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Susanna Rintamäki

**STAKEHOLDER EXPECTATIONS OF CSR  
CASE OLVI GROUP**

Master's Thesis 2018

1<sup>st</sup> Supervisor/Examiner: Professor Asta Salmi

2<sup>nd</sup> Supervisor/Second examiner: Anna Quarshie

## ABSTRACT

<b>Author:</b>	Susanna Rintamäki
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The purpose of this thesis is to explore the stakeholders' understanding of the corporate social responsibility (CSR). More precisely, this research aims to find what kind of understanding and expectations companies have about CSR at the moment and in the future. As the study is conducted as a case study, it also tries to reveal how stakeholders are seeing the case company's CSR actions. The relevant stakeholder group for this study consist of customers of the case company.

The data was collected by using a qualitative research method. Face-to-face interviews were conducted to gain deeper knowledge about Finnish customers' understanding and expectations of CSR. Customers in this context did not include individual consumers but retail chains and HoReCa (hotel, restaurant and catering) sector, which distribute the products to consumers. The interviews were semi-structured, where space was given for open discussion. Structured web-based surveys were conducted for customers in the Baltics to gain a view from all important customers in all case company's operating countries. This was done in order to harmonize of the CSR actions. Both of the data collecting methods aimed to identify, which issues of CSR customers value high in their own and in their business partners' actions. The research focused on the current situation but also on how CSR will change in the future. In order to develop the case company's own CSR actions, the research studied how customers are seeing the case company's actions and how those actions should be developed in the future in order to answer the customers' expectations better.

The research findings show that CSR has become an important part of every business. Customers are seeing the ethical business actions through the value chain, openness and transparency as key issues in corporate social responsibility. The research also shows that a company should have a dialogue with its stakeholders in order to succeed and create competitive advantage. In addition, the research indicates that future trend will be shifting from social issues to environmental issues.

Research shows that the case company should pay more attention to the communication of its CSR actions with stakeholders, especially customers. Although, most of the answers were based on assumption and guesses, company's good reputation showed that customers trust the company and its actions. However, the case company should more openly tell its targets, achievements and future goals of CSR.

## TIIVISTELMÄ

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Tutkimuksen tavoitteena on selvittää sidosryhmien käsityksiä ja odotuksia yrityksen yhteiskuntavastuusta (CSR). Tutkimuksella pyrittiin myös kartoittamaan sidosryhmien näkemyksiä kohdeyrityksen, Olvi konsernin tämän hetken yhteiskuntavastuun toteutuksesta.

Tutkimus toteutettiin tapaustutkimuksena. Tiedot tutkimukseen kerättiin kvalitatiivista tutkimusmenetelmää käyttäen ja sidosryhmäksi valikoituivat yrityksen asiakkaat. Asiakkaina tutkimuksessa olivat päivittäistavarakaupan ketjut sekä hotelli-, ravintola-, ja catering asiakkaat. Haastattelujen avulla saatiin syvempää tietoa suomalaisten asiakkaiden yhteiskuntavastuun ymmärryksestä ja odotuksista. Osa tiedoista kerättiin haastatteluilla, joissa annettiin tilaa myös avoimelle keskustelulle. Strukturoitu verkkopohjainen kysely suoritettiin Baltiassa toimiville asiakkaille, jolloin koko tapausyrityksen toiminta-alueen asiakkaiden näkemyksistä saatiin tietoa. Molempien menetelmien avulla pyrittiin löytämään asiakassidosryhmien näkökulmasta tärkeimmät yhteiskuntavastuun osa-alueet. Tapausyrityksen kehittämistoiminnan kannalta tutkimuksessa selvitettiin, miten asiakkaat näkevät yrityksen yhteiskuntavastuullisena toimijana ja miten yritys voisi kehittää toimintaansa palvelukseen ja vastataksaan asiakkaiden odotuksiin paremmin tulevaisuudessa.

Tutkimustulokset osoittavat, että yhteiskuntavastuusta on tullut entistä tärkeämpi osa jokaisen yrityksen toimintaa. Asiakkaat näkevät eettisen liiketoiminnan osana koko arvoketjua. Toiminnan läpinäkyvyys ja avoimuus ovat keskeisinä tekijöinä yritysten liiketoiminnassa. Tutkimus myös osoitti, että yritysten tulisi käydä laajempaa vuoropuhelua eri sidosryhmien kanssa voidakseen luoda parempaa kilpailuetua. Myös ympäristökysymysten roolin nähtiin korostuvan entisestään.

Tutkimustulokset osoittavat, että tapausyrityksen tulisi kommunikoida yhteiskuntavastuusta sidosryhmien kanssa, erityisesti asiakkaiden kanssa. Vaikka suurin osa asiakkaiden vastauksista perustui olettamuksiin ja arvauksiin, yrityksen hyvä maine sai asiakkaat luottamaan yritykseen vastuullisena toimijana. Yrityksen kuitenkin pitäisi kertoa avoimemmin tavoitteista, saavutuksista ja tulevaisuuden suunnitelmista.

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In Helsinki, 26.1.2018

Susanna Rintamäki

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## 1 INTRODUCTION

Corporate Social Responsibility (CSR) is one the most discussed issues in the business and in the academic world at the moment. Due to various social, economic and environmental degradations, companies are forced to rethink their business actions and change them to more sustainable ways. (Idowu et al., 2015, xiii, xvii) Although there are various definitions for the concept of CSR, it could for one be seen as a set of obligations, which companies are adopting in order to protect and improve the society in which it functions. (Banerjee 2011, 16)

Companies are receiving more and more pressure and expectations from the society concerning responsible actions and their role in the society (Midtun, Gautesen & Gjolberg 2006). In addition, legislation is putting its own pressure on companies' actions. Responsible and sustainable business actions are recognized in the society and attention is shifting from economic aspects to environmental and social aspects (Carroll 1999; Maak & Pless 2006; Freeman, Harrison, Wicks, Parmar & de Colle 2010). In addition, studies have shown that CSR as a part of company strategy increases good reputation among stakeholders and the loyalty to the company (Brammer & Pavelin 2006; (Maignan, Ferrell & Hult 1999). There is also evidence that CSR affects the company's success and profit positively (Orlitzky, Smidt & Rynes 2003). Studies also show that CSR has a positive effect not only on management practices, quality of products and services but also on shareholder interest and diversity in work society (Aguinis & Glavas 2012).

However, companies should consider their stakeholders in their CSR actions as well. Due to this, CSR communication has shifted from one-way communication to two-way communication, where companies are not only listening the stakeholders but also reflecting key stakeholders' voices and interests. This is an important aspect to consider when creating competitive advantage and serving stakeholders better. (Lim & Greenwood 2017)

Increasing interest towards the CSR actions of companies has forced companies to communicate more transparently and openly with their stakeholders. This means that companies' actions should match the communication with stakeholders. If a company is not trustworthy, it could harm its reputation.

## **1.1 Structure of the study**

The introductory chapter introduces the purpose, research problems and limitations of this study. In addition, this chapter introduces the background of the study and explains the key theories and justifications for their relevance for this study. This chapter also introduces the theoretical framework, which ties the theory together and connects it to the empirical part of this study.

Chapter 2 examines the concept of corporate social responsibility in general and its different perspectives: economic, social and environmental responsibility. This chapter also discusses reporting of CSR and motivation of the companies for CSR actions. In addition, this chapter discusses stakeholder concepts and thinking. These concepts create the backbone for the study.

Chapter 3 introduces the case company, Olvi Group. This chapter provides information regarding Olvi Group's understanding of corporate social responsibility. In addition, a brief glance is taken on the CSR communication of competitors by using a benchmark study.

Chapter 4 introduces the research methodology and the research process as well as evaluates the validity and reliability of the study. Chapter 5 introduces the findings of the study and provides answers for the research questions. Finally, chapter 6 summarizes the findings of the study and suggests managerial implications and possible future research possibilities. The full structure of the study is shown in table 1.

<b>ABSTRACT</b>			
<b>INTRODUCTION</b>			
Background of the study	Objective, research problem and limitations of the study		Structure of the study
<b>CORPORATE SOCIAL RESPONSIBILITY</b>			
The concept of corporate social responsibility	Economic responsibility		Social responsibility
Environmental responsibility	Reporting of corporate social responsibility	Motivation factors for corporate social responsibility and future development	Stakeholder concept and thinking
<b>CORPORATE SOCIAL RESPONSIBILITY OF OLVI</b>			
Olvi Group		Olvi Group's understanding of corporate social responsibility	
<b>RESEARCH METHODOLOGY</b>			
Research methodology	Research process		Reliability and validity of the study
<b>RESEARCH FINDINGS</b>			
Customers' understanding of CSR		Customers' understanding of Olvi Group's CSR actions	
<b>CONCLUSION</b>			
<b>REFERENCES AND APPENDICES</b>			

Table 1. Structure of the Study

## 1.2 Objective, research problem and limitations of the study

The purpose of this thesis is to explore the stakeholders' understanding of corporate social responsibility (CSR). More precisely, this research aims to unveil what kind of understanding and expectations stakeholders have about CSR at the moment and in the future. As the study is conducted as a case study, it also seeks to discover how stakeholders are seeing the case company's CSR actions. Olvi Group was selected as the case company. Among all possible stakeholders, the study was focusing on customers, which are important for the company's daily actions and continuity. Customers in this context do not include individual consumers but retail chains and HoReCa (hotel, restaurant and catering) sector that distribute the products to consumers. The customers chosen for the study accounted for more than 70% of the sold volume of the case company in Finland.

The study is conducted as a part of Olvi Group's CSR development and communication program. Due to this, all operating countries were participating in this research. The study helps the case company to understand its most relevant stakeholder group, the customers, better. This also helps the case company to develop its own actions in order to meet those expectations and needs of customers.

Based on the research objectives, the research problem is divided into two main questions:

**RQ1:** What kind of general understanding customers have about corporate social responsibility and its future development?

**RQ2:** How customers are seeing Olvi Group's corporate social responsibility actions?

The first main question tries to find an answer to how customers understand the CSR in general. Are there issues which they are valuing more important than others and if so then why. The first question also highlights how customers see the change of CSR and its future. The study will also discuss which topics will increase their importance in the future.

The second main question focuses on the case company and how customers see the case company's CSR actions. Are there differences between the company's own expectations and reality and are there differences between other players in the industry and the case company.

Customers were also asked how the case company could improve its current actions in order to serve its customers and other stakeholders better. This helps the case company to develop its CSR strategy to meet customer expectations and needs better in the future.

### **1.3 Background of the study**

CSR is tightly included into various theories, which try to explain and clarify the strategic implications of CSR on the company decision-making and behavior. (Griffin et al. 2015, 151) Another important concept in this research is the concept of a stakeholder, including also well-managed and integrated stakeholder interests and relationships. This research is based on different academic works and articles related to CSR and stakeholder theories (Table 2), three face-to-face interviews and a web-based survey.

The base for explaining corporate social responsibility is founded on the article of Carroll (2016) *Carroll's pyramid of CSR: taking another look* and the book of Griffin and Pustay (2015) *International Business. A managerial perspective*. The article of Carrol (2016) gives a good explanation for the concept of CSR by providing the multidimensional model, pyramid of CSR. The book of Griffin and Pustay gives a good overview of the topic in general. They also introduce the Stances of CSR and the concept of Triple Bottom Line.

Furthermore, this study refers to the article of Bade (2016) *A reconstruction of Carroll's pyramid of corporate social responsibility for the 21<sup>st</sup> century*. This article increases the understanding of CSR by giving an alternative perspective for Carroll's pyramid. This other perspective supports the high importance of ethicality in business actions.

The book of Friedman et al. (2006) *Stakeholder – Theory and Practice* and the article of Mitchell et. al (1997) *Toward a theory of stakeholder identification and salience* are used for defining and explaining the stakeholder groups and evaluating them. Their models are used for mapping and determining the relevant stakeholder group for this research. The book of Morrison (2009) *International Business. Challenges in a changing world* provides different dimensions for stakeholder engagement. The article of Trapp (2017) *Stakeholder involvement in CSR strategy making - Clues from sixteen Danish companies* explains to which extent stakeholders influence CSR strategies made by corporate managers. The book

of William and Chandler (2011) *Strategic Corporate Social Responsibility – Stakeholders in a Global Environment* is used to gain a basic knowledge of the concepts of CSR and stakeholders as well as a definition of CSR for this study.

Author	Year	What studied?	What found?
Baden	2016	An alternative explanation of Carroll's pyramid	A reconstructed model of Carroll's pyramid for explaining better the CSR in adaptable business environment
Carroll	2016	Concept of CSR	Definition of CSR. Multidimensional CSR model or pyramid
Dawkins & Lewis	2003	Which CSR issues are valued in companies	Motivation factors for companies conducting CSR actions
Friedman	2006	Different stakeholders groups	Stakeholder map
Griffin & Pustay	2015	General information of concept of CSR	Stances of CSR, Tripple bottom line.
Hirsjärvi & Remes & Sarjavaara	2003	Instructions for conducting and writing the research	Instructions
Mitchell & Agle & Wood	1997	Stakeholder determination and relevance	Tool for determining a relevance of stakeholders and a relevant stakeholder group for case company
Morrison	2009	Stakeholder engagement	What kind of engagement levels need to be considered in order to interact successfully with stakeholders. Dimension of stakeholder engagement
Sheehy	2014	Problems of defining CSR	An alternative definition of CSR
Trapp	2014	How stakeholder expectations are influencing the strategy-making and actions of CSR.	Explains to which extent, stakeholders influence CSR strategies made by corporate managers
William & Chandler	2011	Basic knowledge of the concept of CSR and stakeholders	An alternative definition of CSR, A stakeholder perspective

Table 2. Different academic works and articles related to the subject

#### 1.4 Theoretical framework

The study is based on two key frameworks: Carroll's pyramid of CSR and the triple bottom line. These two frameworks explain corporate social responsibility. In addition, they are the base for the interviews and the web-based survey. Mitchell's tool for a stakeholder

determination functions as a basis for explaining and determining the different stakeholder groups and find the most important ones.

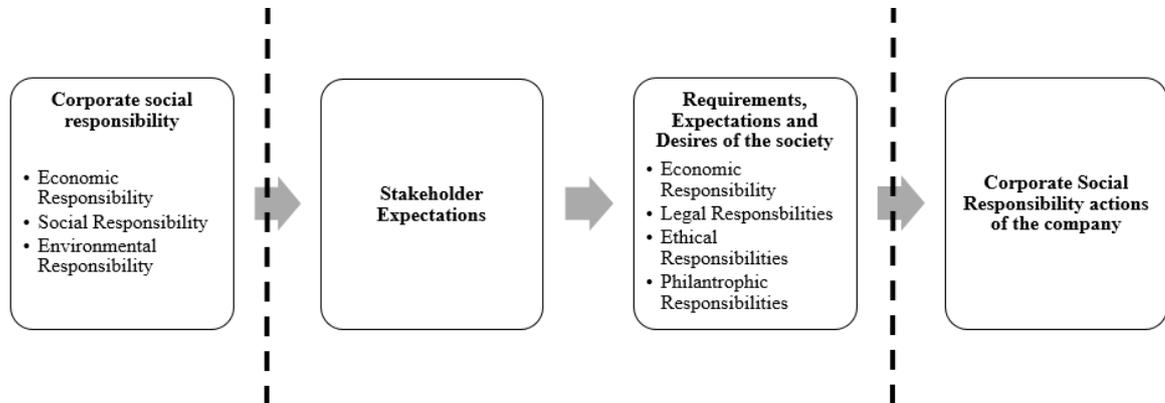


Figure 1. Framework of the study

The corporate social responsibility actions of the company are built from stakeholders' expectations and different requirements, expectations and desires of the society. Those could be economic, legal, ethical or philanthropic responsibilities. As the figure 1 shows, the company could base its CSR on the triple bottom line, where the key elements are economic, social and environmental responsibilities. However, the company cannot build its actions without considering those perspectives. Thus, it needs to listen to its stakeholders and their wishes, expectations and requirements. In addition, the company needs to fulfill its economic and legal requirements in order to be able to operate. Philanthropic responsibilities are desired by society, but are not requirements for the daily continuance of the company. Ethical responsibilities could be seen as a key element in all actions. No matter what the company is conducting, it should be led by ethical responsibilities. In this study, stakeholder expectations are taken into closer consideration. What kind of expectations stakeholders, in this case customers, have and how the company can utilize those expectations to develop its current CSR actions in order to serve its customers better in the future and create a competitive advantage of CSR.

