



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

## **Small, Medium or Large - Does it Matter?**

How firm characteristics influence the organising of CSR activities in Swedish clothing firms

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## **Abstract**

The ambiguity of the concept of Corporate Social Responsibility (CSR) has been widely debated in academic research over the last decades. There is a consensus that firms ought to take responsibilities for their actions, but there is no unified definition of CSR and which activities are included in the concept. Hence, what the CSR activities entail and how firms have chosen to organise them may differ between firms and industries. According to organisational theory, firm characteristics have a strong influence on the organising of firm activities. Yet, the linkage between firm characteristics and organising of CSR activities has so far been limited. One discussion that has evolved is how organising of CSR activities differs depending on firm size. Other factors, such as firm age have been neglected in the discussions. In this thesis, the area of how firm size and age influence the organising of CSR activities in Swedish clothing companies has been discovered. The results show that firm size has an influence in accordance with previous research. Firm age was also found to have an impact on the organising of CSR activities.

## **Key words**

Corporate Social Responsibility, Clothing Industry, Firm Size and Age, Organising, Sweden

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## Abbreviations

BCI	Better Cotton Initiative
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CWCN	Child Watabaran Center Nepal
EC	European Commission
ETI	Ethical Trading Initiative
FLA	Fair Labour Association
GOTS	Global Organic Textile Standard
GOTS	the Global Organic Textile Standard
GRI	Global Reporting Initiative
H&M	H&M Hennes & Mauritz AB
ILO	International Labour Organization
ISO	International Standard Organization
MFA	Multi-Fibre Arrangements
MNE	Multinational Enterprise
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
Oeko-Tex	International Association for Research and Testing in the Field of Textile Ecology
SCCC	Swedish Clean Clothes Campaign
SME	Small and medium-sized enterprises
STWI	Sweden Textile Water Initiative
UN	United Nations

# 1 Introduction

## 1.1 Background

A trend over the last decades has been to move production to developing countries, which often lack the enforcement of national and international labour laws (Carley, 2006; Ansett, 2007). An industry that is highly representative of this phenomenon is the clothing industry, where production is moved to countries strategically beneficial in terms of lower costs and access to production factors such as labour (Ansett, 2007). One example of that is the Swedish clothing industry, which has been subject to a lot of changes during the last decades such as outsourcing of most production to other countries (Bresky et al, 2008). Today, clothing production is mainly concentrated to Asia, where China is the world's largest producer with the most people employed in the industry. The clothing production is often outsourced to external suppliers, where retailers in general have a large influence (Dicken, 2007, pp. 250-1). The industry is buyer-driven, characterised by rapid changes in customer demand for products as well as intense competition, which results in increased pressures for suppliers both in terms of price and delivery times (Dicken, 2007, pp. 250-1; GRI, 2008).

Until recently, clothing retailers did not acknowledge any responsibilities for worker's rights in the production. However, as a result of outside pressures, the companies have increased their responsibilities along the supply chain (Zadek, 2007; Ählström & Egels-Zandén, 2008). The responsibilities include questions such as working conditions and environmental impact of the company operations (Taylor, 2003; Ählström & Egels-Zandén, 2008). Initiatives on responsibility taken by companies are commonly referred to as Corporate Social Responsibility (CSR) initiatives. However, there is an ambiguity of what the concept of CSR entails and therefore there is no unified definition of what CSR actually is (Dahlsrud, 2008). For this study the definition proposed by the European Commission has been used: "*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (European Commission, 2011a). Stakeholders can be described as persons or groups that have a stake in the behaviour of the firm and are directly or indirectly affected by the firm's actions (Carroll, 1991). Thus the definition of who is a stakeholder can vary, but the most common are: employees, customers, suppliers, the community, the government and the environment (Jamali, 2008). Moreover, stakeholder demands can vary and even at times be contradicting, which increases the complexity of the concepts (Mallin, 2009). The ambiguity of the concepts related to CSR creates a confusion of what firms actually are expected to do and how far their responsibilities extend (Egels-Zandén, 2007). In the clothing industry the ambiguity becomes particularly evident due to the complex global supply chain networks, involving several different actors located all over the world such as manufacturers and sub-suppliers (GRI, 2008).

Hence, the firms' work with CSR depends on how they interpret the concept, which stakeholders they work with and in which industry they operate. Since CSR can differ to such a great extent,

questions arises of which CSR activities to include and how to organise them. The way a company organise the work is explained as the division of labour into various tasks as well as the coordination of these (Mintzberg, 1983, p. 2). The division of labour has been defined for example in terms of departmentalisation. Moreover, organisational theory has researched the organising of firm's activities extensively, where for example formal and informal coordination mechanisms have been used to explain how firms coordinate their activities. Amongst the formal mechanisms, formalisation is found as a concept, which refers to for example written policies, rules, job description and manuals. Other aspects of coordination are communication and decentralisation versus centralisation (Martinez & Jarillo, 1989). Furthermore, the firm's choice of coordination mechanisms is closely linked to the characteristics of the firm, such as firm size and age (Mintzberg, 1983, p. 123). Although research has been done on the organising of firm activities, less literature is to be found on the organising of CSR activities and even less the link to firm characteristics. There are few studies that deal with these issues, where the focus mainly has been on firm size and the influence of such on the way companies organise their CSR work (Graafland et al, 2003; Jenkins, 2004; Russo & Tencati, 2008; Nielsen & Thomsen, 2009). Even though some researchers point out the firm characteristics to be of central importance, this is usually ignored by the general descriptions and expectations of CSR activities (Porter & Kramer, 2006; Heslin & Ochoa, 2008). This is the point of departure for our study, to investigate further how firm size and age influences the organising of CSR activities in the clothing industry.

The clothing industry has been subject to a lot of pressure on CSR regards and therefore has experience of working with these issues (Taylor, 2003; Ählström & Egels-Zandén, 2008). As previously noted the Swedish clothing industry has followed the patterns of outsourcing and has experience of working with CSR issues. Hence, the Swedish clothing industry has been chosen for the study. In order to find out how the firm size and age influences how the Swedish clothing firms organise their CSR activities, different aspects has been taken into account. First of all, the formalisation of activities is touched upon. Secondly, the integration versus separation is discussed, as related to the division of job tasks. Thirdly, centralisation and decentralisation is discussed in terms of community commitment. Fourthly, the communication as a coordination mechanism is covered.

## **1.2 Purpose, Research Question and Delimitations**

The purpose with the study is to find out how the organising of CSR activities within Swedish clothing firms is influence by firm size and age. A lack of previous research on the subject indicates that this is a relatively unexplored area. The study aims to fill the gap, where organisational theory meets CSR literature. Therefore, the following research question is posed:

*How do firm size and age influence the organising of CSR activities in Swedish clothing firms?*

By answering the research question, the study aims to contribute to the academic research in the area of how CSR activities are influenced by firm size. In addition, new insights are found on how firm age influences the organising of such activities, which is yet an undiscovered area.



Furthermore, the insights can be of help when comparing firms and their CSR activities. The contribution for Swedish clothing firms can be important insights on how firms in a better way can adjust to its firm characteristics as well as to identify which challenges the company might face due to firm size and age. If the preconditions of the CSR work are unravelled, this can be used in further developing CSR activities and strategy objectives.

In order to focus the study some delimitations has been made. As earlier discussed, organising can entail many dimensions, where the ones chosen for this study are: formalisation, integration versus separation, community commitment and communication. Moreover, in terms of firm characteristics firm size and age has been chosen. Size has already been pointed out as an important factor by several researchers, whereas age has been less discussed. The chosen aspects of organising as well as firm characteristics should not be considered as exhaustive, but rather that other factors might also influence the organising of CSR activities. Instead, the aspects and factors have been chosen in order to focus the study and are believed to be relevant for the phenomenon being studied.

### **1.3 Thesis disposition**

The thesis is structured in the following way; in the conceptual framework two different scholars are presented, as the foundation of the study. A research model is then presented in order to explain the linkage between the scholars and how they relate to our study. After the research model, the scholars have been combined to give a deeper insight to the area of organising of CSR activities. In methodology the technical aspects of the study is further explained. The empirical material is then presented together with the analysis, followed by the conclusions.

## 2 Conceptual Framework

The conceptual framework is the foundation to the study, where important concepts are explained and elaborated upon. First of all, the concept of CSR is described and defined, followed by a discussion on CSR activities. CSR is then related to firm size and age in terms of motivations and commitment. Next, the CSR literature is complemented by the organisational theory, to provide an overview of the different aspects of the organising of firm activities. Organising of firm activities are then discussed in relation to firm size and age.

### 2.1 Corporate Social Responsibility

The differences in approaching CSR issues may stem from the fact that CSR as a concept is vaguely defined. In fact, there is no unified definition of what CSR actually is and the concepts provided have been described as either too broad or too specific (Dahlsrud, 2008). However, five dimensions are often included in the definition of CSR: environmental, social, economic, stakeholder and volunteerism. The environmental relates to the firm's impact on the natural environment, whereas the social dimension focuses on the relationship between business and society. In the economic dimension the CSR activities are regarded as part of business operations and the volunteerism focuses on CSR from an ethical standpoint, beyond legal requirements (Dahlsrud, 2008). Hence, there are several aspects of CSR, which is considered one of the reasons for the ambiguity of the concept.

The ambiguity of the concept of CSR becomes even more evident when taking industry specific issues into account. When it comes to the clothing industry, it is characterised by labour-intensive production and extensive use of chemicals. Therefore topics such as labour practices in developing countries, environmental aspects as well as consumer safety are of great importance (Dickson & Eckman, 2006; Park & Lennon, 2006). Furthermore there is an emphasis on the day-to-day actions within the business. These actions relate to product sourcing, employee relations and working conditions (Dickson & Eckman, 2006).

However, in the more general literature on CSR, the concept is often referred to as defined by McWilliams and Siegel (2001, p. 117): “[...] *actions that appear to further some social good, beyond the interests of the firm and that which is required by law*”. Another frequently used definition is the one by the European Commission (EC) “*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” (European Commission, 2011a). Strikingly, the definition of the EC covers all key aspects of CSR as described in the study by Dahlsrud (2008), whereas the definition by McWilliams and Siegel is more vague in this regard. Hence, the definition by the EC offers a holistic picture of CSR as a concept. Moreover, the EC definition is regarded as appropriate for the clothing industry, since the interpretation of CSR can differ between companies in the same industry. Therefore, an appropriate definition for this study is a more general as the one offered by the EC.

## 2.2 CSR activities

Since the aim of the study is to explore how CSR activities are organised, it is of relevance to discuss what they actually entail. A common criticism is that there is a gap what companies say and what they do, where such tendencies have been described as e.g. “blue-washing”. This implies that the firm states that they respect the principles of the United Nations Global Compact without actually doing it in practice (Egels-Zandén, 2010). Because of the discrepancy between policies and practices, the activities are discussed separately. Since the academic literature is not practical oriented, the section is complemented with practitioners’ views. However, as discussed below, both viewpoints coincide in what is regarded as policies and practices.

### 2.2.1 Policies

Policies can be found at different levels: company, multi-stakeholder, government and international level. The policies often include a so called “*code of conduct*”, which contains policies regarding for example human rights and working conditions (van Tulder & Kolk, 2001). The companies and multi-stakeholder initiatives generally base their codes of conduct on international policies, such as International Labour Organization (ILO) Conventions; United Nations (UN) Global Compact; and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNEs) (Ruggie, 2001). Also the multi-stakeholder initiatives often use these principles as guidelines for their codes of conduct (Egels-Zandén & Wahlqvist, 2007). Some examples of initiatives, relevant for the clothing industry are Business Social Compliance Initiative (BSCI), Fair Wear Foundation (FWF) and Global Reporting Initiative (GRI). The initiatives deal with issues regarding social compliance such as working conditions, child labour, industry standards and supplier audits. Other aspects of the initiatives are to work as a support of the member companies, which are required to report back to the organisations (GRI, 2007; BSCI, 2010).

### 2.2.2 Practices

In terms of CSR practices there are several definitions, where the CSR work often is related to the firms work towards their stakeholders (Spiller, 2000; Porter & Kramer, 2006). However, according to Porter and Kramer (2006), most corporate response towards CSR pressures from stakeholders are cosmetic rather than strategic or operational. Furthermore, most CSR practices are regarded as public relations and media campaigns (Porter & Kramer, 2006). The International Standard Organisation (ISO) has developed guidelines for how firms can work with CSR in practice, which is called ISO 26000. Here, CSR practices are defined in a broader sense, where eight key practices are listed for the integration of social responsibility in an organisation. The practices include: recognising social responsibility, stakeholder identification and engagement, the relationship of an organisation’s characteristics to social responsibility, understanding the social responsibility of an organisation, practices for integrating social responsibility throughout the organisation, communication on social responsibility, enhancing the credibility regarding social responsibility, reviewing and improving an organisation’s actions and practices related to social responsibility (SIS, 2010).

The main CSR practice for companies within the clothing industry is supply chain management, according to the multi-stakeholder initiatives (ETI, 2009a; GRI, 2008; BSCI, 2010). The industry is characterised by complex global supply chain networks involving many actors, which increases the need for control. Practices related to supply chain management are for example to conduct audits, to communicate the code of conduct and workers' rights throughout the supply chain, capacity building such as collaborating with stakeholders and training programs for workers, supervisors and managers (GRI, 2008). Although supply chain management is a common factor for all multi-stakeholder initiatives, there are differences in which practices the multi-stakeholder initiatives work with. Hence, depending on which initiative the company choose, their focus is likely to differ in a similar way. In general, organisations can take advantage of their existing systems, policies, structure and network, when putting social responsibility into practice (SIS, 2010). Hence, the implementation of CSR practices into the daily work can depend on the company's already existing internal structure. As discussed, most firm CSR policies have their foundation in the same international principles. However, when policies are put in practice the outcome might differ depending on membership in multi-stakeholder initiative and internal structure of the firm. Nevertheless, within the clothing industry, supply chain management is considered of central importance when working with CSR.

### 2.3 CSR in Relation to Firm Size and Age

The motives why firms work with CSR can depend on different firm characteristics. The motives can either be of a strategic or altruistic character. The strategic reasoning is closely related to explicit or implicit benefits of CSR to company performance. It has been debated whether CSR is in accordance with the overall firm activities to create for example shareholder value. Friedman (1970) explains this by that "*the business of business is business*", meaning that the social responsibility of a firm is to focus on increasing profits. Researchers have then tried to show that CSR actually can be profitable even though associated with higher initial costs but with greater return on the investments (McWilliams & Siegel, 2001). The arguments are supported by a number of studies, which shows that companies that engage in CSR have a good reputation and report better financial results (Lennick & Kiel, 2005; Cacioppe, Forster, & Fox, 2008). Hart and Milstein (2003) take this a step further, by arguing that the company can reap the benefits by identifying the CSR practices, which are profitable. According to Udayasankar (2008), the benefits of a strategic CSR work are dependent on the firm size, where for example small firms can find benefits such as differentiation and increased access to resources through enhance visibility. The large firms on the other hand can benefit through increased visibility at a low cost as well as reputational benefits. In absence of CSR work for larger firms, this can lead to bad publicity which in turn would harm the company to a greater extent than small companies. Therefore, small and large firms can reap benefits of working with CSR, but due to different strategic reasons. Middle-sized firms on the other hand are less likely to engage in CSR because of fewer benefits of CSR to a higher cost since they cannot make use of scale economies to the same extent as large firms (Udaysankar, 2008). Hence, there is a U-shaped relationship between firm size and firms working with CSR, where middle-size firms are least likely to engage in such

work. CSR from an altruistic standpoint on the contrary, argue that some businesses engage in CSR from a moral standpoint with the aim “of *doing good*” even with external pressures absent (Carroll, 1991; Joyner & Payne, 2002).

Moreover, the difference in working with CSR can be described by different levels of dedication, which can be related to the time of commitment. This could imply that age of the firm is associated with the way the firm work with CSR, assuming that time of commitment is related to age of the firm. Carroll (1991) distinguishes CSR as four different layers of commitment as can be displayed by a pyramid. In the bottom, the *economic responsibilities* are found, followed by *legal*, *ethical* and *philanthropic*. The two latter goes beyond the pure economical and legal requirements of the firm and incorporates the stakeholder perspective and beyond what is formulated as ethically expected (Carroll, 1991). Another description of company engagement is presented by Zadek (2007), who relates time of commitment to CSR, by describing CSR commitment as a learning process. The first stage is called *defensive*, and is a response to external demands or accusations. The second step is the *compliance* stage, where the firm adopts a policy visible to external actors ensuring that they obey the law. The next step is the *managerial* stage, where the firm develops the CSR practices from being artificial to becoming more in-depth. This includes making an overview of the value chain and providing managers with the authority to address such issues. The fourth step is the *strategic* stage. Here, the company’s CSR practices become part of the long term strategy both as a way to differentiate from competitors as well as generating future growth. At the *civic* stage, the company extends its claims for responsibilities beyond the own organisation by becoming an industry representative and push for collective action (Zadek, 2007). The commitment as described by Carroll (1991) and Zadek (2007) is combined in the figure below:

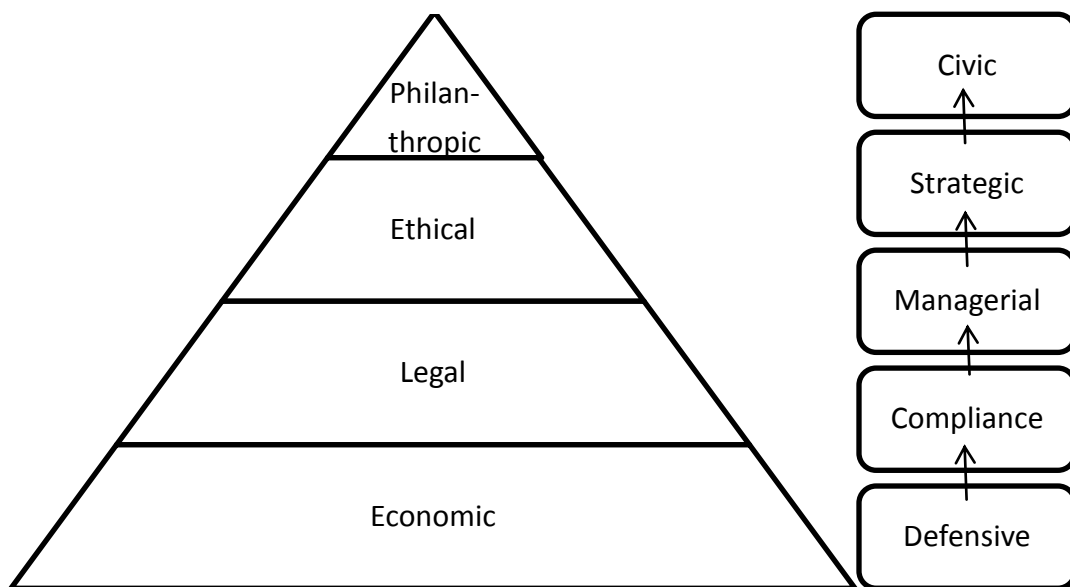


Figure 1 Carroll’s (1991) pyramid in relation to Zadek’s (2007) five stages.

