

## ROADMAPPING CORPORATE SOCIAL RESPONSIBILITY IN FINNISH COMPANIES

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### Abstract

This paper presents a roadmap of Finnish companies adopting and managing corporate social responsibility (CSR). It discusses the companies' views on CSR and highlights the current practices that Finnish companies have adopted or currently adopting. It also presents a framework that outlines the CSR processes and identifies management prospects.

Results showed that Finnish companies are progressively managing CSR. This newly revived thinking about social responsibility is viewed as an issue traced back from Finland's history of industrial development. There is no general definition of CSR; however, various concepts are connoted into it. Driven by several factors, CSR development is gradual as indicated by the positive responses and initiatives of the companies.

Social responsibility management and practices towards employees, suppliers, community and customers are well defined locally based generally on established socially responsible behavior, for example, as articulated by laws and regulations, corporate values, business ethics and some Finnish cultural attributes. However, reflecting it to the new CSR with a global scope, problems such as; lack of information and structured management system, different views on community involvement, supply chain issues, overlap of CSR with environmental issues, etc. often lead some companies to manage CSR in a haphazard manner. Views and management of CSR are also influenced by some distinct cultural attributes of the Finns.

An initial conceptual framework for CSR is drawn to reflect the current practices and prospects for management strategies. Such a framework can be used in organizing and streamlining CSR elements for effective management approaches and measuring of performance. It could be expected that in due time the efforts of the companies will become more evident, organized and managed, as well as become an important market force.

Keywords:

*Corporate social responsibility and management*

### I. INTRODUCTION

Corporate responsibility encompasses three dimensions – economic, environmental and social. In the past, the focus of many corporate responsibility agenda and researches was on economic and environmental dimensions. Likewise, the linkages of economic and environmental dimensions have been explored extensively in many business cases and academic exercises. On the other hand, the social dimension was not well articulated in business discussions and many issues pertaining to it were not clear and not well understood. Recently, the growing interest in the social element of business sustainability and the increasing expectations by various stakeholders that corporate management should be socially or ethically responsible in its relationship with employees, customers, suppliers and community have constituted a new area of concern in many businesses.

Many companies have never taken the initial step to address social responsibility nor have taken it as a business opportunity. Even if many claim that they are socially responsible companies, they do not have effective strategies for managing their social responsibilities and the "social footprints" they leave in their home country and outside their country. This is particularly worrisome for those who advocate the role of international companies as ambassadors for responsible capitalism, particularly in the many parts of the world experiencing free enterprise for the first time (Marsden, 1997).

In Finland, companies are aware of this development, and many believe that it is creating potential implications for their businesses and markets. However, little is known about how Finnish companies are actually dealing with and managing social issues relating to their employees, suppliers, community, customers and other stakeholders. Confusion also exists as to the definition and scope of CSR and its linkage with other dimensions of corporate responsibility. Likewise, there have been few, if any; reports published so far on the CSR of Finnish companies.

With this premise, this roadmapping study was conducted under Corporate Responsibility (CoRe) program at the Department of Industrial Engineering and Management of Helsinki University of Technology (HUT). According to Enderle and Tavis (1998), to map corporate responsibilities (for this case, social responsibility) means to indicate the realms of which the firm is responsible. By doing so, attributions and linkages can be mapped out for a clear understanding and drawing of appropriate judgment and action for improvement.

### **1.1 Objectives**

1. To roadmap the elements and make-ups of CSR in Finnish corporations;
2. To gain insights into the current management practices and policies in various areas of social responsibility, and
3. To create a conceptual management framework for corporate social responsibility.

### **1.2 Scope and limitations**

This empirical research was mainly focused on social responsibility as one dimension of corporate responsibility. Inasmuch as overlaps with environmental dimension were inevitable, the objectives and discussions were clearly defined on corporate social responsibility (CSR) in order to avoid confusion.

The companies involved in this study were diverse in terms of the nature of their business; hence, generalizing was difficult. Some degree of subjectivity was exercised in this study, and therefore this should not be taken as general or common knowledge but rather as road signs in the map that should be verified in reality.

### **1.3 Methodology**

#### **Primary data collection**

Top managers and executives from 12 selected Finnish companies were interviewed using a semi-structured questionnaire. The questionnaire was formulated base on the current literature and published guidelines (e.g. GRI and WBCSD guidelines). The selection of the companies was based mainly on the size (mostly big companies), on their record of proactive pursuit of sustainable development, and on their positive response to participate in the study. Prior to the actual interviews, an outline indicating the various points of CSR issues was sent to all the interviewees. The interviews took about 1.5 hours on average.

The information and data collected were organized using simple statistics (e.g. frequency distribution, percentile ranking, etc.) and graphical presentation. Analysis of information and data utilized some methods such as narrative description, critical theorization (basically problem identification) and interpretation. Follow up and verification of some information were done using email and telephone communication.

#### **Secondary data collection**

Initial public information and data from the Internet and published company documents were collected simultaneously with the primary data. Documents such as annual reports, environmental reports, health and safety reports, and business code of conduct were normally obtained during the interviews. All the information relevant to CSR was reviewed and integrated into the primary information.

## II. REVIEW OF LITERATURE

### 2.1. Corporate Social Responsibility: Definitions and Views

There is no universally acceptable definition of CSR. Some suggest that CSR is about what business puts back – and can show it puts back – in return for the benefits it receives from society. This implies that the rights society bestows on business organizations come as an exclusive package that contains obligations to behave in a way society finds acceptable (Marsden, 1996).

The World Business Council of Sustainable Development (WBCSD) adopted a definition that emerged from an international WBCSD meeting organized with 60 opinion formers from within and outside business. WBCSD put such definition as follows:

*“Corporate social responsibility is the continuing commitment by business to behave ethically, and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”*

*(WBCSD Stakeholder Dialogue on CSR, The Netherlands, Sept 6-8, 1998)*

Despite this seemingly all-embracing definition, no contention was ever been made to what CSR is really all about. In relation to this, Ranganathan (1998) pointed the confusion about definitions and terminologies of CSR despite the recent awakening of interest of many businesses to pursue it. According to Ranganathan, terms such as corporate citizenship, ecojustice, business ethics, and stakeholder relationships, abound. Simply stated, business social performance measures the relationship of business with its different stakeholder groups. This definition makes social performance more readily understandable; since most businesses already have measures and accountability mechanisms for certain key stakeholder groups such as shareholders and customers. The new social performance measurement challenge is to define business performance in relation to its impact on other stakeholders – communities, employees, developing countries, suppliers, etc. This will include issues of business ethics, such as participatory decision-making, community commitment, bribery, honesty and corruption.

The report of Ward (2000) on corporate citizenship has some identifiable elements exactly akin to CSR. Ward pointed out that the basic idea is to understand business as part of society, contributing directly to the welfare of society, rather than somehow separate from it. Corporate citizenship invites companies to make strategic choices based on an understanding of the total impacts of their business in society. The practice of corporate citizenship involves a focus on one or more of three main areas: (1) the societal impacts that flow from basic business policy and practice (as managed and measured through various codes of conduct, values statements and company reports); (2) the impacts that a company has up and down the value chain (e.g. when child labor is employed by its suppliers; or when end consumers dispose of its products in ways likely to harm the environment); (3) and the impacts that come from the voluntary contributions that businesses make to communities affected by their operations (including charitable gifts, community investment and commercial initiatives in the community).