## 2 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is one of the most discussed issues in the business and academic worlds at the moment. Companies have forced to re-evaluate their business actions as well as to seek for and change them into more sustainable ones. (Idowu et al. 2015, xiii, xvii) CSR has been studied for the past 50 years and, due to high interest in it, academics have formed various definitions for CSR. (Carroll 1999; Peloza 2009) The concept of CSR is understood as a set of obligations, which companies adopt in order to protect and improve the society in which it operates. However, defining CSR is not always easy due to its complex nature, where environment, society and economic systems are tightly involved. (Banerjee 2011, 16)

### 2.1 The concept of corporate social responsibility

Definitions vary from country to country and organization to organization (Griffin et al. 2015, 151). Although the definitions are varied, common characteristics could be seen: for example, CSR actions are voluntary and rise from a company's own willingness to act in a responsible way. It could be argued that CSR includes all the interactions between corporations and the society in which they act. The concept also includes different responsibilities, which are inherited from both sides of the relationship. (William et al. 2011, 5) According to William et al. (2011 5), CSR could be defined as follows:

*“A view of corporation and its role in society that assumes a responsibility among a firm to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions.”*

Legislation is putting more pressure on those actions (Banerjee 2011, 16). In addition, CSR provides a framework, which, for instance, helps companies to adopt the strategic decision of stakeholder prioritizing and to provide an internal strategic planning process in order to maximize the long-term viability of the company. (William et al. 2011, 5–6)

Organizations play an important role in society and could adopt a wide range of positions on social responsibility, such as obstructionist, defensive, accommodative or proactive stance. In the obstructionist stance, the company acts on the minimum amount of social responsibility issues by denying and avoiding. In the defensive stance, companies are conducting their legal obligations but are not willing to do more. Companies that are unsympathetic to the concept of CSR and are seeing profit making as their most important issue usually adopt this approach. In the accommodative stance, companies are more willing to go further than just meet the legal and the ethical requirements. Companies in this stance voluntarily participate in social programs, which they are valuing high and support worthy. Companies that have the highest degree of CSR have adopted the proactive stance. They find themselves as citizens of the society and are proactively finding opportunities to contribute and support their society. (Griffin 2015, 156–157) The figure 2 below illustrates these four stances of CSR.

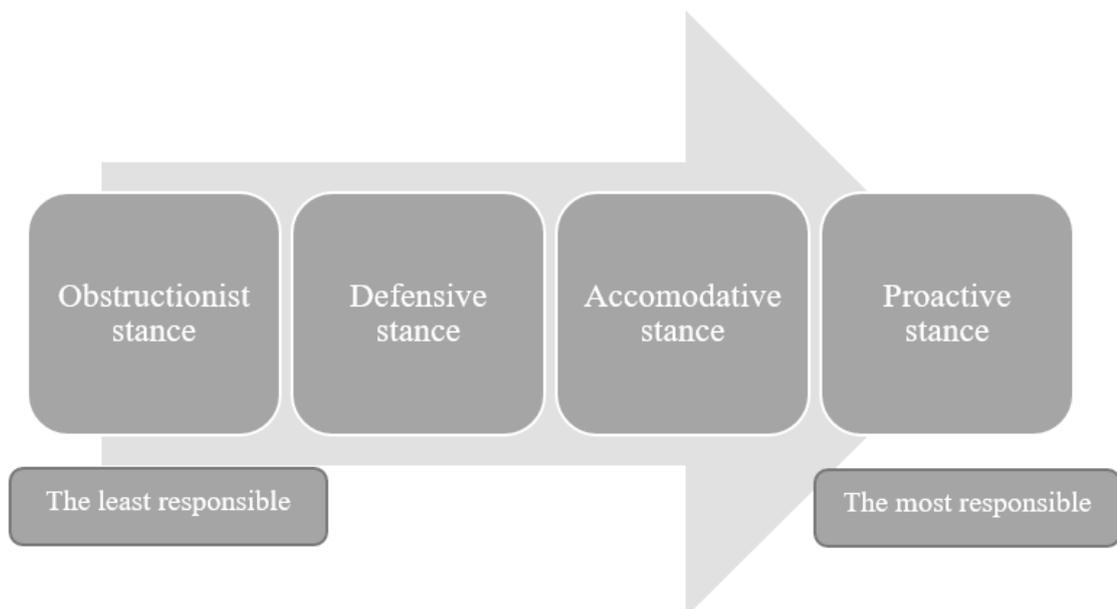


Figure 2. Stances of CSR (Griffin 2015, 156)

It is important for companies to understand the different stances of CSR. However, it is notable that companies do not consistently fit into one category but could operate in several or be between them. (Griffin 2015, 156) Companies can use these stages as their strategic CSR goals, in order to develop their current strategy.

CSR could also be reviewed from the point of view of competitive advantage. By being proactive in CSR actions, a company could create competitive advantage and by setting the guidelines of CSR be a leader in this aspect. As figure 3 shows, companies that want to create competitive advantage from their CSR actions will not to act in circle 1. In circle 1, actions are related to frauds, grey area and just filling the minimum legal compliance. The area between circles 1 and 2 could be seen as an area where the company is only fulfilling its obligations by satisfying its stakeholders. In this area, the company is meeting its legal requirements and tries to extend some of its activities, but does not conduct them if they do not create value for the company.

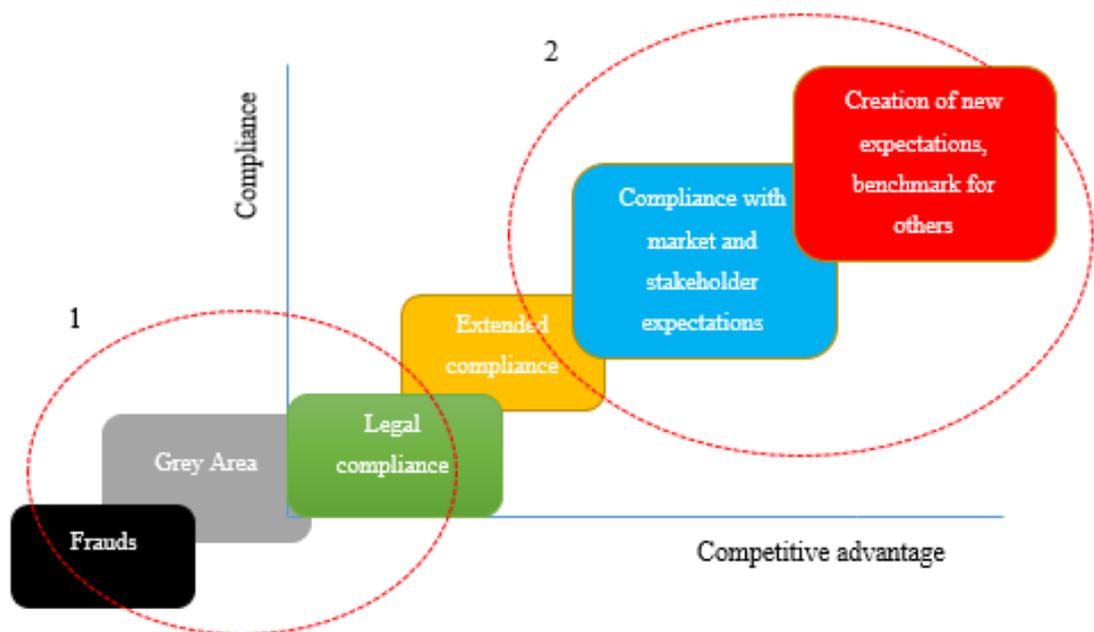


Figure 3. Creating competitive advantage of CSR (PricewaterhouseCoopers Oy 2016)

However, a company that wants to create competitive advantage and act in circle 2 is willing to create new expectations, be a benchmark for others and be in compliance with market and stakeholder expectations. (PricewaterhouseCoopers Oy 2016)

Sheehy (2013) provides an explanation on CSR as a management practice, a field of study and an approach to improving a conversation concerning the social actions of business. (Sheehy 2013) Another known definition and explanation for the concept of CSR is Carroll's pyramid of CSR, which could also be called a multidimensional CSR model. (Baden 2016;

Morrison 2009, 520) Carroll (1979) stated that corporate social responsibility includes economic, legal, ethical and discretionary expectations from businesses, which are determined by the society in certain time. Carroll illustrated those four responsibilities in the pyramid, which ranks business responsibilities in the order of their importance. In this pyramid, economic responsibilities were assumed to be the most important, followed by legal, ethical and lastly philanthropic responsibilities. (Baden 2016)

The economic responsibility is placed on the bottom of the pyramid due to its fundamental requirement in business. The economic responsibility could be seen as a social responsibility when companies are fulfilling profit and investor expectations and are able to create continuity in business. By creating value for the society, companies can create profit, which benefits all their stakeholders. (Carroll 2016) However, the society sets expectations for businesses to obey the law and act according to regulations. Due to this, legal responsibilities are located the second on the bottom of the pyramid. The legal responsibilities could be seen as ground rules of business actions. It is important that companies act in a way that they fulfill legal and governmental expectations, fulfill all legal obligations to societal stakeholders and provide services and goods, which meet legal requirements. (Carroll 2016)

Furthermore, companies are expected to act in a right and fair manner, avoiding and minimizing all the harm to stakeholders. This means that companies need to fulfill the ethical requirements as well. Ethical responsibilities are not always regulated by law, but companies are expected to act in an ethical manner. Legal expectations are based on ethical premises. Ethical responsibilities underline the activities, policies, standards and norms, which are expected or forbidden by the society in the society, although law does not regulate them. (Carroll 2016)

The top part of the pyramid represents corporate philanthropy, which includes different forms of business donations and charity. This is guided by company's voluntariness and own desire to participate in social activities. This could include expectations to act as a good citizen and to give financial, physical and human resources to support communities. The philanthropic responsibility differs from ethical responsibilities in that extent that philanthropic responsibility, such as business donations, is not expected in a moral or ethical

sense but is based on companies' own willingness and desire. Although ethical responsibilities represent their own category in the pyramid, they could be seen as a factor that includes all the categories in the pyramid. (Carroll 2016) Figure 4 shows the Carroll's Pyramid of CSR. (Carroll 2016)

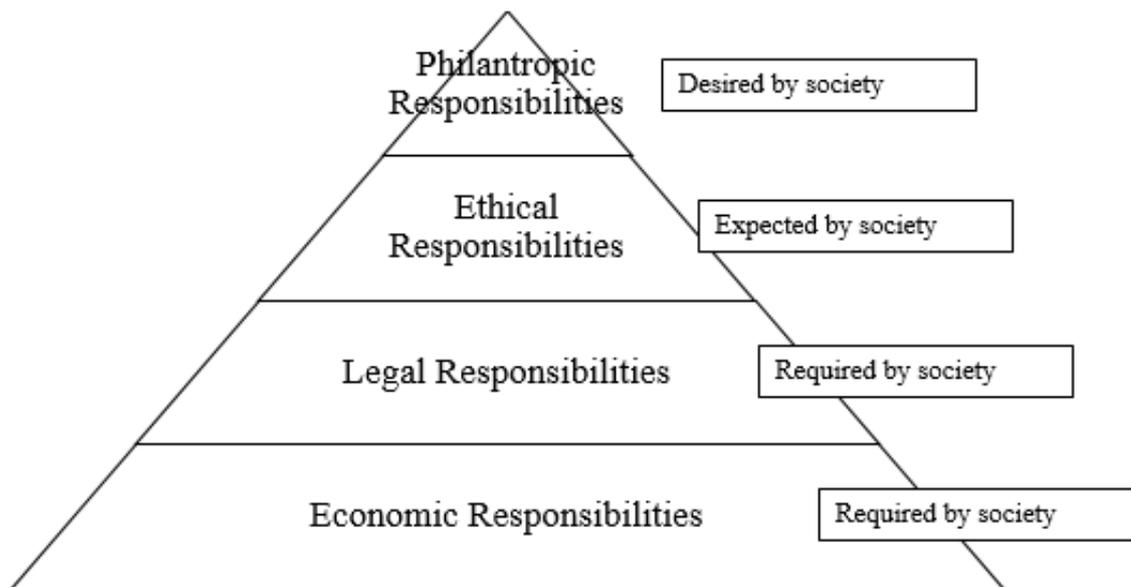


Figure 4. Carroll's pyramid of CSR (Carroll 2016)

Even though Carroll's pyramid of CSR is the well-known concept of CSR, reconstructing and re-evaluating its priorities would be necessary due to the increased role and power relative to the government and the changing role of companies in the society. The study of Baden (2016) re-evaluates Carroll's multidimensional model of CSR and argues that the conceptual ground of the pyramid of CSR should be based on both legal and ethical responsibilities, before economic responsibilities. In addition, when prioritizing ethical and legal responsibilities, it needs to be analyzed to what extent legal responsibilities offer protection for human rights and environmental sustainability. Legislation between countries varies; thus, following the law could be seen more as a voluntary activity than a legal compliance. For example, when company is following less regulated countries regulations, company could avoid them for example moving some operations from tighter regulated countries to less regulated ones. In addition, it is argued that CSR should be a moral concept.

The philanthropic responsibility is also seen as the least important aspect in the pyramid of Baden (2016), same as in the original Carroll's pyramid.

The reconstructed pyramid of CSR represents a more normative model of business responsibility than an instrumental or descriptive model. In reality, business is not only about prioritizing economic responsibilities but also norms. Thus, the study of Baden (2016) argues that Carroll's pyramid of CSR should be reorganized in the following order (Figure 5): ethical responsibilities, legal responsibilities, economic responsibilities and philanthropic responsibilities.

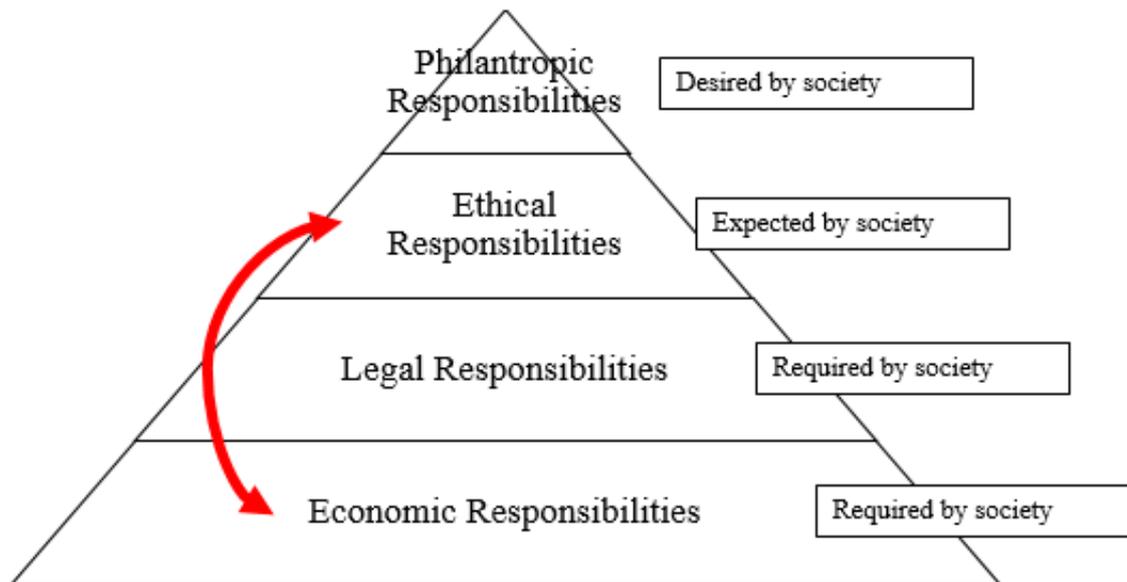


Figure 5. Baden's (2016) reconstructed pyramid of CSR

Baden (2016) explains the reorganization by claiming that companies first need to accept the ethical norms and expectations of the society, in order to have a license to operate and to be trusted. In addition, businesses need to be compliant with law and legal responsibilities. After accepting these aspects, companies are free to make profit and extend their economic goals and objectives. (Baden 2016) It is seen important that business managers adopt the mind-set that is more socially responsible.