Linkages between the commitment as described by Carroll (1991) and Zadek (2007) can be found. For example the economic responsibilities as described by Carroll (1991) can be linked to the defensive stage of Zadek (2007), where the focus lies on doing what is least required by the company. The legal aspect on the other hand can be related to the compliance stage, where focus is on policy adoption and obeying the law. The ethical responsibility is closely linked both the managerial and strategic stage, in terms of CSR inclusiveness in company operation. The philanthropic on the other hand can be related to the civic stage, where the responsibility goes beyond the organisation.

As shown, firm characteristics such as firm size and age are of importance when it comes to how companies work with CSR. The firm size can be said to influence the motivations for working with CSR. Moreover, firm age can be related to experience of working with CSR, which in turn can influence the commitment of such activities. Hence, firm size and age seems to be of importance when referring to the way companies work with CSR. Therefore it is also presumable to believe that firm size and age influence the organising of CSR activities.

## 2.4 Organising Firm Activities

In order to discover the dimensions of organising of CSR activities, organising of firm activities is seen from a broader perspective, where organisational theory is used. Mintzberg (1983) identifies five different ways of organising a firm's activities. The different ways are related to the organising of the firm, which he further explains as *"the sum total of the ways in which its labor is divided into distinct tasks and then its coordination is achieved among these tasks"* (Mintzberg, 1983, p. 2). Also other organisational theories refer to the different use of coordination mechanisms when organising firm activities. Martinez and Jarillo (1989) list structural and formal mechanisms as well as other mechanisms, which are more informal and subtle. Among the formal mechanisms, departmentalisation is found that includes the structuring of organisational units based on firm activities. Another formal mechanism is the centralisation or decentralisation, which refers to the hierarchy of formal authority. The formalisation and standardisation of the work includes written policies, rules and job descriptions etc. Planning is considered to be another formal mechanism, which consists of for example strategic planning, budgeting and scheduling. The last formal mechanism is output and behavioural control this refers to financial performance as well as sales and marketing data (Martinez & Jarillo, 1989). Communication is another type of coordination mechanism, which formal and informal character. Formal communication refers to written documents and formal meetings, whereas the informal communication is more personalised and refers to word of mouth contacts (Mohr & Nevin, 1990). Moreover, informal communication stresses the value of personal contacts, meetings and conferences. Another informal mechanism is socialisation, which includes for example organisational culture, training and shared values. Formal mechanisms are often used when the implementation of new activities is of simple character, whereas informal mechanisms are used for more complex and time consuming implementations (Martinez & Jarillo, 1989).

In order to cover the relevant coordination mechanisms in organising firm activities, a distinction has been done for this study. The first aspect is *formalisation*, which relates to formal coordination mechanisms, such as policies, planning, decision-making and budgeting. The second aspect concerns *integration versus separations* which relates both to a formal and informal dimension, in terms of for example departmentalisation and shared values. The third aspect is centralisation and decentralisation, which is explained in terms of *community commitment*. The fourth aspect is *communication*, which covers both formal and informal communication.

## 2.5 Organising in Relation to Firm Size and Age

Through the discussion on the organising of firm activities, differences in how firms organise their activities has been highlighted. Mintzberg (1983) describes how the organising of firm activities can be influenced by firm characteristics, such as size and age. Size is predicted to influence the formalisation manners of the firm, where larger firms call for more coordination and division of job tasks. Moreover, a larger firm requires a more sophisticated administrative hierarchy, which leads to increased departmentalisation. When looking at the relationship between firm size and the organising of firm activities, differences of the usage of informal and formal coordination mechanism has been noted when comparing MNE and SME. In the research by Martinez and Jarillo (1989), coordination mechanism applies foremost to MNEs. However, all organisations require some form of coordination for their activities (Mintzberg, 1983; Martinez & Jarillo, 1989). However Jenkins (2004) argues that it can be deceiving to look at SMEs as a smaller replicate of big firms, since there are organisational differences between MNEs and SMEs. These differences can be overlooked by such distinction. Moreover, SMEs are not homogenous as a group, but in general they tend to use informal rather than formal coordination mechanisms compared to MNEs (Mintzberg, 1983; Jenkins, 2004). Age is also described to influence the formalisation of firm activities. The older the firm, the more experience and therefore also a greater probability of repetitive encounters. The predictability enables formalisation of firm actions. (Mintzberg, 1983, pp. 123-5).

### 3 Research Model

In the conceptual framework, it was established that the organising of firm activities differ depending on firm size and age. In this section the relationship is further examined in terms of CSR activities. The research model illustrates the linkage between firm size and age and the organising of CSR activities, seen from four aspects: *formalisation, integration versus separation, community commitment as well as communication*. Hence, organising is discussed based on the use of different coordination mechanism, both formal and informal. The discussion is concluded by a set of propositions, related to expected outcomes of how size and age influences the organising of CSR activities. Since there is a lack of literature on the use of coordination mechanisms for CSR activities, the propositions are at times solely based on expectations from the organisational theory.

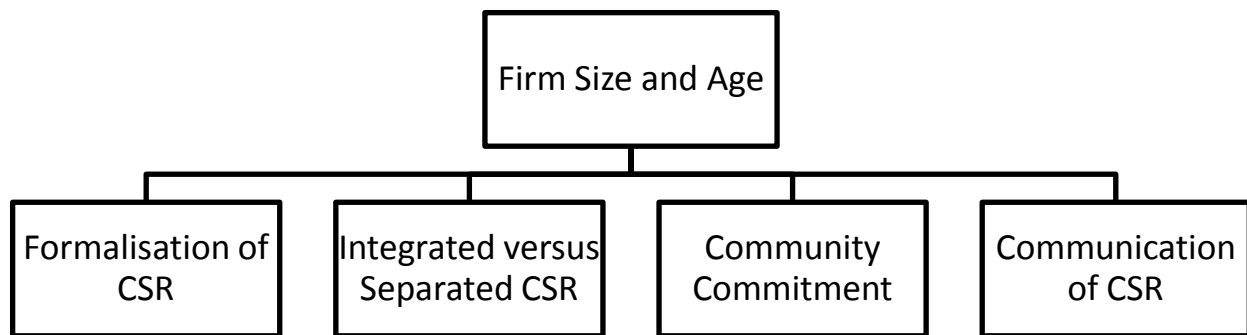


Figure 2 Research Model. The influence of firm characteristics on the organising of CSR activities. Authors own illustration

#### 3.1 Formalisation

In this part the relation between formalisation of CSR activities and firm size and age is examined. The general differences in the use of formal and informal coordination mechanism in large firms and SMEs have been highlighted in various academic literatures over the last decades. Large firms have been found to use formal mechanisms to a greater extent than SMEs when organising firm activities (Mintzberg, 1983). This relationship has also been found to be true in the organising of CSR activities within firms (Graafland et al., 2003; Jenkins, 2004; Russo & Tencati, 2008). Moreover, the larger the firm, the more probable that they will use several formal instruments for their CSR work, such as code of conduct, ISO certification, social reporting, social handbook, formal responsible and internal training. Furthermore, both the size of the subsidiary and the total size of the firm have an impact on the use of formal mechanisms. This could be explained by the fact that a large company with many subsidiaries has greater need for coordination and communication (Graafland et al., 2003). As a firm grows, formalisation fulfils two purposes. Firstly, as a tool for control, which becomes harder as the firm grows. Secondly, it serves as a tool to avoid confusion, when the number of firm activities increases. Such formalisation tools usually include standardisation, formal planning, rules and procedures and budgeting (Mintzberg, 1983, p. 126; Martinez & Jarillo, 1989). On the contrary, most SMEs lack the formal instruments used by larger firms, due to lack of the appropriate resources, such as



investments in time, finances, and competencies (Russo & Tencati, 2008). Another survey shows that when SMEs engage in CSR activities the follow ups of such activities is of informal character and rarely uses standardised performance monitoring (Perera, 2009). Formalised tools such as reporting and certifications are explained to be more appropriate for MNEs than SMEs. For SMEs reporting and certification activities are quite costly since this implies an extra administrative burden on the usually few employees and question regarding if such tools bring any additional value have been raised. Furthermore SMEs have been explained to be more practical oriented than MNEs which implies that less effort is put on documentation of CSR activities. However this in turn does not mean that SMEs work with these issues to a less extent than MNEs (Fassin, 2008).

Hence, the literature leads us to find it feasible to believe that larger firms use formal mechanisms more extensively than smaller firms, in general as well as for CSR activities in particular. Therefore we pose the following proposition:

*P1: The larger the firm the more formalised the CSR activities*

Similarly, age is described to influence the formalisation of firm practices. With age the firm gains more experience and the probability of repetitive activities therefore increases. Hence, firm practices become more predictable, which enables formalisation of firm activities (Mintzberg, 1983, p. 123). However, little is stated on how firm age influences the formalisation of CSR activities. Based on the assumption that Mintzberg's (1983) findings also hold true for the formalisation of CSR practices, we suggest the following proposition:

*P2: The older the firm the more formalised the CSR activities*

### **3.2 Integration versus Separation**

The integration versus separation of CSR activities refers to how a company work with CSR in relation to for example the firm's overall activities and business idea. The discussion deals with both the formal and informal perspective of integration and separation, such as departmentalisation, product range and shared values in terms of vision and mission. The idea of formal separation derives from what Martinez and Jarillo (1989) call departmentalisation, whereas the informal aspect refers to the more subtle values, in this case how deeply CSR is rooted in the company's values and how it is perceived by the employees. In order to discuss integration versus separation, one dimension that will be looked upon is whether the CSR engagement is reflected in the products offered, for example if sustainable products are integrated in the conventional product range.

Mintzberg (1983) concludes that as firms grow more people are employed, which leads to larger units and the need for increased specialisation of job tasks. In practice, this means greater standardisation and homogenisation of jobs tasks within each unit at the same time as each unit gets more differentiate in comparison to other units (Mintzberg, 1983, pp. 124-25). Furthermore, it increases the demand for coordination and a more sophisticated administrative hierarchy. In

the administrative hierarchy the distinction between each task becomes clearer between who performs, designs and plans, and manages the work (Mintzberg, 1983, p. 125). As the firm grows this also leads to the creation of support staff to the company, which is seen as a service function in order support the rest of the firm (Mintzberg, 1983, p. 11). In contrast to this, smaller firms are less divisionalised, since it consists of fewer people and therefore has less need for coordination (Mintzberg, 1983, pp. 157-8). Hence, Mintzberg (1983), indicates that the larger the firm, the more job specialisation and standardisation of work, and the more departmentalisation. If CSR is seen as any other firm activity, larger firms are expected to have a more separated CSR work.

Clarkson (1995) acknowledges the importance of considering the firm's mission, codes of conduct and integration of social issues in the strategic decisions-making in the overall operations of a firm. Moreover, several other authors argue that all firms need to integrate CSR activities into the overall activities of the firm in order for it to be fruitful. If not, there is a risk of the CSR activities to be artificial and have little authentic value (Weaver et al., 1999; Hart & Milstein, 2003; Shahin & Zairi, 2007). In line with that reasoning, Park and Lennon (2006) find that that if a firm had a separate social responsible buying department or specialist; this had no significant influence on the socially responsible buying decision. Instead, other factors have shown to be more significant, such as perceived management support, consumers' and manufacturers' consciousness of environmental issues (Park & Lennon, 2006; Cruz & Matsypura, 2009). When it comes to SMEs, this type of company is also described to benefit from integrating their CSR activities in to the daily operations as well as to incorporate them in a strategic plan (Jenkins, 2004; Perera, 2009). However, other research findings show that SMEs tend to focus on few separate practices, such as waste management, community projects and energy saving (Perera, 2009).

However, SMEs are described to suffer from time shortage, which in turn leads to less time for planning ahead. Instead, SMEs deal with issues which are of immediate importance and therefore report to lack the time for improving on social responsible performance. As a consequence of this, less time is devoted to the development of new products. In opposition, firms which do have time to plan ahead have a greater opportunity to develop new innovative products as well as experiment with improvements on the present design (Perera, 2009). Hence, larger firms are expected to have more time and resources to develop innovative products outside their conventional product range. Moreover, larger firms have been discovered to better realise the potential of CSR branded products (Mendibil et al., 2007). Based on the discussion above, larger firms are expected to separate the CSR activities from other activities to a greater extent than smaller firms. However, there is a discrepancy between the different scholars if a separation of CSR activities reaps the benefits of the CSR work or not. Most literature points in the direction of the positive outcomes of integration of CSR activities. Smaller firms are more likely to be less divisionalised, and we can therefore expect their CSR work to be more integrated. Hence, the following proposition is posed:

*P3: The larger the firm the more separated the CSR activities*

Another possible influence to take into consideration is age, when exploring the integration versus separation of CSR activities. Even though firm age is not necessarily related to age of the CSR work, we would expect an older firm to have a longer commitment to CSR activities than a newly established firm. Moreover, the age of the CSR work affect company engagement in this regard. Historical commitment to CSR work is assumed to make such behaviour expected by the firm's stakeholders. Such commitment is also closely associated with the firm's reputation and thus to deviate from such behaviour can cause severe reputational damage (Roberts, 1992). According to Zadek (2007) the firm goes through different stages in how they address CSR internally. The more the firm works with these issues, the more integrated the CSR activities become with the overall operations. On the other hand, the study by (Fischer & Schot, 1993) identified an increasing demand for sustainable business as a market opportunity for newly established companies. Thus, new firms can be expected to establish based purely on CSR strategies as a core competitive advantage such as green alternatives. This would imply that newly established firms would have CSR activities more integrated in their overall operations. In turn, this would mean that the newly established firms would skip some of the initial stages suggested by Zadek (2007). Since this is a relatively undiscovered area of research, the proposition relies on the findings by Robert (1992) and Zadek (2007):

*P4: The older the firm the more integrated the CSR activities*

### **3.3 Community Commitment**

It becomes increasingly common for companies to establish relationships with the communities in which the companies operate. The relationship consists of two aspects: community involvement and community development. The involvement can be done individually or through multi-stakeholder initiatives, where the aim is to strengthen the civil society and is expected to go beyond stakeholder identification and engagement. Community development on the other hand deals with issues such as include creating employment, social investments in wealth, education and promoting and preserving culture and arts. This can be done through for example programmes, collective forums, and networks. The concept of community commitment refers to the physical proximity to the company's operations as well the companies' areas of impact. The commitment is expected to take a long-term perspective into account as well as differences in history and culture of the communities (SIS, 2010). In a similar way, Husted and Allen (2006) make a distinction between *local* and *global* CSR work, where local CSR takes into account the firm's obligations from a contextualised standpoint based on local standards. Global CSR on the other hand refers to an overall standard, which can be applied to all societies. Muller (2006) further develops the concepts by referring to the differences in coordination mechanisms. His findings suggest that global CSR is interrelated to central coordination, whereas local CSR relates to more decentralised CSR activities. Furthermore, a global strategy is considered more efficient, but with the risk of lacking ownership and legitimacy at the local level, while a local strategy is regarded as more responsive, but with the risk of being more fragmented (Muller, 2006). The results by Husted and Allen (2006) show that all MNEs have a global CSR work in

common. Findings from other studies show that SMEs are expected to be more integrated in the local community in which they operate than large firms (Jenkins, 2004; Russo & Tencati, 2008). The degree of local commitment has been subject to discussion, where opposite arguments to a greater involvement for SMEs have been posed (Jenkins, 2004). However, the studies on SMEs and CSR commitment refer only to the local commitment, leaving the area of global commitment for SMEs undiscovered. Therefore, since there is a lack of findings on how SMEs work with global CSR issues, the commitment is examined only from the perspective of local commitment, referred to as “*community commitment*”. The community commitment will be discovered from three perspectives: in the production country, in Sweden and other community commitments. The proposition is based on the general view that SMEs are more likely to involve in local communities:

*P5: The larger the firm the less community commitment*

As previously mentioned, it is expected that an older firm has a longer experience of CSR commitment than a newly established firm. Therefore the older companies have a reputation of working with CSR issues as well as a historical commitment. Hence, community involvement and local commitment is expected to increase, in relation to the age of the firm (Roberts, 1992). In accordance with these findings, the following proposition is suggested:

*P6: The older the firm the more community involvement*

### **3.4 Communication of CSR**

In this part, communication of CSR activities is discussed, which can be either of formal or informal character. The formal communication can be both verbal and written in its nature, whereas the informal communication in general is of a verbal and more personal character such as discussions and phone calls (Johnson et al., 1994). Moreover, the communication on CSR involves both internal and external communication and is critical in for example raising awareness within and outside the organisation on its strategies and objectives for social responsibility. The communication can for example consist of meetings or conversations with stakeholders, communication between management and employees to raise awareness, communication with suppliers about procurement requirements related to social responsibility and product-related communication (SIS, 2010). Firms communicating CSR externally, meet several challenges such as scepticism from media and conflicting demands in information requirements from different stakeholders. Therefore, Dawkins (2004) suggests for firms to adjust CSR communication to target stakeholders and to include CSR communication in the overall communication of the firm. Furthermore, Polonsky and Jevons (2009) suggest for firms to regard CSR communication in a broader strategic character, than to consider it only as purely promotional.