### 2.2 CSR and Sustainable Development

That corporate social responsibility as another dimension of sustainable development is a growing debatable theme. Nevertheless, the claim of many advocates and business scholars that social responsibility is the third dimension of sustainability can be found well articulated if the definition of sustainable development is reviewed. Although the term sustainable development dates back to the 1970s, the most frequently cited definition comes from the 1987 Brundtland Commission report that called for the *“development that meets the needs of the present without compromising the ability of the future generations to meet their own needs”* (WCED, 1987). Giving more structure to this definition, sustainability has been described as focusing on the “triple bottom line”, the need to balance the three aspects in the global economy: economic prosperity, environmental quality and social equity (Elkington, 1998).

In the past, the focus of sustainable development and management at corporate levels were on the economic and environmental dimensions. There has been an enormous amount of achievements on this, and literature has been overflowing. This holds true for Hart's (1997) argument that many

companies have accepted their responsibility to do no harm to the environment, and for Nancy Bennet's (United Nations Environment Program) statement that industries throughout the world have generally accepted environmental responsibilities. Likewise, many corporate executives can now be heard making similar proclamations about their responsibilities for sustainable development (Hoffman, 2000).

Elkington (1998) considered social responsibility as the third bottom line. In his "triple bottom line" concept of sustainability, Elkington emphasized that social dimension is very much interrelated with economic and environmental dimensions because of their holistic nature. As a new concept, several companies championing triple bottom have taken sustainability strategies with "social responsibility" as a new dimension in their management systems and performance metrics (Knight, 1998; Shell 2000).

### **2.3 Business Implications of CSR**

The World Business Council on Sustainable Development (WBCSD) stated that concern is sometimes expressed that CSR has no clear business benefits and could destroy shareholder value by diverting resources from core commercial activities. Many in business are worried that businesses will be persuaded to take social responsibilities that should be handled by government and individuals. WBCSD however, supports the view that a coherent CSR strategy based on sound ethics and core values offers clear business benefits. These accrue from the adoption of a broader worldview, which enables business to monitor shifts in social expectations and helps control risks and identify market opportunities. Such a strategy also helps to align corporate and societal values, thus improving reputation and maintaining public support. (WBCSD, 2000).

Marsden (1996) pointed that a professional manager in a publicly owned company in today's more secular society has to be able to demonstrate to shareholders that social responsibility works for the benefit of the business. Professional managers cannot pursue policies on the basis of personal faith and moral convictions alone, although these can be helpful accompanying ingredients. Marsden elaborated this by giving Rowntree and Cadbury as a classical example, i.e., they found out that a company with reputation for treating people well (be their employees, suppliers, or customers in local communities), is much more likely to attract good recruits, grow and retain loyalty, be preferred suppliers, and be given the benefit of the doubt when things go wrong.

According to Burke and Logsdon (1996), tougher competitive conditions in recent years have put pressure on firms to examine their philanthropy and social responsibility activities. Cutbacks have occurred in many organizations because the rationales for continuing or upgrading these programs have not been clearly articulated. However, a fundamental belief among its business supporters and business-and-society scholars is that corporate social responsibility pays off for the firm as well as for the firm's stakeholders and society in general. CSR (policy, program or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission. Value-creation is commonly viewed as the most critical objective for the firm and its strategic decision-making process.

### **2.4 Global Initiatives on CSR**

While CSR initiatives of some leading companies worldwide are becoming more visible, these are complemented by some other initiatives and supported by various organizations at global level. In 1999, the United Nations launched the *Global Compact* and appealed for business to embrace nine core principles regarding human rights, labor standards, and the environment. Additional developments also indicate a heightened interest in CSR.

The Global Reporting Initiative (GRI) released *Sustainability Reporting Guidelines on Economic, Environmental and Social Performance* in June 2000. A set of *Global Sullivan Principles*, advocating the social responsibility of corporations, was published in late 1999. All these initiatives stress the increasing importance of good corporate citizenship and sustainable business practices that will ensure social legitimacy in an increasingly globalized world (Campbell and Krueger, 2000).

## **2.5 Expectation on CSR**

The findings from the *Millennium Poll*, a global survey of public expectations of corporation, suggest that major companies in the 21<sup>st</sup> century will be expected to do all the following:

- Demonstrate their commitment to society's values and their contribution to society's social, environmental and economic goals through actions.
- Fully insulate society from the negative impacts of company operations and its products and services.
- Share the benefits of company activities with key stakeholders as well as with shareholders.
- Demonstrate that the company can make more money by doing the right thing, in some cases by reinventing its business strategy. This doing well by doing good will reassure stakeholders that the new behavior will outlast good intentions.

All these expectations suggest that CSR requires a comprehensive corporate response. Companies most experienced with corporate social responsibility find that the only effective response is to go beyond treating it as an "add-on" and to make it a core business value. It should be a strategy that is integrated into all aspects of the company from research and development, through sourcing raw materials and producing its products, to the use and disposal of its products.

The strength of the *Millennium Poll* findings plus the early experiences of leading companies suggest that in the coming decade, corporate social responsibility is likely to become a new pillar of performance and accountability of successful companies (EnviroNics International, 1999).

## **III. RESULTS AND DISCUSSIONS**

### **3.1 Historical background**

Social responsibility in the early days of Finnish industrial history was viewed narrowly as the company's relationship with the community immediately surrounding it. Similar to other countries in Europe (e.g. UK) and in the United States, social responsibility was a corporate issue in Finland 40 or 50 years ago, when industries were viewed as centers in the community - supporting and building schools, churches and public infrastructures. With the growth of the Finnish society, this role of industries was shifted to the Government, henceforth, the development of social welfare society was one of the strong agenda of the Government. During that time of growth, regulating taxes and labor markets has become an important role of the government. From then on, the Government played a leading role in providing social services, education and welfare benefits.

Although discussions on social responsibility has declined in the 1970's and 80's, many industries in Finland believed that the issue became inherent in the industrial and social welfare development. The recent development of CSR, as promoted globally, is a resurrection of the same social responsibility, but with a new form and broader scope.

### **3.2 Corporate social responsibility defined**

It is difficult to find a general definition of CSR in Finnish companies on the basis of the responses given during the interviews. The definitions given, however, range from simple to value-laden concept. It could be as simple as compliance with the Finnish laws and regulations, as well as international declarations (e.g. on human rights, children's rights). It could be as value-laden as a matter of doing business right based on Finnish high regard for morality and business ethics.

Within such a range, the wide array of Finnish definitions or views can be grouped into different interrelating concepts. All of these concepts are shown in Table 1. Obviously, the first concept, which concerns compliance was the first common view. This is so because of the highly regulated nature of the business and industrial sectors of the country. The second popular concept is that CSR is integral to all operations of a company and is attached especially to environmental responsibilities. This holds true for most companies because of the inherent overlaps between environmental and social issues. To date, efforts in environmental management in many

companies have been systematized and have become *de facto* in operations where significant environmental impacts are known. In many companies, environmental management also connotes social management.