Another commonly used framework for explaining the concept of CSR is the Triple Bottom Line. The Triple Bottom Line consists of three different objectives: environmental responsibility, social responsibility and economic responsibility.

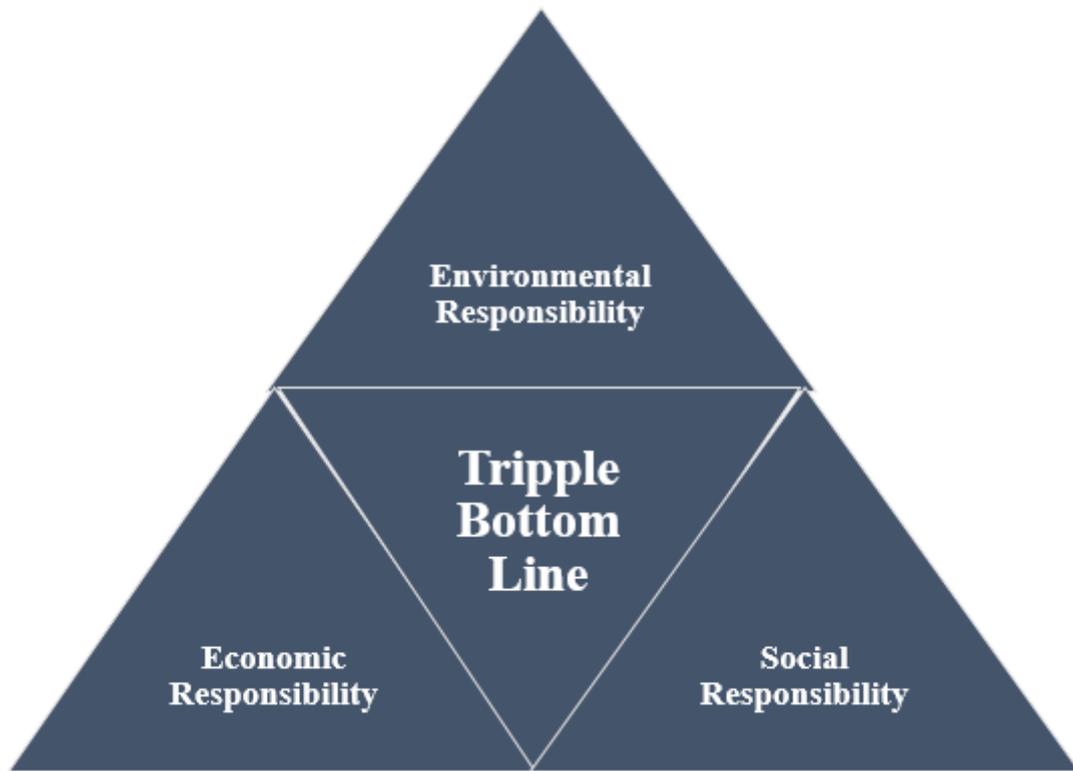


Figure 6. Triple Bottom Line of CSR (Griffin et al. 2015, 152)

As figure 6 shows, all of these objectives are tightly related. Companies need to consider and balance with all of them when formulating and implementing their strategies and CSR decisions of. (Griffin et al. 2015, 151–152)

### 2.1.1 Economic responsibility

The economic responsibility is a fundamental requirement in business. Economic responsibility could be seen as social responsibility when companies are fulfilling the profit and investor expectations and are able to create continuing business. The first objective of the triple bottom line is the economic objective, where company is responsible for fulfilling the stakeholders' expectations by generating profit and value for the company. However,

this is not the only purpose of economic responsibility. Treating its stakeholders in a socially responsible manner, such as treating its customers fairly, pricing its products transparently and standing behind the quality of the products are also important aspects of economically responsible behavior of the company (Griffin 2015, 152–154). Economic responsibility also includes management of business sustainability, anti-corruption, taxation and paying attention to the partners' profitability (Suomen YK-Liitto 2017).

### 2.1.2 Social responsibility

The second object of the triple bottom line is the social welfare. This includes contributing to charities, philanthropic organizations and non-profit foundations, among others. Some have also argued that companies should also include political and social inequality corrections to its operations. (Griffin 2015, 152–154)

Social responsibility includes, for example, fair and respectful human rights practices, occupational practices, good working conditions for workers and ethical business actions. In addition, social responsibility covers issues related to consumers, product information, product safety and marketing. (Suomen YK-Liitto 2017)

### 2.1.3 Environmental responsibility

The third objective is protection of natural environment. In most countries, law regulates environmental protection and some companies consider that to be enough in order to fulfill their obligations. However, companies need to understand the importance of sustainable development and saving of natural resources. Sustainable development could be defined as development, which meets the current needs without compromising the ability of future generations to meet theirs. Sometimes companies evaluate green choices to be more expensive. However, by adding sustainable business practices to their operations, companies are able to cut down production costs. (Griffin 2015, 152–154)

Environmental responsibility includes, among others, measuring and reporting environmental impacts of the company. The company is responsible for the environmental impacts of the entire product life cycle of its products. Environmental responsibility includes

also energy efficiency and the use of environmentally friendly technologies, resource-efficient use of natural resources, avoidance of harmful substances, waste treatment and recycling. (Suomen YK-Liitto 2017)

## **2.2 Reporting of corporate social responsibility**

More and more stakeholders are demanding to see the company's social reports. However, the main difficulty for the companies seems to be lack of quantified information and lack of established key performance indicators. Reporting and measuring the triple bottom line and its social element seems difficult for companies. However, if a company is already providing the information of CSR for financial community in some format, it might increase the use of this information in decision-making as well. (Dawkins & Lewis 2003) PricewaterhouseCoopers (PwC) conducted a Corporate Responsibility Barometer, which studied 544 companies' CSR activities and reporting in Finland in 2016. The study shows that 73% of the companies are reporting their CSR activities in their annual report. In addition, 49% of the companies publish a separate CSR report. (PricewaterhouseCoopers Oy 2017)

At the moment, CSR is based on voluntariness and self-regulations of the companies. Different international guidelines and principles are at the core for companies when acting in a responsible way. The guidelines for multinational companies by OECD are guidelines set by governments. With these guidelines, countries try to ensure companies to act in line with politics and strengthen the trust between different parties, increasing foreign investments and sustainable development. Altogether 44 countries are engaged with these guidelines. (Työ- ja elinkeinoministeriö 2017a)

Business Social Compliance Intrinsic (BSCI) is a corporate-led liability system that seeks to improve the working conditions of workers especially in high-risk countries. In addition, international legislation and agreements are needed to guarantee corporate responsibility. The UN Ruggie Principles: Protect, Respect and Correct and the Global Compact are examples of principles of international corporate responsibility. The UN Global Compact Initiative has been signed by 10,000 companies in 130 countries. In their actions and in strategies, they have committed to following 10 principles, which concern human rights,

worker's rights, environment protection and corruption prevention. International standardization organization (ISO) themes in the guidelines are governmental issues, human rights, practices in working life, environment, justice, consumer rights and participation in societal activities. (Työ- ja elinkeinoministeriö 2017a) In the EU, due to 2014/95/EU Directive on disclosure of non-financial and diversity information by certain large companies and groups, companies are forced to report CSR activities from the beginning of 2018.

In order to report and follow the different international guidelines and initiatives, different reporting methods have been developed. The most internationally used CSR reporting standard is Global Reporting Initiative's (GRI) G3 guidelines. They include reporting principles and reporting metrics. In the G3 guidelines, principles such as relevance, stakeholder involvement, sustainable development and perfection guide the content. The quality of reporting is guided by principles such as comparability, validity, clarity and auditability. The reporting requirements consist of eight different parts: strategy and analysis, profile of organization, reporting principles and limitations, administrative practices, engagements and stakeholder cooperation, management approaches and economic, social and environmental indicators. (Työ- ja elinkeinoministeriö 2017b)

The Barometer of PwC also indicates that identifying the CSR risks is the key development area for reporting non-financial information. Even though 69% of the companies identify the CSR risks, only 29% of the companies present measures for managing them. (PricewaterhouseCoopers Oy 2017) Without proper key performance indicators of CSR, companies cannot follow their performance. Approximately half of the companies define CSR key performance indicators, which are often employee safety, personnel, customer experience and energy efficiency (PricewaterhouseCoopers Oy 2017).

Reporting the environmental issues is increasing. Reporting on climate issues focuses more on emissions than financial impacts. At the moment, emission reporting follows the international standards. Companies, who report their greenhouse gas emissions, are increasing. In addition, one third of the companies reports indirect emissions. Most of the companies set numerical long-term targets, which are mainly related to greenhouse gas

emissions and energy efficiency. The time period is set for at least five years. (PricewaterhouseCoopers Oy 2017)

### **2.3 Motivation factors for corporate social responsibility and future development**

Companies are receiving more and more pressure and expectations from the society concerning the responsible of their actions and their role in the society (Midtun, Gautesen & Gjolberg, 2006). Responsible and sustainable business actions are recognized in society and it could be seen that a successful company also needs to pay attention to other aspects than economic ones (Carroll 1999; Maak & Pless, 2006; Freeman, et al 2010). Studies have shown that CSR as a part of company strategy increases good reputation among stakeholders and increases loyalty to the company (Brammer & Pavelin, 2006; Maignan et al. 1999). There is also evidence of CSR's positive effect to company success and profit (Orlitzky et al. 2003). It is also proved that CSR has a positive effect to management practices, quality of products and services as well as shareholder interest and diversity in work society (Aguinis & Glavas 2012).

The companies' communication with their different stakeholder groups has changed dramatically over the past years. The increasing speed of media posts and outputs, in which company ethics and behavior are discussed, has changed public attitudes and expectations. According to a study by Market & Opinion Research International (MORI), the factors that traditionally are the most important for consumers when discussing their opinion on a company have been the quality of the product, financial performance and value for money. However, those factors have shifted to corporate responsibility related issues, such as treatment of employees, environmental and ethical issues and community involvement. (Dawkins & Lewis 2003)

The study of Dawkins et al. (2003) shows that across Europe the stakeholders are interested in company's treatment of employees, its respects for human rights and environmental impacts when discussing the most important areas in corporate responsibility. Stakeholders also think that openness and honesty are crucial for acting in a responsible way. However, the stakeholder expectations are more complex. A company has different stakeholder groups, which have different expectations. Due to that, the priority of company's CSR actions will

vary according to its stakeholder groups, different markets, according to the industry sector or sectors in which it operates. Thus, a company must define its most important stakeholders and consult and engage them, ensuring that, the activities are seen as relevant for both the company and for the stakeholders. (Dawkins & Lewis 2003)

The study of Dawkins et al. (2003) also shows that consistency is crucial for corporate responsibility. If there are mismatches between company's word, intentions and actual actions, it might cause loss of credibility and bad reputation. Dawkins et al. (2003) also found that the most successful company community programs are those with an intuitive link between the company's business and the initiative. Companies, who put responsible business actions in high priority, should address their major issues clearly and open. Companies should not lay their reputation on community investment initiatives, while ignoring the impacts of their core business actions and operations. (Dawkins & Lewis 2003)

Mostly, stakeholder relationships in the CSR context are seen as a motivation for choosing one approach over another and identifying different limits and benefits associated with each of the approaches. However, stakeholders' influence in the strategy making of CSR is understood to have the greatest potential to benefit the organization. (Trapp 2012)

The proactive communication is vital, when creating competitive advantage. As Figure 7 shows, competitive advantage could be created with proactive communications and visible activities. If the company does not have any interest towards CSR activities, it does not pay attention to them. Furthermore, the company is not investing into communication. However, if the company does not have any proper CSR activities, or has very few of them, and communicates about them loudly and actively, it could be said that the company is window dressing. If company does have many CSR activities but is not communicating about them with its stakeholders, it could be said that the company is a hard worker but shy to communicate. (PricewaterhouseCoopers Oy 2017)

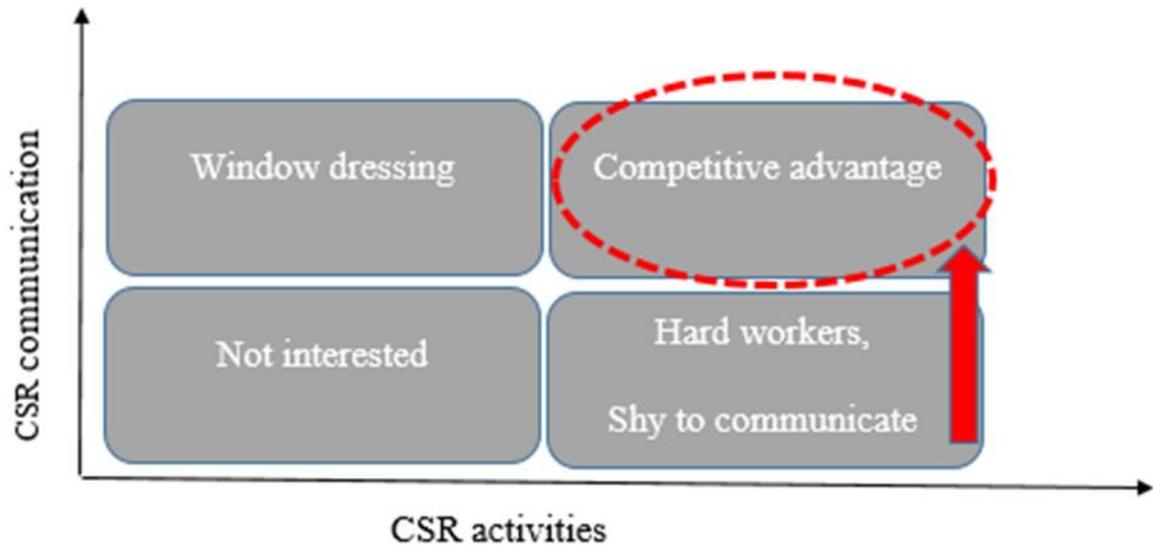


Figure 7. Creating competitive advantage by proactive communication and visible activities (PricewaterhouseCoopers Oy 2017)

According to a study of Trapp (2012), CSR managers see that their stakeholder relationships reflect a persuasive strategy category more than a dialogue or informational strategy. This is due to the reason that CSR managers do not usually describe their interactions with others as means to directly involve others in organizational changes. However, they are describing their aims more likely as finding policy gaps, picking up trends, gaining insight on the global CSR agenda or updating the agendas that could become issues in the future. The communication between the company and the stakeholder is typically seen as two-way communication, as understood in the persuasive strategy. Although communication is seen as two-way dialogue, the majority of the companies see it more important to listen as a way of learning instead of exchanging ideas. (Trapp 2012)

The study also shows that companies are not only providing the information about CSR activities and policies but also engaging in dialogue. The stakeholders, who take part in the company's dialogue, are seen as stakeholders, which have at least some influence on the company's CSR policy. The informational strategy is used for stakeholders, which play a less important role for the company and all of the stakeholders. The study shows that even though companies are willing to have dialogue with their stakeholders, they primarily view themselves as listeners who are looking for input from the stakeholder on the CSR agenda

and form the policy independently. This shows that there are incongruences between theories and real life. (Trapp 2012)

As noted above, CSR communication has shifted from one-way communication to two-way communication, where companies are not only listening the stakeholders but also reflecting the key stakeholders' voices and interest. According to Lim & Greenwood (2017), the most common CSR communication strategy is to promote what a firm has done for the society and its interests. This approach is seen as a stakeholder information strategy. Companies are not only using the information strategy but also implementing a stakeholder responsiveness strategy. This strategy includes proactive and reactive responses to current pressures and potential threats to the company. (Lim & Greenwood 2017)

However, over the time, companies have implemented strategies, in which they have started to invite their public into their CSR initiatives and engage them in their CSR programs. This means that companies' stakeholder engagement includes the activities of engaging the key stakeholders in communication, all the operations and dialogue as well as also getting approval from stakeholders. This trend is still new; however, it is getting more and more attention from CSR practitioners. The latest emerging stakeholder engagement strategy is based on a corporate stakeholder relationship perspective, which includes two-way symmetrical communication and the public relations dialogic theory.