In terms of size of the firm, large firms are more likely to use formal and public instruments to communicate their CSR activities in opposition to small firms, which tend to use more informal

instruments. All firms communicate a set of unwritten rules in an informal way. However as firms grow, the complexity increases and as a result there is an increased demand for formal instruments in order to communicate the CSR work internally and externally (Graafland et al, 2003). SMEs rarely communicate their CSR activities externally, but rather have a more internal approach (Nielsen & Thomsen, 2009). The internal communication on the other hand, is in SMEs described as more flexible and responsive, which enables CSR to spread without bureaucratic barriers (Jenkins, 2004). According to another study, there are differences also within the group of SMEs. The smaller SMEs are more likely to use workforce involvement and project based implementation of CSR activities, whereas larger SMEs use more policy oriented documentation of such activities (Nielsen & Thomsen, 2009). Resent criticism has been raised, that there is an over emphasis on the external formal communication, which larger firms are more equipped to handle. SMEs on the other hand, this may imply that resources are taken from other parts of the organisation where they are more useful in order to meet the administrative requirements of the formal external CSR communication such as to conclude reports. Moreover, this implies to shift the focus from the internal communication which is seen as more important for the CSR activities (Fassin, 2008). Hence, in the literature tendencies are found that leads us to believe that:

*P7: The larger the firm the more use of formal communication of CSR activities*

In addition to size, age is also said to influence the use of formal communication (Potter, 2003). Parallels can be drawn to Mintzberg (1983), who concludes that older firms are more formalised in general. However, there is a lack of studies on communication of CSR in relation to the age of the firm. Hence, the following proposition is based on findings on communication from organisational theory:

*P8: The older the firm the more use of formal communication of CSR activities*

### **3.5 Summary**

The propositions for the coordination mechanisms imply that firm size and age influence the organising of CSR activities in different ways. In order to evaluate the propositions, the coordination mechanisms have been operationalized into a set of indicators: formalisation of CSR activities, integration versus separation of such activities, community commitment as well as the communication of the CSR work. Based on the discussion of formalisation of CSR activities, the following indicators have been identified as important: policies, CSR position, CSR procedures, internal training, certificates and memberships, planning and budgeting. The integration versus separation has been divided based on the following indicators: mission and vision, departmentalisation and product range. The aspect of community commitment is viewed from three dimensions: commitment in the production country, commitment in the head office location (Sweden) and other commitment. Communication of CSR is divided into the following indicators: internal and external communication. An extended research model is shown in Appendix 1.

## 4 Methodology

The chapter presents the foundations of the study from a methodological perspective, including research model, selection process of cases and interviewees. Description of the analyses is presented followed by a methodological discussion.

### 4.1 Research Approach

This study has a qualitative research approach. Qualitative research is often used in order to receive a greater understanding of a phenomenon that is relatively unexplored (Eriksson & Kovalainen, 2008, p. 5). This suits the topic of the study, how firm characteristics influence the organising of CSR activities, since it is relatively unexplored how firms organise CSR activities in general and how this is influenced by firm size and age. Qualitative studies have been described to be preferred over a quantitative method when the process or event being studied is hard to measure. Organisations, groups and individuals are particular units of analyses common in qualitative studies (Ghauri & Grønhaug, 2002, p. 87). Furthermore, qualitative research is explained to be an appropriate method to get a deeper insight behind the decision-making of humans since this requires a greater understanding of the context from where the decisions has been made. Contextual understanding is often of complex nature and requires a more in-depth analysis which is enabled through qualitative analysis (Myers, 2009). This becomes evident when studying firm behaviour, the firm can be described as “(...)social knowledge embedded in the competence of individuals and the organizing principles of work that explains what firms are on the basis of what they know how to do” (Kougut & Zander, 1996, p. 503). The description above implies that firms as a unit of analysis is related to the individuals within the firm and the organisational principals, which is hard to quantify. Since this study wants to understand how CSR activities within the firms are organised, a more in-depth qualitative study is preferable.

### 4.2 Research Process

In the conceptual framework, a review of the academic literature was presented, supplemented with practitioners’ scholar. The main purpose with the literature review is to frame the problem, identify relevant concepts and position the study (Ghauri & Grønhaug, 2002, p. 45). In order to achieve these purposes, we have selected literature that steams from two different scholars; CSR and organisational theory.

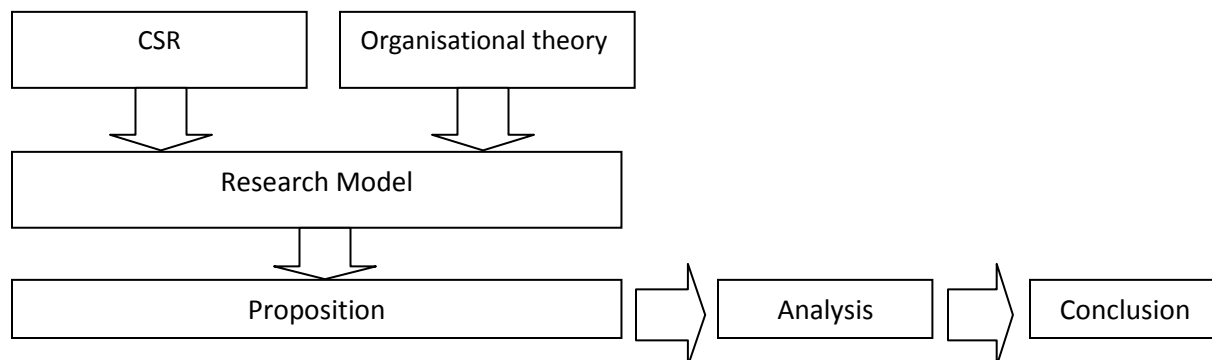


Figure 3 Outline of conceptual framework and research process. Authors own illustration

The section on CSR literature aims to frame the concept of CSR and CSR activities, whereas the section on organisational theory aims to provide the basic understanding of the organising of firm activities. In the next part, a review of the relevant literature is provided from the two scholars, in order to establish which firm characteristics are said to influence the organising of CSR activities. This is illustrated by the figure in the research model. Moreover, there are four different purposes in why to use a research model, where the purpose of this study was to explain the phenomenon of the organising of CSR activities. Depending on if the theory or the research is the starting point, the model will differ (Ghauri & Grønhaug, 2002, pp. 39-41). This study has a deductive approach, where the model is developed based on theory. Through the literature review, relevant variables and assumed relations between the variables were established, which in turn is the foundation of the research model used in the study. From the research model propositions have been outlined, that captures probable relations between the factors suggested in the model. The propositions are used as guidance in the analysis and later on in the conclusions.

### **4.3 Research Design**

This section explains the choice of research design where the study is conducted as a multiple case study. Furthermore, the firm case selection and categorisation of case firms is motivated.

#### **4.3.1 Multiple case study**

This study has the design of an explanatory case study. Explanatory in the sense that the research aims to answer a “*how*” question, are described as suitable when conducting case studies. Explanatory case studies are often used when seeking to do causal investigations (Tellis, 1997). The purpose of the study is to establish if there is a casual relationship between how firms organise their CSR and the firm size and age. The empirical findings derived from the study are tested against predefined expected outcomes generated from already existing theory, which is in line with a theory testing study (Esaiasson et al., 2004, p. 40). Furthermore, this study can also be said to be of comparative nature, which requires at least two units to be analysed (Ghauri & Grønhaug, 2002, p.173; Esaiasson et al, 2004, p. 119). Since this study aims to understand how specific variables influence the phenomena of the organising of CSR activities, several companies have been studied in a multiple comparative case study. Multiple comparative case studies are useful when trying to explain how factors influence the outcome in different context (Esaiasson et al., 2004). For this study the firm size and age are the factors influencing the outcome – organising CSR activities. In order to make theoretical generalisations we have chosen to look at several firms rather than one, to see if there is a consistency between how firm size and age influence organising of CSR activities. The variables being studied have been identified in the research model and same type of questions have been asked to the companies taking part in the study in order to be able to compare and draw conclusions.

### 4.3.2 Case selection

The cases included in the study were chosen based on a set of criteria, identified in the theory. In theory testing studies, the selection of cases is usually based on “*most similar system design*”, which implies that the cases are similar, but differ in the independent variable (Esaiasson et al., 2004, p. 112). In this study the independent variables are the firm size and age, whereas the dependent variables are assumed to be how the CSR activities are organised. We have chosen five cases that differ in firm size and age, but are similar in the sense that they all operate in the same industry (clothing) and originate from the same country (Sweden). These common factors have been chosen in order to reduce any country and industry specific biases. A difficulty with this design is to find cases that are similar in all aspects, except the ones subject to the study (Esaiasson et al., 2004, p. 113). Even though the samples in the study are from the same country and industry, each company is unique. Therefore it might be hard to make generalisation for the findings, for example that the findings holds true for all small clothing firms in Sweden. Strategic sampling refers to when the cases are selected on predefined theoretical assumptions (Esaiasson et al., 2004, p. 112). For this study, it implies firms that differ in terms of size (SMEs and MNEs) and age (old and young). Another precondition for the choice of case companies was that the company worked with CSR issues in one way or another, in order to see how the CSR work is organised. The conditions of the case firm selection are summarised below. In order to establish appropriate case companies, a mapping of the population, in this case Swedish clothing companies, was done in regards to three criteria; size, age and CSR work.

Case selection criteria:

1. Size (SME or MNE)
2. Age (Old or Young)
3. Work with CSR

First a list of Swedish clothing firms was set up. Secondly, the companies were categorised according to size and age. Size was determined by the criteria's defined by the European Commission (2011b) a categorisation of SMEs according to number of employees, turnover and balance sheet. Only when the company fulfilled two out of three criteria, they were classified accordingly. Whether a firm is considered old or young, is by nature subjective. In this study we have determined it in relative terms, using the year of firm establishment, prior or after the 1990's as a breaking point. We have chosen the 1990's since this is considered to be the around the time when CSR as concept was broadly recognised among Swedish clothing firms (Ählström & Egels-Zandén, 2008). In order to establish whether a firm worked with CSR, an overview of the company webpage was conducted. Based on these three criteria, the Swedish clothing firms were structured in a database. The final case selection was based on a non-probability sampling. Eleven companies from the population were selected based on the three criteria. The aim was to have a broad spread of year of firm establishment and firm size. The initial contact was made through e-mail where basic information of the study was provided with a request for permission to call and book a meeting for an interview. The second step was to phone potential respondents



that either had accepted or had yet not replied to the e-mail. If the potential respondents denied participation in the study, for various reasons, this was accepted immediately. After this process was done five companies remained that suited the predefined criteria and expressed a will to participate in the study.

The case companies are the following; H&M established in 1947, Gina Tricot established 1996, Nudie Jeans established 2001, Swegmark of Sweden established 1937 and The Fair Tailor established in 2008. All the companies vary in age and size and were categorised into two groups based on these two variables. The European commission defines large firms as having more than 250 employees, 50 million euro's in turnover and 43 million euro's in balance sheet everything below two out of the three outlined criteria are defined as SMEs (European Commission, 2011b). According to this definition H&M and Gina Tricot can be categorised as large firms. Both firms also fit the general description of MNEs since both companies have operations in more than one country as well as have subsidiaries wholly or partially owned in different countries (Britanica, 2011). Hence from now on the companies will be referred to as MNEs. The three other case firms taking part in the study can be categorised as SMEs according to the European definition.

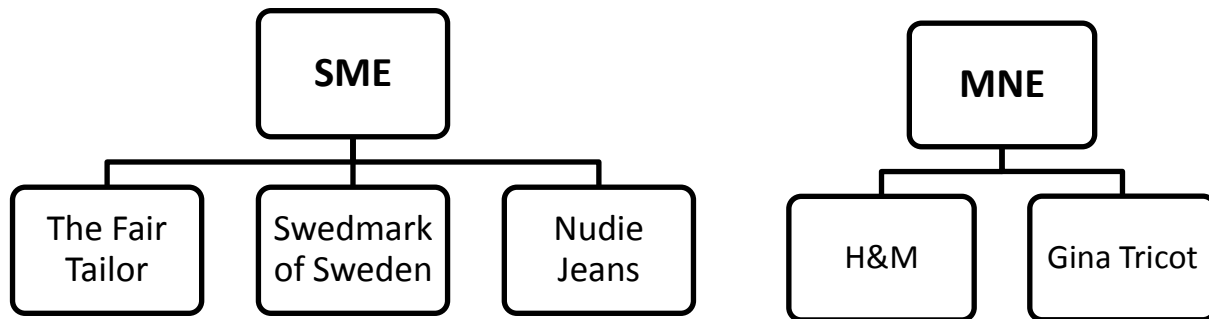


Figure 4 Categorisation based on size. Authors own illustration

The five case firms also differ in terms of age. Swegmark of Sweden (1937) and H&M (1947) are both categorised as old since they were established prior to 1990's. Gina Tricot (1996), Nudie Jeans (2001) and The Fair Tailor (2008) were established during and after the 1990's and are therefore categorised as young.

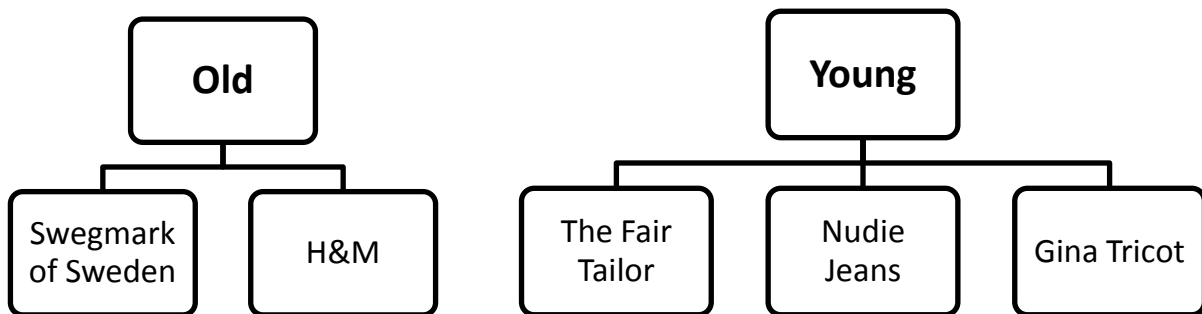


Figure 5 Categorisation based on age. Authors own illustration

All the companies fitted the criteria's outlined for the study. However there are differences between the companies chosen in the study. All case companies have web shops, whereas H&M, Gina Tricot and Nudie Jeans are the only ones that sell to the end customer though their own stores. Moreover, Nudie Jeans sells their products through business clients which is the main selling channel also for Swegmark of Sweden. The Fair Tailor on the other hand only sells its products through a web shop. Nevertheless, the end customer is still the final target group and therefore the differences in selling channels are not expected to influence the overall result of the study. Furthermore, at the time of the study, The Fair Tailor only consisted of one employee, which might obstruct the evaluation of the firm's organising of the firm. However, since this situation is only temporary and the company has experience of having more employees, this is not expected to influence the overall result. Moreover, the CEO works in close cooperation with the board that in this regard, which can be said to be part of the firm.

#### 4.4 Data Collection

This study been conducted according to a qualitative data collection. Qualitative method is characterised by an emphasis on understanding, interpretation and rational approach, subjective “*inside view*” and closeness to data and an explorative orientation. Moreover, a qualitative method is process-oriented and focuses on a holistic perspective (Ghauri & Grønhaug, 2002, p. 86). The data sources used can either be primary or secondary data (Ghauri & Grønhaug, 2002, p. 76). In a case study the data used is of central importance, and to improve the validity, triangulation of different data collection methods is appropriate. In order to provide a triangulation of the data, both primary and secondary sources were used in the study. Triangulation was used in order to compare different data and provide a more complete, holistic and contextual framework for the cases studied (Ghauri & Grønhaug, 2002, p. 182).

##### 4.4.1 Primary data

This study has primary data collected through face-to-face interviews. Since the main focus in the study is to understand how CSR is organised, it was important that the respondents had an overview of the companies CSR work and how they were organised. Interviews seemed appropriate for this particular study in accordance what Phark describes; (...) *there is no data sources as rewarding as interviews, in order to tap into the brain of the person(s) within each organisation under study who are most directly responsible for the phenomenon being research* (Marschan-Piekkari & Welch, 2004, p. xviii). CSR managers or managers of the company were selected as respondents, since in their position one could assume an overall knowledge of the company and the decision-making behind the CSR activities. H&M, Gina Tricot and Nudie Jeans all had formal CSR responsible persons and respondents were chosen that had managerial positions related to CSR. Swegmark of Sweden and The Fair Tailor did not have positions that were officially responsible for CSR; respondents were instead chosen that had an overall knowledge of the company activities. For Swegmark of Sweden this included both the CEO and the press contact person, in order to provide a holistic perspective. Since The Fair Tailor

currently had only one person employed, the CEO became natural choice. The respondents' positions are summaries in the table below.

<b>Company</b>	<b>Position</b>
H&M	Global CSR Coordinator
Gina Tricot	CSR Responsible Person
Nudie Jeans	CSR Responsible Person
Swegmark of Sweden	CEO and Press Contact Person
The Fair Tailor	CEO

Figure 6 Selected respondents

Prior to the interviews, an interview guide was developed. The questions were motivated by the propositions posed in the research model. The questions were then divided in to different themes. Each theme was related to different coordination mechanisms, CSR activities and decision-making processes. Prior to the interview, background information of the companies participating in the study was found through secondary sources. The information was later compared to the answers provided in the interview. Since the case firms differ in terms of age and size, we chose to use semi-structured interviews rather than for example standardised questions. This interview method has the advantage of making the interview seem more conversational and informal since the interviewer is able to reformulate pre-decided questions or ask follow up questions during the interview. Consequently it might become more difficult to make sure that all topics are covered and it might also make it harder to compare the data, since the interview respondents might have understood the questions differently (Eriksson & Kovalainen, 2008, p. 82). A checklist was used during the interview to make sure that all the topics where covered. The background information conducted prior to the interview also served to focus the questions posed. In cases where relevant information was already provided by secondary sources, additional and follow up questions where posed instead. The interview was documented both by notes and tape recording, which was approved by the respondents prior to the interview. In order to ensure that the information gathered from the interviews was representative, the respondents were given the opportunity to give feedback on the empirical material documented.

#### 4.4.2 Secondary data

The data collected also include secondary sources. Ghari and Grønhaug (2002, p.77) suggest that first when the secondary data is exhausted, primary data can be used and explored. The secondary sources used to serve initial background information of the population as well as more in-depth information of the selected case companies. This in order to make the interviews more fruitful and focus the questions asked on issues that could be hard to obtain in another way. The secondary sources were also used to triangulate the information provided and to obtain a more holistic perspective of the case companies' activities. The secondary sources included company webpages, CSR reports, financial reports, company blogs, product pamphlets, company brochures as well as public financial databases.

