.

While the external environment of Amokabel and Luma Metall are small and medium sized communities, Rörvik Timber Tvärskog is by far the biggest local employer of all three. Moreover, Rörvik Timber Tvärskog faced solvency problems during crisis. This is the reason why long term profitability is not only important to the shareholders during the crisis but also for employees of Rörvik Timber Tvärskog.

The solvency problems the company faced during the crisis created a fear that the biggest employer in the area would need to close its operations. Before crisis, the importance of long term profitability was of low interest for the employees and this is why the company did not address this issue toward employees. There is an increased interest of the employees regarding the profitability and longevity of the company during the crisis compared to before the crisis. The company put pressure on employees to change their focus from quantity to quality in production in order to address the customers’ needs. As part of the restructuring, the company lowered the salaries and increased the working hours by decreasing the time for breaks. The workers followed the new rules and understood they had to contribute to the long term profitability of the company. This way the company gained legitimacy with the employees after restructuring and implementing a new management style as well as improving the severe financial problems of the past. The matching strategy was *manipulation* which *influenced* the employees to adopt new values which they did not have previously.
A similar increase of interest in profitability can be identified in Amokabel but the cause of the increased interest is different. Amokabel connects the salary of all employees to a bonus system for reaching certain profitability goals each quarter. This is the reason why employees are given the weekly profits charts. Employees try to lower the costs since cost is directly connected to the profits of the company. Before the crisis the company gained legitimacy by being credible and reliable after giving the promised bonus for reaching the quarterly goals. The matching strategy was *compromise* by *balancing* the employees interest for stable salaries with lowering costs and connecting the size of the salary to the profitability of the company. During crisis in 2009, the Amokabel made a loss on quarter which this meant lower salaries without the bonus the employees. This had a affect employees as it increased their interest in the profitability of the company. The company maintained legitimacy to the employees with *compromising* matching strategy after following the same *balancing* of the expectations of the employees.

Shareholders of all the case companies had a similarly high interest of the long term profitability of the company both before and after crisis. Rörvik Timber Tvärskog and Luma Metall as well as Amokabel followed the same *acquiesce* matching strategy by fully *complying* to the norms and values of the shareholders before crisis. Both Luma Metall and Rörvik Timber Tvärskog are after changing ownership and facing solvency problems before or during the crisis dependent on the capital invested by the new ownership. Because of this they fully *comply* with the rules of the shareholders and gains legitimacy with the respective shareholders. On the other hand, this changed for Amokabel during crisis. The company compromised with the values of the shareholders that are very much focused on profitability and not turnover during the crisis since when the company was facing difficult financial times they chose not to fire any employee but rather reassign them to different parts of the cooperation. Therefore, Amokabel had a *compromising* matching strategy and *balance* between the demand of profits from shareholders and the need for job stability from the employees.

Overall, we identified a rise in the interest of employees in the company's long term profitability in cases where the company was facing serious solvency problems like at Rörvik Timber Tvärskog and Luma Metall or when the company influences the employees to be actively involved to the profitability like Amokabel. All three companies have between 50 to 100 percent of their sales in exports and our interpretation is that this change originated from the
consequences of the current financial crisis since the companies are very exposed to global drops of profitability, the decrease of the sales volumes, the lowering of the production capacity and the shutting down of companies.

**Issue 2. Employment stability and opportunities**

Job stability as well as job opportunities are in all cases of concern for the employees and the local communities. The increase of the employees interest in this issue from medium to high importance during crisis is similar to all three companies. The common link between them is the increase of fear of losing jobs due to either company’s solvency problems or influence from the external environment. Rörvik Timber Tvärskog being the largest employer in the area creates an increased dependency of employees on the company in terms of employment. Amokabel maintained the number of employees during while Rörvik Timber Tvärskog hired new people after firing employees before the crisis. Luma Metall also hired more employees as looked for young trainees in the local community.

Job stability was an important issue for Amokabel's employees before the crisis. By growing the business and developing new products and entering new market segments the company provided stability for the employees in terms of job stability. The company maintained legitimacy through increasing its operations in order to increase long term profitability which resulted in more people being hired and creating stability for employees. The company *complies* with the values of the employees by the matching strategy of *acquiesce*. During the crisis the company *compromised* with employee values of job stability. Amokabel *balanced* the need for job stability by rather than firing employees they were reassigned to other tasks in other parts of the corporation, whereby legitimacy from the employees on this issue was maintained.

Before the crisis, Rörvik Timber Tvärskog addressed the need for job stability by *compromise* and *bargain*. The company found a middle ground with regards salaries and other benefits with the unions which was a balancing act between the values of profitability for the shareholder and the need for job stability for employees. During the crisis, the company still *bargained* to lose as few people as possible, and the company was *compromising* with the employees and the shareholders.
Before the crisis, the employees of Luma Metall employment stability of the company as an important issue. After passing solvency problems in 2004 and firing a great amount of employees during that period of time, the employees remain influenced and felt unsecure for stability of their jobs. The matching strategy during that period of time can be characterized as *defying* and *dismissing* after ignoring the employees values for job stability. This is why legitimacy with the employees was lost before crisis. The production increased and more employees were hired after the ownership changed and the new investments in the company were made. Moreover, during the crisis, the company asked for young trainees who would benefit by gaining working experience as well as to help the employees deal with the production overload. This is why the matching strategy of the company during the crisis can be characterized as *acquiesce* by *complying* with the expectations of the employees. As a result, legitimacy with the employees is gained during the crisis.

In all cases, the community became more alert about the issues of employment opportunities and job stability during the crisis. A similarity is that all companies dealt with these issues of the community in a similar way. The communities of Rörvik Timber Tvärskog and Amokabel both faced the problem of shrinking as many habitants were leaving to find a job elsewhere or having to travel to work in other cities, since local companies reduced the number of employees or shut down. During the crisis employment stability and opportunities therefore directly affected the development of the community. By hiring new people and asking for trainees at the local employment agency Luma Metall gains legitimacy before and during crisis. Amokabel also gains legitimacy with the community both before and during crisis by not reducing the number of employees like the other local companies. Rörvik Timber Tvärskog gained legitimacy with the local community as they increased the number of employees by nearly almost 40 percent during crisis. All companies *compromised* as a matching strategy with the local community before and during crisis and *balanced* the expectations of the community for job stability and new job opportunities with the need for solvency and profits of the shareholders.