**Table 1. Some Finnish concepts relating to corporate social responsibility.**

Concept	Frequency	Percent
1. CSR is compliance with strict Finnish laws and regulations.	12	100
2. CSR is integral to all operations of the company, and is attached especially to environmental responsibility (integrated view).	10	83
3. CSR is a global phenomenon	9	75
4. CSR is a way of Finnish thinking (to be responsible and behave ethically) based on the typical northern Europeans high regard for morality.	7	58
5. CSR is a matter of common sense and of doing what is right or good for the people; hence, a social policy statement is unnecessary.	7	58
6. CSR exists somewhere in the core values and principles of the company. It is merely that Finns are not fond of writing and paper work when something is self-evident. CSR is rather a matter of values such as transparency, openness and trust.	6	50
7. CSR is a recurring concept or idea thrown back by developing countries. It was an issue in Finland 40 or 50 years ago.	5	42
8. Pursuing CSR is not a problem in Finland, but it is a problem in the developing countries.	5	42
9. CSR relates to corporate citizenship wherein the company is legitimized by the community for its involvement and participation.	5	42
10. CSR is a matter of dialogue and communication, and also of doing what a company thinks is right within its capabilities and means.	5	42
11. Stakeholders are concerned and asking companies to be socially responsible.	3	25
12. CSR is very much related to a company's risks	3	25

**Notes**

1. Total number of companies = 12
2. These concepts are mostly derived from the statements (direct or implied) by the interviewees. Some concepts were taken explicitly from the given documents such as annual reports, environmental reports, quality reports, health and safety reports.

All the interviewees agreed that CSR is a global phenomenon. All of them were also aware of the development of CSR in the international arena and of its being promoted by the Confederation of Finnish Industry and Employers (TT)<sup>1</sup>. Since many Finnish companies are operating on the international market, this concept is positively acknowledged in businesses, or particularly obvious for some big Finnish companies that are very global. These leading companies believe that signals from the global market are important in their efforts to maintain competitiveness and reputation.

CSR relates to the Finnish way of thinking, i.e., one should be responsible and behave ethically in business. This is a strong concept as it goes together with the northern European high regard for morality, i.e. business people have to behave in a morally responsible manner. So, it is not surprising to hear managers claim that their companies have been acting and behaving ethically in dealing with their employees, customers, business partners, and the community around them because such a moralistic attitude is expected of them. This thinking may also be related to the concept that CSR is doing what is right for the people.

<sup>1</sup> Teollisuus ja Työnantajat (TT), a Finnish employers' confederation founded in 1992. It operates through voluntary memberships of industries and employers in Finland. TT safeguards the interests of companies in manufacturing, construction, transport and other service sectors related to industry. It also represents its member in business and industrial, economic, trade and social policy. Approximately 5,600 companies are members of the confederation (Teollisuus ja Työnantajat, 2000).

CSR exists somewhere in the core values and principles of the company. It is merely that Finns are not fond of writing or paperwork when something is self-evident. This argument on “self-evident nature of practice” apparently explains why some social issues are taken for granted, and why there is a feeling that there is no need to rewrite history and go back to those issues that Finns have gone through in the past. CSR is rather a matter of values such as transparency, openness, and trust, and it has a central value in companies.

CSR is a recurring concept or idea thrown back by the developing countries. CSR was an issue in Finland about 40 years ago; hence, it is not really a new trend, because some companies have been behaving responsibly not only environmentally but also socially. If this is so, this argument also explains the attitude of the interviewed Finnish companies to take social issues for granted.

Another concept that Finnish companies have associated with CSR relates to the company's relationships with the community. Such relationship with the community is less emphasized. However, this could be a very strong stance when advocating “corporate citizenship” to mean the company's involvement in the community. Corporate citizenship involves the notion that the community legitimizes the presence and behavior of the company by its involvement and participation in the community activities.

### **3.3 Social responsibility and corporate values**

In most interviewed Finnish companies, corporate responsibility is viewed as akin to their corporate values and principles. On the basis of these corporate values and principles (Table 2), a company builds up a code of conduct, either general or specific in scope. It is the company's values and principles that give strength to its claim that social responsibilities in its broad sense have been taken cared enough.

There are observed codes that Finnish companies have in their businesses, and some of these codes are specifically addressing an important social concern. Examples are; code of conduct on ethics and laws, human rights, conflicts of interest, gifts and bribes, and workplace practices as well as a commitment to implement these codes. Other examples of companies' specific codes of conduct delve on “ethical principles in purchasing” and “equal opportunity”. These codes of conduct are good in the sense that they serve business interests while the company acts responsibly. However, it would be misleading if a company will just focus on specific code and neglect the other aspects of social responsibility.

*Table 2. Core values and principles of Finnish companies.*

Core values or principles	Observations
Customer satisfaction	9
Pursuit of quality/excellence	6
Continuous improvement	5
Respect for employees (and others)	5
Profitability	5
Trust	4
Openness	4
Respect for the environment or environmental protection	4
Honesty	2
Cooperation	2
Independence	2
Creativity/Innovation	2
Service to society	1
Enterprising spirit	1
Importance of compliance	1
Initiative	1
Flexibility	1

*Total number of observed companies = 12*

It can be observed from Table 2 that customer satisfaction is a common Finnish corporate value. This is obviously a *raison d'être* for most companies and directly related to the business. Likewise, values such as pursuit of quality or excellence, continuous improvement, respect for employees and others, and profitability are almost of the same importance. Interestingly, these values are all related, that is, if a company continuously seeks improvement and pursues quality, it has to bring out its employees' potential (with due respect to them), thereby enhancing productivity. Values such as trust and openness are more or less of equal importance as well. Respect for the environment is singled-out separately by some companies whose business are mainly on intensive direct extraction of natural resources.

Generally, looking into these arrays of values and principles, it could be deduced that most Finnish companies are, to varying extent, taking into account some important aspects of CSR. All these values are arguably positive and their relativity makes it easy for Finnish companies to claim that they are socially responsible companies.

### **3.4 Enhancing Factors (Drivers)**

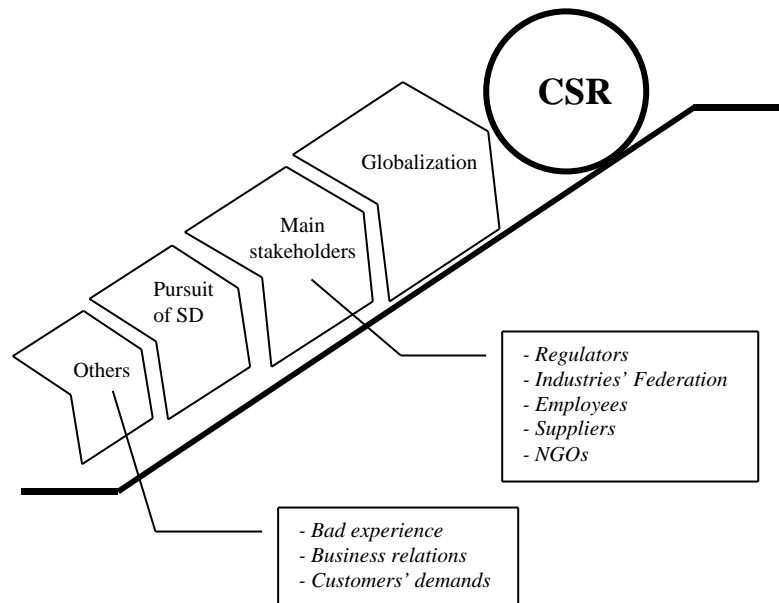
Figure 1 shows the factors that enhance or drive CSR into the mainstream of businesses. Globalization is the most common driver in pursuing CSR. Obviously, most of the interviewed companies have their own operations or subsidiaries worldwide. Finnish companies believe that signals from the global market are important for them in efforts to maintain their market position. Today, if global companies such the Finnish companies interviewed are operating in other countries, particularly in developing countries, they are always scrutinized in many ways. Media and NGOs are believed to be very active in scrutinizing the activities of multinational companies, particularly as regards to issues such as child labor, forced labor, human rights violation, bribery, etc.

