“Corporate Social Responsibility: A Study of Strategic Management and Performance in Swedish Firms”.

Dr Lars Isaksson
Bond University
School of Business

“Corporate Social Responsibility: A Study of Strategic Management and Performance in Swedish Firms”.

A Dissertation submitted to the graduate faculty in partial fulfilment of the requirements for the degree of Doctor of Philosophy

By
Dr Lars Isaksson
Bond University
Gold Coast, Australia
2012-11-23

© Copyright Lars Isaksson
Certification of sources

It is hereby certified that all material is the original work of the author. It is further recognized that all sources used in this dissertation have been properly referenced.

Yours Truly,

Dr. Lars Isaksson
PhD Management – Global Business Strategy
MBA, M.Sc. International Business
“Corporate Social Responsibility: A Study of Strategic Management and Performance in Swedish Firms”.

A Dissertation approved for the Bond University School of Business

By

Dr. Timothy Kiessling
Dr. Glenn Richey
Dr. Randall Harris
Dr. Hugh Sloan
Dedication & Forewords

I would first and foremost like to thank my wonderful wife Eva, my son Carl and my fantastic parents and friends whose love and support on a personal level was essential to complete this dissertation.

From a professional level I would like to thank Bond University as an institution -and my supervisor Dr. Tim Kiessling- who helped me shape who I am professionally and academically. I further send my best regards to all those managers that whole heartedly supplied me with research data and NASDAQ-OMX who contributed with vital information. A special thanks to Melissa Bond and Charlotte Sire’n who’s support is greatly appreciated.

Corporate Social Responsibility (CSR) is more to me than just another management discipline. It can be a behavioural tool that eliminates short-sightedness and immoral management to cater for the shareholders best interest. Warren Buffet said “When I invest in businesses I invest in people. I look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you." In my opinion, this goes for businesses as well: market knowledge (intelligence) and strategic direction (energy) can only provide short-term shelter in a hypercompetitive globalized world. To survive and prosper companies must manifest their integrity – their behaviour - and make it part of their corporate DNA. It’s time for a change.

Best Regards to All,

Dr. Lars Isaksson
PhD Management – Global Business Strategy
MBA, M.Sc. International Business

Email: lisaksso@bond.edu.au  Phone: + 61 432 596 404 (Australia / Asia)
Email: lars_isaksson@hotmail.com  Phone: + 46 708 876 567 (EU / USA)
ABSTRACT

Firms today engage in CSR with a strategic intent as it is considered to be a long-term investment that leads to improved competitive advantages, reputation and customer relations. It is further considered to lead to improved financial and non-financial performance. Hence, CSR is considered to be a part of the strategic management field. This research investigated publicly traded multi-national enterprises (MNE’s) on the Stockholm Stock Exchange. This since Sweden is among the CSR world leading nations and has top rankings in e.g. innovation, globalization and responsible competitiveness. The focus of this research was on the operationalization of firm specific external and internal strategic orientation. We investigated these orientations via the lens of the Market Orientation theory by using qualitative and quantitative research. We found that External Orientation (the level of customer- and market orientation), Internal Orientation (the degree of strategic orientation, strategic CSR Intentions, presence of industrial standards, operative CSR management and the timing and design of CSR communication), and Firm Performance displayed significant positive relationships with our CSR measure (comparative Index). We triangulated firm performance (primary and secondary data) and found it to be significant. We further found predictive support that enables practitioners and academics to assess how their firm could structure (how to specifically ‘set-up’) their external- and internal orientation to increase their level of CSR. In turn it can improve firm level reputation, competitive advantage and become more appealing to investors interested in firms’ with an above average CSR profile. In summary, this research aid practitioner operationalization of CSR in order to gain from it; investors and market analysts’ ability to assess firm level CSR efforts; and academics understanding of how firm level characteristics can contribute to higher levels of CSR.

Keywords: CSR; External Orientation; Internal Orientation; Strategic Intent; Firm Performance; Market Orientation; Strategic CSR; Strategic Management.
**Table of Contents**

**Chapter One: Statement of the Problem and Contribution**

1.1 Introduction 16
1.2 Rationale and Importance of Research:
   1.2.1 CSR in relation to Strategic Management 19
   1.2.2 CSR derived Benefits 22
1.3 Research Comparison:
   1.3.1 Previous Research 24
   1.3.2 Research Gaps 26
1.4 Scope of Research 26
1.5 Research Questions:
   1.5.1 Research Question One 30
   1.5.2 Research Question Two 30
   1.5.3 Research Question Three 30
   1.5.4 Research Question Four 31
1.6 Research Structure 31