Our interpretation of this similarity in the increased interest of job stability among these three exporters is connected to the financial crisis. As mentioned before, financial problems forced many companies to either shut down or fire many of their employees which lead to increased insecurity for employees about the stability of their jobs.
Issue 3. Communal development

The similarity we identified among all the companies is the increase of the importance of community development. This becomes clearer in smaller communities like the ones in which Amokabel and Rörvik Timber are located. The Kalmar area, as a medium sized city does not create as strong ties between the members of the community and local companies as in the smaller towns. Even if communal development is expressed as an important issue it is much less important for community of Kalmar compared to employment or attracting businesses.

Rörvik Timber Tvärskog and Luma Metall had activities in a small extent both before and during crisis which were directed to communal development. They both took part in sponsorships of local sports teams or the local sports center. Rörvik Timber Tvärskog lend heavy machinery for helping removing ice and snow during winters to the community for free. Representatives of Luma Metall give guest lectures and pass the long working experience to students at Örebro University as well as work together the local science park. Luma Metall contributes to a local fund raising charity for a children organization during Christmas and instead of spending money on Christmas cards it uses the money for funding the annual charity for this organization. Meeting the low expectations of the local communities the companies gain legitimacy. The matching strategy of the companies with the local communities is acquiescing by habiting to the local norms and low expectations.

Amokabel had a more active involvement in the local community compared to the other two companies. Even if Amokabel did similar sponsorships of the local sports team, owned their football and handball fields and funded the expansion of the sports center, it solved the most important and serious problem the community had during the crisis. The possibility of the closing down of the local medical center, which was an issue raised during the crisis, was by far the most important issue for the local community. This was a problem that the company had no responsibility toward and which had no direct effect on the profitability of the company but which was solved by the active involvement of Amokabel. The company faced the indirect threat of losing employees because they expressed their intention to leave the town as well as the company because they would not continue to live in a place with no local medical support.
In order to deal with this indirect threat, Amokabel took the initiative to solve this problem after asking the cooperation of other local companies.

Amokabel moved very fast and found a doctor willing to work in the medical center and supported this medical center to continue running. This activity exceeds the company’s intended strategy which was only aiming to sustainable profit. Moreover, this activity exceeded the local community’s expectations and thought style about how involved can a company be to solve local community problems. Before the crisis, the company was not so involved in the local problems as the community wanted it to be by avoiding the issues. Amokabel maintained legitimacy by the matching strategy of compromising by balancing the expectations local community with the strategic goals of profitability. However, this changed during the crisis and the company matched with an innovative strategy which generated change in the norms of the local community and their idea about the relationship between business and community. This influenced the community substantially and because of Amokabel the community for now expects more active involvement from the local businesses. The company gained legitimacy from the local community during the time of crisis.

Kalmar as a medium sized community does not appear to have strong bonds between with the employees of Luma Metall and the community activities. On the other hand, Amokabel and Rörvik Timber Tvärskogs’ employees are interested in community activities and they express interest in how the employer supports communal activities. Amokabel’s employees are proud that their employer funds the local sports team which they and their families are involved and to see the brand name of their employer present in the sports fields, the sports center and the team’s clothing. Amokabel became more involved in community activities during the crisis and the relationships with the community became stronger. Amokabel maintained legitimacy before and during crisis by continuing to fund the local community’s activities. Amokabel matched with manipulating matching strategy with the employees on community issues by influencing their values about the bonds with the community before the crisis. During the crisis, the company matched their expectations with an innovative matching strategy by generating change to their values after the company’s help for the local medical center problem since 95 percent of the employees live in the local area.
Amokabel was the only company in which the customers were very interested to hear about the increased community involvement of the company during the crisis. In contrast with the other companies, Amokabel’s customers and especially the international ones find it very positive as they are impressed and ask for details about the company’s involvement in the local community. The company realized the positive impact this had on its reputation and relationships with customers and is now preparing a presentation for future customers of the company’s contribution to the local community. Amokabel acquiesced by fully complying with the expectations of the customers for contributing to the local community and legitimacy was gained with customers. We did not get any facts form the other companies and their customers that would justify any interest in community contribution.

Our interpretation is that the increased interest by community for communal activities and communal development is related to the crisis. People in smaller communities felt more insecure and more afraid for their future and the relationships among community members in smaller towns and villages became stronger. As a defense mechanism, people looked for more interactions with the community in order to feel that there will be some support in case of a negative unexpected event. The increased need for community support increased the needs of the community for resources in order to meet these increased responsibilities. Amokabel is an example of how businesses can help their external environment and in return receive positive feedback from their customers with a direct positive impact to their reputation.
**Issue 4. Customer development**

Before the crisis, Luma Metall established a closed waste system which helped the production to be clean and dust free which helped the requirements of the customers for clean products, free from oxidization agents. Moreover Luma Metall’s salesmen visit their customers and work together to find the requirements for their needs. This way the customers rely on Luma Metall to be responsible for the specifications and the exact type of product. Additionally, the company aims to promptly respond to every concern or problem of their customers and have as a priority to answer the same day made. This contributes to the development of their customers and improves legitimacy by exceeding customer expectations. Therefore, Luma Metall fully comply with the increased interest of this stakeholder. This matching strategy is characterized as *acquiescing* to the norms of the customers.

During the crisis, international customers asked for ISO 14001 certification which the company had not yet acquired and this is the reason why Luma Metall was ISO 14001 certified in 2011. A new ventilation system and floor cleaning machine was installed during the crisis which improved the expectations of cleanliness in order to achieve reliable and clean ultra-fine wiring. Moreover, Luma Metall is working on ISO 26000 by actively participating to seminars. This corporate social responsibility certification was introduced in the start of 2012 and shows a dedication of the company to address CSR issues in a modern way. This shows the complete *compliance* during crisis and *acquiescing* to the norms of the customers for increased responsibility for environmental issues. When the company completes the ISO 26000 program it will be an *innovative* matching strategy by *moving faster* than the competitors and their external environment.

Similar but not equal conformity to customer’s development interest has been shown by Amokabel. Their customers asked for lower prices before crisis which the company did not comply with. On the other hand, production capabilities covered the customers specialized needs was found to be very adequate by customers in needed that kind of capability. For this reason Amokabel maintained legitimacy with the customers by *bargaining* routine. The *matching* strategy can be characterized as *compromise* because Amokabel negotiated to customers to some extent address their needs. During the crisis the expectations of the customers changed and they asked for lower volumes and shorter lead times in order to keep as low stock as possible.
Amokabel could provide that adequately using the flexibility of production capabilities. However, keeping high margins contradicted the demand of the customers for lower prices. This is why the company *compromised* with the changes of the customers and *bargained* with the expectations of customers about the ability to offer smaller volumes in short lead times and lower prices.

