

Corporate Social Responsibility

- a case study of Öhrlings PricewaterhouseCoopers

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Bachelor thesis
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Acknowledgment

We have conducted our Bachelor thesis in the program of International Business during spring 2008. During the last 10 weeks we have gained a deeper understanding concerning Corporate Social Responsibility. We would like to thank our supervisor Håkan Perzon at the department of Industrial marketing and E-commerce at Luleå University of Technology. He has given us great support and inspiration during our writing. We would also like to send a special thanks to Anders Welin at Öhrlings PriceWaterhouseCoopers who made this thesis possible by providing us with valuable information through an interview.

We hope that you will enjoy this thesis and that it could provide you with deeper knowledge about Corporate Social Responsibility.

Luleå University of Technology May 2008

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Abstract

In the late 1880s in the introduction stage of the industrialization it was broadly discussed whether or not companies should take their social responsibility. This discussion has today lead to what is called Corporate Social Responsibility (CSR). The interest for CSR has grown rapidly the recent years and people are starting to demand that companies take their social responsibility. In the same time companies have started to understand that they can use CSR as a strategy in order to gain benefits. An increasing number of companies have started to engage in CSR and it has even become trendy for companies in Sweden to engage in CSR. Many argue that companies can gain enormous benefits by engaging in CSR while others argue that CSR engagement can have a negative effect on the company.

This thesis focuses on investigating why companies engage in CSR, how they apply CSR and how CSR can affect financial performance.

We have conducted a case study on the company Öhrling PriceWaterhouseCoopers (PwC) in order to gain a deeper understanding of CSR. We studied why PwC engage in CSR, how they apply CSR and how it affects their financial performance.

Sammanfattning

I slutet av 1800-talet vid industrialiseringens början diskuterade man om företag hade en skyldighet att ta sitt sociala ansvar eller inte. Denna diskussion har idag lett till vad vi kallar Corporate Social Responsibility (CSR). Intresset för CSR har ökat snabbt de senaste åren och allt fler individer kräver att företag tar sitt sociala ansvar. Samtidigt har allt fler företag börjat förstå att de kan använda CSR som en strategi för att ta del av flera fördelar. Många företag har börjat engagera sig i CSR och det har till och med blivit trendigt för företag i Sverige att engagera sig i CSR. Många menar att företag kan få stora fördelar om de använder sig av CSR medan andra argumenterar för att CSR kan ha en negativ effekt på företaget.

Denna uppsatts undersöker varför företag engagerar sig i CSR, hur de applicerar CSR i sin verksamhet och hur CSR kan påverka företags framgång.

Vi har genomfört en fallstudie på företaget Öhrling PriceWaterhouseCoopers (PwC) för att få en djupare kunskap om CSR. Vi undersökte varför PwC använder sig av CSR och hur de applicerar CSR i sin verksamhet och hur CSR påverkar företags framgång.

Index of Abbreviations

The abbreviations used throughout this thesis are presented below:

CSR – Corporate Social Responsibility

PwC – Öhrling PriceWaterhouseCoopers

RQ – Research question

UN – United Nations

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1. Introduction

This chapter will present a background of Corporate Social Responsibility (CSR). Starting with an overview of the subject. Further, a problem discussion will be presented, resulting in the purpose and formulation of the research questions.

1.1 Background

In late 1880s in the introduction stage of the industrialisation it was broadly discussed whether or not companies should take their social responsibility. Advocates for socially responsible companies wanted to introduce some form of social business ethics with the purpose to get companies to take social responsibility. The critics argued that companies should not be forced either by law or moral conventions. They argued that social responsibility could mean that the competition deteriorated and that it would weaken the economical growth. Since late 1880s the discussion of social responsibility has continued and in the last decade companies have started to take more and more social responsibility (Adamsson & Johansson, 2008). Social responsible companies have increased substantially the most recent years and many companies engage in what is today called corporate social responsibility (CSR).

CSR has been popular in North America for many years (Matten & Moon, 2008). Most recently the concept has spread to Europe and Sweden and it has even become trendy for companies in Sweden to engage in CSR (Jenkins, 2005).