**Chapter Two: Literature Review**

2.0 Overview 33
2.1 The CSR Concept:
   2.1.1 Definition 34
   2.1.2 Adapting the CSR concept 34
   2.1.3 Arguments regarding the CSR concept 35
   2.1.4 CSR Categories 37
   2.1.5 Utilization of CSR 38
2.2 CSR and External Orientation:
   2.2.1 Customer Orientation 41
   2.2.2 Customer Interaction 43
   2.2.3 The Market Orientation theory 45
2.3 CSR and Internal Orientation:
   2.3.1 Strategic Orientation and Intent 49
   2.3.2 Macro level CSR Management 50
   2.3.3 Industry level CSR Management 51
   2.3.4 Firm level CSR Management 52
   2.3.5 Standards and CSR Management 52
Chapter Three: Theoretical Model and Hypothesis Development

3.0 Overview 62
3.1 Qualitative Pre-Research 64
   3.1.1 Qualitative Data Collection 64
3.2 CSR and External Orientation: 66
   3.2.1 Hypothesis 1 66
   3.2.2 Hypothesis 2 66
   3.2.3 Hypothesis 3 66
   3.2.4 Cumulative External Orientation Hypothesis $H_i$ 67
3.3 CSR and Internal Orientation: 67
   3.3.1 Hypothesis 4 67
   3.3.2 Hypothesis 5 67
   3.3.3 Hypothesis 6 68
   3.3.4 Hypothesis 7 68
3.4 CSR and Market Communication: 69
   3.4.1 Hypothesis 8a 70
   3.4.2 Hypothesis 8b 70
   3.4.3 Cumulative Internal Orientation Hypothesis $H_{ii}$ 70
3.5 CSR and Firm Performance: 70
   3.5.1 Hypothesis $H_{iii}$ 70
3.6 Research Model 71
3.7 Hypotheses Summary 72
3.8 Chapter Summary 73
Chapter Four: Measures

4.0 Overview
4.1 Sample Description
4.2 External Orientation Independent Variables (IV):
   4.2.1 IV: Customer Interaction
   4.2.2 IV: Customer Orientation
   4.2.3 IV: Market Orientation
4.3 Internal Orientation Independent Variables (IV):
   4.3.1 IV: Strategic Orientation
   4.3.2 IV: Strategic CSR Intent
   4.3.3 IV: Operative CSR Management
   4.3.4 IV: Industrial Standards
   4.3.5 IV: CSR Communication Timing
   4.3.6 IV: CSR Communication Design
4.4 Index Variable: CSR
4.5 Firm Performance Dependent Variables (DV):
4.6 Control Variables (CV):
   4.6.1 CV: Industry Affiliation
   4.6.2 CV: Firm Size
   4.6.3 CV: Customer Categories
   4.6.4 CV: Market Intensity
4.7 The questionnaire design
4.8 Research Questionnaire

Chapter Five: Results

5.0 Analysis Introduction
5.1 Analysis Data Descriptives:
   5.1.1 The ‘CSR Manager’
   5.1.2 Gender
   5.1.3 Age
   5.1.4 Education
   5.1.5 Current Position of CSR managers
   5.1.6 Customer Categories
   5.1.7 Managerial View of Performance
   5.1.8 Firm Reputation
   5.1.9 Internal CSR Activities
   5.1.10 External CSR Activities
   5.1.11 CSR Intention
   5.1.12 CSR Management - Structural
5.1.13 CSR Management - Operative 102
5.1.14 Industrial Standards 102
5.1.15 CSR Decision Making 102
5.1.16 CSR Communication - Timing 103
5.1.17 CSR Communication - Design 103
5.1.18 CSR Communication - Media 103

5.2 Correlation chart of variable relationships: 103
5.2.1 Correlation chart 104
5.2.2 Hypotheses Results summary 105

5.3 Analysis External Orientation Independent Variables (IV): 106
5.3.1 IV: Customer Interaction (H1) 107
5.3.2 IV: Customer Orientation (H2) 107
5.3.3 IV: Market Orientation (H3) 108
5.3.4 IV: Cumulative Variable External Orientation (Hi) 108

5.4 Analysis Internal Orientation Independent Variables (IV): 109
5.4.1 IV: Strategic Orientation (H4) 109
5.4.2 IV: Strategic CSR Intent (H5) 110
5.4.3 IV: Operative CSR Management (H6) 110
5.4.4 IV: Industrial Standards (H7) 111
5.4.5 IV: CSR Communication Timing (H8a) 111
5.4.6 IV: CSR Communication Design (H8b) 112
5.4.7 IV: Cumulative Variable Internal Orientation (Hi) 112

5.5 Analysis Firm Performance Dependent Variable (Hi): 113

5.6 Predictive (Discriminant) Analysis 114
5.6.1 Predicting CSR levels (external orientation) 114
5.6.2 Predicting CSR levels (internal orientation) 115