## 4.5 Analysis

In multiple case studies there is often extensive data material available in order to be able to process the data it is therefore important that it is systematically handled and that all the case materials are processed in the same way (Merriam, 1994, p. 166). The primary data was transcribed and each case was at first handled separately in accordance what is suggested by Yin (2003, p. 134). This study has predefined propositions drawn from theory. The propositions are used to guide the study as well as the empirical findings in terms of what data is seen as relevant (Yin, 2003, p. 22). The data was then systematically clustered into four different aspects of organising activities as guided by the propositions of the research model. The empirical findings from each case firm were separated under the four organisational aspects that had been operationalised in to several indicators. This division was necessary in order to discover patterns of the data collected and to see similarities or differences on a general matter. This kind of pattern matching is called cross case analysis by Yin (Yin, 2003, pp. 133-34). After presenting the empirical findings in accordance with the organisational aspects and indicators, the data was analysed according to the different organisational aspects that were contrasted against the predicted outcomes generated from the propositions. First empirical data is presented, followed by a discussion. The empirical data is based on the findings from the interview, if nothing else is stated. In the discussion, the conceptual framework was incorporated.

The aim of the analyses was to generalise the findings. However in case study research it is not possible to make statistical generalisations since the selected cases cannot be said to be representative of the population in terms of numbers or variance. Instead in case study research there is a possibility to make analytical generalisations (Yin, 2003, pp. 31-32). Analytical generalisations refers to “*in which a previously developed theory is used as a template which to compare the empirical results of the case study*” (Yin, 2003, p. 32). Analytical generalisations are enabled by using replication logic. There are two main replication logics, literal replication when the cases included predicts to have similar results and theoretical replication when the results are expected to be contradicting do to already outlined predictions (Yin, 2003, pp. 46-48). This study contains both literal and theoretical replication logic, since the cases in each category (MNEs, SMEs, old and young) were both compared in terms that they were expected to be similar (within each category) as well as predicted to be contrasting (in comparison between each category). If the empirical findings support the predicted outcomes formulated in the proposition this can in turn yield support for the tested theory and analytical generalisations are thus possible (Eriksson & Kovalainen, 2008, p. 125).

## 4.6 Validity and Reliability

When looking at the scope of this research qualitative case study been concluded as the most appropriate research design. However, every research design has its pros and cons. Qualitative case study has been describe to risk oversimplify or overvaluation the findings. For example it might seem as if the results of the phenomena studied are applicable in a more general matter, when in fact it is limited to the specific case studied (Merriam, 1994, p. 47). In this study, this has been approached by using multiple cases in order to distinguish patterns that can be seen in several cases and in this way try to avoid oversimplification or overvaluation of the findings. However, one needs to keep in mind that all the case firms were chosen since they all work with CSR, therefore no statements can be made regarding the communality of working with these issues in the clothing industry in general. Moreover, this study does not make any claims for statistical generalisations but the aim has been to provide analytical generalisations of the findings. In order to make claims for analytical generalisations, replication logic has been applied on several cases, as well as to enhance the external validity of the study (Yin, 2003, p. 37). Another issue that have been raised regarding this research method is that of internal validity, that what is being researched coincide with the reality. In qualitative case study research the researcher is the primary instrument for gathering the data, this inevitable includes some sort of interpretation and therefore makes claims for neutrality somewhat difficult. To strengthen the internal validity of the study triangulation of multiple data sources have been used as well as conforming the empirical data with the participants of the study, as recommended by Merriam (1994, pp. 177-80). Reliability of the study refers to the extent that the study can be replicated by another researcher that would come to the same results. This is generally been explained as quite hard to establish in qualitative research. However, one way to approach this is by documenting the way the research has been conducted and making each step of the research as operational as possible (Merriam, 1994, pp. 180-83; Yin, 2003, pp. 37-9). This has been the aim of this chapter; to provide for the technical aspects and each step of the study. Furthermore, the questions asked in the interviews can be observed in the appendix.

## 5 Empirical Background

The empirical background provides an overview of the clothing industry in order to provide a summary of the industry characteristics. The clothing industry is also discussed in relation to CSR. After this introduction the case firms are presented, whereby the CSR work is briefly introduced.

### 5.1 Industry Background

The clothing industry is closely interlinked with the textile industry, which are both diverse and heterogeneous industries (European Commission, 2010). The clothing industry together with textile production forms a production circuit that includes six steps: fabric production, design, preparation, production of garments, distribution and consumption. The clothing industry is characterised by labour intensiveness and is strongly buyer-driven, due to a diverse market with rapidly changing demands. Few retailers have production in-house; instead it is common to rely on suppliers for the production. Due to the purchasing power of retailers, they often have a large influence over the clothing manufacturers and therefore a dominant role in the forming the organisation and geography of the clothing industry. Since the 1960's there has been a "*retailing revolution*", which has led to changes in the relationship between manufacturers and retailers. Nowadays, retailers are heavily involved in supplier arrangements to a larger extent, which has made the line between manufacturers and retailers ambiguous. In general, most production is placed in Asia, where China is the largest producer of textiles and clothing with the most people employed in the industry. EU on the other hand has a huge trade deficit in clothing, which indicates large amount of imports and few exports on this type of goods (Dicken, 2007, pp. 250-2; 263-5). This is exemplified by Sweden, where the textile industry has been subject to a lot of changes during the last decades. As a result of this, most production has been outsourced to other countries (Bresky et al, 2008). Moreover, import quotas on clothing products into the EU was abolished in 2005, in line with the termination of the Multi-Fibre Arrangements (MFA), which enabled developed countries to import clothing products to a lower cost (Dicken, 2007, p. 249). In 2009, the total revenue of the Swedish clothing retail industry was \$8 million (Datamonitor, 2011).

Since the start of Swedish Clean Clothes Campaign (SCCC) in the 1990's, Swedish clothing retailers have been subject to increased pressures from NGOs, in terms of social responsibility. This has led to a redefinition of corporate responsibility for the companies. Previously, the Swedish clothing retailers did not acknowledge any responsibility for worker's rights in the production of the goods. As a result of SCCC, the responsibility of the companies was narrowly defined through a code and monitoring systems. However, this definition was challenged by the unions in 2002, and has ever since been vaguely defined once again. Hence, at the moment, there is no unified definition of Swedish garment retailer's responsibilities for worker's rights at their suppliers. In line with the development of companies' increased acknowledgement of social responsibility, a trend for Swedish clothing retailers has been to become members of multi-stakeholder initiatives, such as Fair Wear Foundation (FWF) and Business Social Compliance

Initiatives (BSCI) (Ählström & Egels-Zandén, 2008). The initiatives deal with topics such as human rights, labour practices and understanding the social responsibility of the organisation (SIS, 2010). Other initiatives are Global Reporting Initiative (GRI), Textile Exchange (previously Organic Exchange), Fair Labour Association (FLA), Better Cotton Initiative (BCI) and Sweden Textile Water Initiative (STWI). Moreover, many Swedish clothing companies make use of certifications, such as EU's Flower Eco-label, Oeko-Tex Standard 100 and Global Organic Textile Standard (GOTS) and ISO 14000.

## 5.2 Case Firm Background

### 5.2.1 Hennes & Mauritz

H&M Hennes & Mauritz AB (H&M) was founded in 1947. Today, H&M is a business group, consisting of H&M, COS, Monki, Weekday, Cheap Monday and H&M Home. The company sells clothes, cosmetics, accessories and shoes under the H&M brand. In 2010, the turnover was 127 billion SEK and around 87 000 people was employed. H&M has production worldwide in areas such as the Far East, South Asia, Middle East, Europe and Africa. The products are sold in 2200 stores, located in Asia, Europe, Middle East, North Africa and North America. H&M's business idea is *"to offer fashion and quality at the best price."* (H&M, 2011a; 2010a).

Established	1947
Head Office	Stockholm
Headcount	87 000 employees
Turnover	127 Billion SEK
Balance Sheet Total	59 Billion SEK
Production locations	Worldwide
No. of Suppliers	Approx. 700 (1 900 incl. sub-suppliers)
Sales Markets	2200 stores in 40 countries

Table 1 Company background (H&M, 2011a; Allabolag, 2011)

Start of CSR work	Since 1990's, formalised in 1997
CSR responsible/s	Yes, around 90 people worldwide
Code of Conduct	Yes, since 1997
Certifications	EU's Flower eco-label (for Baby Wear products)
Membership in Multi-Stakeholder Initiative	Yes, such as: <ul style="list-style-type: none"> <li>- Global Reporting Initiative (GRI)</li> <li>- Textile Exchange</li> <li>- Fair Labour Association (FLA)</li> <li>- Multi-Fibre Agreement Forum Bangladesh</li> <li>- CEO Water Mandate</li> <li>- Better Cotton Initiative</li> <li>- Better Factories Cambodia</li> </ul>

Table 2 CSR Work (H&M, 2011a)

H&M divides CSR into three main areas: people, planet and product. *"People"* refers to the social responsibilities in the production; *"planet"* to environmental concerns; *"product"* to design, product development and purchasing. The starting point of H&M's CSR work was in 1997, when a head of CSR was appointed and the first codes of conduct were formulated. At that time, the focus was on the production and the product, where environment and working conditions were included. H&M had worked with similar issues earlier, but then the focus was on banning child labour.

In 2009, there was a large restructuring of H&M’s CSR work, from a CSR department into what today is called the “*CSR support*”. In practice, this means that all departments need to work with CSR and develop an own CSR “*action-plan*”, supported by the CSR support. The CSR support team consists of around 90 persons, where 12 persons are based in the head office. The other CSR workers are located in the production offices around the world and reports to the CSR support as well as to the local offices. Since December 2010, there is the new head of CSR.

H&M is member of several multi-stakeholder initiatives, such as Global Reporting Initiative (GRI), Textile Exchange, Fair Labour Association (FLA), Multi-Fibre Agreement Forum Bangladesh, CEO Water Mandate (Global Compact) and Better Cotton Initiative (BCI), Better Factories Cambodia (H&M, 2011a).

### 5.2.2 Gina Tricot

Gina Tricot is a clothing retailer, established in 1996 in Borås. In 2009, the company turnover was 2, 2 billion SEK and 1133 were employed. The production is located in Asia and Europe and sales markets are in Scandinavia and Germany. The company is Scandinavia’s fastest growing fashion chain, where the business idea is new designs every week (Gina Tricot, 2011; Allabolag, 2011).

Established	1996
Head Office	Borås
Headcount	1133 employees
Turnover	2,2 Billion SEK
Balance Sheet Total	1,0 Billion SEK
Production locations	Asia and Europe
No. of Suppliers	Approx. 100-200
Sales Markets	185 stores in 5 countries

Table 3 Company background (Gina Tricot, 2011; Allabolag, 2011)

Start of CSR work	Since 1996, formalised in 2008
CSR responsible/s	Yes, 1 person (but ‘quality’ part of the textile engineer position)
Code of Conduct	Yes, since 2006 (at least)
Certifications	Green building certificate for HQ
Membership in	- BSCI
Multi-Stakeholder Initiative	- Sweden Textile Water Initiative

Table 4 CSR Work (Gina Tricot, 2011)

Gina Tricot regards CSR as taking responsibility of the company’s business, both internally and externally. CSR has been a part of the business already from the beginning, where “*culture*” and “*values*” has been key words in the CSR work. Another key concept from the start is to be “*on the good side*”.

The CSR work was formalised in 2008 when a CSR responsible position was appointed. She is responsible for two main areas: environment and supplier check-ups. Quality was also part of her work in the beginning, but is now within the responsibilities of a textile engineer. Gina Tricot has a code of conduct consisting of fourteen paragraphs, including social responsibility, use of chemicals and treatment of animals. As a consequence of the formalisation process that started in 2008 the company entered BSCI. Moreover, Gina Tricot is a member of Sweden Textile Water Initiative (STWI) since 2009 (Gina Tricot, 2011).



### 5.2.3 Nudie Jeans

Nudie Jeans is a Swedish denim brand founded in 2001. Apart from jeans the company sells products such as jackets, knitwear, sweatshirts, shirts, tees and accessories. The head office is situated in Gothenburg, where 30 people are employed. In 2009 the turnover was 315 million SEK. Nudie Jeans' fabrics are produced in Italy, Japan, Turkey and the

Established	2001
Head Office	Göteborg
Headcount	30 employees
Turnover	315 million SEK
Balance Sheet Total	126 million SEK
Production locations	Italy and Portugal
No. of Suppliers	2 (50 incl. sub-suppliers)
Sales Markets	Distributors in 18 countries

Table 5 Company background (Nudie Jeans, 2008a; Allabolag, 2011)

U.S. All jeans are produced in Italy, whereas tops are produced in Portugal. The clothes are sold through distributors on markets such as Australia, New Zealand, Canada, France, Germany, Israel, Italy, Japan, Iceland, Scandinavia, Spain, Switzerland, UK and the U.S. As a part of Nudie Jeans' philosophy: *"design goes beyond creating just a product that serves to fulfil a need or a function"* (Nudie Jeans, 2010; Allabolag, 2011).

Start of CSR work	Since 2001, formalised in 2010
CSR responsible/s	Yes, 1 person
Code of Conduct	Yes
Certifications	- OEKO-TEX Standard 100 - GOTS, Global Organic Textile Standard - The Swedish Society for Nature Conservation (9 <sup>th</sup> April 2011)
Membership in Multi-Stakeholder Initiative	- Fair Wear Foundation (Nov 2009) - Textile Exchange

Table 6 Table 7 CSR work (Nudie Jeans, 2008a)

Nudie Jeans has worked with CSR issues since the start of the company. Key concepts in the business are *"quality"* and *"craftsmanship"*, which includes good working conditions as well as respecting local laws. Until recently, the company lacked a formal structure of the CSR work. However, the founders of the company had a personal interest in the issues concerning ethics and the environment. This has in turn influenced

the company's decisions from day one. For example, production was located in Italy from start, since the laws and regulations are stricter within Europe than in Asia.

The CSR responsible explains that Nudie Jeans has: *"few, small and close suppliers and work on a long-term basis with them"*. Hence, it is a strategic choice to use only two main suppliers and around 50 sub-suppliers. In November 2010, Nudie Jeans employed a person responsible for organising the firm's CSR work.

The company has a code of conduct based on the founders' own thoughts as well as the guidelines from Fair Wear Foundation (FWF), which in turn are based on the ILO convention. Moreover, all jeans are certified with OEKO-TEX and a large part with GOTS. During spring 2001, the will also be certified with The Swedish Society for Nature Conservation (Bra Miljöval) for an in-shop initiative. Nudie Jeans is also a member of Textile Exchange (Nudie Jeans, 2011).

### 5.2.4 Swegmark of Sweden

Swegmark of Sweden (Swegmark) is an underwear company, founded in 1937 and a head office in Borås. The company is part of a business group, together with Abecita and Sia New Rosme. The firm employs 23 persons and has a turnover of 58 million SEK in 2009. The production is located in Latvia, in a factory owned by the Swegmark group. The products are sold online and through distributors. Around 40 % of the sales go to export-markets such as England, Germany, France, Hungary and other Scandinavia countries (Swegmark of Sweden, 2011a).

Established	1937
Head Office	Borås
Headcount	23 employees
Turnover	58 million SEK
Balance Sheet Total	36 million SEK
Production locations	Latvia
No. of Suppliers	1 (owned by the holding)
Sales Markets	Europe

Table 8 Company background (Allabolag, 2011; Swegmark of Sweden, 2011a)

Start of CSR work	Formalised 1996
CSR responsible/s	No, but within the responsibilities of the Quality responsible
Code of Conduct	No, but indirectly through the business clients
Certifications	- ISO 9001 - ISO 14001 - Oeko-Tex Standard 100 - Fair Trade
Membership in Multi-Stakeholder Initiative	No

Table 9 CSR work (Swegmark of Sweden, 2011a)

Swegmark do not use CSR as a concept, but regards the questions as a part of the overall service to the business clients. Moreover, Swegmark states to have worked with social issues since the start, when the company had in-house production. The company later on out-sourced the production to a factory in Riga, which is close to the head office in Sweden. The factory is owned by the business group, which in combination with the proximity enables the company

to exert good control. Moreover, 90 % of the materials are bought from within Europe.

Swegmark's CSR work today consists of several parts, with a focus on quality and environment. As a consequence of this, the company is certified with quality standard (ISO 9001) and an environmental standard (ISO 14001). A large proportion of the material (98-100%) is certified with Oeko-Tex and some of the products are certified with Fairtrade. Swegmark regards certifications as an important tool, not only in production but also in terms of sales. The company is not member of any multi-stakeholder initiative.

### 5.2.5 The Fair Tailor

The Fair Tailor was established 2008, in Gothenburg. The company sells tailor-made shirts, produced under good working conditions. It was founded based on the philosophy that “*successful entrepreneurship can be combined with social responsibility*” (The Fair Tailor, 2011b). At the moment, it is driven by one of the founders, the CEO. The Fair Tailor has a turnover of about 1 million SEK.

Established	2008
Head Office	Göteborg
Headcount	1 employees
Turnover	Around 1 million SEK
Balance Sheet Total	n/a
Production locations	Nepal
No. of Suppliers	1 (3 incl. sub-suppliers)
Sales Markets	Sweden

Table 10 Company background (The Fair Tailor, 2011b; Allabolag, 2011)

The production is located in Nepal, through collaboration with a local organisation called Child Watabaran Center Nepal (CWCN). The products are sold through a Swedish webpage. Hence, even though the products are available worldwide, the sales market is focused to Sweden. The reason for Fair Tailor to start the business was to address social problems. Hence, The Fair Tailor regards themselves as social entrepreneurs, and therefore do not use the term CSR. Instead, the company regards CSR issues as a natural part of the values, organisation and decision-making.

Start of CSR work	2008
CSR responsible/s	No, but within responsibilities of CEO
Code of Conduct	No
Certifications	- GOTS, Global Organic Textile Standard
Membership in Multi-Stakeholder Initiative	No

Table 11 CSR Work (The Fair Tailor, 2011b)

The fundamental values are that work is better than aid, to be profitable but not profit-maximising and that a company can be profitable, whilst contributing to a sustainable development. Until recently, CSR questions were included in the role of the production responsible, but now this is part of the CEO’s role. An example of how CSR is incorporated in the company’s decision-making is that when searching for a production location,

where the aim was to find a social organisation that wanted to become profitable. The founders choose Nepal, since they thought they could make more of difference there than in for example India, which is characterised by larger selection of production possibilities and lower cost of production.