Modern companies are increasingly involved in collaborative, interactive and mutually engaged relationships with their stakeholders, whose interest might go beyond the company's interests. Furthermore, one of the corporate sustainability assessment criteria for global rating systems for social responsibility is stakeholder engagement. One of such rating systems evaluate understanding the stakeholder issues' benefits and costs, reaching a mutual understanding of issues, agreement on the engagement method and mutually agreed procedures and results, which are reported transparently. The stakeholder perspective determines that companies make ethical and relational decisions, which benefit all the stakeholders who are involved, participating and informed. This means that the stakeholder engagement is a trend towards ethical communication. The stakeholder engagement

considers the moral aspects of communication for stakeholders, who are involved in the company's operations. (Lim & Greenwood 2017)

Liam & Greenwood (2017) argue that the stakeholder engagement strategy leads companies to a more transparent, dialogic and collaborative direction than other models, for example, stakeholder responsiveness strategy or stakeholder information strategy. Companies should be sincere about their CSR activities in order to avoid a situation in which stakeholders are seeing the communication self-promotional. According to Corporate Responsibility & Sustainability Communication Report, the media views companies' CSR reports in a very skeptical way and do not review the communication as a reliable source of information. It is also argued, that companies should not be evaluated by its aspirations but their actions. (Lim & Greenwood 2017)

#### **2.4 Stakeholder concept and thinking**

The term "stakeholder" has roots in the 1960's, when Stanford Research Institute (SRI international) released its study. It stated that managers should understand the importance and critical issues related to stakeholders in order to develop objectives that stakeholders would support. (Hitt et al. 2001, 190) It defined the stakeholders as "groups without the support of whom the organization would cease to exist" (Friedman et al. 2006, 5) Various studies were conducted under stakeholder theories, which were developed under corporate social responsibility. (Friedman et al. 2006, 21–22)

R. Edward Freeman introduced a book *Strategic Management: A Stakeholder Approach* (1984), which could be seen as a base for the current stakeholder approach. In the book, Freeman (1984) broadened the definition of a stakeholder to: "*Any group or individual who is affected or can be affected by the achievement of an organization's objectives*". (Hitt et al. 2001, 189)

Stakeholders are important for the company in ensuring its long-term success. The success is achieved through well-managed and integrated interests but also relationships with stakeholders. The stakeholder approach addresses the active management of the

relationships, business environment and the promotion of shared interests. (Hitt et al. 2001, 192)

Normally stakeholders are grouped into six different groups, such as shareholders, customers, suppliers, distributors, employees and local communities. However, the key aspect when grouping stakeholders is how narrow or wide a perspective is taken for grouping. In the narrow perspective, stakeholders are seen to be those that are crucial for the company's objective achievement. On the other hand, in the wide perspective, the stakeholders are any entity affected by the company's business actions. (Friedman et al. 2006, 13) Stakeholders could be also divided by their relevance to the company to primary and secondary stakeholders. The company cannot survive without its primary stakeholders, which are shareholders, employees, customers, suppliers, local community and society. Secondary stakeholders affect the company's actions. However, they are not that important for the continuance of the company. The secondary stakeholders are such as the media and different non-governmental associations. (Clarkson, 1995)

Freeman (1984) introduces a stakeholder map of the organization. In this map, he illustrates his view with a hub and spokes picture, where stakeholder groups are presented by circles at the ends of the spokes that start from the firm. Although the map is very simplified, each group could be broken down into specific categories. (Friedman et al. 2006, 26–27) In this map, stakeholders are set to different groups, who have some kind of a relationship with the company in the middle. A two-way arrow represents the relationship. Figure below 8 illustrates the map of stakeholders.



Figure 8. Stakeholder map (Friedman 2006, 27)

Donaldson and Preston (1995) divided the stakeholder theory into three different aspects, descriptive accuracy, instrumental power and normative validity. The descriptive aspect represents a model describing what the company is. It represents the company as a constellation of the cooperative and competitive interests having intrinsic value. The instrumental power approach establishes a framework for studying the connections between the stakeholder management practices and the achievements of the company's goals. However, the fundamental basis for the stakeholder theory is normative and includes two acceptances. Firstly, stakeholders are individuals or groups with interest towards the company's actions. Secondly, the stakeholders' interests have intrinsic value. (Donaldson et al. 1995) In addition, the stakeholder theory is managerial. It does not only represent situations and cause-effect relationships but also recommends structures, practices and attitudes that together form stakeholder management. (Donaldson et al. 1995)

It is important for the companies' success to understand their stakeholders and meet their expectations and needs (Svendsen 1998). The company is operating in an environment, where stakeholders are presenting different expectations that companies are required to answer. Companies cannot answer all their stakeholders' expectations, so they must define their most important stakeholders in order to do business successfully. The most critical aspect is how companies can determine the relevance of the stakeholders. (Myllykangas et al. 2010) Mitchell et al. (1997) presented a tool for finding the relevant stakeholder groups. The tool represents three dimensions: relevance, power and urgency. (Mitchell et al. 1997) The figure 9 presents the dimensions.

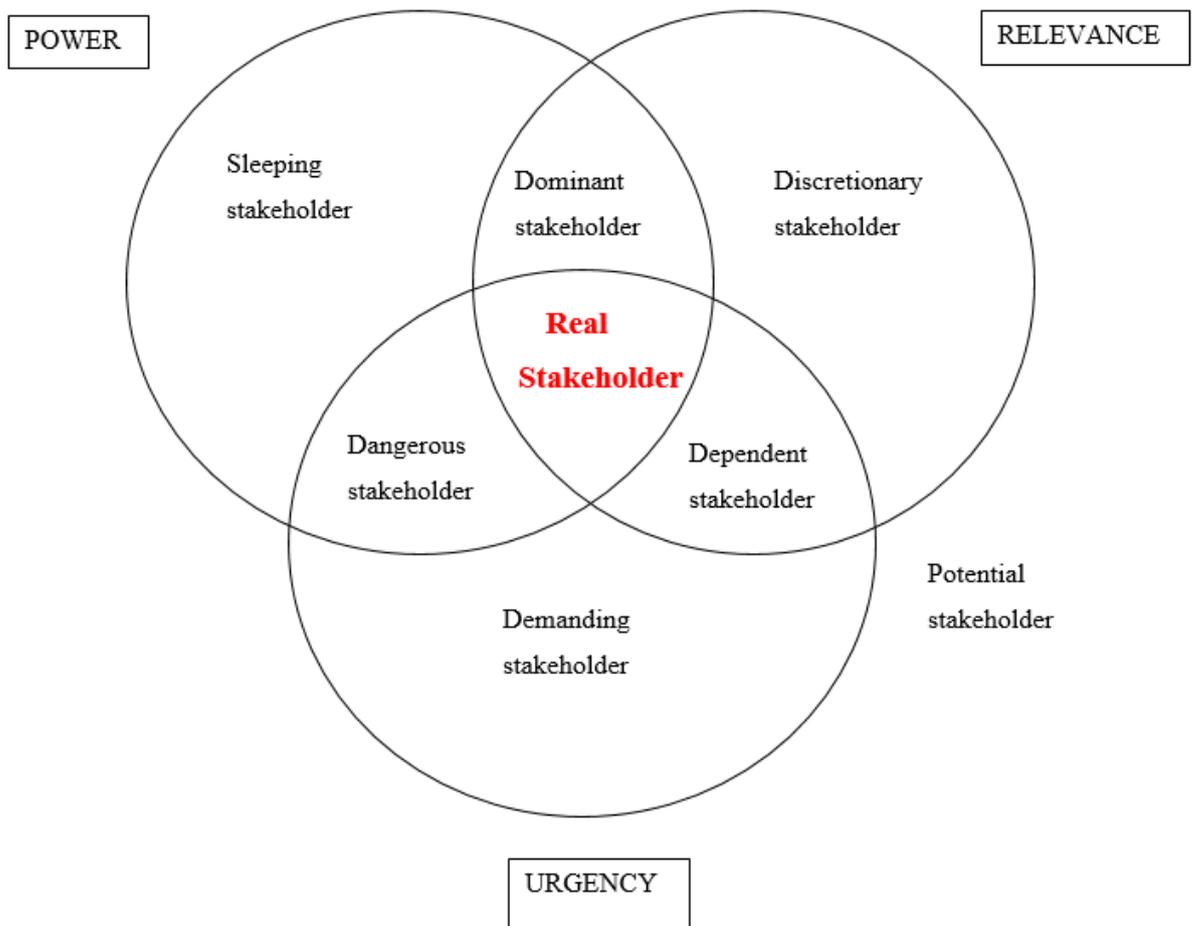


Figure 9. Mitchell's (1997) tool to determine the relevance of stakeholders

As Mitchell et al. (1997) argues, stakeholders, who have power, are seen urgent and relevant and are the critical and crucial stakeholders for the company. In addition, stakeholders, who have a power, have the possibility to act in their own manner and set the code of conduct on how to do business. Also the rest of the society sees the relevant stakeholders' expectations acceptable and as the legal way of doing business. In addition, stakeholders who are seen urgent require immediate attention in order to avoid critical incidents. (Mitchell et al. 1997)

Stakeholder expectations and how companies are valued could lead to competitive settings between the stakeholders and also between stakeholders and the companies. The attention is focused mainly on benefits of the stakeholders instead of common goals and cooperation, when relationships between companies and stakeholders are studied through these three dimensions. (Kujala & Lehtimäki 2014)

The theory of stakeholder salience is proposed by offering criteria, where to evaluate and compare stakeholder impacts, actual and potential on the company. The three criteria are power, legitimacy and urgency. A stakeholder might have power, such as an economic resource in order to determine the company's actions. The legitimacy represents the stakeholders' claims, which are based on legal or moral grounds. The urgency represents how pressing it is for the company to act in a certain manner. Stakeholders are using these three attributes in different ways. In order to successfully interact with stakeholders, five different levels of engagement must be considered. Theory by Pedersen shows different types of dialogue and different depth of participation. Five different types of dialogues are tolerance, empowerment, transparency, openness and inclusion. The following figure 10 explains those in more detail. (Morrison 2009, 522)

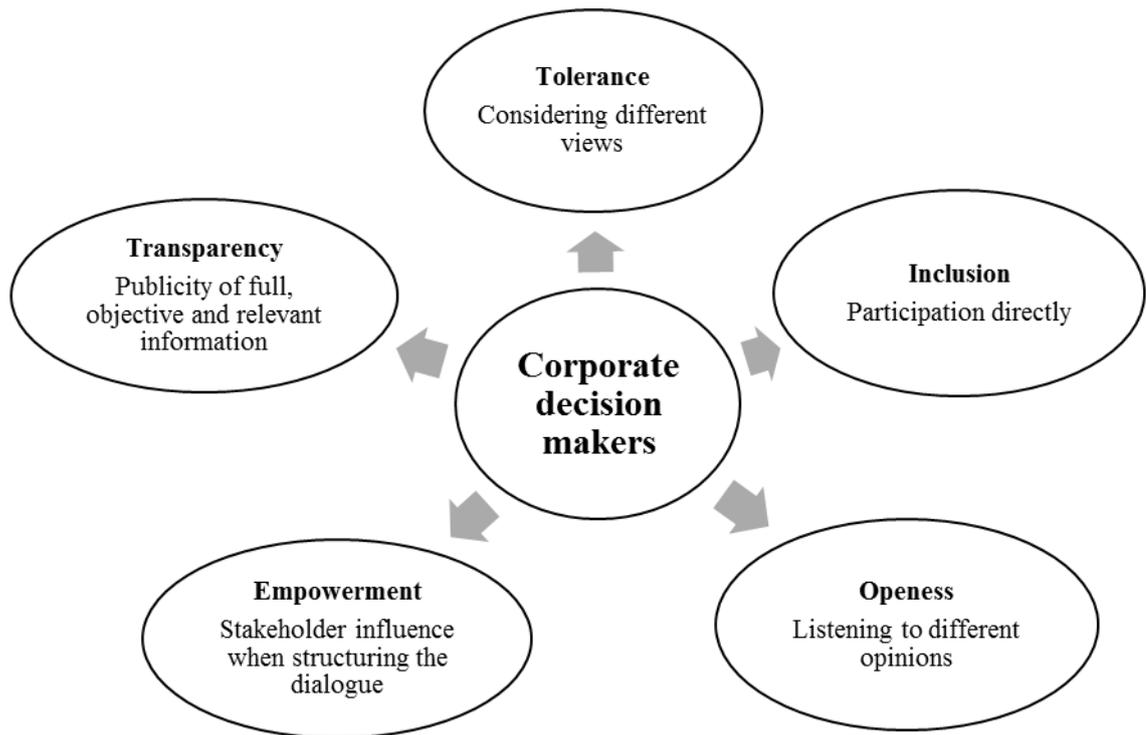


Figure 10. Dimensions of stakeholder engagement (Morrison 2009 522)

Some stakeholders take part directly and others are participating by voicing their opinion. Companies should give tolerance and openness to all different opinions and viewpoints. Empowerment is also an important aspect for companies to consider. This includes in what way and to what degree the stakeholders should participate and influence the structure of the dialogue. Transparency is the important aspect of stakeholder management, which underlines all the aspects and dimensions. Fair, full and accurate information about social and environmental impacts is a crucial basis for meaningful stakeholder dialogue. Pedersen's theory underlines that dialogue with stakeholder is based on openness in all extents. (Morrison 2009 522)

### **3 CORPORATE SOCIAL RESPONSIBILITY OF OLVI GROUP**

This chapter focuses on the corporate social responsibility of Olvi Group. Firstly, Olvi Group will be introduced. The chapter explains what kind of a company Olvi Group is and the background of its CSR actions. Secondly, it is discussed how the company sees and understands CSR and what kind of actions the company is conducting at the moment.

#### **3.1 Olvi Group**

Olvi Group has long roots in Finnish brewing business; has operated almost 140 years in Iisalmi in Finland. The company was listed in stock market in 1987 and its biggest shareholder is currently Olvi Foundation. (Olvi Plc. 2017a) The Olvi Foundation is a non-profit foundation, which was founded in 1955. Each year, it distributes several hundred thousand euros in grants, scholarships and prizes. (Olvi Säätiö 2017) Olvi Group is operating in Finland and has subsidiaries in Baltic countries, such as in Estonia, Latvia and Lithuania. In addition, it is operating in Belarus. Olvi Group owns 100% of shares of AS A. Le Coq in Estonia, 99.88% of A/S Cesu Alus's shares in Latvia, 99.58% of Volfas Engelman in Lithuania and 94.57% of shares of Lidskoe Pivo in Belarus. All the subsidiaries operate as an independent financial unit and they have their own local brands. However, Olvi Group has a shared mission, vision and some centralized functions for synergy, but local flexibility is approved due to different operating environments and competitive situations. Olvi Group employs approximately 1,860 employees in the five operating countries. (Olvi Plc. 2017a)

Olvi Group wants to increase synergies between subsidiaries in the future. An important part of this harmonization and synergy building is CSR operations. Due to 2014/95/EU Directive on disclosure of non-financial and diversity information by certain large companies and groups, Olvi Group is responsible as a listed company to report its CSR activities. The legislation became effective in the beginning of 2018. Although Olvi Group has not reported its activities annually or proactively in its web sites, the interest of different stakeholder groups, such as the board of the Olvi Group, shareholders and customers, are putting pressure for taking a more proactive stance in CSR actions and reporting. One of the major challenges in harmonization and common target setting are the differences between subsidiaries.