The European commission defines CSR as “*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders in a voluntary basis*” (European commission, 2002). There are several elements that can be considered a part of CSR. However, CSR-Europe, a membership organization consisting of large European companies, has defined the following as the main elements of CSR-activities: workplace (employees), marketplace (customers and suppliers), environment, community, ethics and human rights. (Moir, 2001)

Kotler and Lee (2005) argue that CSR engagement has shifted from obligation to strategy. Before 1990s engagement in CSR tended to be implemented as a result of pressures for “doing good to look good”. Today we can observe a shift towards a strategic approach, which is described as, “doing well and doing good”. (ibid)

The demand for companies that invest in CSR has increased the recent years from: customers; employees; suppliers; community groups; governments as well as some shareholders. As the concern for global warming has increased rapidly the past years this has led to a further increase in demand for CSR (Diana, 2006). Several companies have responded by increasing their CSR investments (McWilliams & Siegel, 2000). Due to this there are an increasing number of companies continuously working with CSR related issues. Companies are for example starting to take more concern to the environment and social issues (Företag och CSR, n.d.). However, other companies have resisted investing in CSR as they believe that it contradicts their aim to maximize profits. (McWilliams & Siegel, 2000)

1.2 Problem discussion

Pressure that companies take their social responsibility has increased from all stakeholders. Customer are starting to make decisions based upon more than the product, they consider factors such as working conditions, human rights, environmental and social concerns when purchasing a product or service. (Rahmani & Nilsson, 2007; Jenkins, 2005)

Comfort, Hiller and Jones (2006) states that there are five key drivers influencing the increasing focus on CSR which are, greater stakeholder awareness of corporate ethical, social and environmental behaviour, direct stakeholder pressures, investor pressures, peer pressures as well as an increased sense of social responsibility. Furthermore, companies are recognizing the importance of CSR for the company's image and reputation. Comfort *et al.* (2006) continues to argue that CSR has several benefits for the company such as: improved financial performance and profitability; reduced operating costs; long-term sustainability for the company and its employees; increased staff commitment and involvement; enhanced capacity to innovate, good relations to government and communities; better risk and crisis management; improved reputation and brand value; and the development of closer links with customers and greater

awareness of customer needs. Berger, Cunningham and Drumwright (2007) claims that the use of CSR is not always positive for a company, they believe that there is a great difference between industries. In some industries customers tend to value CSR activities, in other industries the customer demand for CSR-active companies are significantly lower. (ibid)

Numerous studies and literature with varies results have been conducted in the subject of CSR. Several questions about CSR still remains, for example there is no evident answer if CSR activities affect the financial performance, why companies engage in CSR and how they apply to it. There are several different definition of CSR and companies choose to apply it in different ways therefore it is a rather complex subject. (McGuire, Sundgren and Schneeweis, 1988; Sarbutts, 2003; Branco and Rodrigues, 2007)

1.3 Purpose and research questions

Based on the previous discussion we will describe our purpose and research questions. The purpose of this thesis is to gain a deeper understanding about CSR. This will be done by answering the following research questions:

1. Why do companies engage in CSR?
2. How do companies apply CSR?
3. What is the correlation between the use of CSR and financial performance?

1.4 Thesis outline

This thesis consists of six chapters and the outline can be observed in figure 1. It starts with an introduction followed by literature review, methodology, empirical data, data analysis and finally conclusion and implications.

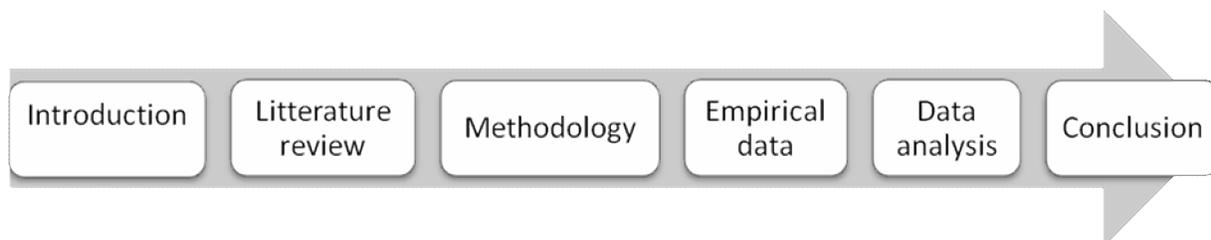


Figure 1 - Thesis outline

Introduction - This chapter presents a background of CSR. It starts with an overview of the subject. Further, a problem discussion is presented, resulting in the purpose and formulation of the research questions. Finally the scope and delimitations is discussed.