The Fair Tailor offers materials certified with GOTS, but is not member of any multi-stakeholder initiative.

## 6 Empirical Findings and Discussion

The empirical findings and discussion is based on the extended research model, as shown in Appendix 1. It includes four aspects, which each has a number of indicators. First, the formalisation of CSR is discussed, secondly integrated versus separated CSR work, thirdly community commitment and fourthly the communication of the CSR work.

### 6.1 Formalisation

The formalisation refers to how CSR activities is formalised in the case firms and can include many dimensions. In order to receive a holistic perspective of the formalisation, this aspect has been divided in to eight indicators; policies, CSR position, procedures, internal training, certificates and memberships in multi-stakeholder initiatives, planning and budgeting. The policies relates to rules and documented objectives of the company, CSR positions identifies the usage officially responsible persons or departments, procedure refers to the CSR decision-making process, internal training look at the formalisation of education in CSR issues, certificates and memberships describe the involvement of actors in formalising CSR work. Planning refers to the existence of documented plans related to CSR and budgeting to the formalisation of the financial part.

#### 6.1.2 Policies

Company polices are used as instruments in formalising firm activities. In terms of CSR this usually includes codes of conducts where the company describes rules and objectives of the CSR activities. H&M, Gina Tricot and Nudie Jeans have a code of conduct, whereas Swegmark and The Fair Tailor did not. H&M introduced its code of conduct in 1997. Prior the code of conduct the company had policies since the 1990s, related to the prohibition of child labour. The introduction of the code of conduct marked the start of H&M's CSR work, which now was extended to include policies regarding "*products*" and "*production*" in a broader sense. Moreover, the code extends to include all suppliers, sub-suppliers as well as other business partners, who do business with H&M (H&M, 2010b). In H&M continuous audits of suppliers and sub-suppliers are made to ensure the compliance of the code.

It is unclear when Gina Tricot introduced the first code of conduct, but the CSR responsible states that a code has existed since at least 2006. When Gina Tricot entered a membership in BSCI in 2008, the code of conduct was reformulated, in accordance with the multi-stakeholder initiative. Since Gina Tricot lacked the aspect of chemical usage and animal treatment, two additional paragraphs were added. Furthermore, it is stated in Gina Tricot's code of conduct that it is within the responsibilities of the supplier companies to ensure that the code is followed by sub-suppliers (Gina Tricot, 2008). Gina Tricot's suppliers are audited by the company as well as BSCI.

Nudie Jeans require both suppliers and sub-suppliers to follow the company's code of conduct. The code focuses on social concerns, but the plan is to develop a separate code for environmental requirements (Nudie Jeans, 2008b). Audits are done by an agent located in the main production

country on a regular basis. Swegmark does not have a code of conduct, but are indirectly under the code of conducts of the business clients: *“No, we don’t have it written down in bullet points (...) in older companies these [values] are deeply rooted (...) But we have high requirements, if we visit a material supplier for example, we work in a certain way (...) However, our clients put high demands on us and require that we meet certain norms and regulations, (...) Lindex and KappAhl for example. All the large companies have it [codes of conduct].”* Instead of having codes of conduct, The Fair Tailor use employment contracts, based CWCN’s values as well as the Nepalese law. This combination is explained by CWCN’s values go beyond the Nepalese law and for example includes living wages. The company used to hire an external consultant in order to perform audits, but due to administrative reasons the contract was ended.

### 6.1.3 CSR position

An official CSR position or a CSR department, indicates a formal structure of the CSR work. H&M, Gina Tricot and Nudie Jeans all have a formal position for the responsibility of the CSR work. H&M distinguishes from the other companies by having a large CSR department with over 90 employees, whereas Gina Tricot and Nudie Jeans each have one formal position for CSR work. All three companies regard CSR as a support function to the rest of the company, where the CSR responsible is supposed to support all employees in the daily CSR work.

H&M started the company’s official CSR work in 1997, and has from then gone through many transformations from the code of conduct, to CSR department to the CSR support of today. Gina Tricot formalised the CSR work in 2008 where the CSR responsible position was introduced, but as stated in the interview: *“CSR has always been an obvious concern for management from the beginning”*. A similar formalisation process to that of Gina Tricot occurred in Nudie Jeans, when a formal CSR position was introduced in 2010, while stating that: *“I would say that the interest for these issues has been there from the start (...) whether you call it ethics, environment or CSR doesn’t matter. I am the first one employed responsible for these area.”* However, it was further explained that even before appointing a formal CSR position, several persons had already worked with these issues internally in one way or another.

Neither Swegmark nor The Fair Tailor has an official CSR responsible person. Instead, CSR responsibilities are described to be included in a more indirect matter. Swegmark for example has a quality responsible where concerns regarding CSR are incorporated in to the job tasks. In The Fair Tailor on the other hand, CSR responsibilities are part of the role of the CEO. Since Swegmark has a long tradition of in-house production, social concerns were explained by the CEO to always been important for the company. CSR issues were in the forefront when The Fair Tailor was established where the objective is explained as *“we wanted to find out if it was possible to earn money whilst saving the world”*.

### 6.1.4 Procedures

Formal procedures relates to how firm activities are organised in terms of formalised or informal decision-making processes of CSR activities. An example of that is if such procedures are

formally included in the supplier selection. In H&M there is a formal procedure for CSR decision-making. In case of a completely new CSR strategy, the CEO is involved. However, most decisions are taken by the CSR support team, as described by the global coordinator: *“the way we [the CSR Support] are involved is through setting standards, policies and methods (...) it is very important that they are equal. In principle, we should be able to apply them to any part of the organisation”*. Hence, the same standards are used by both head office and production offices. Each department of the organisation has its own *“action-plan”*, where it is decided which issues to work with such as choice of environmental-friendly paper. This work is supported by the CSR team through for example meetings and provision of tools on how to address the issues. Similarly, each production office has an agenda for its CSR work, which is decided locally.

Gina Tricot bases CSR decisions primarily on dialogue. For example, when a decision on extended audits is to be made, there is a dialogue between the purchasing chief, the administrative chief and the CSR responsible. In a similar way, if the decision regards a lightning project for one of the shops, a dialogue with the builders is initiated. However, when it comes to the choice of suppliers, this decision is made by the purchasing department and there are no prerequisites that the company has worked with CSR before. This is said to be explain by the membership in BSCI, since the initiative strongly promotes cooperation and development with suppliers in order to achieve CSR goals.

A part of the CSR position at Nudie Jeans is to ensure that issues regarding CSR are incorporated in all decisions taken within the organisation. The current work to create an internal formalised structure is explained as follows: *“When you work as integrated with environment and ethics question as Nudie, there is a sort of obviousness in the company. It becomes hard when the work is intensified, for example when introducing a new certification. Then it becomes difficult to know who owns the question.”* Furthermore, she states that it is in *“the Nudie soul”* to work with CSR issues, as an explanation to how these issues are incorporated in all decision-making. The decision of suppliers was done already from start by the founders. Since the company has not changed suppliers since then, there is no formalised procedure regarding supplier choice. Another example of how CSR is incorporated in the daily decision-making is that the office always buys organic fruit.

Swegmark has a formalised decision making procedure which is exemplified by the procedure of selecting a new supplier. When a new supplier is chosen, decisions are made initially by the design department, secondly by the purchasing department and last by the accounting department. In the process, suppliers are asked about the quality and environmental work. The suppliers have to fill out a form, where they are asked about how they work with quality and environment. It is now rather a rule than exception that the suppliers need to be certified with Oeko-Tex, which is explained by the CEO as a rather new phenomenon: *“Ten years ago it might have been possible to not be certified, but today it is not”*. There is a continuous revision of the suppliers and sub-suppliers, carried out both by the company itself as well as ISO, Fair Trade and

Oeko-Tex. The company audits are made by the local planning officer in Riga for the supplier and by the purchasing department at the head office for the sub-suppliers. In general, all quality and environment decisions at Swegmark are decided by the management group. Some of the important decisions are decided on by the board.

Since The Fair Tailor does not have any employees, the CEO makes most decision regarding issues concerning CSR. Before, the production responsible dealt with these issues. Decisions for larger projects are taken at board level. The Fair Tailor used to have a consultant, who evaluated the work in Nepal, from a CSR perspective, but since this became too expensive, the company no longer has this.

### **6.1.5 Internal training**

Internal training is another formalisation instrument that refers to the education of CSR within the company. In most companies, some internal training is provided if not continuously at least as an introduction training. The large firms have a formalised way of providing training. In H&M, training for new employees in the buying office has been offered during the last ten years. In Gina Tricot, all employees receive CSR training, where the employees working with buying gets an additional session with a more specific CSR training.

Since the formalisation of Nudie Jeans' CSR work, the CSR responsible person has held three training sessions for all the employees. The training aims to provide the employees with a holistic perspective on how the company works with CSR and what the ambitions are. Moreover, the CSR responsible person at Nudie Jeans has increased the corporation with the company's agent in Italy and provides training on CSR issues for her as well. Swegmark provides training for all new employees, where quality and environmental issues are touched upon. However, training is done within each department and it is up to them to include CSR issues. Continuously, the quality responsible informs all employees on new laws and regulations for these issues. As the Fair Tailor only consists of one person, there is no internal training.

### **6.1.6 Certificates and memberships**

Among the case firms, certificates and multi-stakeholder memberships are commonly used as a tool for formalising the CSR work. H&M is a member in several multi-stakeholder initiatives and was active in the formulation of the guidelines for GRI. The aim with the GRI guidelines is explained by the global CSR coordinator as *“how to measure CSR work and how to report in a way that you externally can compare one company with another, to see – who's the best?”* Moreover, some of the products are certified with the EU Eco-label, the Flower (H&M, 2011a).

Gina Tricot is a member of BSCI as well as the Sweden Textile Water Initiative. The choice of entering BSCI is explained by the CSR responsible person in Gina Tricot as: *“One can take two different paths, for example by creating your own path as H&M has done through hiring people. Or one can choose the path through membership in an organisation and get access to required*

*resources that way, which we have done.*” Currently the company do not have any product certifications, but the head office in Borås is certified as a green building.

Nudie Jeans has membership in two multi-stakeholder initiatives and has several certificates, Oeko-Tex, GOTS and the Swedish Society for Nature Conservation. Swegmark and The Fair Tailor are not members of any multi-stakeholder initiative, but both companies have certificates. According to Swegmark, the company is too small to become member in an initiative. However, Swegmark has several certificates, such as ISO 9001, ISO 14001, Oeko-Tex and Fairtrade. This is motivated by a manager as follows: *“Certifications are an important tool for us, not only in terms of production, to know that we exert control, but also an important sales argument when it comes to business clients (...) they should feel safe that they get what they buy and for the consumers to know that it has been produced in the right way.”* The Fair Tailor has GOTS certification for some of the products made of ecological cotton.

### **6.1.7 Planning**

Planning of the CSR work occurs to some extent in all case firms, but how it is executed differs between the firms. In H&M each departments has its own action-plan for the future goals, based on policies, standards and methods provided by the head office. Moreover, the company arrange kick-offs for all employees at head office and in shops, where future goals are set. The overall CSR planning for H&M is for the next 3-5 years, where the plans usually include an action-plan for what is needed to be done in order to achieve the set goals. What is described more hands-on in the action-plans is later on included in the sustainability report. The CSR responsible person says that Gina Tricot have a one-year plan for the CSR work as well as more long-term goals, for 3 years ahead. These goals include how many suppliers to use as well as environmental goals.

Nudie Jeans plans the CSR work through the membership in Fair Wear Foundation (FWF). A plan is made on a yearly basis, which later on is evaluated. FWF provides Nudie Jeans with checklists and manuals in regards to CSR issues, but the company feels that this material does not really fit the company. The guidelines are designed for companies with production in Asia, but since Nudie Jeans produce in Europe the company does not face the same problems in the production. Furthermore, the CSR responsible person explains that Nudie Jeans does not have any checklist at the moment and describes it in relation to its size: *“It’s a small company with a rather high turnover. Now we’re about to reach the limit where more governing documents and structure are required. But on the other hand, if you have an adequate working group and management, checklists are not needed.”* Swegmark has a planning through working with ISO standards. Every year, Swegmark formulate quality and environmental goals, which are complemented by action-plans in order to meet the goals. Moreover, the work is continuously revised since the company is certified with ISO, OEKO-TEX and Fair Trade. Swegmark also has a planning officer in Riga, which makes sure that standards are maintained. As a part of the CSR work, the company plans to start working with recycled materials next year. The Fair Tailor has no formal documents for CSR planning, but says to take CSR issues into consideration whenever



future plans are made. The Fair Tailor considers the small size of the firm as an advantage, as the company then can be more flexible.

### 6.1.8 Budget

Budgeting occurs in all firm but the use of a formal CSR budget differs, both in terms of integration of such into the overall budget as well as what it revolves around. H&M has separate CSR budgets for the CSR work at head office and at each production office. The head office budget is made in the beginning of the year, but if new opportunities in CSR investments arise during the year, there is a possibility to apply for more money. The financial return of the CSR work is hard to measure according to H&M's global coordinator. Instead, focus has been on the progress of the work, and to measure the results of the CSR work rather than financial returns. Social issues (“*people*”) is measured through auditing, environmental (“*planet*”) through for example CO2 emissions, transports etc. and the product (“*product*”) is measured by factors such as sales of products made of recycled material.

Gina Tricot has an overall CSR budget, which lies within the responsibilities of the CSR position. The budget is done together with the head accountant. The budget needs to be approved by the management board and is determined by the scope of the CSR work, such as planned audits and charity donations. The budget can be subject of change if an opportunity for new CSR investments, presents itself during the year. In general, the budget it explained to be “*quite generous*” and is independent of profit targets or similar. The CSR investments are said to be a long term commitment and not something you can measure in the short run. However, Gina Tricot currently works with how to better measure CSR activities, since this motivates and legitimises such activities for further development.

Nudie Jeans planned to have a separate budget for the company's CSR work, but this has not yet been realised. Instead, the CSR responsible person applies for money from a general project budget. The owners approve all larger projects related to CSR. How much money the CSR work gets depends on for example cost of other projects, but is also described as “*generous*”.

In Swegmark, the quality department makes a budget for the quality work, which includes social issues. The budget needs approval from both the management board and the board. Quality goals are measured and evaluated continuously. The budget depends on what needs to be done, for example in order to maintain certificates. The company makes a distinction between if it is a requirements or just an improving action. Moreover, the choice of activities is based on if there is any financial payback on: “*Indirectly it is. We don't do all this environmental work only for the good cause. We can't lose money every year. We need to claim profitability like all other companies. But we believe that together with all other things that we do, we build trustworthiness and profits indirectly. If we don't have the certifications, we believe it would harm the company. So, of course it is important to the company, it's the base of it*”. In Swegmark, the goals are reported internally, but are not made public. The quality and environmental work is not included in the annual financial report.

The Fair Tailor explains that since the company is a social entrepreneur, social issues are not regarded as a separate part of the company and that it is therefore part of the overall budget. Whenever new projects are initiated this needs to be approved by the board. Moreover, the company claims to be “*profitable but not profit maximising*” (The Fair Tailor, 2011b) which is further explained by the CEO as: “*it is very subjective and I do not think that there is a dividing line, but rather that it is different shades of grey*”.

## **6.2 Discussion: Formalisation**

The empirical findings show that the MNEs in general are more formalised than the SMEs, even though the degree of formalisation of the CSR work differs when looking at each indicator. Interestingly, Nudie Jeans deviated from the other SMEs on several occasions. A possible explanation can be that Nudie Jeans is much larger in terms of turnover and balance sheet in comparison with the other SMEs and therefore might follow the direction of the MNEs rather than the SMEs. Another pattern discovered is that the older the firm the more formalised the CSR activities. Several indicators show this pattern, where older firms and younger firms behave in a similar way within each category independently of firm size.

In terms of the use of the two formal mechanisms, code of conduct and formal CSR position, both MNEs in the study has a code of conduct and officially appointed CSR positions, as expected by the study of Graafland (2003). Nudie Jeans also makes use of the two formalisation mechanisms, similar to the MNEs, but in opposition to the other SMEs that had neither. This could be explained to what Mintzberg (1983), describes; that the need for formalised mechanisms increases as the firm grows, in order to avoid confusion and exert control. Nudie Jeans explained that the two formal mechanisms were needed as the firm grew and that the CSR work prior to introducing the mechanisms was informal. The company’s progress as described over time thus has gone from informal to formal in this regard. Interestingly the same path from informal to formal was described in the MNE Gina Tricot, where the introduction of the CSR responsible person was part of the formalisation of the CSR work in the company. The findings indicate that as the firms grow, greater formalisation follows. This might be expected by Gina Tricot who is a large firm, but not to the same extent by Nudie Jeans who is much smaller in comparison. Hence, even though Nudie Jeans falls into the categorisation of an SME, the company has a formal CSR position as well as a code of conduct. The other SMEs, Swegmark and The Fair Tailor did not have any of the two mechanisms but could be said to be incorporated under other formal positions such as the quality responsible person at Swegmark and the role of the CEO at The Fair Tailor. In this way the absence of a formal position as well as a code of conduct in the two SMEs, was explained as a lack of need rather than resources. Lack of resources is a commonly discussed reason for not using formal instruments in SMEs this however was not brought up by neither of the SMEs in the study (Graafland et al, 2003; Russo & Tencati, 2008; Fassin, 2008). Another common observation among SMEs is that they have greater flexibility (Jenkins, 2004), this could also be explained why the firms not seem to

experience a need for a formal positions since this can be incorporated in other tasks when and if needed.

The absence of a code of conduct among Swegmark and The Fair Tailor was explained due to different reasons. The Fair Tailor relies on employment contracts, which are regarded as sufficient in terms of protecting worker's rights. Swegmark on the other hand, describes the lack of need due to the age of the firm, implicating that such policies have become self-evident together with experience and therefore finds no need to formalise the policy into a code of conduct. Mintzberg (1983) uses the same reasoning, but with a different outcome. According to his reasoning, the older the firm, the more repetitiveness of activities and also the more formalised the behaviour. These findings could instead imply that the formalisation of firm activities only applies to the age of the firm if it is accompanied with size as well, which occurs in case of H&M who is both large and old. But if the firm as Swegmark is old but small, the age instead is counterproductive on the formalisation of the CSR activities in terms of the use of policies and formal positions that instead are more informal. However, in order to determine such correlation a greater sample of old small firms would be necessary.