### **3.2 Olvi Group's understanding of corporate social responsibility**

The reason why Olvi Group has decided to invest resources into CSR is not only based on legal requirement but also the changing business environment, digitalization, climate change and increasing demand of raw materials. This forces the company to pay attention to its actions in order to maintain the stakeholders' interest as well as its daily business actions. Olvi Group has agreed to call CSR as corporate responsibility (CR) in the company. (Olvi Road Show 2017)

Olvi Group has a long history in brewing business and during its history it has done many CSR activities. Although the company has not reported its activities actively, CSR has been one of the company values and an important component of the strategic and operational decision-making. (Olvi Group 2017) As the triple bottom line shows, CSR consists of environmental, social and economic responsibilities. This is also the base for Olvi Group's corporate social responsibility thinking. Olvi Group has divided its CSR actions into four different categories: responsible value chain, best place to work, value generating for stakeholders and responsible consumer communication. (Olvi Group 2017) However, the cornerstone of every business action, regardless of the focus area, is ethical business, which guides all the operations. (Olvi Group 2017) The focus areas (figure 11) are based on the stakeholders' expectations and through them, the company is managing its CSR targets and performance indicators. The company has not conducted a stakeholder survey due to limited resources. Thus, the expectations are internal views of the company's considerations on what stakeholders could be expecting from them.

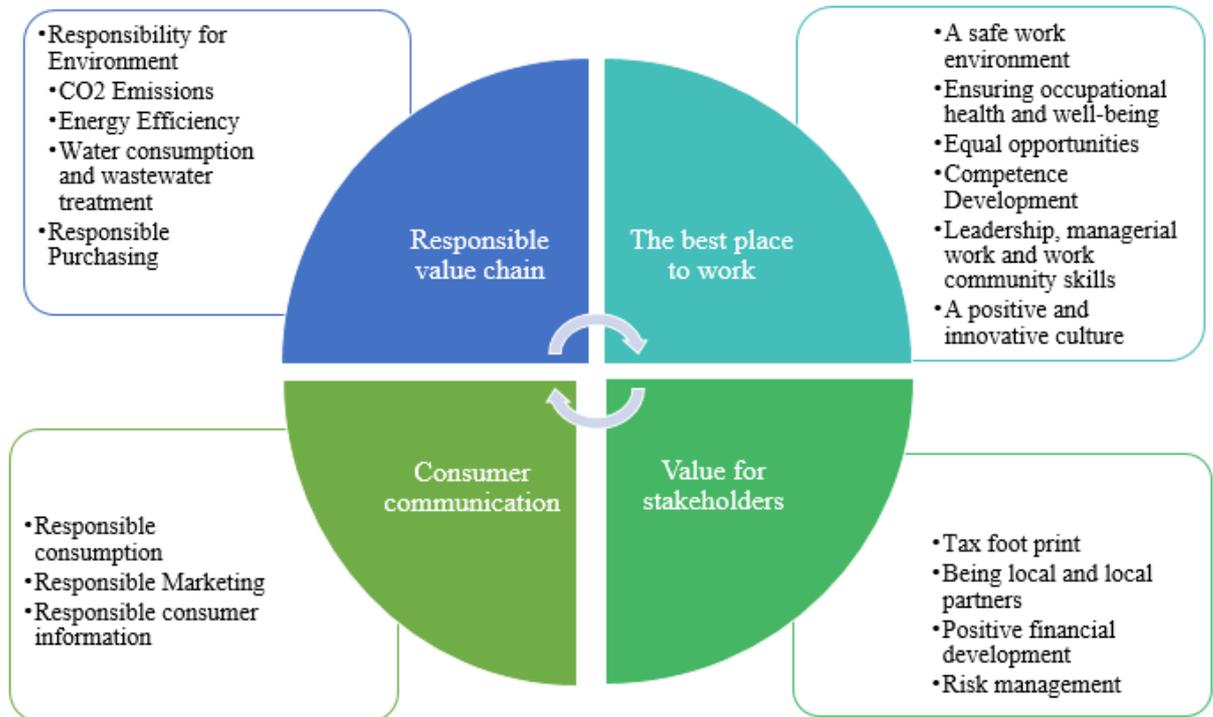


Figure 11. CSR focus areas and key themes of Olvi Group (Olvi Road show 2017)

In the focus area of the responsible value chain, the company wants to reduce the environmental footprint and continuously improve resource efficiency. The company is conducting a LEAN method in the production, which has improved operations, reliability and occupational safety. The LEAN method has ensured also cost savings. In addition, traceability and commitment on CSR topics in the whole value chain is followed via purchasing operations. (Olvi Road show 2017)

The second focus area is the best place to work. Every second year, the company conducts a personnel survey. With the survey, the company wants to ensure the employees' well-being, which is based on clear objectives and responsibilities as well as productive workload. As the third theme suggests, the company also wants to generate value for its stakeholders. Olvi Group is a strong and growing company and a substantial employer locally. The company is also a reliable taxpayer, who pays taxes and fees in accordance with local legislation in each of the operating countries. The fourth key theme is consumer communication. Like other breweries, Olvi Group also wants to promote responsible

drinking culture and supports moderate drinking in all of the operating countries. (Olvi Road show 2017)

In the future, Olvi Group wants to create competitive advantage by being proactive in its CSR actions. The company wants to create new expectations and be a benchmark for others. In addition, the company wants to be in compliance with market and stakeholder expectations. As illustrated in the model of PricewaterhouseCoopers Oy (2016) in chapter 2, how companies could create competitive advantage through CSR, Olvi Group is somewhere in the area of *extended compliance* and *compliance with market and stakeholder expectations*. Thus, the company has good start, but proactivity and strategy building is still needed.

Furthermore, successful creation of competitive advantage requires proactive and visible communication. As mentioned in chapter 2, the communication and actions of the company should meet each other, in order to be a reliable actor in the CSR section. According to the model of *PricewaterhouseCoopers Oy (2017), Creating competitive advantage by proactive communication and visible activities*, in chapter 2 in the figure 6, Olvi Group identifies itself in the box of *hard workers, shy to communicate*. Although, Olvi Group is conducting various CSR activities, it does not communicate about them to its stakeholders. However, this could be seen as a good place to start the CSR activities, because only proactive communication is needed for increasing and creating the competitive advantage.

## **4 RESEARCH METHODOLOGY**

This chapter explains the research methods used in this study. It provides also an explanation on why the particular analysis and data collection methods have been chosen. In addition, the chapter introduces the research process, including how the data was collected and processed. Lastly, the reliability and the validity of the research are evaluated in order to ensure the credibility of the research.

### **4.1 Research methodology**

There are two different methods for data collection, qualitative and quantitative methods. Choosing the best method depends on the research. In this research, in-depth knowledge is required for the analysis; due to this, the qualitative research method is chosen. In qualitative research, information collection is conducted in natural environment and in real situations. In addition, qualitative research is comprehensive. The basis of the research is not testing the hypothesis, but complex and detailed analysis of the collected material. The qualitative data could be found from different sources such as individuals, focus groups, company records, government publications and Internet. Qualitative research gives subjective, so-called insider view of data. The perspective to research is holistic and research is process orientated. (Ghuri & Grønhaug 2005, 110; Hirsjärvi, Remes & Sarja-vaara 2000, 155; Metsämuuronen, 2000; Sekaran & Bougie 2010, 370)

This research is also based on a case study method, which aims to find which issues of CSR customers seem to value high in their own and in their business partners' actions. The research focuses on the current situation as well as on how customer sees the future change of CSR. In order to develop the case company's own CSR actions, the research studies how customers sees the case company's actions and how CSR actions should be developed in the future in order to better answer the customer expectations. The case study method was chosen, because a case study aims to find areas of improvement in the organization's operations (Fidel 1984).

In this research, information was collected by interviewing company representatives related to CSR operations. Because Olvi Group is operating in five countries, it was decided to

conduct the study in all operating countries. However, due to a limited time period and resources, face-to-face interviews could not be conducted in all countries. This was the reason for the decision to conduct interviews in Finland and a web-based survey in Estonia, Latvia, Lithuania and Belarus. As Hirsjärvi et al. (2001, 35) argues, one of the advantages of the interviews is receiving more complex answers, which could lead to deeper thoughts and opportunities to ask for argumentation or justification on the opinions and thoughts.

#### 4.2 Determining the stakeholder group for the study

As in theory chapter 2 explained the theory of Mitchell et al. (1997), customers who have been chosen for this study could be identified following this model (Figure 12). They are crucial for the company's business, have power to act in a way they choose and need immediate attention in order to avoid critical incidents.

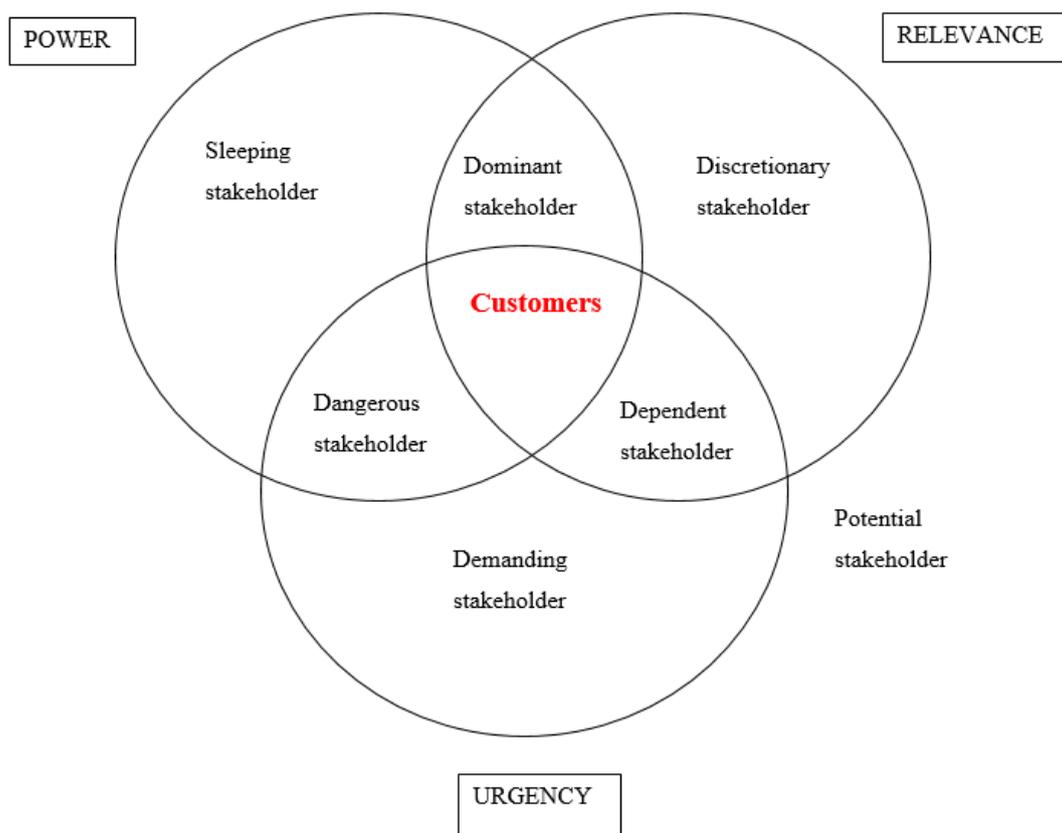


Figure 12. Determining the most important stakeholder group of Olvi Group by using Mitchell's (1997) tool

Customers were chosen for the study due to their high relevance for Olvi Group's daily actions and continuance. Customers, in this context, do not include individual consumers but on-and-off trade customers, such as retail chains and HoReCa (hotel, restaurant and catering) chains, who distribute the products to consumers. In the future, Olvi Group's goal is to be a pioneer and leader of CSR actions, and customers play an important role in reaching that goal.

### **4.3 Research process**

The aim of the study was to reveal what kind of understanding and expectations Olvi Group's customers have on CSR at the moment and how do they see it changing in the future. As the study was conducted as a case study, it also tries to find how customers see the case company's CSR actions. In order to successfully answer the research questions, the questionnaire was based on triple bottom line, in which economic, social and environmental responsibilities are the key elements. The questionnaire was formed together with the case company in order to ask questions that are relevant and valuable for the case company.

The data was collected using a set questionnaire. There were two versions of the questionnaire, an English version for web-based survey and a Finnish version for the interviews. The questionnaire was divided into three different themes. Firstly, background questions concerned the general knowledge customers have about corporate social responsibility, such as important and less important issues and how those issues describes Olvi Group. In addition, the respondents were asked to justify their answers. The second part of the questionnaire concerned the economic, social and environmental responsibility issues. In this section, each of the responsibilities were viewed through different perspectives, such as how Olvi Group is managing that issue in general, how the company is viewed compared to competitors and how the company should improve its actions in order to develop this section. The last part of the questionnaire concerned the future of CSR. It concerned how corporate responsibility has changed over the past years, current expectations and future predictions.

The data was collected in two different ways: with face-to-face interviews and web-based surveys. In addition, customers for this study were carefully selected. It was decided that

each of the operating countries contact from three to five of their most important customers in order to collect a comprehensive view of the customers' expectations and thoughts and harmonize the CSR actions.

#### 4.3.1 Finland

The face-to-face interviews were conducted to gain deeper knowledge about Finnish customers' understanding and expectations of CSR. Five Finnish customers were contacted and four of them agreed to participate in the interview. Although there were only four customers participating in the interview, they represented approximately 70% of the whole volume in Finland. In this case, the interviews covered the biggest and the most relevant customers in Finland.

The data was collected between June and July 2017. Interviews were conducted in Finnish and recorded. In addition, notes were taken. The interviews were semi-structured, where space were given for open discussion. However, all the questions and sections were covered. Interviews took from 40 to 90 minutes.

There are no unambiguous guides for transcribing the data of face-to-face interviews. It could be conducted by transcribing the whole data by word by word. However, it could also be done by selecting themes. (Hirsjärvi 2001, 138–139) Due to the face-to-face collecting method and open conversations, answers were divided into themes, and transcribing was conducted in selective transcribing. The interview recordings were extracted into quotations.

#### 4.3.2 Baltics and Belarus

The web-based data was collected in Estonia, Latvia, Lithuania and Belarus. The web-based surveys were used due to long physical distance, limited time frame and possible language barriers. The data was collected with the help of Managing Directors (MD) and Key Account Managers (KAM). Customer contacting was done by the local MD or KAM, and therefore full information of all contacted customers is not available.

The answers in the web-based survey were collected and analyzed individually, due to the limited amount of answers. There were approximately 15 to 20 customers expected to

answer to the survey, but only four of them actually conducted the survey; three from Estonia and one from Latvia. The questionnaire was opened 20 times during the five-week answering period between June and July. It could be interpreted that customers were not willing or interested in answering this type of a questionnaire. In order to receive valuable information for the company, reminders were sent three times by the MDs and KAMs. However, any actions did not follow after the reminders. It could also be interpreted that the selected customers might have had difficulties in understanding the topic and/or they might not have seen it relevant. The web-based survey was conducted in English. A Russian version would have been useful in order to avoid language barriers especially in Belarus and it might have increased the interest in participation.