Literature Review - This chapter presents previous research and theory concerning the concept of CSR. It starts with theory regarding why companies engage in CSR, continuing with how companies apply CSR and it finally describes the correlation between CSR and financial performance.

Methodology - This chapter presents the methodology applied in this thesis. The chapter starts with the research purpose, followed by the research approach. Moreover, the research strategy and data collection is described followed by the sample selection and data analysis, ending with a discussion concerning the validity and reliability.

Empirical data - This chapter presents the empirical data collected via an interview with Anders Welin a CSR expert at Öhrlings PriceWaterhouseCoopers (PwC) and written sources. It starts with a brief company background, followed by research question 1 concerning why PwC engage in CSR, research question 2 regarding how companies engage in CSR and finally research question 3 which describes the correlation between the use of CSR and financial performance is.

Data analysis - In this chapter the collected empirical data is described in comparison to the chosen theory of CSR. The chapter start with research question 1 regarding why companies engage in CSR, followed by research question 2 concerning how companies participate in CSR and finally research question 3 which describes the correlation between CSR engagement and financial performance is.

Conclusion – This chapter answers the research questions and presents the findings and conclusions of this study.

2. Corporate Social Responsibility

This chapter presents previous research and theory concerning the concept of CSR. Starting with theory regarding why companies engage in CSR, continuing with how companies apply CSR and finally describing the correlation between CSR and financial performance.

2.1 Reasons for companies to engage in CSR

This part of the theoretical review presents former research concerning why companies engage in CSR.

Miles and Munilla (2005) describe the motives for participating in CSR by using Van Marrewijk's (2003) CSR Framework and Carroll's (1991) Pyramid of Corporate Social Responsibility, which can be observed in table 1. This table illustrates how different levels of commitment to CSR are related to motives and outcomes. The framework describes that a company's CSR philosophy can be, compliance driven, profit driven, driven by caring, synergetic or holistic. In the first stage of CSR category, which is called the legal stage, companies engage in CSR as it is their duty and obligation to follow laws and regulations. In the economic stage, companies use CSR as a strategy to create a competitive advantage and gain improved financial performance. The ethical and philanthropic stage has the aim to have a balance between the profit, people and the planet. In this stage the company does not only focus on profit but also on social welfare. (ibid)

Table 1 – The interrelationship of CSR framework and Pyramid of Corporate Social Responsibility

CSR ambition level	Motives (Van Marrewijk, 2003)	CSR Category (Carroll, 1991)
Compliance driven	Duty to society, CSR as a social obligation – perception of CSR expenditures as a simply a cost. Economic responsibility is paramount.	Legal
Profit driven	CSR as a strategic initiative – using CSR to create competitive advantage and superior financial performance. CSR expenditure perceived as an investment in the creation and renewal of competitive advantage – resulting in an enhanced stream of future profit.	Economic
Caring	Economic responsibility is paramount. Using CSR to balance the triple bottom line of profits, people and planet. Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders. Social and/or environmental trumps economic responsibility.	Ethical and philanthropic
Synergetic	Use of CSR to attempt to create a “sustainable corporation” – that will be able to be an ongoing concern over the long run. Social and/or environmental responsibility I strategically used to create competitive advantage and meet the corporation’s economic responsibilities.	Economic, legal, ethical and philanthropic
Holistic	CSR as a corporate culture – similar to when firm adopts a marketing, entrepreneurial, or quality orientation. Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation’s economic responsibilities.	Economic, legal, ethical and philanthropic

Source: Miles and Munilla (2005)

Several authors argue that companies can gain enormous benefits by being socially responsible (Idowu & Pappasolomou, 2007). However, there are a large number of different views of why companies engage in CSR and what benefits a company actually gets from participating in CSR.

Kotler and Lee (2005) argue that companies participate in CSR in order to look better, feel better, do better and live longer. They explain that by participating in CSR the company will *look good* in the view of potential customers, business colleagues, investors and in the media etcetera. Furthermore, employees, customers, stockholders and board members will actually *feel good*. Many also argue that CSR *improve* the brand, and some claim that companies with a strong reputation for CSR will *last longer*. Kotler *et al.* (2005) describes that companies can gain great benefits from participating in CSR and that these benefits are the reasons for their engagement in CSR. Kramer and Porter (2006) describes the reasons for participating in CSR by moral obligation, sustainability, license to operate and reputation. These two theories of why companies engage in CSR can be observed in table 2 below.