Before the crisis, Rörvik Timber Tvärskog acquired a ISO 14001 certification as well as the PEFC environmental certifications. Customers asked for lower prices but the company did not improve the pricing since it had high production costs. During that time the customers were not very concerned about the environmental certifications and the products of the market were nearly commoditized. At this period of time the company *defied* the expectations of the customers and *dismissed* their need for lower prices. This is why the company’s legitimacy with the customers was partially lost. During the crisis, Rörvik Timber Tvärskog added finger jointed wood in the product line which had more added value for the customers. Moreover, during the crisis the customers had an increase of interest in the environmental certifications which the company already had. During the crisis the company improved the efficiency of production and production cost was lowered, however the company has not actively addressed the increased interest of their customers for increased quality and reduced prices which are the most important issues. This is why they *compromise* during crisis by *bargaining* with customers for quality, prices, environmental friendliness and value added products. Legitimacy was gained for meeting more expectations than before crisis but it can be further improved.

According to our interpretations the differences among the customers development indicates a different approach by the management in each company. The fast progression and improvements in dealing with CSR issues by Luma Metall came after the change of the values in the external environment. The company identified this change towards more social and environmental sensitive international customers and moved fast. Luma Metall goes further than the requirements either from legislation or from ISO 14001 certification and is taking part to the complete CSR management program of ISO 26000 to which until now only a few multinational companies have participated in. This will be used to improve the reputation of the company and in for improving the position of the company towards the competition.
Issue 5. Work environment and benefits

For the employees of Luma Metall and Rörvik Timber Tvärskog, the work environment and benefits were very important both before and during the crisis while the issue became medium important to the employees of Amokabel during the crisis.

For the employees at Amokabel the work environment and benefits was not viewed as important before the crisis. The company manipulated the employees by influencing their values using the bonus system aimed at making the employees more focused on the performance of the company. The company complied with the shareholder focus on profits by accepting their norms through acquiesce and thereby gaining legitimacy with the shareholders. During the crisis the company faced financial difficulties and compromised by balancing the increased importance of having access to medical care in case of an accident by the employees with the need for cost savings wanted from the shareholders. Demands on cost savings from the shareholders was contradicted with demands for improvements in the working conditions of employees.

At Luma Metall the issue of the work environment was of high importance both during and after the crisis. Before the crisis the company compromised with employees in their demands for a safer working environment through by introducing a new waste handling system even in times of financial difficulties and restructuring by bargaining with several stakeholders with contradictory interests. During the crisis, the company improved the working environment for the employees effectively according to our findings. A new ventilation system was installed with larger capacity than needed, a floor-cleaning machine was acquired as well as work is done currently to improve ergonomics for the employees of production department. This created legitimacy with employees by complying to their values with acquiescing matching strategy. The interest in having a good work environment and standards for employees grew from international customers that required suppliers to conduct their business in a responsible way towards employees regarding their working conditions and the employees wanted further improvements of their work environment while the shareholders needed to increase working hours to keep up growth. The company maintained legitimacy with the employees by improving cleaning procedures and ergonomics while implementing overtime to satisfy the shareholders.
Legitimacy was gained to customers through the continued improvements of the work environment and education in CSR issues with ISO 26000.

Before the crisis, Rörvik Timber Tvärskog had consensus with employees about benefits, such as holidays and break times. The company also followed the norms by compensating employees for overtime and shift work which were important issues of the employees before the crisis by acquiesce and comply. During the crisis the company changed the union agreement, reducing compensation, brake times and holidays as well as working hours. However, the employees still saw this as an important issue. By reducing salaries and benefits as well as working hours, the company defied the values of the employees by challenging the expectations and beliefs for working conditions and benefits.

In common for Amokabel and Rörvik Timber Tvärskog is that the shareholders' interest grew from low to medium during the crisis on the issue of work environment and benefits. Amokabel needed to address the issue of health and safety in order to keep employees and which affected the profit oriented shareholders in terms of investments in non-operational activities as well as the benefit system of using bonuses with a low base salary became important to reduce cost. For the shareholder of Rörvik Timber Tvärskog the benefits and salaries also came into focus as the company faced a severe financial situation where cost cutting was needed for the survival of the company. In contrast, at Luma Metall the issue of work environment for the shareholder relates to how the company operates, and for the American owner it was an issue of medium importance both before and during.

Amokabel and Luma Metall both compromised with their shareholders during the crisis to address the employees concerns about the work environment, this while facing a difficult economical downturn. Rörvik Timber Tvärskog did the opposite and defied by challenging the norms of the employees. Both Amokabel and Luma Metall gained legitimacy with the employees during the crisis as they worked toward addressing their issues, while Rörvik Timber Tvärskog lost legitimacy. For Rörvik it was more important to maintain legitimacy with the shareholder as it relied on them for funds and had to adopt their values in order for the local company to survive. The other two companies managed to compromise between shareholders and employees. This strategy has enabled both companies to maintain legitimacy as with employees and shareholder as it shows that the company tries to accommodate the values of both of them.
By disregarding the interest of the employees, Rörvik Timber Tvärskog has not been able to rehire as many of the fired employees as expected which shows a loss of legitimacy with the employees.

**Issue 6. Supplier development**

Customers of all three companies find it important for the company to have a well developed and reliable supply chain. Therefore, it is important for the companies to develop their respective suppliers to meet this need. The companies’ customers state that it very important that they can rely on the respective company to deliver products of the right quality in a timely manner. Amokabel's customer find this of outmost importance as it pride itself on having very high accuracy of deliveries, over 97 percent. The international customer of Rörvik Timber Tvärskog also stated that the most important issue is ensuring reliability of deliveries and for Luma Metall it is very important that the products meet very high quality standards.