#### **4.4 Reliability and validity of the study**

Reliability and the validity play an important role when conducting research. Reliability measures whether similar results could be received, if the study was conducted at a different time, in different environment and in different circumstances. The research can be said to be reliable if two researchers' studies give the same results or if a researcher conducted the same study in different times and received the same results in both times. In qualitative research, having detailed information of interviews ensures reliability. (Hirsjärvi 2000, 213–214) The reliability is ensured in this research by selecting the right persons, who have first-hand information about the topic. The selected persons were working with this topic in daily basis or had first-hand information of the company's CSR procedures and actions. An error of interpretation could occur due to different ways of collecting data, face-to-face interview or web based survey. This leads to the fact that face-to-face interviews might have given deeper knowledge about the topic, whereas information from the surveys could be limited. However, this way of collecting data was the most proper for this case due to long physical distance, limited time and language barriers.

The web-based survey was conducted successfully in Estonia, but there were challenges in receiving answers from Latvia, Lithuania and Belarus. This could be due to language barriers or unfamiliarity with the topic. Especially in Belarus, the importance of CSR activities is not yet widely recognized.

In addition, reliability is relevant when evaluating how valid the research is. According to David Brinberg and Joseph E. McGrath (1988): “The valid is not a commodity that can be purchased with techniques.” They see validity as integrity, character or quality that is to be assessed relative to purposes and circumstances. The validity could be divided into two groups, external and internal validity. The external validity indicates to what extent the findings could be generalized to outside that specific research, such as to particular persons, settings and times, but also across types of persons, settings and times. The internal validity indicates that causal statements could be done in the research. In other words, in what extent a causal relationship exists between two variables. (Ghauri & Grønhaug 2005, 85–86; Brinberg & McGrath 1988, 13) In order to gain a valid research, the research methods have been identified as detailed as possible.

## 5 RESEARCH FINDINGS

This part will introduce the findings of this research. The results will follow the same structure as the interviews and web-based survey. Each of the responsibility issues, social, economic and environmental will be studied separately. The first part of the results will focus on customer's general understanding of CSR, more precisely, on issues, which are important or less important for them. Lastly, future prospects of CSR will be discussed and customers' opinions about the future of CSR will be introduced. The second part will focus on customers' understanding of Olvi Group's CSR actions. Last part will concentrate for reporting aspects.

The research findings include quotations both from interviews from Finland and web-based surveys from the Baltics. The Baltic quotations are written comments from the web-based survey. Finnish quotations are transcribed from interviews. Each quotation is marked "*Finland*" or "*Baltics*" for identifying the source of the quotation. Identification of the customer is not needed in this case.

### 5.1 Customers' understanding of CSR

When discussing CSR in general and its different dimensions, environmental, social and economic responsibilities, all of them were seen tightly related to each other and important. When asking, which part of CSR, economic, social or environmental responsibility is the most important, respondents agreed: customers consider them all as equally important and as cornerstones of all actions.

*"All of these issues are very important and could be seen as cornerstones, which need to be okay, and would be further developed." - Finland*

There are small differences in understanding between countries and companies, especially in the Baltics. It could be said that the knowledge of CSR is very high in Finland compared to the Baltic countries. This could be indicated by the quality of the answers but also the willingness to answer the survey. In addition, the size of the company determines how much time and resources the company is spending on the CSR activities and how actively

company is monitoring the achievements. In these cases, where customers do not have knowledge or resources, they rely on the given information and trust it until something unfortunate occurs.

Table 3 shows an overview of the results of the most important issues in CSR, which will be discussed next.

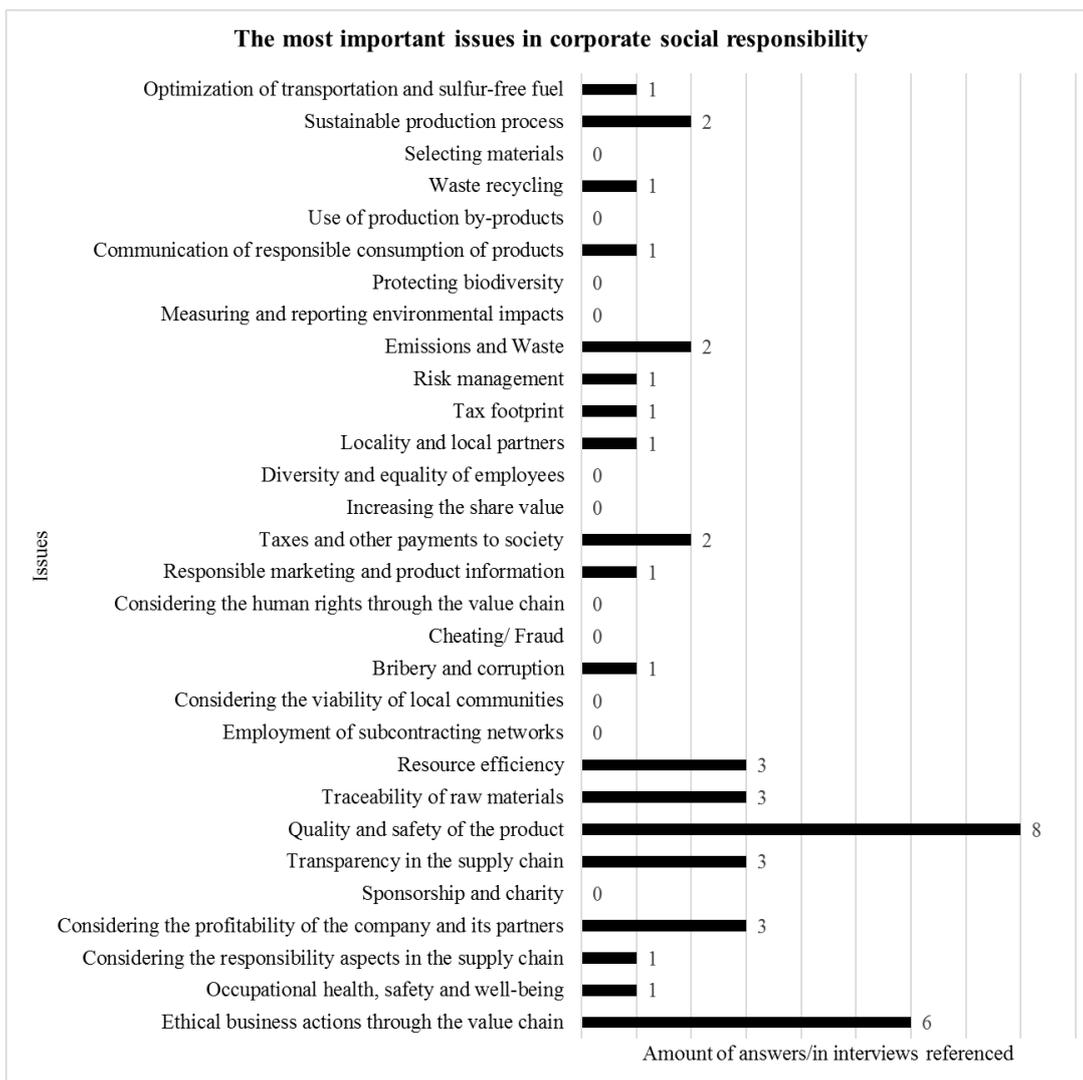


Table 3. Overview of the results of the most important issues in CSR

The first part of the survey concerned the most important and the least important issues related to CSR and justification of why these were chosen. The most important issues raised, were ethical business actions through the value chain and the quality and safety of the

products. These issues were particularly emphasized in the answers. As the study of Baden (2016) argues the conceptual ground of the CSR pyramid should be based on both legal and ethical responsibilities, before economic responsibilities. This could also be clearly seen in the customers' answers. The ethical business actions through the value chain were justified as follows:

*“It is important, that organizations evaluate the activities they are operating in order to deliver value for the market and that these actions would be ethically acceptable.” - Baltics*

The quality and the safety of the products are seen important aspects especially when concerning the fast moving consumer goods. Products need to fulfill their promises and expectations of customers but also of consumers. A respondent justified the quality and the safety of the product as follows:

*“It is relevant, that the end-product would be safe for the final consumer and also meet the high-quality requirements, which are expected by the customer.” - Baltics*

However, choosing the most important issues seemed to be difficult for customers, thus all of the issues could be valued high and considered tightly linked. A respondent argued as follows:

*“All of the above-mentioned factors have a considerable role in corporate responsibility.” - Baltics*

Answers show that the traditionally most important factors of CSR, such as quality of the product, financial performance and value for money, are still influencing customers' opinions. However, corporate responsibility related issues such as treatment of employees, environmental and ethical issues, and community involvement, have increased their importance nowadays.

Finding the least important issues was also difficult for many of the respondents. A respondent argued as follows:

*“I would not consider any of the issues listed to be not important, therefore it is very difficult to choose, which ones would be the least critical ones in terms of corporate responsibility. The ones I have chosen are issues, which I have the least exposure to.” - Finland*

Another respondent justified her decision when considering the least important factors similarly:

*“These are not essential in our field of activity.” -Baltics*

Table 4 below shows the overview of the least important issues in CSR, which will be discussed next.

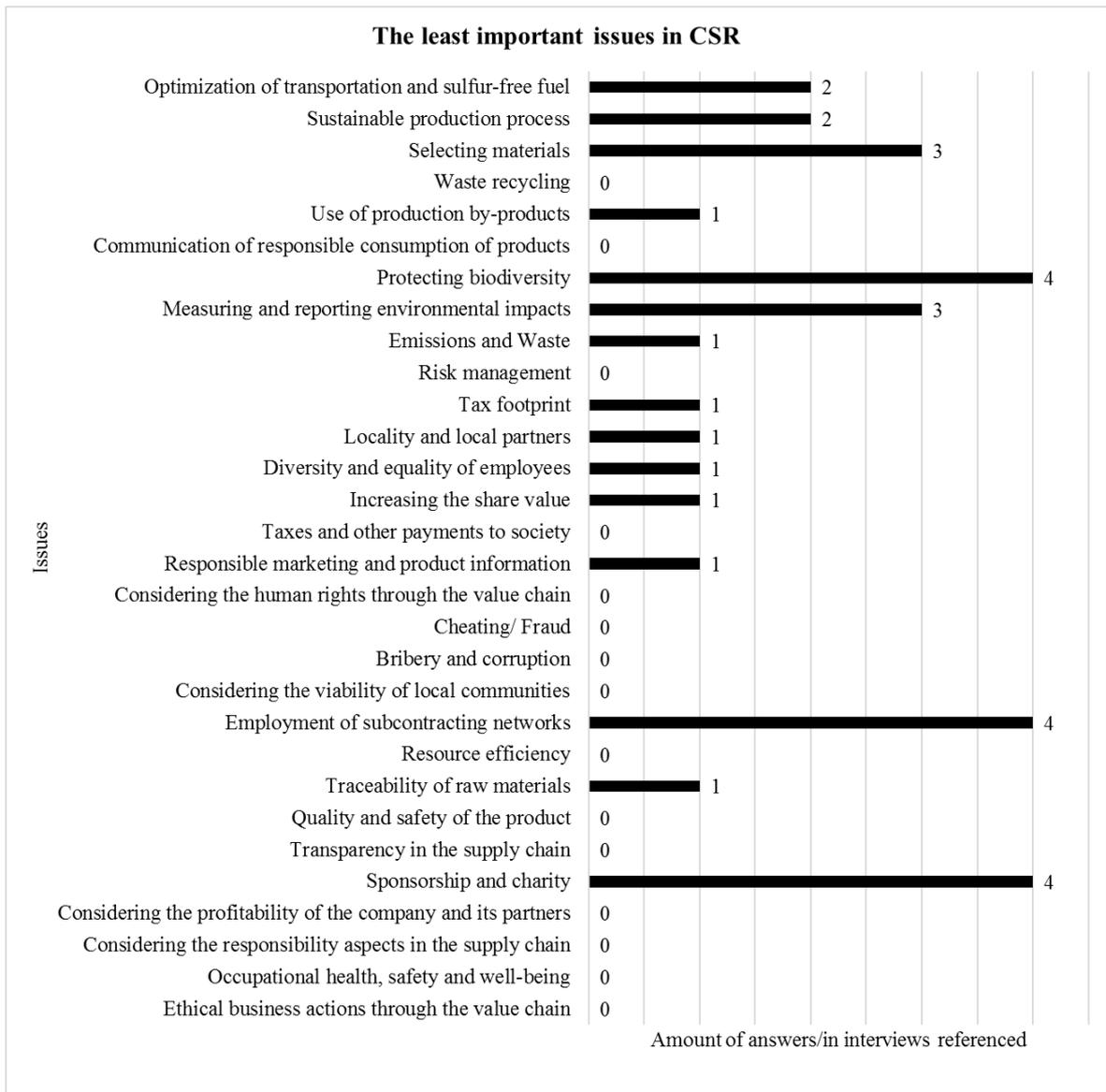


Table 4. Overview of the least important issues in CSR

It could be argued that activities, which were chosen to be the least important ones, were chosen due to their irrelevance for customers' current business actions or a respondent assuming them to be a part of a bigger or other already mentioned concept. These issues were protecting biodiversity and employment of subcontracting networks. In addition, softer issues such as sponsorship and charity were mentioned as less important aspects, because they were not that essential for company's business actions.

### 5.1.1 Economic responsibility

The results of the study of Dawkins & Lewis (2003) could also be clearly seen in the answers, when discussing the economic issues. There were only few answers that concerned economic responsibilities when discussing the most important issues in CSR. They were seen obviously important, but only three out of thirty issues touched the economic responsibility. Those three issues were considering the profitability of the company and its partners, taxes and other payments to society as well as bribery and corruption. However, employment of subcontracting networks was seen one of the least important issue in the economic responsibility.

All of the important economic somehow considered the society and its viability and company as a citizen. Especially bribery and corruption were seen as important aspects in the answers of the Baltics customers. However, those issues were assumed to be well managed in Finland, so answers did not emphasize these issues in Finland.

### 5.1.2 Social responsibility

As theory chapter shows, the social issues have increased their importance in CSR activities. The same trend could be traced from the answers. The issues of occupational health, safety and well-being; considering the responsibility aspects and transparency in the supply chain; responsible marketing and product information; locality and local partners as well as communication of responsible consumption of products were raised as important issues in social responsibility.

As the study of Dawkins & Lewis (2003) shows, a company should have open communication with its stakeholders. If there are discrepancies between company's words, intentions and actual actions, it might cause loss of credibility and bad reputation. Customers value open and accurate communication high, which is emphasized many times especially in the interviews. As mentioned earlier, responsible marketing and product information were raised as an important issue. A respondent argued as follows:

*“There are some industries (for example food industry), where the accuracy of the marketing and product information is very critical. Correct information about the product must be communicated to the customer in order to avoid any misunderstandings about the product.” -Baltics*

Consumers are willing to have more and more information about consumed products. However, customers seemed to find it challenging to know how and in which channel to inform and communicate with consumers about the value chain and the transparency of the product.

The least important issues raised in social responsibility were sponsorship, charity, diversity, and equality of employees. These issues were chosen due to their irrelevance for customers' current business actions or a respondent assumed them to be a part of a bigger or other already mentioned concept. As mentioned earlier, softer issues, such as sponsorship and charity, were mentioned as less important aspects, because they were not that essential for the company's business actions.