The decision-making process of CSR activities differs between the MNEs, where H&M is characterised by a formalised decision-making process. One explanation could be the size of the company and the large amount of subsidiaries. According to Graafland (2003) firms with subsidiaries have a greater need for coordination and therefore formalised procedures are more common, which fits the description of H&M. However this is not found in the other MNE, Gina Tricot that relies more on an informal dialogue structure, where decisions are made on an ad-hoc basis. One explanation could be that Gina Tricot does not have the same amount of subsidiaries that H&M has. Nevertheless due to its size it is still expected to be more formalised in this regard (Mintzberg, 1983). In a similar way, Nudie Jeans lacks a formal decision-making process, since CSR is part of all employees' daily decisions in an informal way, which is more in line with the predictions both in terms of the age and size of the firm. In the contrary, in Swegmark there is a clear formalised decision-making procedure which is exemplified by the supplier selection process. In The Fair Tailor, all daily decisions are taken by the CEO, whereas major decisions are made at board level, which indicates a more informal decision making process. When observing the formalised procedures in relation to the decision making of the case firms, a pattern is discovered; where firm size, rather than firm age seems to be a more important factor. The findings suggest that the younger firms Gina Tricot, Nudie Jeans and The Fair Tailor are more informal whereas the older firms H&M and Swegmark are more formal. According to Mintzberg (1983) this informal behaviour could be expected by the younger firms, since these companies have less experience and therefore less likely to formalise the behaviour. Conversely the opposite applies to older firms, since they have more experienced they are also expected to be more formalised, which is in line with the findings.

The MNEs provide internal CSR training to all new employees in the head office. Notable is that both of the companies lack CSR training for store employees as well as training on a regular

basis in the head office, which indicates that CSR training is not used as a formalisation tool more than in an initial stage. In opposition to the MNEs, Nudie Jeans includes sales assistants in the company CSR training. However, since the company sells most of the products through retailers, only a small part of the employees working towards end-customers are informed about the company's CSR work. Even though the CSR responsible at Nudie Jeans was recently appointed, the information from the interview indicates that the company aims to provide CSR training continuously in a formal way, but currently this has only been offered in an informal way. In Swegmark, the responsibility of CSR training for all new employees lies within each department. Therefore, there is a risk that the CSR training varies, depending on factors such as the interest of CSR in the particular department. Hence, even though it is stated that these issues are extensively incorporated in the way the company do business, there is no formal structure for including CSR issues in the overall training. The Fair Tailor has no internal training for obvious reasons. When the company employed four people, everyone was well informed with social concerns, which was part of the everyday operations. Training related to CSR issues seems to be incorporated in to the introduction trainings of the MNEs in a more formal matter than within the SMEs. This follows the reasoning of larger firms being more formalised due to the size and need for coordination as described by Mintzberg (1983). In terms of CSR training, size is recognised as more important than age. However, the empirical findings reveal no information on the content of the CSR training, which in line with the arguments by Mintzberg (1983) implies that repetitiveness can be expected to be more formalised in the older firms. Another important aspect of these findings is that, although formalised in the large firms this is limited to the introduction training as well as to the head offices and do not include the larger part of the employees of the companies, that are working in the stores. Therefore it can be questioned to what extent the training is formalised in the MNEs.

The extent to which certifications, membership in multi-stakeholder initiatives and planning of CSR work is used, varies from one company to another. The multi-stakeholder initiatives are used by the MNEs as well as the SME Nudie Jeans. The multi-stakeholder initiatives require planning as a part of their membership requirements. Therefore, the findings that H&M, Gina Tricot and Nudie Jeans make use of formal planning are expected. Another interesting observation is that for Gina Tricot and Nudie Jeans, the membership in multi-stakeholder initiatives aimed to formalise the companies' CSR work, whereas the aim for H&M was to be able to measure and compare their CSR work in comparison to other companies. H&M also distinguishes from the other companies, in terms of involvement, since H&M was one of the actors in formulating the GRI guidelines, whereas the other companies joined multi-stakeholder initiatives at a later stage. It can be implied that the difference in reasoning for entering multi-stakeholder initiatives can be related to the age of the firms. An old firm and as large as H&M is expected to be more formalised (Mintzberg, 1983). Therefore, its plausible to believe that H&M already is and have been more formalised for a while and thus do not require external help in order to achieve this, but rather has other objectives to become a member of multi-stakeholder initiative for example in terms of benchmarking. Gina Tricot and Nudie Jeans on the other hand,

are firms that are growing where one is larger than the other in this regard but more importantly both firms have expressed a need to formalise due to their rise in size, which is expected according to (Mintzberg, 1983). It thus seems if the expected outcomes were realised but do to the influence of different firm characteristics, size in the case of Gina Tricot and Nudie Jeans and age interlinked with size in H&M. Hence, the larger companies use multi-stakeholder initiatives for different reasons and in different ways, but all have in common that the membership in a multi-stakeholder initiative facilitates the planning of the CSR activities.

Swegmark on the other hand, explained the lack of membership in a multi-stakeholder initiative due to the small size of the company. Nevertheless, Swegmark distinguishes from the other case firms in terms of extensive use of certifications, which in turn influences the planning of some of their CSR activities. The company has a comprehensive planning for the quality and environmental work, where goals are set and evaluated through the use of ISO and Oeko-Tex certifications. Other social issues indicates to be less incorporated in the formal planning, since the Fairtrade certificate only covers a small part of the product range. In opposition to previous research (Graafland et al, 2003; Perera, 2009), Swegmark as a small company do evaluate a large part of the CSR activities as well as make use of certifications and standardised performance monitoring. The certifications are regarded both as sales argument and a way to monitor the continuous progress. In this sense, age seem to have an influence in both older firms. In the case of Swegmark the findings also indicate that age rather than size affects the formalisation in terms of planning and use of certificate. Furthermore even if Swegmark is not a member in a multi-stakeholder initiative the certifications seems to have the same effect on the planning of CSR activities as noted in H&M, Gina Tricot and Nudie Jeans.

The Fair Tailor on the other hand, follows the pattern expected for small companies in accordance with earlier findings (Mintzberg, 1983; Perera, 2009), since the company has little planning and evaluation of the activities. According to Russo & Tencati (2008) the absent of formalised planning can be explained by lack of resources for formal planning. However others argue, that the formalised planning is not needed to the same extent in smaller firms, which have the ability to be more flexible than larger firms (Fassin, 2008). The lack of need seems to fit the description more appropriately on The Fair Tailor, who stated that CSR is considered implicitly whenever new plans are made. Furthermore, the ability to be flexible is also highlighted by The Fair Tailor. This could imply that planning is not required since this can be approached when needed rather than being formulated on beforehand. Another important aspect is the age of The Fair Tailor that also can serve to explain the lack of planning, since younger firms are likely to be less formalised in accordance with Mintzberg (1983). Thus, in the case of The Fair Tailor both the age and the size predicts the absence of formalised planning. Hence, how companies plan the CSR activities seems to be influenced by both firm size and age. The older firms have in common a formal planning that has been written down for the companies' internal use. The larger firms and Nudie Jeans have memberships in multi-stakeholder initiatives in common,

which requires a formalisation of planning whereas the small firm The Fair Tailor do not make use of formalised planning as expected by the firm's size and age.

The MNEs have a budget for CSR activities, which is made on a yearly basis, but can be subject to change during the year. H&M measures the results of the commitment instead of financial payback and Gina Tricot regards it as a long-term investment where returns are not expected on short-term basis. Nudie Jeans' CSR work is funded through a general project budget and Swegmark report to have a separate budget for quality work, where social issues are included. The latter company's budget depends on what for example is required by the certifications and what generates financial payback. The Fair Tailor integrates CSR expenses in the overall budget. The reasoning of Swegmark indicates a strategic way of thinking, whereas The Fair Tailor and Nudie Jeans imply a more altruistic reasoning, such as not being profit maximising. Evidently, both size and age seems to influence the CSR budget, since H&M, Gina Tricot and Swegmark have a separate CSR budget, whereas in the young SMEs, CSR was integrated in the overall budget.

### 6.2.1 Summary

Based on the propositions posed in the research model, larger firms are expected to have more formalised CSR activities. The same pattern is expected for older firms. The empirical findings show that size influences indicators such as formalisation of code of conduct, CSR position, planning and membership in multi-stakeholder initiatives, internal training and budget. However, size does not seem to influence the formalisation of the decision-making procedures, where age seems to be of more importance. Interestingly, only in the case of internal training the MNEs as a group, distinguishes from the SMEs by being more formalised. The other indicators, influenced by size, show that Nudie Jeans followed the pattern of the MNEs rather than the SMEs. This could be due to that Nudie Jeans is a relatively large SME, in comparison to the other participating SMEs. Another finding is that although SMEs are more informal in many regard, this was not explained as to a lack of resources rather to a lack of need. The results also show that age is a prominent factor, which in many times coincide with the influence of size on formalisation of CSR activities such as the usage of formalised planning, budgeting and procedures. In the decision-making procedure, this was much more formalised in the older firms in comparison with the younger that were more informal in this regard. Hence, the findings indicate that larger firms to a greater extent use formalisation as a coordination mechanism than smaller firms, in accordance with the first proposition. Moreover, the findings also suggest that the older firms have in common more formalisation and planning than younger firms, which was proposed in the second proposition.

### 6.3 Integration versus Separation

If a company has a separate department for CSR issues, the company is less likely to have CSR integrated into the company's overall operations. However, as shown in the following section, the companies which have a CSR department have taken initiatives in order to integrate the issues more extensively in the rest of the organisation. The vision and mission is considered to deal with integration and separation in a subtle way. Through the vision and mission of the firm, tendencies on how well CSR is integrated in the overall operations and the employees' daily work can be seen. Furthermore, the product range has been chosen, as a way to look at how well CSR is integrated in the business overall activities. If all products are branded as "*socially responsible*", "*sustainable*" or "*environmental-friendly*", the CSR work can be expected to be well integrated in the company. If these types of "*CSR products*" instead are few pieces or a separate collection, it indicates that it is not part of the conventional product range and thus separated from the company's overall activities.

#### 6.3.1 Departmentalisation

Departmentalisation indicates separation of job tasks, which means that certain persons have a formal responsibility for specific tasks, whereas other employees work with other tasks. Hence, departmentalisation leads to a separation of CSR activities from the rest of the organisation. H&M recently restructured the CSR department into a CSR support for the whole company, in order to integrate CSR into the daily operations. The implementation has proven to be easier for some departments than others. A difficulty that has arisen is how to relate the daily operations to CSR issues. All employees within H&M have worked with these issues before, but then it has not been regarded as CSR, such as paper choice and use of biodegradable plastic bags. Most employees have a positive attitude to the changes: "*(...) I think that everybody in some way felt that 'we also want to be part of this and to be able to say that our department takes responsibility' (...)*". At H&M there is a formalised structure for who reports to whom, all departments need to work with CSR. The middle managers have an overall CSR responsibility and designate a person in his/her team to coordinate contact with the CSR support, which is supposed to work as a sounding board for all CSR related issues. For example, the CSR support arranges meetings with each department, where it is discussed what kind of support and which tools are needed in order to measure the work. This is described as "*a constantly on-going process*". The production offices are considered as separate organisations, who report back to the head office. Changes are made in the head office, such as the decision to start working with sub-suppliers.

CSR work in Gina Tricot is divided into three areas: "*environment, supplier check-ups and quality*". The quality responsibility is coordinated by a textile engineer under the purchasing department. This division was made since quality is regarded as closely related to the product. The responsibility for the environmental impact and supplier check-ups are within the role of the CSR responsible. The CSR responsible person has been placed in the administrative department. There are two reasons for this division; firstly to make clear that it is a support function to the

whole company and secondly to signalise to the suppliers that she is not a part of the purchasing department. This way, she is not related to the negotiations with the suppliers in terms of for example choice of suppliers, amount of orders and prices.

Even though Nudie Jeans has employed a CSR responsible, it is expected of all employees to work with CSR issues in one way or another. At Swegmark, there is no department for CSR work, since such issues are included in the role of the quality responsible. Furthermore, it is stated that the ISO certification requires the company to be careful in how they work. Hence, all departments have individual goals for quality and environment. The planning officer in Riga is responsible for the local quality and environment work, which indirectly includes social issues. In The Fair Tailor, the CEO is responsible for everything. Since the company is based on social entrepreneurship, it does not have any “*CSR work*”, but this is integrated in the way of doing business. Previously, when the company had four employees, everyone was involved with these issues and worked with them continuously.

### 6.3.2 Vision and mission

The vision and mission is seen as an indicator of the integration versus separation of CSR activities into the overall business activities. If the company has a separate CSR vision this is seen as a separation of CSR, whereas firms that have included CSR in the company vision and mission is considered to have a more integrated CSR work. H&M’s business concept is “*to give the customer unbeatable value by offering fashion and quality at the best price*” (H&M, 2011). Furthermore, the company has a vision for the CSR work: “*H&M’s business operations aim to be run in a way that is economically, socially and environmentally sustainable. By sustainable, we mean that the needs of both present and future generations must be fulfilled*” (H&M, 2011b). The global CSR coordinator at H&M further explains: “*Our vision states that our success cannot be at the expense of others – neither humans nor environment. That is of course a very important vision (...) and due to the fact that we are as big as we are, we have fantastic opportunity to make a difference and to push things forward – more than a small company (...) we have the resources and we have the presence in so many places which enables us to work very hands-on with the questions*”. It is further explained that for them it is obvious to work with these issues, which is described to be typically Swedish: “*I think that you somehow want to be the good company, right? Swedes want to be the good people*”. Moreover, H&M is considered to be an industry leader in terms of CSR issues (H&M, 2011b). The role as an industry leader is further explained by the global CSR coordinator at H&M to be related to the company’s size, the Swedish heritage and their presence in many countries. The position is used as competitive advantage and an instrument to make difference in these regards.

Gina Tricot’s business concept is “*new designs every week*”. The CSR responsible person at Gina Tricot states that the issue of taking responsibility for the company actions both internally and externally has been there from the start, incorporated by two concepts: “*culture*” and “*values*”. Gina Tricot’s CSR vision is “*to stand on the good side*”, which is stated in both the code of conduct and the interview (Gina Tricot, 2008).



The vision of Nudie Jeans is that *“design goes beyond creating just a product that serves to fulfil a need or a function”*. The company’s vision for CSR is *“to help improve conditions in the garment industry”*, and thus the company want everyone who works with them to *“be concerned about human rights, wages, working hours and social accountability”* (Nudie Jeans, 2008a). The CSR responsible person at Nudie Jeans explains that the company always has worked with CSR issues internally and that is part of the vision and mission of the company, where focus has been on environment and ethics. All employees work with environmental issues in different ways, whereas the ethical work is more linked to the production only. Hence, a part of the agent’s role in Italy, CSR issues are now included. Furthermore, the CSR responsible explains: *“The textile waste mountain is growing day-by-day due to the consumption of wear-and-tear products. Nudie wants to be a counter-pole to such development and already is”*. For example, jeans reparation is offered free of charge in the shops in Gothenburg and Stockholm.

Swegmark’s vision is *“to continuously exceed client's expectations of our products and other services”*. The company aims to fulfil this, by working with continuous improvements, through for example their work with quality and environmental standards. The company also has a separate environmental policy, where it is stated that: *“Swegmark will work for a minimal influence on the environment by means of total recycling - and producer responsibility, both in our own production and in cooperation with our customers and our suppliers”*. This policy is said to be known by all employees (Swegmark of Sweden, 2011a). Moreover, if and how CSR is incorporated into the company values is described in the following way: *“Absolutely, we have always been used to take responsibility towards our employees, customers and other contacts”*. It is further explained that the owner family has had a large interest in these issues from start.

The Fair Tailor’s mission is *“tailor-made shirts that saves the world”* (The Fair Tailor, 2011a). The CEO at Fair Tailor explains that CSR issues are the reason for founding the company in the first place and therefore is well incorporated in the company values. On the webpage, values such as “sustainable development”, “work is better than aid” and “profitable but not profit maximising” can be found (The Fair Tailor, 2011a).

### **6.3.3 Product range**

The integration of CSR products into the conventional product range is used as an indicator of the integration versus separation of CSR work into the daily operations. H&M has several materials with *“an increased sustainability”*: organic, recycled and tencel (lyocell) materials. Moreover, the company is part of BCI and aim for all cotton material to come from more sustainable sources by 2020. (H&M, 2011a). Since the production of organic cotton still is very low, the supply of the material is limited. Hence, only about 2 % of the products in the product range are made from organic cotton. Some of H&M’s babywear is certified with EU’s Eco-label, “the Flower” (H&M, 2011a).

Gina Tricot sells products made from both organic cotton and recycled polyester. However there are only certain products that are organic or recycled, since the company does not work based on collections.

Nudie Jeans aims to increase the share of organic denim every year. The company's denim products consist of both 100% organic cotton as well as blended yarn (Nudie Jeans, 2008a). Moreover, some of the products are certified with GOTS, which implies that the material is ecological and socially responsibly produced (GOTS, 2010). Recently the company released an "injection", which is a smaller collection in between the main collections, called "*this blue is green*". It is made completely from recycled material and contains about 20 pieces. Nudie Jeans also has a separate collection with T-shirts, which is a collaboration with Amnesty International to promote human rights (Nudie Jeans, 2008a)

In Swegmark, almost all products (98-100%) are certified with Oeko-Tex, which means that the products are tested for harmful substances (Swegmark of Sweden, 2011a; Oeko-Tex, 2011). A smaller part of the product range is certified with Fairtrade, an organisation that aims to amongst other promote fairer trading conditions (Swegmark of Sweden, 2011a) (Fairtrade, 2011). Because of the high standards by Fair Trade on for example dyeing, these clothes turn out less colourful and are less popular by the customers. Even though these products are less popular, Swegmark still wants to offer the alternative to the customer and therefore continues to supply these products. Next year the aim is to launch products that are made from recycled material.

The Fair Tailor has branded all their products as made under socially good conditions. Moreover, customers are offered to choose material, which is GOTS-certified. The GOTS-certified products at The Fair Tailor are, in similarity with the Fairtrade certified products at Swegmark, less popular among customers. According to the CEO, the products made from organic cotton have poorer quality. He explains that The Fair Tailor's focus is on social issues, not environmental.