The stakeholders that enhance CSR are mainly the regulatory bodies, industrial federations and employees (especially prospective employees). As noted earlier, Finnish companies are obligated to comply with the regulatory requirements set by the authorities. Regarding some companies, especially in sensitive sectors such as pharmaceuticals and food, it is even claimed that the industry is so heavily regulated by the authorities that bad practices would potentially damage the company and cause extensive losses.

The Confederation of Finnish Industry and Employers is also seen as a driver that advances the development of CSR in Finland. Being the big umbrella organization composed of almost all the specific industry associations in Finland, the confederation has also adopted a corporate responsibility agenda that is promoted among its member industries. Such promotion is believed to have a positive impact on Finnish companies, just as many Finnish companies are starting to re-evaluate the importance of their social and ecological actions in a more holistic way. Likewise, Finnish companies are also actively cooperating with Finnish labor associations and several civic organizations (Takala and Hawk, 2001).

Companies also regard long-term pursuit of sustainable development as a factor that drives CSR issues. Since the concept of sustainable development has entered the corporate agenda, many companies have been adopting and managing their environmental impacts. But the apparent overlaps of environmental and social issues make it easy to justify that social responsibility is taken along in environmental management. The apparent overlaps of environmental and social issues make this pursuit of sustainable development a driving force pushing toward corporate sustainability.





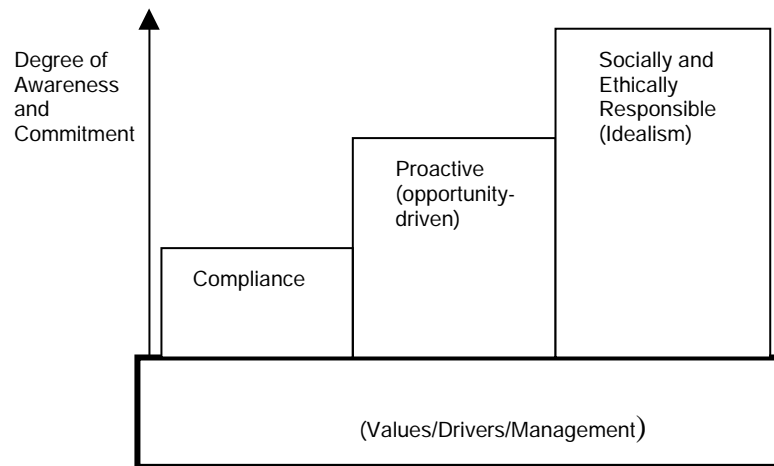
**Figure 1. Factors that enhance corporate social responsibility.**

Interestingly, many companies have the view that prospective employees also encourage them to be more sensitive on social responsibility issues. Companies are now being screened by young Finnish professionals who are becoming ever more concerned about the performance of the company they would like to work with. A youth survey conducted by the Economic Information Office (TAT) confirmed this view (Teollisuus ja Työnantajat, 2001). It is therefore hard for a company to attract talented people if the company has a bad image and poor social performance.

Bad experience, business relations, and customers' demands are some other factors that are also considered drivers of CSR, however these are viewed to be of weaker magnitude. This is because bad experience (e.g. strike, boycott, and accident) rarely happens and business relation is rarely strained or damaged, if not at all. Customers' demand when it comes to CSR is still considered unclear in the market and for the customers themselves. Issues on customers' demand are discussed separately in the later section.

### **3.5 Progress of corporate social responsibility**

The development of CSR in its contemporary form as promoted in international fora, and driven by globalization and other factors is growing in many corporate debates and discussions. Recent developments are visible in many countries worldwide, but the rate of progress is still hard to measure in terms of concrete frameworks, indicators, reporting guidelines, etc. In Finland, the development is also taking place gradually with big companies in the forefront. Figure 2 shows the development of CSR as exemplified by the 12 Finnish companies interviewed.



**Figure 2. Development stages of CSR in Finnish companies.**

A majority (75 %) of the Finnish companies interviewed can be considered proactive and opportunity-driven. Many of these proactive companies are at an early stage of organizing and managing CSR (e.g. dialogues, information collection and benchmarking). Two (22%) of these proactive companies are rather at an advanced stage, at which their efforts are geared to structural organization, management policies, systems and procedures, integration, communication and reporting.

There are three (25%) among the Finnish companies interviewed that can be characterized to be emphasizing mainly on compliance. These companies are not viewed as bad companies; they comply with the Finnish laws and standards, satisfy their customers, are somewhat involve in the community, and have good supplier relations. Conservatism and unclear signals of CSR are probably the reasons why the development of CSR is slow and not gaining full momentum in these companies. Interestingly, these three companies are all privately owned, which suggests that ownership of the company may have some effect on CSR.

The current approach to CSR is to address it under different management programs, hence, managing it haphazardly. Haphazard management is referred in this context as the unorganized and unsystematic approaches or actions taken by the companies to internalize CSR. For instance, dealing CSR narrowly as personnel issue or mixing it up with environmental management issues. Some difficulties that explain this haphazard management can be attributed to the apparent variation in concepts, effects of Finnish cultural attributes, and the impacts of different drivers as discussed in the previous sections. Furthermore, such difficulties can be attributed to some worries that companies are not sure whether or not they are tackling CSR correctly due to lack of information, lack of relevant experience and, some administrative problems. Nevertheless, many of the companies stated that they are in the process of finding the appropriate structure and organization for managing CSR progressively and effectively.

### **3.6 Management of Corporate Social Responsibility**

#### **3.6.1 Employees**

The responsibilities of a company in relation to employees are well established in all the interviewed companies. Generally speaking, Finnish companies have done a great deal of organization and management on employees' welfare. For example, procedures, data and information are well in place and available in various units and programs. Management programs and commitments to continual improvement aimed at offering a better workplace constitute an essential part of management. In view of pursuing CSR, employee-related concerns that are currently seen as integral aspects are shown in Table 3. Examination of Finnish companies in the light of these aspects gives a clue of the relevance of CSR to the companies, as well as of the current mainstream of CSR policy development. No strong argument can be found that Finnish companies would be doing poorly as regards employee welfare.

**Table 3. Relevance and policy orientation of employee-related concerns of CSR.**

Responsibility	Relevance	Mainstream of policy orientation or management action areas
Workforce diversity	Low relevance	Special skills and disabilities Age structure Women in top management positions or on the Board
Discrimination	High Relevance	Compliance with Finnish law Equal rights, equal opportunity policy Procedures and access to information Recognition
Freedom of association	High Relevance	Representation in decision-making Dialogue with management Compliance with labor laws
Child labor	Irrelevant	Check and pursue in the supply chain (audit) No engagement when operating in other countries
Forced-labor	Irrelevant	Check and pursue in the supply chain (audit) No engagement when operating in other countries
Absenteeism	Low Relevance	Internal management Motivation programs
Compensation, wages, salaries and benefits	High Relevance	Compliance with Finnish standards Agreement with labor unions Attractiveness of offerings Bonus or profit sharing system Training and education Medical, free time and social activities
Health and safety	High Relevance	Compliance with laws and standards (e.g. ISO standard) Regular monitoring, reporting and communication
Flexibility in work arrangements	Low relevance	Internal arrangement Trust and openness

Note: The degree of relevance is approximated (using simple frequency tabulation) based on how much emphasis is given to a responsibility which are either directly stated by the interviewees or based on reports and information collected from the company.