Before the crisis, Luma Metall *complied* with the need for high quality set by customers as they adopted the customers values and quality norms through *acquiesce*. The same strategy was held by Amokabel as they followed the customers values in terms of quality and reliability of deliveries. The customers of Rörvik Timber Tvärskog found supplier development to be of low interest, since the company already had the needed certifications and supplied reliably. The company matched to the customers need for certifications ensuring both imported wood and local suppliers followed the legal requirement through *habit* and *acquiesce*, since these values and norms were taken for granted. During the crisis, environmental concerns for customers increased which put pressure on Rörvik Timber Tvärskog to ensure that its suppliers replanted trees and cut trees in allowed areas to be able to provide certifications for its wood products. The company *complied* with this change through *acquiesce* as they obeyed the rules of the customer. Amokabel started to work in close cooperation with the local supplier and formed a type of partnership in order to ensure reliability of deliveries and thereby created a strong relationship with the supplier. Therefore, Amokabel had the matching strategy of manipulate and *co-opting* the supplier. Luma Metall responded to increased requirements in specifications by *complying* with the customers through *acquiesce*. Both before and during the crisis the companies adopted the values of the customers with regards to quality and certifications.
The suppliers themselves also see supplier development as important. Before the crisis, Rörvik Timber Tvärskog had central contacts with local suppliers while the local supplier valued a more close personal relationship. However, during the difficult years around 2006 the company paid suppliers in advance and also paid above average prices for the wood from the local suppliers. During the crisis, Rörvik Timber Tvärskog assigned local employees to handle the supplier contact as well as inform about and discuss in new issues. The company then worked in closer cooperation with its local suppliers of wood during the crisis to ensure that they had the latest information and followed new rules and regulations. Rörvik Timber Tvärskog complied with the values of the suppliers through acquiesce. Luma Metal worked in cooperation with suppliers in designing new equipment that could meet higher quality standards both before and during the crisis. The company influenced the suppliers to improve their production standard through the matching strategy of manipulate.

Rörvik Timber Tvärskog and Amokabel created closer relationships with important suppliers during the crisis. Amokabel did this through establishing stronger economical ties while Rörvik Timber Tvärskog complied with the request of the supplier. The two companies ensured quality and compliance with legal requirements from customers, having a positive impact on legitimacy.

**Issue 7. Environmental care**

Before the crisis, Rörvik Timber Tvärskog addressed rules and regulations regarding reforestation and wood certification. Customers required certifications such as the PEFC and ISO 14001, which was required by regulation in the U.K and Germany. The company complied to these rules and conformed to its customers through the acquiesce strategy. Amokabel did not work extensively with environmental issues before the crisis since it was of low interest for the customers and the company followed the customers need to be environmentally responsible by complying to the rules and norms of the industry with and acquiesce strategy. Luma Metall on the other hand, worked extensively with environmental issues before the crisis. The company improved substantially in dealing with environmental issues by the close waste system installed in 2006 and air ventilation and treatment. However, these issues were not raised very often from their international customers before crisis. Luma Metall therefore had a matching strategy toward
its customer stakeholder of defying as it challenged the requirements of the customers and moved one step further from their expectations. This way the company gained legitimacy to the customers.

For all three companies the customers have increased their interest in environmental issues during the crisis, such as transport pollution, waste management and environmentally friendly products. The number of customers in international markets that required certified wood increased for Rörvik Timber Tvärskog during the last 2-3 years. Since the company already possessed the certifications the company had a matching strategy of acquiesce where it followed the new demands from customers as habit. Amokabel customer required environmental diplomas as well as wanting to develop environmentally friendly products. Amokabel habits with customers’ norms by becoming ISO14001 certified and also developed products without toxic plastics by having a matching strategy of acquiesce. During crisis the environmental issues raised from the customers were substantially increased for Luma Metall. Customers asked for ISO 14001 certification about environmental management system which the company did not have until 2011 which covered this need of the customers. Improvements of the clean state of production were introduced and currently the company participates to seminars for ISO 26000 which concerns corporate social responsibility of the company. By fully complying to the customers need for ISO 14001 certification and moving faster than customers’ expectations for environmental issues with participating to ISO 26000 the company implements an innovative matching strategy.

Toward the community stakeholder, Amokabel had a matching strategy of acquiesce and habit before the crisis. The interest in environmental care was weak and the company simply complied with the norms held by the community. The same strategy was taken by Rörvik Timber Tvärskog as the community also saw this as issue of weak interest. The community of Luma Metall had a strong interest in environmental issues and Luma Metall followed the taken for granted norm by habit through its investment in a waste management system and had a acquiesce matching strategy by adopting the norms of the community. This did not change for Luma Metall and they kept their matching strategy as the issue was equally important during the crisis, however the community focused more on having ISO certified buildings and energy savings which Luma Metall matched by working with the community in reducing energy waste in its production
facility. In the case of Amokabel, the interest increased during the crisis and Amokabel was *influencing* the community through a *manipulate* matching strategy by starting a green electricity plant in the local community. In difference with the communities of Kalmar, and Alstermo the environmental issue in Tvärskog remained low during the crisis and Rörvik Timber Tvärskog kept its *acquiesce* matching strategy and habitually followed the norms of the local community.

A commonality between Amokabel and Rörvik Timber Tvärskog is that the important of environmental care for the supplier increased. Amokabel’s supplier worked actively with environmental issues long before the crisis and was ISO 14001 certified in the 1999. However, before the crisis the supplier did not put any demands on Amokabel to deal with environmental issues and therefore Amokabel follow the industry norm as a *habit* by *acquiesce*. The supplier of Rörvik Timber Tvärskog considered it to be important that companies followed the legal requirements which was the industry norm. The company also had a *acquiesce* and *habit* matching strategy, and maintained this strategy also during the crisis. The supplier of Amokabel actively promoted companies to switch to environmentally friendly products during the crisis but Amokabel *defied* this by *dismissing* the new values of the supplier.
5.3.1. Matching Strategy Tables

The tables summarizes the matching strategies and organizational routines toward stakeholders and their issues before and during the crisis.