#### **6.4 Discussion: Integration versus Separation**

The integration versus separation has been seen from three standpoints: departmentalisation, vision and mission as well as product range. The patterns show that the larger firms tend to separate CSR from the overall activities to a larger extent, whereas the patterns for how age influenced the integration versus separation were less evident.

In line with the research, the larger firms showed to have a separate department for the organising of CSR activities. Interestingly Nudie Jeans has appointed a CSR responsible person; whereas the other SMEs integrated CSR responsibility into other job functions. In all three companies, the department is regarded as a support function to the rest of the firm, where the aim is that all employees should work with CSR issues on a daily basis. The view on the CSR department as a support function implies that the companies aim to integrate CSR more into the overall firm activities. This becomes particularly obvious in the case of H&M, which recently restructured the whole company and introduced action-plans for each department, in order to integrate CSR more extensively. Hence, even though the formal responsibility is in the hands of few people, all employees are expected to work with CSR. In Gina Tricot, the responsibility of each employee was described as a dialogue with the CSR responsible person but that there are no formal expectations on employees to work with CSR actively. These findings imply that CSR is

more integrated into all employees' daily operations in H&M than in Gina Tricot, which could be explained by the firm age and time of CSR commitment.

Both Swegmark and The Fair Tailor, showed indications of an integrated CSR work to some extent. The companies demonstrate a strong integration of specific CSR areas; in Swegmark the environmental work is integrated to a large extent, whereas The Fair Tailor has integrated social issues in a similar way. Hence, both companies have a clear and well integrated work, but have chosen to focus mainly on specific key CSR area, which goes in line with the findings of Perera (2009). In this regard, the larger companies have a broader scope of their CSR work, which can indicate a more extensive integration of CSR into the firm operations.

The extent, to which the company has integrated CSR into the company values, can be related to the extent of CSR commitment as explained by Zadek (2007). H&M position as an industry leader in CSR issues can be considered to correspond to the most developed stage, called the civic stage. Swegmark on the other hand, regards CSR as a long term strategy and a way to differentiate from its competitors, which relates to the strategic stage by Zadek (2007). Gina Tricot on the other hand, regard CSR as something all companies need to do nowadays and the CSR responsible person does not think of CSR as a way to differentiate towards its competitors. The reasoning goes hand in hand with the so called managerial stage. In the smaller young firms, Nudie Jeans and The Fair Tailor, CSR was integrated from start of the business and therefore deviate from the theories presented by Zadek (2007), that the longer commitment, the more progressed CSR commitment. As argued by Fisher and Schot (1993), new firms are expected to start the business solely on the idea of CSR as a business opportunity, which goes in line with the findings on the small young firms, Nudie Jeans and The Fair Tailor since both companies started the business based on CSR as a strategic advantage. The exception to this is Gina Tricot, which is also categorised as a young company, but not started the business based on CSR as a strategy. Another interpretation of the differences in how well CSR is integrated into the business idea is the fundamental differences in business ideas between the larger and the smaller firms. The larger firms rely on economies of scale for obvious reasons, where the aim is to sell as much as possible with a cheap and affordable price. Consequently, the larger firms seek production locations to enable such strategies, where Asia has proven to serve the purpose of large scale production. The companies have production locations in Europe as well, in order to enable quick deliveries. All small case firms on the other hand, strategically choose production locations, where CSR considerations were included in the decision-making. This could imply that the smaller firms to a greater extent have integrated CSR into the business vision and mission. Interestingly, when comparing the case firms in terms of the vision and mission, only Nudie Jeans and The Fair Tailor have a company mission, where CSR is integrated. The other companies complement the business vision with a separate vision for the CSR related work. Hence, in terms of company visions, there is a relationship between the young, small firms.

Another argument for the influence of firm age on integration versus separation of CSR work is that H&M has undergone large organisational changes in order to transform the CSR department

into a CSR support, whereas Gina Tricot and Nudie Jeans considered the CSR responsible person as a CSR support from the beginning. However, the idea of CSR as a support function was raised in the late 2000's in all three firms, which can indicate that it is a current trend to regard CSR issues as part of the business' daily activities. A similar trend, for old firms to more extensively integrate CSR work into the everyday operations, is noted in Swegmark, which recently integrated quality and environmental goals into their overall operations.

The results also show that there is a large difference within the categorisation. As noted earlier, Nudie Jeans has a formal responsible CSR person, although the firm is relatively small, which can be interpreted as an indication of a strong CSR commitment and therefore a lot of resources invested in CSR issues in relation to the size of the firm. Besides commitment, another explanation for having a formal CSR position for such a small firm can be the high turnover and balance sheet. Even though Nudie Jeans can be considered a small firm in terms of number of employees, the high turnover and balance sheet is equivalent to a medium-size firm. Hence, the firm have more resources than expected by a small firm, which in turn enables for more resources to invest in CSR work. Moreover, both H&M and Gina Tricot are considered large firms, but the difference in persons formally appointed with CSR responsibilities is huge. However, when taking the number of employees in both firms into account, the number becomes more balanced. The calculation shows that in both H&M and Gina Tricot, each CSR responsible person is supposed to support around one thousand other employees. Here, it becomes even more evident that Nudie Jeans distinguishes itself from the other companies, since the company has a formal CSR responsible person with only 30 employees.

Regarding the product range, the findings showed that the smaller firms integrated CSR products into the companies' conventional product range to a greater extent than the large firms. Once again, Swegmark's focus was on environment and The Fair Tailor on social issues. A large proportion of Nudie Jeans' products were GOTS certified, including both social and environmental concerns. Moreover, all the small companies had additional collections for CSR products. The findings points in two directions in terms of how the companies regard CSR. On the one hand, it becomes evident that small firms have a more focused CSR work on specific concerns as in the case of Swegmark and The Fair Tailor. On the other hand, Nudie Jeans shows the opposite, by combining both environmental and social concerns into the conventional product range. Once again, a possible explanation could be that Nudie Jeans distinguishes from the other small firms in terms of higher turnover and thus CSR resources accessible.

The larger firms differ in terms of CSR product range, which partly derives to the differences in how the companies work; where Gina Tricot does not base the product range on collections as H&M. Moreover, H&M had clear goals in terms of integrating CSR products to the conventional product range, which was not mentioned by Gina Tricot. However, the fact that H&M needs to plan more than 10 years ahead in integrating organic cotton throughout the complete product range indicates the difficulties in doing so. This is explained by the limited access to organic

cotton on the world market. Hence, the large size of the company can be explained as a barrier in integrating organic cotton into the company's product range.

#### **6.4.1 Summary**

Based on the propositions posed in the research model, larger firms are expected to have CSR activities more separated from the overall operations. Moreover, older firms are expected to have integrated the CSR work to a greater extent than younger firms, but here the theoretical discussion in CSR literature pointed in two different directions. On the one hand it was stated that older firms are expected to work more integrated with CSR (Roberts, 1992; Zadek, 2007). On the other hand, the younger firms are expected to have started the business based on CSR as a strategy and therefore have a more integrated CSR work (Fischer & Schot, 1993). The findings from this study indicate that age plays an important part, since the younger firms integrate CSR in the company values at an early stage, in opposition to the predictions of the fourth proposition. However, the older firms followed the gradual integration as expected by Roberts (1992) and Zadek (2007). Hence, the empirical findings from this study have pointed in many different and sometimes even contradictive directions. In terms of departmentalisation of CSR activities, there are tendencies in the direction of the third proposition, that larger firms are more likely to separate CSR from the rest of the organisation. Moreover, this relationship seems to be proportional, where the larger the firm, the more people employed for the CSR support. On the other hand, as the CSR is now regarded more as a support function rather than a department, CSR is expected by the large companies to become more integrated in all employees' work. Nevertheless, the smaller firms showed tendencies to work with fewer activities, but that these CSR activities was extensively integrated in other job positions. In terms of vision and mission, the findings are rather contradicting, but when firm size is combined with age the predicted patterns are found. The older firms and Gina Tricot presented a separate vision for the CSR work, whereas the small, younger firms incorporated CSR into the business vision. Moreover, a discussion was made based on time and level of commitment related to the stages by Zadek (2007). CSR products seems to be more integrated in the smaller firms than the larger, but all firms had some kind of separate CSR products in common. Differences between older and younger firms were noted, but were not consistent, as expected by the fourth proposition.

#### **6.5 Community Commitment**

As previously concluded, the way a company organise the CSR activities is dependent on which types of activities that are included in the work. This part aims to take a closer look at how the case firms are involved in communities to various extents, where community commitment is seen based on three dimensions: production countries, Sweden and other types of community involvements. The type of involvement can be related to the centralisation versus decentralisation of the CSR work, where local CSR relates to more decentralised CSR activities in line with the study by Muller (2006). Hence, the community commitment is of importance in how companies organise their CSR work.

In terms of community commitment in the production countries, H&M has fourteen production offices, which all work with CSR issues locally. Through supplier audits, the company is able to detect country-specific problems. When addressing these issues, H&M intends to work with local NGOs, the local government or other companies present in the country. An example of that is a training centre for garment workers in Bangladesh, where both sewing and CSR issues are taught. The global coordinator explains that H&M differentiates from its competitors through extensive presence in the production countries, good knowledge about the industry and the resources to work with these issues. Other commitment includes collaboration with UNICEF in community investments. One example of such collaboration is a programme targeted at a province in India, in order to for example educate women and fight child labour in the cotton fields. Another example of CSR activities is the CSR work through the BCI, where the intention is to collaborate with other actors, in order to make improvements in the clothing industry as a whole instead of addressing individual suppliers.

The community commitment in the production countries is low for Gina Tricot, due to lack of presence in the production countries. The company recently started a production office in Bangladesh, but at the moment this office does not include any CSR responsibilities. The community commitment in Sweden consists of for example energy-efficient head office and a research project on recycling in collaboration with University College of Borås. Moreover, the company is involved in other projects such as in the communication committee in BSCI and in a water project. The company does philanthropic work, in sponsoring a school in Ghana. However, according to the definition of in ISO 26 000, this is not considered to be community involvement (SIS, 2010, p.7).

The CSR responsible person at Nudie Jeans explains that since production is placed within Europe due to stricter laws, the company encounters less CSR related problems than if production would be elsewhere. The difference in placing production in Asia or Europe is described as “*comparing apples and pears*”. The community commitment in Sweden consists mainly of different campaigns such as the “*take care of you jeans*” campaign on the website, in an attempt to encourage the customer to “*wear and treat*” the jeans (Nudie Jeans, 2008a). Other projects that Nudie Jeans has started in Sweden are to recycle old denim samples and to repair old jeans. Moreover, the company collaborates with Amnesty International in the campaign “*fight for human rights*”, where a part of the profits from the human rights’ collection goes to the organisation which can be considered philanthropic work.

In a similar way to that of Nudie Jeans, Swegmark has placed the production in Europe. Moreover, the company chooses suppliers who already work with CSR issues and prefer suppliers who already are certified. The company engages also in the communities where sub-suppliers are located, as a part of the membership in Fairtrade. The membership in Fairtrade means that Swegmark can brand products with the Fairtrade label and that a part of the profits from these products goes back to the village where the sub-supplier is located. At the moment, the sub-supplier is located in India, whereas Swegmark previously bought cotton from Peru, where the

profits were used to build a school. Swegmark reports on community commitment in Sweden too, where the company sponsor a famous Swedish athlete in order to promote a healthy lifestyle. The company has also sponsored a fashion show including models with different body-shapes called “*beyond our differences*”. Moreover, Swegmark use a model with a healthy BMI, to protest against unhealthy body ideals (Swegmark of Sweden, 2011a). Another type of community involvement in Sweden and other sales market countries is through information for the customers on how to “*take care of your underwear*”. The aim with the campaign is to enlighten customers on how to take care of the products in order to make them last longer (Swegmark of Sweden, 2011a).

In terms of community commitment in the production country, The Fair Tailor has chosen a social organisation in Nepal as a supplier. This is further explained as: “*We could have had a much more efficient production if we used an ordinary tailor factory. We could have been in India for example, in order to lower the costs. But we believe we can make more of a difference in Nepal*”. Another way for The Fair Tailor to engage in the community in Nepal is by the establishment of “*The Fair Tailor Academy*”, where four girls are educated in tailoring. The Fair Tailor does not make any donations, which is motivated by the company’s principles that the social organisation should be self-supporting. The company’s commitment in Sweden is through lectures on social entrepreneurship. Previously, these types of lectures were held for free for partner organisations.

## **6.6 Discussion: Community Commitment**

All companies reports to engage in communities, but to various degrees and in different ways. H&M’s commitment is especially focused at production locations and other types of community commitments, whereas Gina Tricot had a larger engagement in the local community in Sweden. The differences in commitment between H&M and Gina Tricot can be derived to the age of the firm, where H&M has a longer historical commitment in the production countries than Gina Tricot. However, Gina Tricot recently established an office in Bangladesh, which can be considered as an initiative towards becoming more integrated in one of the production countries. Moreover, in accordance with Husted and Allen (2006), the more decentralised MNEs are expected to be more locally engaged. As H&M has several subsidiaries it can be considered to be more decentralised than Gina Tricot, where all decisions are made at head office. Hence, the type of company as well as number of subsidiaries can be expected to influence the result. Muller (2006) further made a linkage between the decentralisation of CSR work, which is supposed to influence the commitment in the local community of the production location. This reasoning goes in line with the MNEs structure of CSR work, where the CSR work is more decentralised in H&M, through CSR officers in the production countries, whereas Gina Tricot relies on one CSR responsible person, located in the head office. Instead, local commitment in production countries is coordinated by the membership in a multi-stakeholder initiative in the case of Gina Tricot.

Based on previous reasoning, older firms are expected to have a higher community commitment in the production countries, which is found also in the case of Swegmark through the membership in Fairtrade. However, when looking at the engagement of one of the young firms, The Fair Tailor, it becomes evident that also this company has a high level of community commitment in the production country. Nudie Jeans on the other hand, reported on less involvement in the production location, which was explained by the choice of location for the production. Hence, the older firms were in general more integrated in the community in which production took place than the younger firms, with the exception of The Fair Tailor. The high levels of commitment in the local community for The Fair Tailor can be explained by that the choice of supplier was based on the assumption that the company could make most difference in this location. In terms of size, SMEs were expected to engage more locally than larger firms. The SMEs in this study show different patterns of community commitment, but all have in common that the suppliers have been strategically chosen and CSR issues has been taken into account. Due to this fact, all SMEs report on few CSR related problems in the production. Interestingly, both Nudie Jeans and Swegmark promote responsible consumerism in the sales market countries. Moreover, Swegmark has campaigns with a focus on promoting a healthy lifestyle.

#### **6.6.1 Summary**

Based on the propositions, smaller firms were expected to be more engaged in community commitments as well as older firms. However, the empirical findings, does not give any indications to influence the community commitment. Regarding local commitment in Sweden, all companies seemed to be involved to different extents. The local commitment in the production countries varied greatly within the size categorisation, where H&M was more involved than Gina Tricot; and The Fair Tailor more involved than Swegmark and Nudie Jeans. The larger community commitment for H&M in production countries is assumed to relate to the age of the company. The study also contributes to the problematisation of the linkage between SMEs and large community commitment than large firms, as the case firms did not coincide with this pattern. In the case of the SMEs, the age did not give any indication of neither larger nor less commitment in local CSR, as expected by Roberts (1992).

#### **6.7 Communication**

Communication is an important tool in order to spread the information of the CSR work. However the communication might vary depending on if the internal or external communication is consider. The internal communication has several channels within H&M. The CSR support have meetings with every department where initial information about the CSR work is provided, followed by a meeting with discussions regarding what the different departments can do. The CSR support also does a couple of “drives” where they visit different departments, during each department’s weekly meetings. Moreover the company has internal manuals regarding the CSR activities. Another way to spread information regarding the CSR activities of the company is through internal training for all new employees at head office. Recently H&M created a new position for CSR communication, where a revision of the information for the store employees is



included in the responsibilities. Furthermore the internal communication is conducted through the intranet where all new information is posted.

H&M also have several channels for how to communicate externally such as a blog by the head of CSR, product labelling and through projects that the company participate in. Moreover there is a CSR section on the webpage, where visitors can download the sustainability report as well as find information regarding different projects (H&M, 2011a). The communication toward the different multi-stakeholder initiatives is coordinated from head office.

Despite the extensive internal and external communication channels the global CSR coordinator states: *“We feel that we fall short i two areas; the communication to our own staff (...) and to our customers.”* The reactions from talking to the employees about H&M’s CSR work are that the employees are proud of what the company does but lack awareness. There is information available for customers, but in its present form it is hard to grasp according to the global CSR coordinator.

Gina Tricot describes that the CSR communication differs internally and externally in terms of what is communicated. The focus of the internal communication is on the organisation as a whole, whereas the external communication emphasises CSR issues regarding purchasing. Gina Tricot internal CSR communication is mostly done through the introduction training, monthly meetings as well as monthly updates to management. CSR information is also incorporated when a new supplier is introduced where the supplier first is informed about the company, the code of conduct and the cooperation with BSCI. Gina Tricot communicates its CSR work externally through the webpage where the company’s code of conduct and environmental policy can be downloaded (Gina Tricot, 2011). According to the CSR responsible, Gina Tricot regularly reports to BSCI as well as other non-governmental organisations (NGO’s). It is further explained that there is a conflict of the demands for transparency that the company cannot always meet. However the communication of CSR activities needs to be improved according to the CSR responsible, which is an issue to be addressed in the near future.

Nudie Jeans explains that information is regularly shared both internally and externally. Emails are mainly used for internal communication, but the CSR responsible at Nudie Jeans says that it depends on the subject: *“Sometimes the emails are targeted but most often they are sent to everybody. We send a lot of emails which I think is good since then you can throw it away if you don’t think is interesting rather than being excluded”*. Furthermore internal information is provided through training. Externally Nudie Jeans use press releases instead of PR and advertisement, explained by the CSR responsible as *“positioning yourself in the right context”* such as industry journals or journals with an environmental outlook. Nudie Jeans also prints pamphlets to the customers where information about the company and products is provided. Moreover, the company is now redesigning the webpage, in order to communicate the CSR work better. On the webpage there is a possibility to sign up for newsletter, to follow the CSR work. In short Nudie Jeans will launch a new campaign called *“air you pair”* to encourage people to air

the jeans rather than wash them in order to make them last longer. For the project with the Swedish Society for Nature Conservation, Nudie Jeans can take advantage of the organisations channels. As a part of the collaboration Nudie Jeans will also launch an international press release for the first time. Nudie Jeans state that the communication should be perceived fun and easy to grasp. It is also important to communicate what the firm does which is sometimes considered hard to get across.