As shown in Table 3, there are responsibility areas that are of high and low relevance, or irrelevant at all. High relevance in this context refers to what a company considers as main responsibility that is given due management attention. Low relevance denotes low attention or low priority in terms of management control simply because it is an established and self-evident concern already. Irrelevant responsibilities are considered as such because of their inappropriateness in the current Finnish context. However, all interviewees agreed that these irrelevant issues become relevant in operations outside Finland, particularly in the developing countries.

#### Workforce diversity and discrimination

Diversity, in a strict sense, denotes ethnic minorities, immigrants and other groups of people working in the company. This aspect is of low relevance in Finnish companies because of the uniform nature of Finnish society and the smallness of such groups. However, in cases where such groups do exist, it is considered not to be a problem because the policies and procedures are well established. In view of this, diversity is defined instead with respect to special skills, disabilities, age structure and the employment of women, particularly in top management positions in the company. The age structure is viewed as a new form of diversity in most Finnish companies, hence, hiring more young and dynamic employees has become an important aspect of recruitment. Women have equal opportunities to work in most Finnish companies, and women's role in top management or on executive boards is changing the landscape in many companies. Although no specific statistics were prepared, the trend of women occupying a top or supervisory positions is well recognized in many Finnish companies. All these forms of diversity are well addressed in a Finnish company.

Discrimination in any form is not tolerated in most Finnish companies. This was a strong stance of all the companies. Discrimination is highly relevant in Finnish companies, just as equal opportunity and equal rights policies are well defined and supported by Finnish laws (Industrial Act on Equal Opportunity) and in the agenda of the labor unions. Well-established standard procedures and information access systems to check discrimination practices are normally available in many Finnish companies.

## Freedom of Association

The freedom of organizing a labor union in Finland is very well accepted. An average of 2 –5 unions per company was observed. These unions are basically well organized and normally well represented in the management and in the decision-making bodies (except in one case) in a given company. Labor unions are viewed as a platform for introducing issues relevant to the mutual relationship between employees and management. Labor unions are not problematic in many Finnish companies, which implies a strong relationship among them. Likewise, compliance with Finnish labor laws and agreements indicates healthy communication.

## Child labor and forced labor

Child labor and forced labor issues are irrelevant in the Finnish context. However, they become relevant to Finnish companies with global operations. Finnish companies have a strong disregard for these practices, and they are aware of such practices in many developing countries.

Many Finnish companies are beset with these practices. For Finnish companies, dealing with these issues is not easy, however, adherence to local laws and rules are basic standards they follow. In terms of the laws governing child labor, many Finnish companies claim that they cannot do much about it, but at least try to implement (to the degree possible) the Finnish standards (e.g. similar working facilities, provisions, etc.). Finnish companies tend to become more proactive in dealing with this sensitive issue in other countries.

Dealing with these issues in the supply chain is another challenge for many Finnish companies. The information provided by the suppliers does not reflect social responsibility. Suppliers normally comply with the requirements set by a purchasing company. With the advent of CSR, many Finnish companies are making an evident shift in dealing with their suppliers. Checking social responsibility is now being taken as a new procedure to be complied with by suppliers. Likewise, auditing a supplier's facility before entering into a purchasing agreement is an added procedure. This practice has not yet become established in most Finnish companies but the advent of the SA8000<sup>2</sup> standard has set the stage for many other Finnish companies.

## Absenteeism

This issue appears irrelevant in most Finnish companies because it is not a common practice by Finnish employees. Likewise, flexibility and free-time arrangements as well as motivation programs are becoming popular in many companies making this issue irrelevant or less discussed in Finnish companies.

## Wages, Compensations, and Benefits

This is a highly relevant aspect of responsibility in Finnish companies and well regulated in Finland. Wages are typically based on standards regulated by the Finnish law and/or negotiated by labor unions. However, most of the companies claimed that they had some kind of discretionary policies, such as offering more attractive salaries, more benefits, etc. Bonus or profit sharing is also common in some Finnish companies, depending on the performance of the business and on Board policy.

Companies have various offerings or packages of benefits, except for medical and health care benefits, which are common to almost all. Many of the companies have their own medical units to care for their employees. In some companies, free dental care or an annual sum of money for dental care is also considered a good benefit. Other benefits that some companies are adopting relate to free-time, family activities (picnics, sports, etc), and social activities.

Many companies view training and education as an important aspect of responsibility that should be continuously implemented, promoted and improved. Training and education play a very important role in sustaining competence, developing skills and confidence, and retaining the

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<sup>2</sup> SA8000 is a social accountability standard established by Council on Economic Priorities Accreditation Agency (CEPAA) for the ethical sourcing of goods. Child labor and forced labor are two of the main elements that the standard addresses. SA8000 primarily hinges on international declarations such as the UN Declaration on Human Rights and Children's Rights as well as the ILO Declaration on Labor Unions.

employees within the company. Finnish companies commonly acknowledge this as a motivating factor for the employees.

#### Internal Health and Safety

This responsibility is one of the most established practices in any company. All the Finnish companies interviewed have their own standard health and safety programs that typically address the welfare of the employees particularly safety in the workplace. Manuals and reports on health and safety provide information and are available to all employees. With the popularization of ISO 9000 and ISO 14001, health and safety issues have become a *de facto* responsibility for most companies.

#### Flexibility in Work Arrangement

Work flexibility is becoming an acceptable practice in many Finnish companies today. However, it is dealt with on a case-to-case basis. Flexible time is an internal arrangement dependent on the nature of the job and on the work-shift agreement (especially in 24 hours operations). Flexible time arrangement is acceptable, provided that the business operation is not jeopardized. Common principles with regards to time flexibility are; trust, openness and honesty.

### 3.6.2 Community

There is a wide array of community activities in which a company can be involved. Such activities include community assistance projects, participation in civic action, membership in social fora, institutional support, skills and technology transfer, grants, donations, charities and sponsorships. Dealing with and understanding this aspect of corporate responsibility is at the core of the so-called "corporate citizenship." Table 4 shows the observed common cases of community involvement by the Finnish companies interviewed.

**Table 4. Common forms of community involvement by Finnish companies.**

Forms of Involvement	Observed Cases
<u>Institutional support and/or cooperation with the Academe:</u>	
Research	7
Student apprenticeship	7
Training	3
Lectures, presentations, company visits	2
<u>Donations/Grants/Sponsorships – limited support to:</u>	
Unspecified (donations only)	9
Child and youth development (sports, culture and arts)	6
Anti-drug campaign	2
<u>Co-operation with community-based projects</u>	
Infrastructure development	3
Cooperation with local authorities in planning (e.g. Local Agenda 21)	2

Total number of companies observed = 12

Table 4 shows that the most common focus is on the general category of institutional support (i.e. cooperation with educational institutions) either for research, training, or apprenticeship of students. Likewise, donations, grants and sponsorships are common, but these are always claimed to be very limited and selective. Many Finnish companies tend not to specify the exact purpose and amounts of their donations. Some companies mentioned the purpose of the donations or grants they had given, which were commonly for support of child and youth development programs (such as sports, culture and arts). Sponsorship is commonly for sports activities, which is viewed as an important marketing strategy. Decisions regarding social grants and donations are typically based on what the companies believe to be important, relevant to their business, and necessary.