Table 2 - Reasons and benefits for participating in CSR

Kramer and Porter (2006)	Kotler and Lee (2005)
Moral obligation	Increased sales and market share
Sustainability	Improved brand positioning
License to operate	Improved image and clout
Reputation	Increased ability to attract, motivate and retain employees
	Decreased operation costs
	Increased interest for investors and financial analysts

As described in table 2 Kramer *et al.* (2006, December) state that companies use CSR because of:

Moral obligation – The companies engage in CSR since they believe it is their duty to be a good citizen and “do the right thing”.

Sustainability - The company focuses on environmental and community stewardship with the belief that it is best for the company in the long run. A good explanation for this comes from The World Business Council who explains sustainability as followed: “Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

License to operate - Many companies only engage in CSR because they are forced to since they need to follow regulations and permissions from governments, communities and other stakeholders to be able to conduct business.

Reputation - Many companies explain that they use CSR to improve the reputation and company image, to strengthen the brand, in order to demonstrate moral and because it even could raise the company’s stock value.

Kotler *et al.* (2005) has another view they describe that companies participate in CSR in order to gain several benefits, they explain the following as the main ones:

Increased sales and market share - There is strong evidence that when customers make decisions of which product to buy they consider factors such as the company's participation in CSR-activities.

Improved brand positioning - When a company or a brand is associated with CSR it affects the brand image and customers are likely to have a positive feeling towards it.

Improved image and clout - The company can gain positive publications about their CSR activities in different reports and business magazines.

Increased ability to attract, motivate and retain employees - Employees working for companies that participate in CSR-activities describes that they are proud of their company's values and that it motivates them.

Decreased operation costs - Many companies describes that their CSR activities result in decreased operating costs and increased revenue. A company can for example reduce costs for marketing campaigns, as it is common that the company gains increased free publicity as a result of their CSR engagement.

Increased interest for investors and financial analysts - Some argue that CSR activities can increase stock value and that it is easier for companies participating in CSR to get access to capital. (ibid)

Even though many argues that companies can gain enormous benefits from participating in CSR Kramer *et al.* (2006) explains that it is hard to determine what benefits a company really gets from their CSR engagement. They continue to describe that analyses of benefits gained from participating in CSR are inconclusive. Moreover, Kramer *et al.* argue that the connection between good actions and customer attitudes are so indirect that it is impossible to measure. However, they are convinced that CSR will become even more important for competitive success in the near future.

Moreover, some argue that CSR do not affect the company at all, while others argue that CSR even can affect the company negatively (McGuire *et al*, 1988). The main critic for CSR is that it challenges the traditional corporate objective of profit maximization. Furthermore, many argue that companies should maximize shareholder wealth not social welfare and that managers do not have any obligation, right or experience to improve social issues (Clark-Murphy, Gerrans, Kristoffersen, 2005). Chairer, Hansen and Leung (2005) even claim that CSR activities can affect the shareholder value negatively.

Smith (2007) believes the opposite, he argues that companies rated high in participation of CSR have a better performance than companies scoring low at this dimension. Furthermore, he argues that by engaging in CSR companies can gain a competitive advantage as well as improved reputation.

Idowu *et al.* (2007) describe that e.g. stock markets and financial institutions have started to register companies that are participating in CSR as well as information about their actions. This has increased the pressures for companies to participate in CSR. It has also become common that institutional investors demand guidelines and information about the company's CSR activities and many investors and stakeholders take this in to consideration when deciding which company to invest their money in.

Kramer *et al.* (2006) has a similar view they describe that the pressure has increased for companies to participate in CSR from e.g. stakeholders, governments, activists and the media. Moreover, Kramer *et al.* (2006) claim that people are also starting to hold companies to account for the social consequences of their business activities.

Golob and Podnar (2007) also share similar views they describe the core of CSR as the idea that no company can afford to act opposed to or without concern to the society. Therefore it is crucial for companies to engage in CSR in order to meet societal and stakeholder wants and expectations. Smith (2007) explain that the demand for companies to participate in CSR has increased since the concern for the environment has grown and that companies therefore have started to engage in CSR.

To conclude, Chairer *et al.* (2005) argues that most companies do not participate in CSR in order to do the right thing, they do it to create increased financial value for the company.

2.2 The application of CSR

This part of the theoretical review presents former research concerning how companies apply CSR into their business.