5.7 Detailed Analysis of the Research Model and Variables 116
5.7.1 Hypothesis H1 results 116
5.7.2 Hypothesis H2 results 119
5.7.3 Hypothesis H3 results 123
5.7.4 Cumulative Hypothesis Hi results 127
5.7.5 Hypothesis H4 results 130
5.7.6 Hypothesis H5 results 134
5.7.7 Hypothesis H6 results 138
5.7.8 Hypothesis H7 results 142
5.7.9 Hypothesis H8a results 146
5.7.10 Hypothesis H8b results 151
5.7.11 Cumulative Hypothesis Hii results 156
5.7.12 Hypothesis Hiii results 159
5.7.13 Predicting CSR levels 1 (external orientation) 162
5.7.14 Predicting CSR levels 2 (internal orientation) 165

5.8 Qualitative Data Assessment 168
Chapter 6: Discussion and Conclusions

6.0 Restatement of Research Purpose

6.1 Theoretical Implications

6.2 Managerial Implications

6.3 Future Research

6.4 Limitations of the Research

6.5 Research Summary

Abbreviations

Tables

Table 1: Overview of Previous Research
Table 2a: Research Comparison Overview
Table 3a: CSR ranking Lists 2009
Table 3b: CSR ranking Lists 2011
Table 4: Gender CSR positions – Top100 Index
Table 5: Gender CSR positions – Top40 Index
Table 6: Gender CSR positions – Bottom-60 Index
Table 7: Hypotheses testing results summary
Table 8a: Quantitative Data Comparison: Bivariate Correlation Chart between Variables and Index
Table 8b: Quantitative Data Comparison: Multivariate Relationships between the External Orientation, Internal Orientation, Financial Performance Variables and the Index
Table 9: Hypotheses Testing: External- and Internal Orientation and Firm Performance Variables vs. the Index
Table 10: H1: Variable Customer Interaction (VCI)
Table 11: H2: Variable Customer Orientation (VCO)
Table 12: H3: Variable Market Orientation (VMO)
Table 13: H1: Variable External Orientation

Table 14: H4: Variable Strategic Orientation (VSO)

Table 15: H5: Variable Strategic CSR Intention (VCSRINT)

Table 16: H6: Variable Operative CSR Management (VCSROM)

Table 17: H7: Variable Industrial Standards (VISO)

Table 18: H8a: Variable Communication Timing (VCommTim)

Table 19: H8b: Variable Communication Design (VCommDes)

Table 20: Hii: Variable Internal Orientation

Table 21: Hi3: Variable Firm Performance

Table 22: Data Comparison:

Primary Firm Performance vs. Secondary Firm Performance

Table 22a: Firm Performance (primary data) vs. ROA (secondary data)

Table 22b: Firm Performance (primary data) vs. Operating Profit (secondary data)

Table 23: Detailed Analysis for H1 Computations: Variable Customer Interaction (VCI)

Table 24: Detailed Analysis for H2 Computations: Variable Customer Orientation (VCO)

Table 25: Detailed Analysis for H3 Computations: Variable Market Orientation (VMO)

Table 26: Detailed Analysis for H4 Computations: Variable External Orientation

Table 27: Detailed Analysis for H5 Computations: Variable Strategic Orientation (VSO)

Table 28: Detailed Analysis for H5 Computations: Variable Strategic CSR Intention (VCSRINT)

Table 29: Detailed Analysis for H6 Computations: Variable Decision Structure (VCSROM)

Table 30: Detailed Analysis for H7 Computations: Variable Industrial Standards (VISO)
Table 31: Detailed Analysis for H8a Computations:  233
Variable Communication Timing (VCommTim)
Table 32: Detailed Analysis for H8b Computations:  236
Variable Communication Design (VCommDes)
Table 33: Detailed Analysis for Hii Computations:  239
Variable Internal Orientation
Table 34: Detailed Analysis for Hiii Computations:  241
Variable Firm Performance
Table 35: Detailed Analysis for Discriminant Analysis of ‘External Orientation’  244
Table 36: Detailed Analysis for Discriminant Analysis of ‘Internal Orientation’  245

Figure 1: The Stakeholder Model  247
Figure 2: The Research Model  247
Appendix 1  OMX-GES Index ranking & Industry Categories  248
Appendix 2  Research- and Literature overview  250
Appendix 3  Level of Globalization among sample firms  267
Websites  269
References  270
Contact Data to the Author

Dr. Lars Isaksson
lisaksso@bond.edu.au
Or
lars_isaksson@hotmail.com

Phone 1: +61 (0)432 596 404 (Australia / Asia / Pacific)
Phone 2: +46 (0)708 876 567 (EU / USA)