Community project-based initiatives, participation in civic action, and membership in social fora are less pursued, if at all, by these companies. This maybe explained by the fact that Finnish communities are basically well cared for by the support and projects provided by the Government.

It may also be attributed to the view that Finnish companies are well behaved and that the presence of companies in a community does not cause problems.

The relationships of Finnish companies with the communities surrounding them are, however, generally viewed as being good and healthy. Often the feedback from the community is positive and well accepted. The relationship is also strengthened by the fact that often the employees of the company are also members of the community. Other forms of communication normally include devices provided by the companies in order to maintain good relationship with the community (e.g. an open-house day, and a complaints and suggestion box). As regards complaints or other legal pursuits by the community against the company, it is rather hard to find a case these days. Several companies stated that in the past complaints or lawsuits were common (e.g. pollution issues).

#### Activities in Other Countries

Since most of the Finnish companies interviewed (except for one company), have global operations or international subsidiaries, their community involvement also varies according to the nature, needs, and structure of society in a given country. This implies that activities, for example, in other European countries, the United States, the Baltic countries and other countries of Asia and South America take different forms and focuses.

Little information about the exact activities of the interviewed Finnish companies in other countries has been collected because of the localized nature of such information. However, as stated by the interviewed companies, typical involvement is in education, child and youth development, donations, grants and charities. These activities are more or less similar to what the companies' activities in Finland. The local management in the host countries normally decides on these activities. The corporate management in Finland believes this is appropriate because the local management knows better what is suitable and appropriate. However, in exercising such independence, the local management must adhere to the corporate values, principles or guidelines regarding community activities. Some examples of community programs in other countries are presented in Table 5.

**Table 5. Activities of some Finnish companies in other countries.**

Country	Activity or Involvement
Asian countries (e.g. India, Indonesia, China)	<ul style="list-style-type: none"> <li>- children's education program</li> <li>- one-day salary donation to earthquake victims</li> <li>- training of Asian personnel in Finland</li> <li>- donations to flood victims</li> <li>- support to youth activities.</li> </ul>
South America (e.g. Mexico, Brazil)	<ul style="list-style-type: none"> <li>- support to infrastructure development</li> <li>- support to youth foundation</li> </ul>
Eastern Europe (e.g. Poland, Hungary)	<ul style="list-style-type: none"> <li>- grant support to local school and leisure facilities</li> <li>- pollution prevention program</li> </ul>
South Africa	<ul style="list-style-type: none"> <li>- support to youth activities and education</li> </ul>

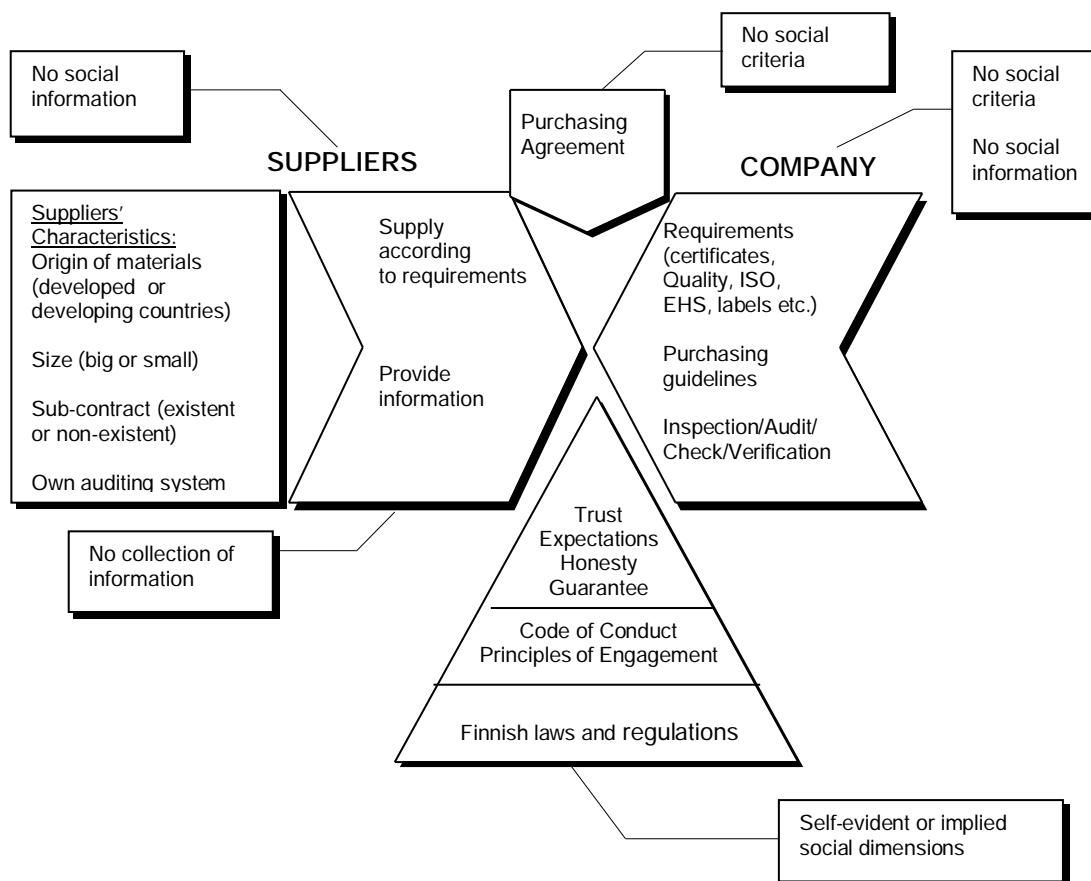
#### Other groups in the community

Companies locally and internationally are also seen as partners of other interest groups in the community such as the NGOs, media, public authorities and the academe. Partnerships or cooperation in various forms (e.g. research, campaign, and community projects) constitute a common company strategy for bringing about the desired effect or action in order to internalize social responsibilities. These groups play important and influential roles in bringing up social responsibility issues on a broad platform, thus catalyzing decision-making and promoting good performance. Although sometimes these groups could be viewed to be on the negative side or at the far end of the spectrum (e.g. NGOs and the media), they may still serve as catalysts in balancing all the efforts of dealing with corporate social responsibility from each stakeholders viewpoint. Continuous dialogue and communication are therefore necessary in dealing with these groups, especially as regards their interests and motives.

### 3.6.3 Suppliers

Supply chains are normally complex and characterized by interrelationships between different companies. The question of responsibility in this regard is two-way, i.e. responsibilities of the party asking for supplies and those of the party providing the supplies. Companies are affected by the actions of their direct and indirect suppliers and vice versa.

Finnish companies, share a general view as to how the company-supplier relationships should be organized and managed. However, when social issues are raised along the supply chain, both the companies and the suppliers are lost, and actions differ among the companies as affected by other factors (e.g. suppliers' characteristics). Figure 3 shows a typical picture of a company-supplier relationship in the Finnish context and the problem areas of social CSR information management.