According to Graafland, Eijffinger, Stoffele, Smid and Coldeweijer (2004) CSR relates to a set of highly diverse behavioral aspects within a company. Based on previous research, Graafland *et al.* (2004) have distinguished more than 60 concrete aspects of CSR. It is even possible to refine these aspects even further in order to observe even more aspects of CSR. Baring this in mind, the high diversity of CSR makes it difficult to give an exact definition. Graafland *et al.* (2004) stresses the importance of determining how companies apply CSR in their business by determining how they choose to define what CSR is since it differs significantly between companies. They therefore give the following three examples originally established by “Social Economic Council” and “World Business Council for Sustainable Development” to illustrate this: (ibid)

Example 1: A firm takes on a visible role in the society which goes beyond the core business and beyond what the law requires and which leads to added value for the company and the society.

This definition was established in order to advice companies about CSR. However, Graafland *et al.* (2004) argues that this definition is too narrow for two main reasons. Firstly, CSR often relates closely to the core business of a company. For example, an oil company invests in alternative and less polluting petrol brand which contributes to the welfare of the society as a whole. Secondly, criticism speaks out that CSR does not only concern aspects that go beyond the law. It should also refer to how serious a company applies the law. For example, when preventing fraud and guaranteeing safety. Does a company really act in accordance with the intention of the law and not apply a minimum interpretation? (ibid)

Example 2: CSR incorporates two elements.

1 Sufficient focus by the enterprise on its contribution to public prosperity in the longer run

2 The relationship with its stakeholders and society at large

This definition was established in response to the criticism of the former definition. The first paragraph points out that a company can be viewed as a value creating entity. In this case, value creation does not only relate to economic value. Moreover, it refers to value creation in three dimensions; this is called the “*Triple P bottom line*” and it is divided into: Profit, People and Planet. (ibid)

- *Profit*, the economic dimension. This dimension refers to the creation of value through the production of goods and services and through the creation of employment and sources of income.
- *People*, the social dimension. This has a variety of aspects concerning the effects for human beings, inside and outside the organization, like good labor relations, safety etc.
- *Planet*, the ecological dimension. This dimension relates to the effects on the natural environment.

Graafland *et al.* (2004) states that an important aspect of the second example is that it take the relationship of the company with its stakeholders and the society at large into consideration. The definition also points out the importance of good stakeholder relations as well as having an open way of doing business and a willingness to have a continuous dialogue with several interested parties. Furthermore, it distinguishes between primary and other stakeholders. Employees and shareholders are considered to be primary stakeholders since they have forms of structural consultation with the managers of the company. All others who have a certain interest in the company’s activities are considered “other stakeholders”. These can include: consumers, suppliers, competitors, the government as well as the society at large. (ibid)

Example 3: CSR 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 of the local community at large.

The third example has been established and it differs slightly from the previous two examples. Firstly, the third example refers to ethical behavior; this is not addressed in the other examples. In comparison with example two where the so called “three P’s” are addressed, here it is simply referred to as “quality of life”. Thirdly, example three does not stress the relationship with stakeholders, which example two does.

2.2.1 Aspects of CSR

Even though Graafland *et al.* (2004) have determined that there are more than 60 concrete aspects of CSR activities, as well as numerous more definitions than the ones discussed above, Balabanis, Phillips and Lyall (1998) have been able to categorize these into a few main categories. In the 1970s these aspects were considered to be:

- Disclosure of information to shareholders
- Disclosure of the board of directors
- Monopolistic behavior (predatory pricing, etc.)
- Equality of treatment for minorities
- Profit sharing
- Environmental protection
- Ethics in advertising
- Social impact of technology

However, Balabanis, *et al.* (1998) state that many of these now are regulated by law. Due to this, the focus of CSR activities has changed. They have found that the main focus of companies today lies within the areas of:

- Environmental protection (e.g. reduction of emissions and waste and the recycling of materials)
- Philanthropy (donating to charities, etc.)
- Involvement in social causes (involving anything from human rights to AIDS education)
- Urban investment (working with local government to regenerate small businesses and the inner city environment generally)

- Employee schemes (higher standards of occupational health and safety, good standard of staff treatment, job-sharing, flexitime, etc.)