<table>
<thead>
<tr>
<th>AMOKABEL</th>
<th>Before crisis</th>
<th>During crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder</td>
<td>Matching strategy</td>
<td>Org. routine</td>
</tr>
</tbody>
</table>

Fig. 5.3.1. Amokabel Matching strategy table
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Before crisis</th>
<th>During crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder</td>
<td>1. Acquiesce</td>
<td>1. Comply</td>
</tr>
<tr>
<td>Supplier</td>
<td>6. Manipulate</td>
<td>6. Influence</td>
</tr>
<tr>
<td>Employees</td>
<td>2. Defy 5. Compromise</td>
<td>2. Acquiesce</td>
</tr>
</tbody>
</table>

![Fig. 5.3.2. Luma Metall Matching strategy table](image-url)
<table>
<thead>
<tr>
<th>RÖRVIK</th>
<th>Before crisis</th>
<th>During crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder</td>
<td>Matching strategy</td>
<td>Org. routine</td>
</tr>
<tr>
<td>Employees</td>
<td>2. Compromise</td>
<td>2. Bargain</td>
</tr>
</tbody>
</table>

Fig. 5.3.3. Rörvik Timber Tvärskog Matching strategy table
5.4 Changes in internal rules of companies

After analyzing the external environment of the companies and defining the values and norms of the key stakeholders we complete our analysis by defining the rules of internal environment of the three companies studied.

According to the empirical data we found similarities and differences between the internal rules of the case companies. Rörvik Timber Tvärskog and Amokabel profitability of the company as a primary value before the crisis. This is accomplished by the norm of keeping the cost as low as possible in every part of the companies’ value chain. Rörvik Timber Tvärskogs's value of efficiency was raised during crisis as the belief that following the action plan would improve the performance was raised during crisis.

On the other hand, Luma Metall has the growth and expansion of the company primary value. The company has the view long term performance of the company will accomplish the through growth. Amokabel's internal environment seems to be influenced by the increased demands from external environment even if it is not explicitly depicted to the company’s strategy during crisis. The norm of keeping the cost as low as possible and not spending money on activities outside the core activities of the company have been changed. During the crisis, Amokabel’s internal behavior shows an increased interest in community involvement in order to create shared values. This is recently becoming more explicit after preparations to use these activities for reputational benefits. Amokabel has shaped an internal environment that is based on simplicity. Procedures are done in a thought style of simplicity and meetings have to be very short. Customization of products is an achievement for Luma Metall with a different internal environment. The core values of team working and safety shape the company’s strategy both before and during the crisis. Fully customizable products are achieved by the norm of working in a team spirit and with a cooperative attitude. This way, the company works together with customers and suppliers to achieve the ability to offer tailor made products. Luma Metall has flexibility as an internal value and in order to achieve it they offer their products with high margins. Luma Metall and Amokabel try to fulfill the customers’ needs and solve problems by giving them highest priority. The value of high quality service is present in both companies before and during crisis. Moreover, these two companies created stronger relationships with their employees during the
crisis. This change of the internal values was a result of the thought style of the companies since human resources are of a great importance for both companies.

6. Conclusions and recommendations

In this chapter we present the results of our study. Firstly, we present conclusions for stakeholders’ issues about the changes during the market turbulence and answer the first research sub question. Afterwards, we present our results regarding legitimacy of the companies with the stakeholders answering the second sub-question. Furthermore, we answer the main research question and provide recommendations to the companies based on our results.

6.1 Research problem 1

After analyzing the empirical data we can conclude on how the stakeholder importance and stakeholders’ key issues changed during times of financial crisis.

The importance of the customer stakeholder increased for Luma Metall while it remained similarly important as before the crisis for Amokabel and Rörvik Timber Tvärskog. The importance of the employees was affected in different ways in all three companies, as it became a more stakeholder important for Luma Metall, remained equally important for Amokabel and less important for Rörvik Timber Tvärskog. A commonality among the three companies is that the importance of suppliers, community and shareholders remained the same before and during the crisis.

A similarity between the companies is that their employees increased their interest in job stability during the crisis. The increased interest in working conditions for the employees of Amokabel was directly related to external changes of the local community, and not due to the financial performance of the company. In the other two companies the interest of the employees on the issue of working conditions and benefits was unchanged during the crisis period. The high interest in long term profitability remained for the shareholders group of all companies before and during the crisis. For the companies located in small towns, the employees of Amokabel and
Rörvik Timber Tvärgskog found the issue of communal functions to be increasingly important during the crisis period since most employees are living in the local communities.

Communal development also became a more important issue for the stakeholders of the small communities of Rörvik Timber Tvärgskog and Amokabel and both had an increased interest in job stability. The community of Luma Metall had this as an important issue before the crisis as it faced a long period of companies moving from the area.

There is also a similarity between the companies in the interest of customers toward environmental care. Customers of all of the three companies moved from a medium interest to making the issue of high importance, as the customers required higher environmental certifications and standards. Suppliers showed the same change in the interest of environmental issues for Rörvik Timber Tvärgskog and Amokabel due to increased demands in regulations of the wood industry and demands from other customers respectively. For suppliers, this lead to a growing importance of supplier development during the crisis.

Lastly, financial situation of the companies did not impact the employees to the same extent before the crisis as during the crisis. During the financial crisis all companies faced a more difficult situation of economical pressure as well as increased demands from customers on price and specifications. The volatility of the industry and its impact on the company caused the employees of Luma Metall to worry about employment even though the company had increased the number of employees. Similarly, job stability became more important for employees of the two other companies.
6.2 Research problem 2

After analyzing the empirical data, we reach to some conclusions about the changes in the matching strategies of the companies during crisis.

Luma Metall and Rörvik Timber Tvärskog fully complied with the shareholders’ values of profitability and Amokabel balanced their values for long term profitability with the expectation of the employees for employment stability. In all cases legitimacy was either gained or maintained with shareholders during the crisis.

Legitimacy with employees was gained during crisis in the cases of Amokabel and Luma Metall, in contrast to Rörvik Timber Tvärskog. Amokabel and Luma Metall actively dealt with the issue of employment stability which was of high interest to the employees during the crisis. On the other hand, Rörvik Timber Tvärskog sent mixed signals to the employees by first firing and later hiring new employees which further increased employment insecurity and contradicted the employees increased interest of job stability and thereby lost legitimacy.

Results of the comparative analysis between the three companies reveals three different directions of legitimacy with the customers group. Legitimacy was either gained, maintained or lost. For Luma Metall, the fast changes in the same direction as the change of customers’ values exceeded their expectations and influenced the customers values. This is also related to the fact that the performance of Luma Metall was positively affected during the crisis. Amokabel maintained legitimacy with customers in an effort to balance their expectations with shareholders’ goal for sustained profitability. For Rörvik Timber Tvärskog the increased need for lower prices because of the increase of price competition in the commoditized market as well as the need for products with improved quality were not adequately met. This resulted in a loss of legitimacy with customers.