According to a manager at Swegmark all employees work in close collaboration and therefore all employees are aware of the CSR work being conducted. This was further explained in relation to the size of the organisation: *“The organisation is too small for internal newsletters. If you were to run a larger retail chain like KappAhl or Lindex you would need to inform all employees and then it might be several hundred that you’re talking about. Then it can’t be done verbally like we do.”* Instead the information is spread during meetings. Swegmark recently revised the external communication. Previously the CSR communication had an internal focus, but now the communication targets customers as well. This includes informing about the certifications on the hangtags and publishing press release. Other channels the company works with are the webpage and brochures, where it is explained how the company has worked with quality and environment over time (Swegmark of Sweden, 2011a; 2011b).

Since The Fair Tailor currently only consists of one person, there is no need for internal communication at the moment. The webpage is the main forum for external communication, which includes communicating on the sustainable development, social entrepreneurship, CWCN and The Fair Tailor Academy. Another communication channel is letters to the customers, received together with an order. In the letter it is explained that a part of the price has gone to a person in Nepal to enable him/her to become self-sufficient by receiving an education from The Fair Tailor Academy (The Fair Tailor, 2011b). Moreover, the CEO makes use of social media such as a blog in an online business journal and Facebook, where launches of social campaigns are made. In order to inform media of the company activities The Fair Tailor uses press releases. The CEO thought about using other channels such as advertising to communicate the work: *“We actually looked at how much an advertisement in [magazine name], a quite small magazine with a niche target group, would cost and we realised that it would cost as much as to finance the [Fair Tailor] academy for half year (...) Then we thought that we at least could get some form of attention through the work we do with the academy and similar things, which is worth more than an advertisement in [magazine name]. (...) When building brands, advertisement in papers is great, but not for us that are looking for attracting more customers”*. Another way to communicate the company engagement in social issues is by lecturing at different events.

## 6.8 Discussion: Communication

This section explores the usage of formal and informal communication channels when communicating externally and internally in the case firms. However it is important to note that informal communication might be harder to detect due to its subtle nature. Hence, the findings considered here applies to the most frequently used channels and should not be considered exhaustive. The empirical findings indicate that informal internal communication was found in most of the case firms, whereas H&M was the only company that used formal internal communication to a greater extent. The existence of or lack of internal awareness was stressed in several of the case firms as important implications to formalise the internal communication. For the external communication this was formalised to a greater extent in the larger firms as well as in the old firms. However, the external communication in the smaller firms could be said to be approached in a more strategic way.

Internal communication is mainly of an informal character for all the companies except for H&M, which mainly uses formal internal communication. The company uses formal communication such as manuals for training, CSR work, intranet, and scheduled meetings with different departments. Since training for shop assistants is not formalised in H&M, these employees can be expected to have less knowledge about the CSR work, which furthermore can have a negative impact on the communication of CSR towards customers. In Gina Tricot on the other hand, the communication is of a more informal character, where information is communicated verbally through meetings instead of through the use of manuals. In a similar way, Nudie Jeans has a more informal internal communication of its CSR work where channels such as e-mails and meetings are used. Graafland et al., (2003) state as the firms grow larger it increases the demand for having more formal instruments when communicating. In the MNEs as well as in Nudie Jeans, the communication was an issue raised that needed to be improved both internally and externally. In H&M the need for formalisation can be observed by the introduction of a new position of a CSR communicator. In Gina Tricot, the informal internal communication can be explained by the age of the firm, since it appears if the formalisation process of the CSR work that has occurred in many other areas not yet have been addressed in terms of the internal communication. This could imply that the formalisation of the internal communication is something that occurs in a later stage where other issues are attended prior. An interesting observation is that of the smaller firms Swegmark and The Fair Tailor, the internal communication is informal in its nature, but is not considered to be an issue as in the other relatively larger firms. Instead it is explained to be indirectly understood by all of the employees since they work so integrated with CSR. These findings are expected in accordance with Jenkins (2004) that highlights the higher amount flexibility within SMEs and smoothness in terms of internal communication that does not require a formal structure. The internal awareness of the firms CSR activities was emphasised in Swegmark and The Fair Tailor as an argument for not requiring a formalised structure of the internal communication. For H&M on the other hand, the lack of awareness in the company was addressed by formalising the internal communication. Thus, it seems as if the formalisation of the internal communication is related to the overall

awareness of the CSR issues in the company and that larger firms perceive communication of CSR activities as particularly complex.

The MNEs taking part in the study differ in the way they communicate their CSR activities externally. H&M uses several channels and the information provided is quite extensive. However most of the channels used can be described to be of formal character such as CSR report, webpage and product labels. Gina Tricot on the other hand uses the webpage as its main external communication tool in terms of CSR. However in Gina Tricot the information provided is quite limited in comparisons to H&M when looking at the information provided. Different challenges were raised in the two MNEs in terms of the external communication. In H&M the issue was not about providing more information rather to structure it in order to make it more comprehensive. In Gina Tricot on the other hand, challenges were described in terms of providing information of the company's CSR work available to the public. Even though the MNEs can be described to use formal communication tools externally as predicted by previous research (Graafland et al., 2003) differences among the firms are significant. Age could be a possible explanation. The younger firm Gina Tricot is in the process of formalising its external communication, therefore the limited channels used and information provided is not surprising. The older firm H&M on the other hand uses several channels and extensive information, but the issue rather concerns the selection of information in order to target the readers. This suggests that depending on how mature the firms are the challenges in communication might vary.

Nielsen & Thomsen (2009) argues that SMEs rarely communicate the CSR work externally but have a more internal approach. However the findings in this study indicate that SMEs make use of external communication but in a more strategic sense. All the SMEs motivated for the choice of communication channels where considerations of what channel would generate the most value which was not discussed among the MNEs. Swegmark used more conventional media in order to communicate the companies CSR work such as product certificates, brochures and webpage. The younger SMEs Nudie Jeans and The Fair Tailor on the other hand use a combination of formal and informal communication tools. Examples of formal communication tools are through the webpage and through the use of product pamphlets, whereas informal communication channels were e-mails and social media. All of the companies except for Swegmark had a Facebook page, but only The Fair Tailor used the social network as a tool to communicate about the companies CSR work. In this way Swegmark can be described to use more formal communication mechanisms, whereas the younger SMEs Nudie Jeans and The Fair Tailor use more informal communication mechanism. In terms of the academic literature these findings imply an interesting insight to the academic discussion. Emphasis on external communication with the focus on formal channels have been criticised to be more appropriate for larger firms than small in terms of resource constrain and overall benefits (Fassin, 2008). The findings from this study indicates that the SMEs not only communicate externally but also use formal communication channels. However the benefits are carefully considered, this could imply that some external channels are considered more appropriate for SMEs and that a distinction needs to be made of

what channels can generate more value in terms of the initial costs. Another observation could be that the younger SMEs use more innovative informal communication channels such as social media and direct communication in terms of letters that accompanying the products.

### **6.8.1 Summary**

Based on the propositions posed in the research model, larger firms are expected to have more formalised CSR communication both internally and externally. The same pattern is expected for older firms. It can be hard to determine whether size influences the use of formal or informal communication of CSR activities. However age could be described to influence the perceived challenges as well as chosen communication channels among SMEs. In the case firms, internal communication was in general of more informal character, except for H&M that used more formal communication. The older firms as well as the MNEs used formal communication more extensively when communication on their CSR activities externally. The younger SMEs used formal external communication to a less extent, and relied more on informal communication.

## 7 Conclusions

The purpose of the study was to examine the influence of firm size and age on the organising of CSR activities within Swedish clothing firms. By introducing age as an influential factor in the organising of CSR activities, this study strives to complement the earlier research within this field. The study was conducted through a qualitative, multiple case study of five Swedish clothing firms that were categorised in terms of firm size and age. The propositions were posed based on previous findings from the literature on CSR as well as organisational theory.

The overall findings of the study suggest that both firm size and age influences the organising of CSR activities. The influence of firm size was expected by earlier research. However the findings from this study indicate that some of the assumptions were not realised such as the expectation on SMEs to have a less formalised CSR work than MNEs. One explanation posed by the study is that firm age is an important factor when looking at the organising of CSR activities.

In terms of the first aspect, formalisation, the general findings are that both firm size and age has an impact, even though to a varying degree in the different indicators. The findings suggest that larger as well as older firms are more formalised. Firm size seems to be an influential factor in general, whereas firm age seems to influence specific indicators and sometimes only when combined with firm size. The expectations on firm size to coincide with a higher degree of formalisation occurred in for example the case of codes of conduct, formal CSR position and planning. Firm age showed to have an influence on the formalisation of CSR procedures, where older firms showed to be more formalised. Similar indications could also be found in terms of planning and budgeting.

In terms of the second aspect, integration versus separation of CSR into the overall firm activities, size seemed to influence such CSR organising more than age, where the larger the firm the more separated the CSR work. However, a trend among the large companies was found in integrating CSR more extensively. Age also seems to be an explanatory factor in the way CSR is integrated versus separated. However, due to exceptions in this regard, a clear pattern could not be established.

The findings on the third aspect indicate that community commitment is independent of firm size, since both SMEs and larger firms were engaged in the communities in different ways and to various extents. However age could be a possible explanation for variations within the size category, where for example the older MNE is more committed in the production country than the younger MNE. Another factor that seems to influence the community commitment is the business idea of the company, exemplified by The Fair Tailor.

In terms of the fourth aspect of communication, the larger and the older firms were formalised to a greater extent. However, when solely looking at the internal communication, only when firm size and age was combined a more formalised communication channel was used.

In addition, the empirical findings showed that one of the SMEs in many regards coincided with the larger firms. This can be explained by the fact that the companies differ also within the categories in terms of firm size. Firm age seems to have a strong influence on the organising of CSR activities, where younger firms were established in an era when CSR was widely recognised and thus incorporated CSR from start. The arguments oppose earlier findings, that companies integrate CSR activities gradually with time. The main academic contribution of this study is that the expectations of organisational theory also apply to the organising of CSR activities. Firm age, which previously has been neglected in the CSR literature shows tendencies to influence the organising of CSR activities. The contribution for firms is that the preconditions of the CSR work is mapped and can provide guidance in further developing strategies for the CSR work.

A suggestion for further research is to explore more in-depth the differences within SMEs and MNEs, since large differences were found within the categorisation. It would also be interesting to see if the findings are applicable to other industries as well as other countries. A limitation of the study is that all case firms were chosen based on the fact that the companies had an outspoken CSR work. Hence, neither findings on how companies work with CSR issues implicitly nor general finding for the clothing industry can be found. Moreover, this study consists of a small sample and it would be interesting to see if the findings coincide with a larger sample within the clothing industry.

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### **Interviews**

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- CSR Responsible Person, Gina Tricot. *Personal Interview*. 25 March 2011.
- CSR Responsible Person, Nudie Jeans. *Personal Interview*. 28 March 2011.
- CEO and Press Contact person, Swegmark of Sweden. *Personal Interview*. 6 April 2011.
- CEO, The Fair Tailor. *Personal Interview*. 4 April 2011.

# Appendix 1: Research Model Extended

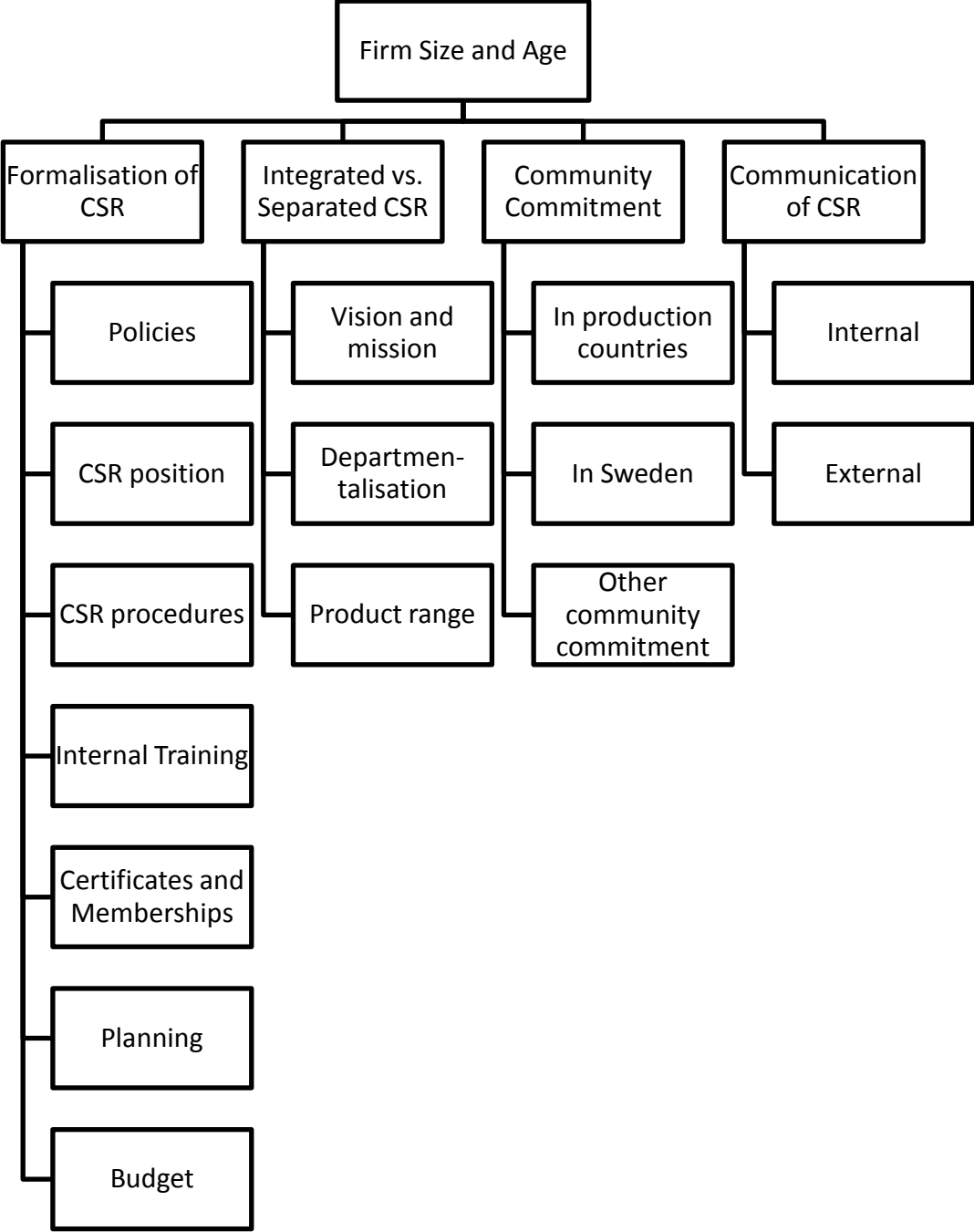


Figure 7 Research model extended. Authors own illustration

## Appendix 2: The Interview Guide

The following areas and questions were answered for each company, either through the use of secondary sources or through the interview. Hence, the questions asked differed depending on which information was found on each company beforehand.

### General Questions

1. Describe your position, for how long you have worked in that position and your background?
2. In which markets does the company operate?
3. Where is the production located?
4. When did the company initiate the CSR work?
5. What was included in the CSR work at that time?
6. Why did the company start working with CSR issues?
7. In which way has the CSR work developed over time?
8. What does the concept “CSR” mean to the company?
9. What/which other concepts are used by the company for social commitment?
10. What is included in the CSR work today?
11. Do you consider CSR issues incorporated in the company values?
  - a. If yes, in which way?

### Organising CSR Activities

12. How does the company organise the CSR work? Does the company have a formal position for CSR work?
13. Who initiated the CSR work?
14. How do other employees work with CSR?
15. How does the formal responsible person/s cooperate with other parts of the organisation?
16. Does the company have CSR responsible person/s in the production countries?
17. Who makes decisions on CSR issues and who implement them?
18. Where in the organisation are decisions regarding CSR made?
19. Does the company have any “CSR products”, which differs from the conventional product range?

### Policies

20. Does the company have a code of conduct? If yes, what is the choice of codes of conduct based on? (Internal values, ILO, UN, membership in multi-stakeholder initiative?)
21. Is the company a member of a multi-stakeholder initiative for CSR issues?
  - a. If yes, which one/s?
22. Does the company have separate environmental goals?

### CSR Activities

23. Does the company have any strategic planning for the CSR work?
  - a. If yes, in which way?
24. Does the company have manuals for the CSR work?
25. What is the main purpose for the company to work with CSR?
26. What is the most important question in the CSR work, according to you?
27. Does the company donate money to any organisation/project?

- a. If yes, where? (In Sweden or the production countries?)
- 28. Does the company provide CSR training for employees?
  - a. If yes, for whom?
  - b. If yes, follow-up trainings?

#### *Stakeholder Management*

- 29. Who benefits from your CSR work?
- 30. Which other stakeholders does the company have?
- 31. Please, describe the work towards stakeholders

#### *Supplier management*

- 32. How are suppliers chosen?
- 33. Who makes decisions on supplier choice?
- 34. In which way do you work towards your suppliers?
- 35. How do you ensure that employees and suppliers follow the code of conduct?
- 36. Does the company perform supplier audits?
- 37. Does the company use external auditors?
- 38. Does the company provide training for supplier employees

#### **Resources and Budgeting**

- 39. Does the company have a budget for CSR activities?
  - a. If yes, who makes it and who approves it?
  - b. If yes, who can access the budget?
- 40. Who approves suggested CSR projects?
- 41. What is the budget dependent on?
- 42. Is payback of investments taken into account when deciding on what to work with?

#### **Reporting and Evaluation**

- 43. How does the company measure the CSR work?
- 44. How is the success of a specific project evaluated?
- 45. Does the company report back to a multi-stakeholder initiative?
- 46. How is the CSR work communicated upon?
  - a. Internally?
  - b. Externally?
- 47. Does the company have a separate CSR report?
- 48. Are CSR activities reported on in the annual financial report?

#### **Other**

- 49. Do you think that the engagement in CSR issues can be used as a way to differentiate the company from its competitors?
  - a. If yes, in which way?
- 50. What are the greatest difficulties/challenges in working with CSR?
- 51. What do you think the company could do better, when it comes to CSR work?