**Figure 3. Typical company-supplier relationship and problem areas of CSR.**

The general view of the relationship and flow of information is that the company specifies its requirements and purchasing guidelines to the suppliers. Most companies also require the suppliers to obtain certificates, which could be on quality, environment, or special labels. It is also common that the purchasing team of a company conducts an inspection or audit of the suppliers on the basis of its own criteria. Furthermore, the information provided by the suppliers is checked and verified in order to ensure that the requirements are met. The suppliers that satisfy the requirements get an agreement with the company. This arrangement is typically influenced by some implicit principles, self-evident way of thinking, corporate values, and laws or regulations.

Taking contemporary social issues into the supply chain makes the relationships between companies and their suppliers complicated and problematic. The first problem is that companies do not include social criteria in their requirements, thus no social information is being obtained from their suppliers. This is because obtaining such information is viewed as difficult owing to its

apparent non-existence. Familiarity between companies and suppliers also makes it difficult to obtain information, because it is taken for granted that everyone knows how to behave. In a way, such attitude has an inhibitory effect on collecting social information.

The second problem is in dealing with suppliers who have sub-suppliers or sub-contractors. It is a common lament that it is hard to know how and where those sub-contractors have obtained their materials or products. The question that most companies are asking is, "Where is the limit of responsibility?" If the company does not know where the product is from, they do not know how to deal with the supplier. Many Finnish companies agreed that the potential difficulty in auditing suppliers lies in the complexity of the supply chain.

The third problem pertains to the source or origin of the suppliers' products. For example, when suppliers are from Finland or Western Europe, there is a high chance that the suppliers have met the requirements according to expectations. Companies are more or less sure that those suppliers do not engage in child labor, forced labor, or violation of human rights, because these practices are generally unacceptable in Finnish or Western European businesses. However, if the sources of supplier's products are in the developing countries, there is a feeling that the company has to do a lot of checking and auditing. Most big suppliers can pursue and participate in tracking social issues in the supply chain, but small suppliers tend to think that because they are small they cannot do much about it.

Obtaining social criteria and information in the supply chain is an acceptable agenda to many Finnish companies. Most of the companies interviewed agreed that it is a good practice but not well internalized yet in many Finnish businesses, except for a few leading companies which have been very progressive in pushing this issue in the supply chain. Most companies are watching and waiting as to how CSR issues are being managed, and forecast that in five years CSR issues will be strong in the supply chain.

### 3.6.4 Customers

Customer satisfaction is a common corporate value shared by almost all the Finnish companies interviewed (see Table 2). Therefore, a company typically makes an effort to provide products that guarantee the satisfaction of customers and meet their expectations. Likewise, the Finnish companies interviewed were unanimous that their responsibility to customers was to ensure that the product is of high quality, accessible, safe and environment-friendly, and has less social and environmental impacts. Product information plays an important role in communication with customers. The information that companies normally attach to their products takes different forms, depending on the nature of the product and the company's relationship with its customers (Table 6).

**Table 6. Product information and indicators.**

Information	Indicator
Quality	ISO 9001 certificate
Environment	ISO 140001 and EMAS certificate, life cycle study reports, recycling data
Labels	Eco-labels, green labels, company logo, product recyclability
Safe usage	Health and safety certificate
Technical information	Manuals
Take back responsibility	(Emerging)

Other than providing information, training, monitoring of product use, and customer services are also common practices. For example, training is afforded for products that require skills and knowledge in usage. Products and customer satisfaction are normally monitored through feedback, questionnaires and on-line services.



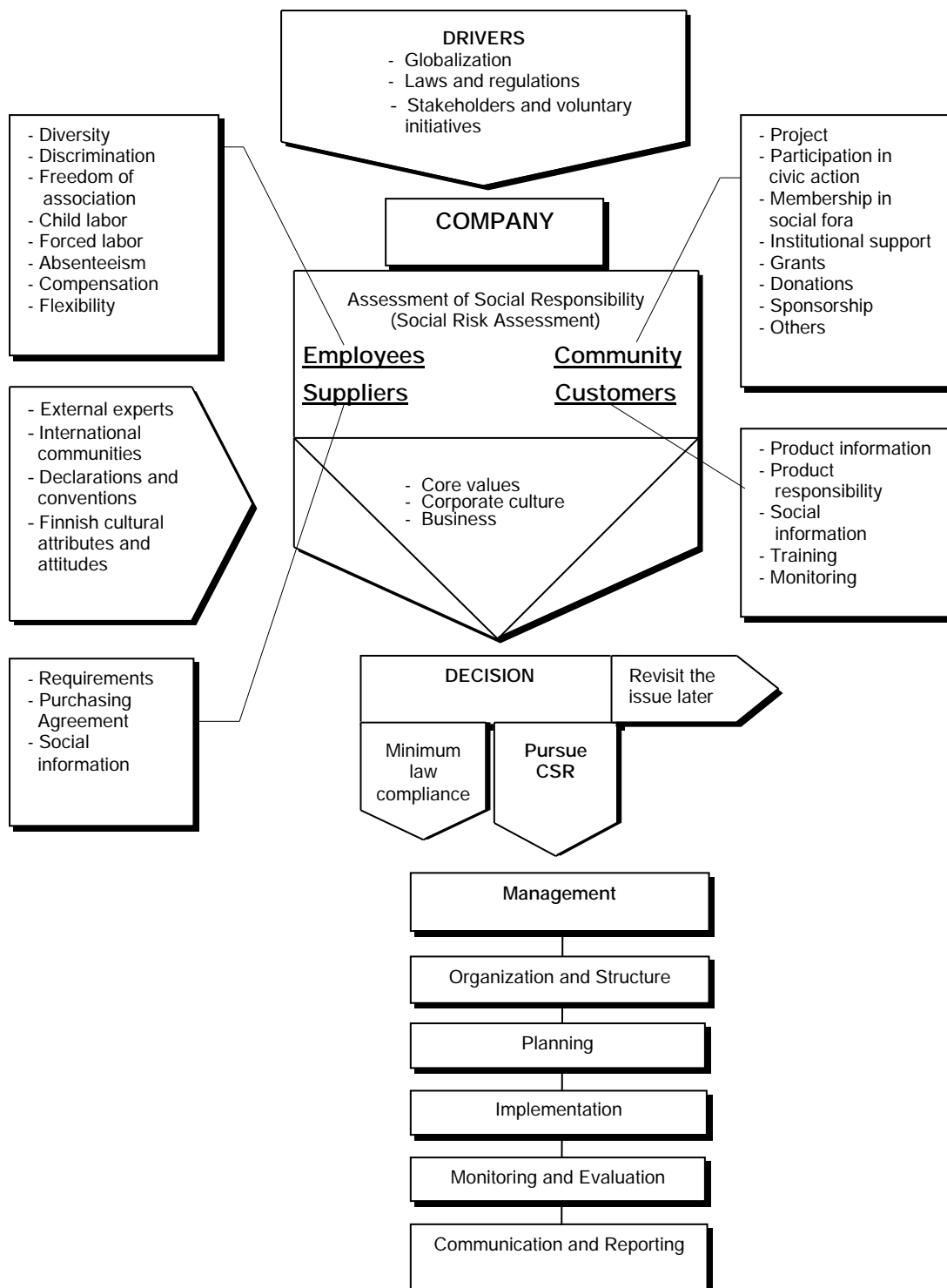
All this information is environmental in nature although social implications can be attributed. This is so because many companies claim that customers are now beginning to ask for social information or label in the products. A typical customer's question goes back to the production methods and process issues (e.g. produced in a sweatshop, with child and forced labor, with human rights violation, etc).