Legitimacy was gained with supplier for all three cases after adapting to meet the changes of suppliers expectations. Luma Metall gained legitimacy with suppliers as a result of exceeding their changed expectations during the crisis. Similarly, Amokabel gained legitimacy with suppliers after developing more common interests in close cooperation with the supplier during
crisis. Rörvik Timber Tvärskog gained legitimacy with suppliers as well, after paying them in advance even when the financial situation of the company was harshly damaged.

Legitimacy with the community was either gained or maintained for the companies. The low expectations of community of Rörvik Timber Tvärskog were met by the company and legitimacy was maintained. Luma Metall reached the expectations of Kalmar municipality and maintained legitimacy with the community stakeholder. Amokabel gained legitimacy after taking initiatives and solving the most important issue that arose for the community during the crisis.

To summarize legitimacy changes for each company, Luma Metall managed to gain legitimacy and exceed the expectations of its customers and to meet the expectations of suppliers, community, shareholders and employees. Luma Metall showed flexibility needed to adapt to the changing external environment. Amokabel adapted to the changes of the external environment above the expectations of the community and employees and by meeting the expectations of the shareholders, suppliers and customers. Amokabel showed flexibility of the internal environment to catch up or move even faster than the changes of the external environment in times of market turbulence. On the other hand, Rörvik Timber Tvärskog, didn’t show adequate flexibility needed to adapt to its changing external environment. It lost legitimacy with the employees and showed less interest to deal with their issues during times of turbulence. Additionally, Rörvik Timber Tvärskog lost legitimacy with customers group by not being able to adapt adequately to their changing expectations. Rörvik Timber Tvärskog met with the expectations of the community, shareholders and suppliers.

Overall, Amokabel and Luma Metall gained legitimacy to the stakeholders during crisis while Rörvik Timber Tvärskog which lost legitimacy with some stakeholders. Amokabel showed the best performance to conform to a rapidly changing external environment and Luma Metall showed adequate conformity while Rörvik Timber Tvärskog showed less adequate conformity. The companies that moved fast enough to adapt to the fast changing external environment performed relatively better than the ones which adapted slower. The companies that did not conform to the changes created a gap between internal and external values, demands, expectations and interests. This created disconformity with the newly changed environment. Companies which decreased conformity to the external environment experienced a poorer performance compared to the companies which increased conformity.
6.2 Main research question

None of the companies company had a explicitly planned and intended CSR strategy, a dedicated budget for CSR activities or management of CSR management that is present in larger multinational corporations. The SMEs which participated in the current study engaged in CSR activities without an intended strategy but rather with an emergent strategy, which emerged because of the changes of the external environment. Therefore, the SMEs did not fully exploit the opportunities of using their CSR activities to enhance their competitive advantage.

We found that companies did not use the social responsibility to a great extent in their marketing strategy, as they stated they did just because it was the right thing to do. This is in line with the argument of the European Commission (2007) that CSR is less formal and more intuitive in SMEs than in larger enterprises. Amokabel and Luma Metall both increased their CSR activities significantly during the crisis and will start to use it as a part of marketing. We found that the successful implementation of CSR strategies in these companies is based on the open and direct communication with stakeholders. This enabled these companies to identify changes to stakeholder issues. The increased demand for CSR activities from stakeholder as well as increased awareness that CSR can bring economic value to the companies most likely also contributed in the implementation of CSR strategies. Overall, we found that the SME's do realize specific social responsibility issues, in contrast with the argument of Lepoutre and Heene (2006) that SME’s don’t recognize specific social responsibility issues which in turn are the key stakeholder issues.

We found a mixed direction of strategic CSR changes because of the turbulent time that is the current financial crisis. Two of the companies increased the CSR activities and focused their CSR strategies on matching with the changing external environment. However, one company reduced CSR activities aiming to cut operational costs in order to overcome solvency problems. Our study confirms the findings of Yelkikalan and Köse (2012), who found mixed directions of CSR strategic changes because of the recent crisis.
6.3 Recommendations

Based on our conclusions we reached some recommendations. These results could indicate a positive relation between adaptability of the companies to change its internal rules and the performance of the company.

During time of market turbulence there is an increase of the interest in environmental as well as social issues which concerns SMEs. Environmental issues are raised more, as well as the increased need for differentiation caused by the increase of competition of the mature market during time of turbulence. Social issues are becoming more important which can indicate the increasing needs of the communities which are under pressure and in need of more resources. Communal activities appears to be more important since community members seem to tend to have increased demands on the community.

We found that the recent crisis created increased social needs for the external environment which provided opportunities for company to get involved and create societal advantage. Companies that exploited these opportunities and complied with the changes improved their competitive advantage by adding societal value. We assume that adding societal value to the business value improves the sustainability of the business confirming the sustainable business formula developed by Jansson (2007a). While SMEs find it difficult to compete with cost advantage, differentiation is a way to compete with bigger multinational corporations. A logical assumption could be that social responsible strategies can be a way of adding a differentiation dimension to the competitive advantage of a SME. By doing so a company could develop an improved competitive advantage. Companies can improve the sustainability by adding societal and environmental value to the economic value of the company and can help overcoming market turbulence with positive performance.

We recommend companies to educate managers and key personnel in ISO 26000 as we found that companies did not realize the strategic use of CSR but rather as something "to be good", as Lepoutre and Heene (2006) argues that managers who have absorptive capacity, knowledge and network engagement are more likely to recognize responsibility issues and contribute in ways of solving them.
Two of companies in the study compete with differentiation advantage. Our recommendation to Rörvik Timber Tvärskog is work on developing a differentiation advantage with a market focus on high concern on environmental issues. In general, CSR strategies could promote differentiation to the competitive advantage of SMEs. This is why we recommend SMEs in similar circumstances as the ones studied to strategically use CSR to gain a differentiation advantage.

We also have some recommendations to stakeholders. Shareholders should conform to the new external environment and view CSR as a way to improve stability that is beneficial in the long term. Employees should be more interested in the long term profitability of the companies which in turn would secure their employment in the long term. Communities should offer short term returns to companies to which they ask for active involvement to solve their issues in order to make it easier for the companies to get involved. Customers and suppliers should keep close relationships with SMEs in order to promote their interest and communicate the benefits for the companies involved.