### 5.1.3 Environmental responsibility

The environmental responsibility issues were seen as the most familiar for the customers. The issues such as emissions and waste, waste recycling, resource efficiency, sustainable production process and optimization of transportation and sulfur-free fuel, were raised as important issues in environmental responsibility. A respondent argued the following concerning the importance of emissions and waste and sustainable production process:

*“In a situation where it is more and more acknowledged that our resources are limited, these are crucial issues for a responsible organization to evaluate, observe and improve.” - Baltics*

The least important factor raised in environmental issues was the selection of materials. However, some of the issues such as sustainable production process and optimization of transportation and sulfur-free fuel were seen the least important issues according to some respondents. However, those issues were also raised as important issues. A reason for this

could be due to respondents' different perspectives and familiarity of the issues. A respondent also argued the following when identifying the least important issues concerning the environmental issues:

*“I see this as a part of some other issue, so I will choose these to be the least important ones” - Finland*

#### 5.1.4 Future prospects

The corporate social responsibility has increased its importance year after year. Therefore, companies have started to pay more attention to CSR activities. It is not enough, that companies are acknowledging issues; a company should also develop and formulate its own activities, as the following comment identifies:

*“I think the main change has not been in the essence of corporate responsibilities, but rather the importance and acknowledgment. It has become more and more relevant for the organizations to formulate and develop their activities with regards to being a responsible organization.” -Baltics*

All respondents agreed that the importance of CSR would increase in the future. This was justified in the following comment:

*“In future business will be based on values - reaching economic, social and environmental responsibility's interactions.” - Baltics*

According to respondents, CSR has been seen mainly as internal actions such as improving company's own processes and developing the measuring, reporting and strategies. However, customers argued that this is not enough today. Respondents predicted that communication, interaction and co-operation between different groups would increase in the future. This means that companies cannot act alone, but they need to see themselves as a part of the society and take care of their different stakeholder groups. A respondent argued:

*“Corporate responsibility will become more relevant and also it becomes more important to communicate the activities of responsible behavior to consumers and co-operation partners.” - Baltics*

As theory chapter shows, the attention is shifting from economic responsibilities to social and environmental responsibilities. The social issues are seen to be the current themes, which are shifting towards environmental issues. Respondents argued that attention to environmental issues would increase in the future:

*“I would say that for a long time the most important responsibility has been economic responsibility, but currently, it seems that social responsibility has increased its importance a lot. The employees of an organization are more and more seen as the most fundamental factor in organization success, which must be taken care of. That is why I think that at this point social responsibility is in the spotlight. However, I think that in next 5–10 years there will be also much more focus on environmental responsibility due to the reason that the constraints of resources become more and more relevant.” -Baltics*

The other respondent agreed:

*“Economic responsibility has been most worked with the most in the past. Social responsibility is a current theme in society and politics for the moment and there are issues to be worked with. Environmental impacts are growing their importance and will continue to require more attention.” - Baltics*

A circulation economy was seen a future trend. Consumers are more and more interested in their own food loss for instance. In addition, companies should take more notice on how to utilize side streams of production and decrease the waste and emissions. It was also emphasized that companies should do more co-operation in order to create better circulation economy and increase the value for the consumer and the end-user.

Especially in the brewery and beverage industry, consumption of water plays a crucial role. According to a respondent, water was seen as a huge future concern in addition to how issues

with water consumption affect the production of beverages and consumers' willingness to buy. It was raised as an important matter that companies in this sector are open about water consumption per one produced liter of beverage and focus on how waste water could be utilized later or how water consumption could be decreased.

*“I think that it is important to tell customers how much you use water per one liter of produced beverage directly and indirectly. However, I am not sure if this is possible though” -Finland*

If consumers are concerned about their consumption and loss, they are also eager to know where the products are coming from and how products are produced. A respondent argued:

*“I think that customers are getting more and more aware of business activities in addition to the product it provides them.” - Baltics*

Due to that it is important to open the value-chain of the product and ensure the traceability of the raw materials. This also indicates the increased importance of the ethical business actions through the value chain, which were raised earlier. It is not enough that the company is responsible for its own production facilities but it should consider the whole value chain. In order to ensure reliable and sustainable value chain, companies should create their own code of conduct.

As discussed in the theory chapter, CSR communication has shifted from one-way communication to two-way communication, where companies are not only listening the stakeholders but also reflecting the key stakeholders' voices and interest. This could be also seen from the opinions of respondents. All the respondents agreed that transparency in supply chain, reporting and information would become the condition of operation. It is important to communicate with different stakeholders in an expected and understandable manner. Companies should modify their communication styles and channels depending on the stakeholder group. Thus, a targeted message could be received and understood better with different stakeholder groups. In addition, communication could increase the co-operation with different stakeholder groups.

## 5.2 Customers' understanding of Olvi Group's CSR actions

When discussing about Olvi Group's CSR actions, the common theme of the answers was uncertainty. Most of the respondents were not sure about Olvi Group's current CSR actions and most of the answers were assumptions and guesses. However, respondents assumed that most of the issues and activities are managed well. Table 5 shows the overview of the most descriptive issues of Olvi Group's CSR actions.

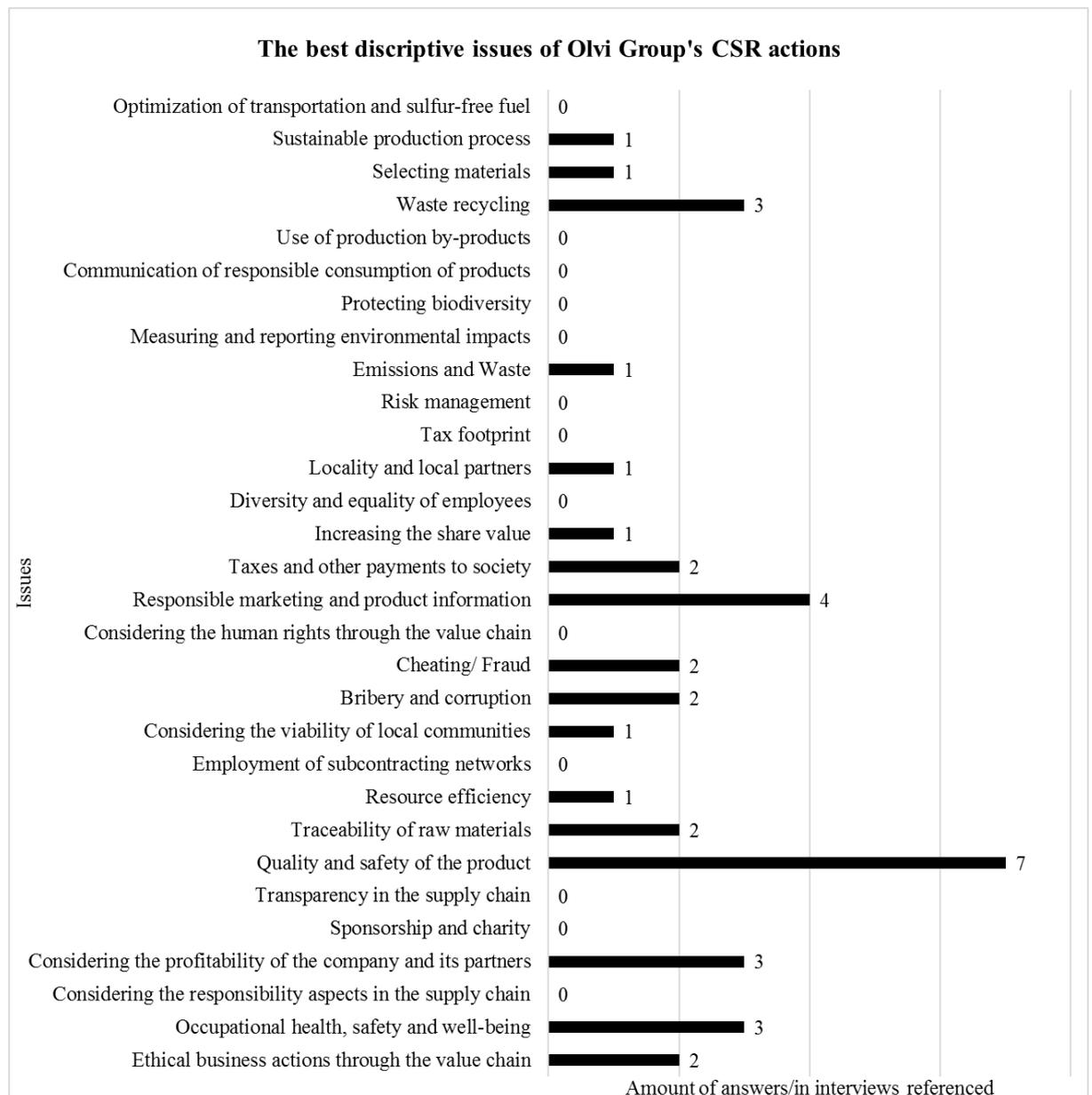


Table 5. Overview of the best descriptive issues of Olvi Group's CSR actions

Respondents agreed that Olvi Group has high quality and safe products. It was also seen that the company is giving reliable information and the company is a responsible alcohol marketer. Respondents also agreed that Olvi Group is considering the profitability of the company and its partners. In addition, they argued that Olvi Group is taking good care of its employees and thus, the company is paying attention to occupational health, safety and well-being. .

*“I can very well identify this, the quality and the safety of the products; I believe that you manage that well. I believe that considering the viability of local communities is taken care of too. That is what I am strongly believing. I believe that you take a good care of occupational health, safety and well-being.” - Finland*

Respondents also assumed that the company is taking care of different environmental issues such as waste recycling and emissions, although they are not communicated with stakeholders.

*” I really do not know anything about responsibility in the supply chain. I cannot connect you to this at all. It would also include respect for human rights. Then if we go to the resource efficiency side, you certainly do a lot of things but they will not be told.” - Finland*

Issues, such as sponsorship and charity, paying attention to responsibility aspects in the supply chain and resource efficiency were found to be the least descriptive issues in Olvi Group. This was surprising because Olvi Group has strongly focused on LEAN management in the production past years. The overview of the least descriptive issues in Olvi Groups' CSR are indicated in table 6.

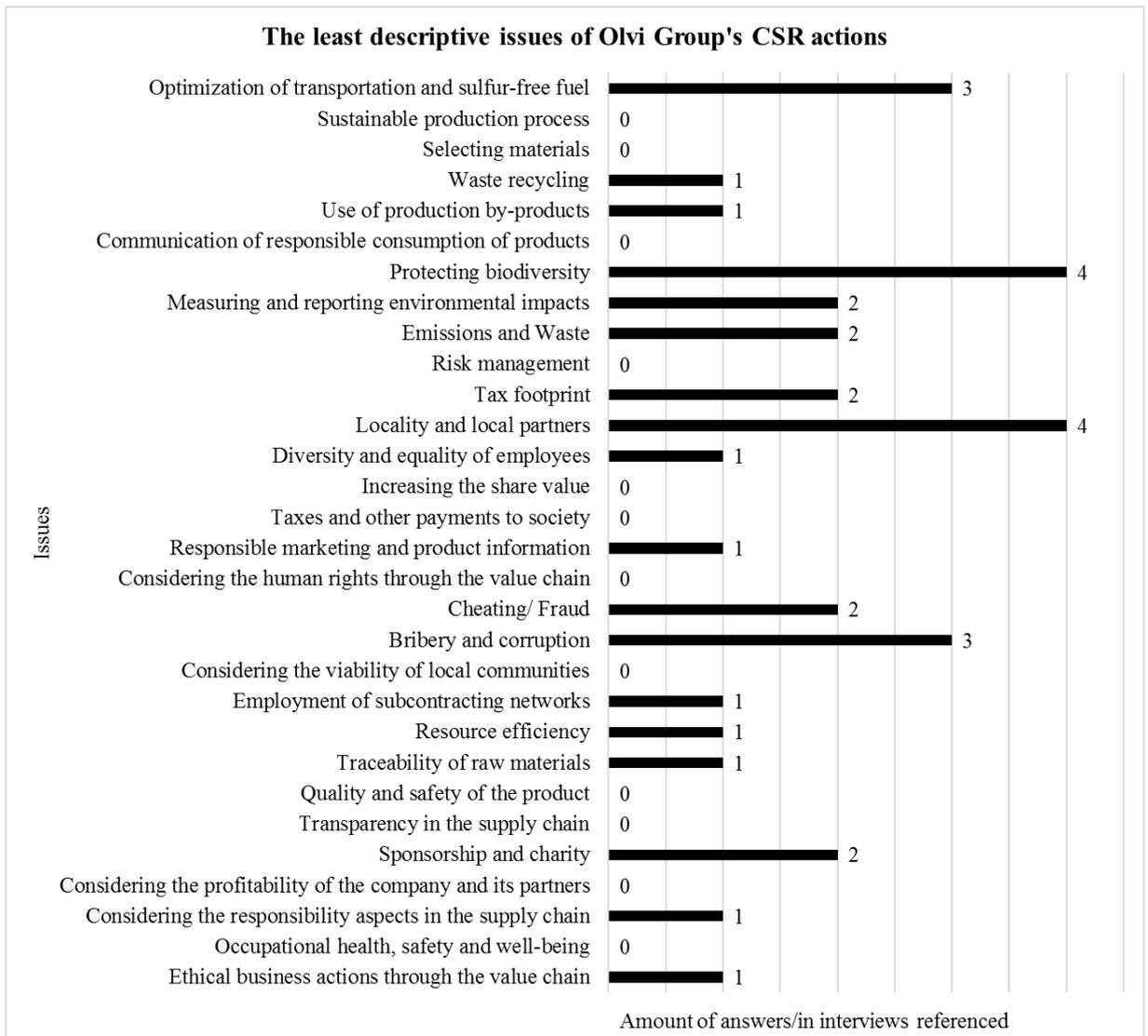


Table 6. Overview of the least descriptive issues of Olvi Group's CSR actions

### 5.2.1 Economic responsibility

Answers show that in the brewery industry companies have many same themes when reporting and communicating about economic responsibilities. However, the amount of information and openness varies between companies. Although respondents agreed that Olvi Group is assumed to be a loyal and responsible taxpayer, it is not communicated or reported clearly, for example on web sites. Respondents did not have accurate information about it. A respondent argued as follows:

*“I know that you pay taxes and you pay enough to Finland, but I do not know anything about it.” - Finland*

The company should pay more attention to giving better and more comprehensive information of economic responsibility and also communicate these issues more openly. In addition, it was noted that current information in Finland was based on only Olvi Finland. The sustainable report does not cover all the countries of Olvi Group. This was seen as a weakness because the aspect interested especially Finnish customers. As a respondent argued:

*“I would like to know how everything is organized in other countries but I did not find information about it.” - Finland*

### 5.2.2 Social responsibility

Answers show that in the brewery industry social responsibility is seen as an inside activity more than an outside activity. This means that most of the social issues reported concern employment health, well-being and safety. However, according to respondents, it is not enough because social responsibility in the supply chain is equally important, although easily forgotten. However, companies should pay more attention to it when creating a code of conduct. Although, Olvi Group has created its code of conduct and is actively using it, respondents were not aware of it. According to respondents, there is not enough information concerning the social responsibility of Olvi Group.

*“Olvi Group should communicate better about code of conduct and its social responsibilities in general.” - Finland*

The information given on web sites mainly concerns the safety and quality of the product. In addition, informing about responsible consuming is done well and thoroughly.

Traceability of the raw materials and products is a growing trend. This is also tightly included in CSR actions. Not only consumers but also customers are willing to know where the raw materials come from and how everything is produced. This is also important from a risk-minimization point of view. According to a respondent, the company should tell more about

the origin of the product and bring more attention to its Finnish background. A respondent justified his opinion as follows:

*“It is important to tell the story behind the product to customers. Your products have a great story, which could be told for example in social media. Photos or video from the factory in theme: here comes the beers for Christmas” - Finland*

In addition, the importance of the responsibility requirements in supply chain is increasing. This could be also seen in the Barometer of PwC, which shows that 77% of companies are setting responsibility requirements for their supply chains. However, only 61% of the companies are monitoring the compliance of those requirements. (PricewaterhouseCoopers Oy 2017)

### 5.2.3 Environmental responsibility

In general, respondents feel that environmental responsibility is more familiar for industry due to its practicality and economic benefits. At the moment, most of the companies' environmental responsibility is focused on developing company's own actions for example, on how to utilize waste and side streams. However, respondents argued that companies should take the next step, where circulation economy and interface utilization are on the focus. Respondents suggest that Olvi Group should try to seek interfaces, which could be utilized together with retailers and would be beneficial for both parties.