Social marketing (i.e. marketing products with social claims or labels) is rather new to most of the companies. However, many companies agree that social marketing is not popular in Finland. Nevertheless, the Finnish companies interviewed consider such marketing scheme to be demanded in the future. Some of the issues associated with company-customer relationships in pursuing social responsibility are to define exactly what CSR means to customers and how customers perceive it. In the supply chain, the issue is what social requirements and information customers would be asking from the company.

### 3.7 Framework for CSR

On the basis of the above discussion and presentations, a rough framework for CSR is presented in Figure 4. This framework could serve as the starting point for any company in identifying its current position, problems and management actions with respect to CSR. The framework is self-explanatory in its flow. It may appear simple, but going through the management processes of CSR aspects is definitely a challenging task that would require commitment, time and resources. This framework is not totally reflective of corporate reality and therefore needs to be checked and verified.

Generally speaking, the framework can serve as a starting guide for any company that consider pursuing and managing social responsibility. As such, the initial step would lead to the identification of the main areas of CSR and identification of social parameters relevant to the company. An assessment of the parameters would lead to a decision whether or not to pursue CSR management. A proactive decision to pursue CSR would likely entail commitment, time, resources, managerial skills and effective cooperation. This framework could also serve to create an integrated management system (IMS) framework that would cover the three aspects of corporate responsibility - economic, environmental and social.



*Figure 4. Framework for corporate social responsibility*

#### IV. ISSUES AND IMPLICATIONS

In the preceding discussions, some issues were identified which can be considered to have important managerial implications. These issues are reiterated in this section in order to give clues to managers when adopting and/or managing CSR.

Globalization, stakeholders, and pursuit of sustainable development are drivers that need to be monitored regularly because these give signals as to how and what management approaches and marketing strategies can be taken. Operating in the global market behooves a company to be sensitive in host country's laws and regulations, standards, markets, etc. For instance, how should CSR be dealt with and practiced in developing countries with weak laws and low standards as compared with Finnish laws and standards? Global Finnish companies must look into these signals if they have to stay competitive in the global market and maintain a good image. Since many companies' behavior in other countries are being scrutinized, e.g. by media and NGOs, companies should proactively assess its CSR regularly. Management should have a clear policy to deal with these global issues. Likewise, stakeholder engagement and communication are factors for CSR success, hence, need to be organized and managed effectively.

The view that some Finnish cultural attributes and attitudes have an effect in the management of CSR could be an organizational challenge. The Finnish culture of high regard to laws and regulations, morality mindset, positive attitude on globalization, intolerance to corruption, and engineering thinking are among the distinctions that should be understood contextually, improved if necessary, and be harnessed favorably in setting management strategies for CSR.

The main issue with regards to employees is more on how to maintain the current level of management and keep the employees motivation and loyalty to the company. Likewise, the recruitment of new personnel is very much affected by how a company behaves towards employees. This implies a careful examination of the company's policies of treating employees and a good maintenance of relationship and communication.

Community issues that translate to managerial challenge are in the allocation of resources for community activities and in monitoring such activities. Despite the claim that most companies give small amount for grants, supports, sponsorships, etc, it is still a question of how these are managed and how these affect the finances of the company. How corporate philanthropy can be pursued in a high welfare-society like Finland? How to ensure that the supports to community contribute to the image-building process of the company? These are some of the basic questions that need management proper attention if a company continues practicing community involvement.

Issues on suppliers pose a big challenge to many companies who are pursuing CSR in the supply chain. The lack of information, the differences in standards, sub-contractors arrangements, and product source verification are among the main problems. It is a huge task to obtain and manage social information along the supply chain. How could a company influence its suppliers to cooperate in collecting and managing information and to drive the issue in the supply chain? Managing the supply chain to internalize CSR would entail changes in organization, new purchasing agreements, auditing schemes, etc.

Issues pertaining to customers also relate to information problems. Since the customers demand for socially responsible product is not fully understood, companies maybe be getting the wrong market signals. With the overlap of social and environmental issues, what social requirements and information customers would be asking from a company? How would social marketing be approached and promoted? These questions are most relevant in this area that imply sound management strategies.

Finally, the application of the framework in a company to adopt and manage CSR may entail a management system. Setting up a management system for CSR is therefore a big challenge for any company, i.e. in terms of assessment, organization, structuralization and implementation. Likewise commitment of time, people, and resources would be crucial if a CSR management system is to be established.

## V. SUMMARY AND CONCLUSIONS

The roadmapping of contemporary corporate social responsibility in 12 Finnish companies has revealed some important maps, directions and aspects that need to be understood and given due consideration since they constitute the current efforts, development, and management challenges.

There is no exact definition of CSR, but various "concepts" are connoted into it. Believed by many companies as a recurring issue, the history is carried along the industrial development in Finland. Globalization, laws and regulations, stakeholders and pursuit of sustainable development are the identified major drivers of CSR. Likewise, corporate values and Finnish cultural attributes have an effect in managing CSR issues. Nevertheless, CSR is gradually evolving progressively and beginning to take a new platform of management for Finnish companies interviewed.

Employee issues and management are well established in most companies, and most policies supporting the welfare of employees are in place and available. Although there are wide arrays of employee-related issues, it was observed that some issues (e.g. child labor, forced labor) appeared irrelevant to Finnish companies. This is so primarily because of the uniform nature of Finnish society and its cultural orientation. However, these irrelevant issues are believed to be making relevance when Finnish companies operate in another country particularly in developing countries where laws and regulations are weak, and standards are low as compared with Finnish laws and standards.

Community involvement has limited emphasis for most companies. The most common forms of involvement are: support for educational activities and research, child and youth development; and small amounts of grants, donations and sponsorship. In other countries, community involvement takes different forms depending on the host country's circumstances. The main problems identified in this area are on allocation of grants or support and the monitoring of activities in the community. Many companies are, however, wondering how to pursue corporate philanthropy in a high welfare-society like Finland where they have been behaving socially, paying taxes, following laws, etc. On the other hand, other groups in the community (e.g. NGOs, media, and public authorities) are viewed as important actors in steering dialogues on community issues.

Supplier relations are generally well organized in Finnish companies. However, when the question of social responsibility in the supply chain is raised, both the companies and the suppliers lack information and face chain-effect problems. Pursuing CSR in the supply chain requires change in the requirements set by the companies and management of social information in the supply chain. This is a new challenge to Finnish companies and the supply chain actors.

The customer issues pertinent to social responsibility are regarded as being intermingled with environmental responsibility. This is so because of the view that products have more inherent environmental aspects than social aspects. Customer issues are hard to isolate from environmental issues, although tracing back the production of products reveals some strong arguments important for social responsibility management. Examples of these arguments are: production in sweatshops, child labor or forced labor in the developing countries, human rights violations, etc. Related to the supply chain, pursuing these issues is also hard because of lack of information.

A CSR framework drawn up so that it reflects all the CSR aspects and management approaches could serve as a guide for Finnish companies. It is therefore imperative to take all these aspects into considerations and to use them as indicators in order to streamline the elements and potential success factors of CSR. The signs and highlights in this roadmap can also be important in integrating social responsibilities into the organization and management systems existing in companies.

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