Based on our study, we found that companies having a societal advantage did not fully use this advantage in a strategic way to improve marketing. A societal advantage through legitimacy improves the reputation of the company but it must be communicated toward all stakeholders, especially international suppliers and customers. We argue without knowledge of the benefits of CSR and how to integrate it into the business model then CSR will most likely not add to profitability.

However, we see the potential for CSR to be a very important tool to improve the competitive advantage. CSR has mainly a trend for large corporations and multinational corporations, which demand that suppliers act in accordance with their code of conduct. SME’s that are in the business to business segment should implement and market CSR toward their customers. This can create a competitive advantage since the large corporations have strict rules on what suppliers they use. Hence, CSR can pave the way for SMEs into new segments and new markets. Moreover, doing business with reputable large corporations will further improve the reputation of SME’s, which most likely will lead to improved contracts and deals with suppliers. We argue that there is a possible positive domino-effect that would improve the brand and profitability and CSR could be the first falling brick.
6.4 Limitations

Because of the short amount of available time and resources available to conduct this study, many compromises have been made concerning the companies and the types of interview that we could conduct that limit the generalization of the results as well as raise some validity issues.

Although there are some interesting findings in this study there are several limitations of the results. As described in the first chapter, this study aimed for confirming the theoretical frameworks as well as to explore the implications of CSR strategies in a fast changing external environment of market in turbulence. However, the companies which participated were chosen from only one country, Sweden, and one area of Sweden, Southeast Sweden because of the limitations in resources and time. Moreover the participating companies, even if all were SMEs with a variety of size, industry and type of ownership, they cannot be characterized as a representative sample of international or even Swedish SMEs since the sample is far too small to generalize and statistical generalization of the results would not be valid. Another limitation is the small amount of industries that were represented through the participating companies. All three of them are manufacturing SMEs. The other sectors of international industry like service, agricultural, etc. were not included.

The stakeholders we chose to include in our analysis may be considered as the most important for the performance of the company but many stakeholders like government and others have been excluded which may affect certain industries and certain amount of SMEs. This limits the already extensive empirical data to a small number of stakeholders and the generalization of the results to all the stakeholders.

An additional and important limitation for our study, the empirical data and the results is the fact that we include two time dimensions; before and during the current crisis. Even if the questions for the current situation during crisis have solid validity, the questions concerning the near past, before the recent crisis have increased validity risks. The interviewees have been asked about their issues in the near past. As time goes by, as a natural process, many things are being forgotten or their proportions are being distorted from the present situation. In order to lower this
very important limitation we focused on the changes that happened rather than the difference between the past and the present as an effort to lower the effect of this serious problem.

Another limitation is the language of the interviews. Most of the interviews were conducted in English which was a foreign language for both the interviewer and the interviewee. This was chosen as the most appropriate language in order to have a homogeneous understanding during the time of the interview so all researchers could participate actively. The limitation that rises is that English is not the native language of almost any participant of the interviews. This means that both sides were not able to express themselves in the most efficient way. We tried to lower this consequence by having the Swedish questionnaire available and whenever we realized that the interviewee did not fully understand the question, we quickly did this part of the conversation in Swedish which was the native language of one researcher and the interviewee. Afterwards the main points of the conversation were translated in English to the other researcher.

Another limitation was the inconsistency of the interview format between the 14 interviews that have been conducted to gather the empirical data. Even if all the interviews with the managing directors, the employees of the companies were made in person on-site and one supplier and community representative, the other interviews were conducted by the phone. This raises two limitations: the inconsistency between the interview format as well as the lower observation opportunities of the phone interviews. These further limits the generalization of the results concerning data gathered from stakeholders by phone interviews.

Another limitation of the empirical data which in turn limits the generalization of the results is the empirical data concerning shareholders. Unfortunately no company allowed us to make contact with any of their shareholders. The empirical data about this stakeholder group was collected from the CEO or the managing director which in the case of Amokabel was part of the family which owns the shares of it. Information and facts about their issues and interests have for that reason lower validity. In order to avoid this affecting the validity of the results, we made an effort to take the focus out of shareholders’ interests at the conclusion chapter in order to keep the results unharmed from this validity issue.

Another limitation is the semi-structured questionnaire. All the interviews had the same general structured 16 questions but during the two hour period of each interview a large number of
additional follow-up questions were made according to the answers to the basic question of the questionnaire. These follow-up questions were similar but not identical to each case in order to keep adaptability and flexibility to each different answer. We faced a tradeoff between gathering more information through observations and behavioral patterns with semi-structured questionnaire and limitations raised by the differences between number and types of questions between interviews. This caused further limits to the extent of validity of the results gathered from not identical interviews.

Lastly, there was no interview with the supplier of Luma Metall. The company provided us a supplier which did not meet the standards and criteria set for all stakeholders in order to be able to make comparative analysis with high validity. This limits our conclusions that concern the supplier stakeholders.

### 6.5 Future research

We added to the knowledge about SMEs and the changes during a turbulent time. On the other hand we identified patterns which need further research. In order to verify if these results can be generalized, future quantitative research would quantitate the benefits of societal and environmental value in turbulent times. Moreover, changes to different industries can be researched for revealing difference of the amount and speed of changes of the external environment between different markets.

Qualitative study can be done including companies from different parts of Sweden to reveal if the results are consistent with SMEs from different areas of Sweden as well as a comparative study between SMEs of different countries.
7. Appendix

7.1 Constructs

**STRATEGY**

- **Strategy**
  - Perspective Objectives, Goals
  - **Resources**
    - Tangible
    - Intangible
      - Reputation
        - Social responsible reputation
      - Brand
      - Culture
      - technology
        - efficiency
        - eco friendly
        - safety
    - Human
      - Skills
      - motivation
  - **Capabilities**
    - Single resource
    - Multiple resources
  - Internal environment
    - **Rules of company**
      - Values
      - Norms
      - Thought styles
      - Enforcement mechanisms

- Competitive advantage
  - Superior capabilities, Value creating strategy
  - Cost
    - Cost of resources
      - Economies of scale
  - Differentiation
    - Reputation
      - Reputation for responsibility
MATCHING - LEGITIMACY