*“If there are some interfaces where we and Olvi Group could do co-operation, we are very interested in to hear about it and participate.” -Finland*

Many of the respondents argued that they are expecting that Olvi Group is managing environmental responsibility well. However, the reporting of environmental actions are not clear. In comparison to its main competitors, Olvi Group has a relatively limited amount of information especially concerning the emissions. There are short verbal explanations of actions but numerical data and clear achievements are lacking on the web sites. Respondents also agreed that Olvi Group is lacking clear public targets for its long and the short-term achievements.

A respondent argued that it would be great to learn more about environmental responsibilities and achievements on a group level. It was not clear how the environmental actions, such as waste recycling, emissions and resource efficiency, differ between subsidiaries and the mother company.

*“I would like to know how the waste recycling is organized in subsidiaries and if it differs between them and mother company I would like to know how.”-  
Finland*

According to a respondent, it is important to communicate what the company has done in the section of the environmental responsibility, which were the targets and how those were achieved. Measuring and clear monitoring of environmental actions were seen important as well.

Palpa, the bottle recycling system, is an important part of the beverage business in Finland. Olvi as a mother company is also tightly involved in it. According to a respondent, Olvi Group is communicating well about it. However, the benefits of the Palpa recycling system could be discussed more in Olvi Group’s own web site.

#### 5.2.4 Reporting

CSR reporting requirements seem to increase and get tighter in the future. Legislation is putting pressure to companies but also different stakeholder groups are actively demanding information about CSR activities.

Although Olvi Group is conducting various CSR actions on a daily basis, the company does not report its activities proactively. As mentioned earlier, customers did not know many of the company’s CSR activities, due to poor reporting. Respondents agreed that the company did not have any clear targets, strategy how to reach those targets or what are the future next steps. Customers suggested that the company should be more open and transparent with the communication and information flow with stakeholders.

*“As my answer for some questions was “don’t know” - then more communications. It will help to create a positive image of Olvi. - Baltics*

Thus, the company should set public goals and tell stakeholders how the company will reach those goals and possible future steps. Furthermore, it is important that goals are divided into short-term and long-term goals.

Respondents also argued that the company should consider different stakeholder groups in its reporting. Reporting style should vary between stakeholder groups. The information should also be clear and understandable to enable receiving the information with a short glance. Therefore, telling the stories behind the numbers is important. In many cases, numbers do not tell everything, but clear examples and visualizations are seen as an easy way to present CSR activities in an understandable manner. Visualization has a huge importance when reporting the results and activities of CSR. Messages should be also communicated in different channels. It is not enough that activities are presented on the company's webpages. They should be told regularly to different stakeholder groups. Some of the customers were also willing to receive leaflets or equivalent information sheets yearly, in which the company is telling its past activities and reached or unreached goals.

*“We are receiving the leaflets of the CSR actions of companies. This is an easy way to give information annually about company's actions, targets and achievement. We would like to receive one from Olvi as well.” - Finland*

Respondents also saw as an important factor that the company is taking part in different voluntary agendas, such as UN's Sustainable Development Goals 2025 and the Paris Agreement. Those agendas give a framework for the company's own goals and finding the important targets to follow. This trend is also recognized in the barometer of PwC. UN Sustainable Development Goals are more and more visible in CSR reporting and 31% of the companies mention it in their reporting. In addition, 34% of the companies mention the Paris Climate Agreement or the EU 2030 Climate and Energy targets in their CSR reports. (PricewaterhouseCoopers Oy 2017)

The main issues raised in the answers when discussing reporting were clear top level policies, objectives, and measures, which are communicated clearly and followed regularly. Communication should be as open and transparent as possible.

*“It is foolish to make CSR action in secrecy. You should take a pleasure from what you have done. It is creating more and more the brand image and the responsibility there seems to be a rising trend.” - Finland*

## 6 CONCLUSION

The importance of CSR is increasing. The pressure from different stakeholder groups forces companies to monitor, report and communicate their CSR actions more openly and transparently. In addition, the company given information should meet their actions. If there is a discrepancy, it could affect the company's reputation and credibility. EU-legislation is putting its own pressure for different reporting responsibilities, especially for listed companies. In today's society, information moves fast and is available for everyone, which also increases the pressure to act in a responsible manner and meet the stakeholders' needs and expectations.

The purpose of this thesis was to explore the stakeholders' understanding of the corporate social responsibility (CSR). More precisely, this research aimed to reveal what kind of understanding and expectations companies have about CSR at the moment and how do they assume it to change in the future. As the study was conducted as a case study, it also aimed map how stakeholders, more precisely customers, are seeing the Olvi Group's actions of CSR. The study was conducted as a qualitative research, where the important and relevant customers for Olvi Group's business actions were interviewed or asked to answer a web-based survey. Although, Olvi Group should have conducted the survey for all of its stakeholders, customers were selected as a focus group for their importance for Olvi Groups daily business actions. Even though, the amount of conducted interviews was limited, it counted more than 70% of the sold volume of the case company in Finland. The web-based survey was conducted successfully in Estonia, but receiving answers was more challenging in Latvia, Lithuania and Belarus. This could be due to language barriers or unfamiliarity with the topic. Especially, in Belarus, the importance of CSR activities is not widely recognized yet.

This topic has been interesting to study due to its increasing importance for businesses and society. Even though, the topic has been studied more than 60 years, its importance in daily business actions have been only recently recognized. Being part of the case company's CSR project, has been educational and increased my understanding in an operational level. I had an opportunity to conduct the study, which covered all Olvi Group's operating countries;

this gave me a valuable understanding on how the subject is understood and valued in the Baltics and how those countries differ from Finland for example.

It could be said that the interviews gave deep knowledge on the subject because they gave the possibility to extend the survey questions and the topic. This also gave an opportunity to correct some mistakes such as ask questions which were not included in the actual survey. Those lacks were noticed during the interviews. There was no time to conduct a test interview or survey, which lead to a situation where not all of the possible views were considered. However, interviews gave good extra point of views to consider, but this could have left some of the interesting opinions or findings unnoted in the web-based survey, when right questions could not be asked. Hence, the company could conduct the survey again and modify the questions regarding the given feedback in the future. In addition, this could give a good view how things have changed and if customers' views of the case company's actions have changed. This could be a good way to receive feedback of conducted communication and actions, which could support the future intentions of the company.

### **6.1 Customers' views on CSR in the brewing industry**

The customer survey was conducted for the case company to extend the case company understanding of customers' expectations and views. Furthermore, it gave support for company's decisions in order to build a successful CSR strategy and communication plan. Some of the questions were focusing on general understanding of CSR, which supported issues in, which the case company was uncertain. Those issues proved that company is making the right decisions and the CSR strategy is planned based on customer's expectations and important issues, not on hunches or assumptions. Interviews raised many issues of which the company was aware. However, there were also raised issues that the company did not expected or could not see. Those were for example resource efficiency and sponsorship. The case company is investing many resources for those issues and could not understand that customers are not aware of them at all. This proves the power of communication with stakeholders.

In general, customers are paying more and more attention to CSR activities: on their own but also their co-operating partners'. They are gaining more information about CSR when

the pressure is increasing and forcing the companies to find solutions for grievances. There are small differences between countries and companies, especially in Finland and the Baltics where the study was conducted. It could be said that the knowledge of CSR is very high in Finland, compared to the Baltic countries. This could be concluded from the quality of the answers but also from the willingness to answer the survey. In addition, the size of the company determines how much time and resources the company is spending on the CSR activities and how actively the company is monitoring the achievements. In these cases, where customers do not have knowledge or resources, they are relying on the given information and trust it until something unfortunate occurs.

## **6.2 Managerial implications for Olvi Group**

Olvi Group has long roots in the brewing industry and the company has conducted various CSR activities over the years. As the research shows, Olvi Group's major challenge is communication with its stakeholders. The company is conducting various CSR actions, but stakeholders are not aware of them. However, the company is aware of this challenge and the lack of information. Although, most of the answers were based on assumption and guesses, company's good reputation showed that customers trust the company and its actions. However, the case company should more openly tell its targets, achievements and future goals of CSR. It could be argued that in the long run the company cannot maintain its good reputation if it is not communicating with its stakeholders. The information is mainly focusing on the mother company and group level information, in which also subsidiaries are covered, is not included. Olvi Group should harmonize its actions and goals inside the Group so that all the subsidiaries have both common as well as their own local goals. In addition, the company should pay more attention to educating its employees on this topic in order to create CSR actions as a natural way of operating and communicating about it. Without fully understanding the topic, the company cannot create a competitive advantage through it.

As the theoretical basis of this research indicates, companies should pay more attention to two-way communication instead one-way communication. Therefore, Olvi Group should pay more attention to its stakeholders' views and conduct stakeholder surveys in order to receive accurate and updated information of the expectations and needs.

When conducting the interviews, customers were very willing to participate in the study. They were also very pleased to hear that Olvi Group is putting resources on its corporate social responsibility actions. Interviewees were willing to participate in the developing process and were interested in seeing the results in the future. Respondents suggested that Olvi Group should invest in CSR, because of the current requirements of CSR demand resources for conducting communication, reporting and monitoring successfully. In addition, if the company wants to create competitive advantage from CSR, activities should be organized professionally with needed resources, not in a way where employees are conducting the actions alongside their own work.

The key issue in corporate social responsibility could be identified as the ethical business actions. That could be seen as an issue, which connects all the other aspects together. As the Figure 13 below shows, ethical business action is in the middle affecting all the other important issues that, were found in the study. This also follows the suggestion of the theory of Baden (2016).



Figure 13. Key issues of the findings

All the company's actions should base on ethicality. It could be argued that this also ensures the company's openness, transparency and possibility to create competitive advantage. It is complicated to create competitive advantage through CSR actions, because various issues are involved in the process and some issues regulated by law. This leads to a situation where the company needs to be proactive and create standards by itself. Although, the case company has already conducted many activities successfully, there will be a long journey before company can create competitive advantage from CSR. This requires that the whole company and its employees are proactively improving the daily actions through the aspects of CSR.

Although the interest in and importance of CSR is increasing, the future key issues are difficult to predict. Technology can provide solutions for many current problems, or it could raise some new concerns in ethical business actions. Companies should update their CSR strategies constantly in order to answer stakeholder expectations and wishes in the constantly changing environment.

### **6.3 Future research**

The study leaves many possibilities for further studies. This research does not give exhaustive answers about the differences between countries and reasons behind them, and therefore that could be an interesting topic for the further study. Another interesting point of view could be how cultural differences are affecting CSR and its implementation in business. In addition, changing the perspective from the company's point of view to the stakeholders' point of view could be worth better understanding. Studying how companies' actions are affecting stakeholders' decisions and behavior, such as willingness to consume and invest, and how the reputation of a company is affecting those decisions could also be suggested as further topics. As discovered in the study, a good company reputation forgives various fouls. Thus, it would also be interesting to study how long a company is able continue relying on its good reputation until reputational damages resulting from poor CSR can be seen. In addition, would be crucial to understand, which CSR issues cause the most stress to company reputation.

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## APPENDIECES

### APPENDIX 1: Interview and web based questionnaire

#### Background questions:

1. Which issues below, do you consider to be the most important / the least important in corporate responsibility? Choose five.

	The most important in corporate responsibility	The least important in corporate responsibility
Ethical business actions through the value chain		
Occupational health, safety and well-being		
Considering the responsibility aspects in the supply chain		
Considering the profitability of the company and its partners		
Sponsorship and charity		
Transparency in the supply chain		
Quality and safety of the product		
Traceability of raw materials		
Resource efficiency		
Employment of subcontracting networks		
Considering the viability of local communities		
Bribery and corruption		
Cheating/ Fraud		
Considering the human rights through the value chain		
Responsible marketing and product information		
Taxes and other payments to society		
Increasing the share value		
Diversity and equality of employees		
Locality and local partners		
Tax footprint		
Risk management		
Emissions and Waste		
Measuring and reporting environmental impacts		
Protecting biodiversity		
Communication of responsible consumption of products		
Use of production by-products		
Waste recycling		
Selecting materials		
Sustainable production process		
Optimization of transportation and sulfur-free fuel		

2. Why did you choose these five issues to be the most important / the least important?

(to be continued)

(Appendix 1 continues)

3. Which issues below describes the best / the least corporate responsibility actions of Olvi Group? Choose five.

	The most descriptive	The least descriptive
Ethical business actions through the value chain		
Occupational safety, -health, and -well-being		
Pay attention to responsibility aspects in the supply chain		
Pay attention to the profitability of the company and its partners		
Sponsorship and charity		
Transparency in the supply chain		
Quality and safety of the product		
Traceability of raw materials		
Resource efficiency		
Employment of subcontracting networks		
Considering the viability of local communities		
Bribery and corruption		
Cheating/ Fraud		
Considering the human rights through the value chain		
Responsible marketing and product information		
Taxes and other payments to society		
Increasing the share value		
Diversity and equality of employees		
Locality and local actors		
Tax footprint		
Risk management		
Emissions and Waste		
Measuring and reporting environmental impacts		
Protecting biodiversity		
Responsible marketing of consumption (alcohol products)		
Use of production by-products		
Waste recycling		
The choice of materials		
Sustainable production process		
Optimization of transports and sulfur fuel		

4. Why did you choose these issues as the best descriptive / the least descriptive?

(to be continued)

(Appendix 1 continues)

### **Economic, social and environmental responsibility**

In this section, we are looking more closely economic, social and environmental responsibility related issues.

**Economic responsibility** - Economic responsibility includes, such as the management of the business sustainability, anti-corruption and taxation. It also includes paying attention to the partners' profitability.

1. How do you think that Olvi Group is performing the economic responsibility according to the definition above? Why?
2. How do you think that Olvi Group is performing when comparing with the main competitors?
3. Which issues should Olvi Group pay more attention from the point of view of financial responsibility?

**Social responsibility** - Social responsibility includes, such as fair and respectful human rights practices, occupational practices, good working conditions for workers, and ethical business actions. In addition, responsibility covers issues related to consumers, product information, product safety and marketing.

1. How do you think that Olvi Group is performing the social responsibility according to the definition above? Why?
2. How do you think that Olvi Group is performing when comparing with the main competitors?
3. Which issues should Olvi Group pay more attention from the point of view of social responsibility?

(to be continued)

(Appendix 1 continues)

**Environmental responsibility** - Environmental responsibility includes such as measuring and reporting environmental impacts of the company. The company is responsible for the environmental impacts of the entire product life cycle of its products. Environmental responsibility includes also energy efficiency and the use of environmentally friendly technologies, resource-efficient use of natural resources, and avoidance of harmful substances, waste treatment and recycling.

1. How do you think that Olvi Group is performing the environmental responsibility according to the definition above? Why?
  2. How do you think that Olvi Group is performing when comparing with the main competitors?
  3. Which issues should Olvi Group pay more attention from the point of view of environmental responsibility?
- Which of these three groups (economic, social and environmental responsibility) are the most important at the moment and why? How about in the future during the next 5-10 years?

### **Corporate responsibility and future**

In this section, we are looking more closely how corporate responsibility have changed past years, its current expectations and future.

1. What do you think, how the corporate responsibility has changed over the past years?
2. What do you think, how it will change in the future?
3. Will consumers put pressure on responsible business activities? If yes, what kind?
4. What kind of expectations do you have for the responsible business actions of Olvi Group's supply chain in the future?
5. How should the Olvi Group communicate about corporate responsibility?