- **CSR**
  - **Activities**
  - **Matching**
    - Compatibility, Similarity, Appropriateness
    - **Legitimacy**
      - Claims/justifications
        - Responsibility
        - Credibility
        - Trustworthiness
        - Reliability
        - Respectability
      - Gain
      - Maintain
      - Repair
      - Lose
    - **Proactive**
      - Innovate
        - Generate change
        - Move fast
      - Manipulate
        - Co-opt
        - Influence
        - Control
    - **Active**
      - Defy
        - Dismiss
        - Challenge
        - Attack
      - Avoid
        - Conceal
        - Buffer
        - Escape
    - **Passive**
      - Compromise
        - Balance
        - Pacify
        - Bargain
      - Acquiesce
        - Habit
        - Imitate
        - Comply
STAKEHOLDERS - ISSUES

- **Stakeholders**
  - Owners
    - Shareholders
    - Family
  - Customers
    - International
    - Local
  - Employees
  - Community
    - Municipality

- **Stakeholder Issues**
  - Values
  - Norms
  - Thought styles
  - Enforcement mechanisms

CHANGES CAUSED BY CRISIS

- **Changes because of crisis**
  - Matching before crisis
  - Matching After crisis
7.2 Questionnaires

COMPANY

Company rules/resources/capabilities/values

1. Which are the company’s core values?
2. How did the crisis affect these core values?
3. How do your employees live up to these core values?
4. How do you add value to your customers?
5. What do you better compared to the competitors of the industry?
6. On which resources do you base your competitive advantage?
7. How sustainable would you consider your competitive advantage to be? Why?

MATCHING – LEGITIMACY CHANGE/CRISIS

8. In order of importance, which were the company’s stakeholders before the crisis?
9. Did this ranking change during the crisis? If yes, how?
10. How do you monitor stakeholder issues?
11. How do you deal with changes of stakeholder issues?
12. Which were the important stakeholders issues before the crisis?
13. How did they change during crisis?
14. Which were the corporate social responsible activities (CSR) before the crisis?
15. Did they change during crisis? If yes, how?
16. Which general changes happened because of the crisis?
STAKEHOLDERS

Values

1. Which were your fundamental values before the crisis?
2. How did the crisis affect these fundamental values?

Matching – Legitimacy - Changes

3. What were the fundamental values of the company before the crisis?
4. Did these values change? If yes, how?
5. In order of importance, which were your issues of interest before the crisis?
6. Did this ranking change during the crisis? If yes, how?
7. Did your issues change during the crisis?
8. How did the company deal with these issues before the crisis?
9. Did these change during the crisis? If yes, how?
10. When your issues of interest change, how is the company informed?
11. Which company activities affected you the most before the crisis?
12. Did this change during the crisis? If yes, how?
13. How effective were these activities in dealing with your issues before the crisis?
14. Did these change during the crisis? If yes, how?
15. How can the company improve dealing with your issues?
16. Which general changes happened because of the crisis?
Swedish translation of company questions

Företaget

1. Vilka är företagets kärnvärden?
2. Hur påverkade krisen dessa kärnvärden?
3. Hur lever de anställda upp till kärnvärdena?
4. Hur skapar ni värde för era kunden?
5. Vad gör ni bättre än konkurrenterna i industrin?
6. På vilka resurser baseras er konkurrensfördel?
7. Hur hållbar är er konkurrensfördel? Varför?

Matchning - legitimitet - kris

8. Vilka var företagets intressenter före krisen? Rangordna dom efter betydelse
9. Förändrades denna rangordning under krisen? Om ja, hur?
10. Hur bevakar och övervakar ni intressenternas sakfrågor?
11. Hur hanterar ni förändringar av intressenters sakfrågor?
12. Vilka var de viktiga frågorna för intressenterna innan krisen?
13. Hur förändrades de under krisen?
14. Vilka aktiviteter genomfördes för att visa socialt ansvar, före krisen?
15. Förändrades de under krisen? Om ja, hur?
16. Vilka allmänna förändringar skedde på grund av krisen?
Swedish translation of stakeholder questions

Värderingar

1. Vilka var era grundläggande värderingar före krisen?
2. Hur påverkade krisen dessa grundläggande värderingar?

Matchning - legitimitet - Förändringar

3. Vilka var företagets grundläggande värderingar före krisen?
4. Förändrades dessa värderingar? Om ja, hur?
5. Rangordnat efter betydelse (hur viktiga de är), vilka var era sakfrågor före krisen?
6. Ändrades denna rangordning under krisen? Om ja, hur?
7. Ändrades era sakfrågor under krisen?
8. På vilka sätt hanterade företaget dessa frågor före krisen?
9. Förändrades dessa under krisen?
10. När era sakfrågor ändras, hur informeras företaget?
11. Vilka av företagets aktiviteter påverkade er mest före krisen?
12. Förändrades detta under krisen? Om ja, hur?
13. Hur effektiva var dessa aktiviteter i att hantera era sakfrågor före krisen?
14. Förändrades detta under krisen? Om ja, hur?
15. Hur kan företaget förbättra hanteringen av era sakfrågor?
16. Vilka allmäna förändringar skedde på grund av krisen?
8. References

8.1 Books


8.2 Articles


Hancock, J. (2005), Investing In Corporate Social Responsibility: A Guide To Best Practice, Business Planning & The UK's Leading Companies, Kogan Page Publishers


N. Li, A. Toppinen, Corporate responsibility and sustainable competitive advantage in forest-based industry: Complementary or conflicting goals?, Forest Policy and Economics, 13 (2011) 113–123


### 8.3 Electronic sources


8.4 Interviews

Amokabel
CEO, interviewed in Alstermo 2012-04-25
Employee, factory worker, interviewed in Alstermo 2012-04-25
Employee, junior manager/sales, interviewed in Alstermo 2012-04-25
Alstermo Samhällsförening, Chairman, interviewed in Alstermo 2012-04-25
Local customer, Sales representative, interviewed over the phone 2012-06-15
Local Supplier, CEO, interviewed in Kalmar 2012-05-11

Rörvik Timber Tvärskog
CEO, and sales manager interviewed in Tvärskog 2012-05-07
Employee, sawmill worker, interviewed in Tvärskog 2012-05-07
Tvärskog IF, chairman, interviewed over the phone 2012-05-08
International customer, CEO, interviewed over the phone 2012-05-09
Local supplier, forest owner, interviewed over the phone 2012-05-11

Luma Metall
Managing director, interviewed in Kalmar 2012-05-09
Employee, union representative, interviewed in Kalmar 2012-05-09
Kalmar Science Park, CEO, interviewed over the phone 2012-05-15
International customer, sales and purchasing, interviewed over the phone 2012-05-25