2.2.2 Level of CSR engagement

As seen in chapters 2.2.1 and 1.1 there is many different ways of engaging in CSR. Based on this, and the fact that CSR activities should go above and beyond the law, Branco and Rodrigues (2007) states that CSR encompasses of four categories: economic, legal, ethical, and philanthropic. These are presented in “The Pyramid of Corporate Social Responsibility” (figure 2).



Figure 2 - The Pyramid of Corporate Social Responsibility

Source: Branco and Rodrigues (2007)

Which step of the pyramid a company is categorized under depends on how they apply CSR into their business. If a company falls under economic responsibilities they follow the belief that they have an obligation to produce the goods and services that customers need and want, while making a profit in the same time. Under legal responsibilities companies pursue the goal of economic responsibilities within the limitations of written law. Ethical and philanthropic responsibilities include doing what is right and avoiding harm. Ethical responsibility refers to unwritten standards, norms, and values implicitly derived from society, even though this is more than is required by law. Ethical responsibility differs from legal responsibility since there will

not be legal consequences if the company chooses not to follow these responsibilities. However, companies that avoid taking ethical responsibility is still risking consequences due to media survey where their ethical credibility may be questioned by stakeholders. Philanthropic responsibilities are voluntary in nature and are usually beyond what is expected by companies. Branco and Rodrigues (2007)

2.3 The correlation between CSR usage and financial performance

The third part of the theoretical review discusses whether there is, or is not, a correlation between the use of CSR and financial performance.

McGuire *et al.* (1988) have in conformity with Sarbutts (2003) established that there are various arguments what the relationship between a company's CSR engagement and their financial performance is. Sarbutts (2003) argues that if CSR affect a company's reputation it is also very likely that this will affect the company's financial performance. Balabanis *et al.* (1998) continues this by arguing that companies engage in CSR due to enlightened self-interest since CSR is believed to enhance corporate image and thereby improve financial performance. However, Balabanis *et al.* (1998) also points out that all researchers do not share this point of view. This is mainly due to the fact that there are diverse results from previous research on how investing in CSR affect a company's performance. (ibid)

McGuire *et al.* (1988) have on the basis of previous research been able to sort the relationship between CSR usage and financial performance into three main viewpoints. In the first viewpoint, it is argued that CSR investments put these companies into an economic disadvantage compared to less responsible companies. The second viewpoint is that explicit CSR investment costs are minimal and that companies investing in CSR actually gain benefits from this in terms of employee morale and productivity. In the third viewpoint, costs from CSR investments are significant; they are however offset by the reduction in other company costs. It is also suggested that companies should satisfy all stakeholders not just the shareholders of a company.

Balabanis *et al.* (1998) states that those who distinguished a negative correlation, between CSR and financial performance, argues that this is due to the high investment costs of CSR. On the other hand, those who argue for a positive correlation between CSR and financial performance claims that a company that is perceived as “high” in CSR engagement, may have more motivated employees as well as the fact that customers might prefer their products prior to competitors. It is also notable that CSR activities might improve a company’s relationship with other stakeholders, for example with bankers, shareholders and government officials. It is likely that this facilitate doing business and thereby improve financial performance. The importance of communication is also stressed by Freeman (1984) in his well renowned work “A Stakeholder approach” as well as by McGuire, *et al.* (1988) were both claims that a good CSR image may assist in the communication to all or most stakeholders and thereby improve financial performance.

However, McGuire *et al.* (1988) also points out that the added costs that CSR investments bring might place a company in an economic disadvantage compared to companies that have not made these CSR investments. These added costs are mainly a result from extensive charitable contributions, promotion of community development plans, maintaining plants in economically depressed locations and establishing environmental protection procedures. Furthermore, a company’s CSR policy may also limit is strategic alternatives. For example, avoid trading with companies that do not apply good working conditions, since this does not correspond with the company's ethical guidelines or CSR policy. This can then be translated into a reduced financial performance since they might have to choose a less cost efficient alternative.

Sarbutts (2003) argues that the question of timing is of mayor importance when implementing CSR activities. This is due to the fact that the values of society and even politics are an ever changing process. Here, values refer to the managing of reputational risk, which is of mayor importance if CSR activities will pay off in terms of enhanced financial performance. Furthermore, the perceptions of risk are shaped by the social system, the world view and the ideological premises of a group or the society. Sarbutts (2003) also points out that, CSR activities that address human issues such as employment or equal opportunities are more likely to increase financial performance compared to more abstract concerns, such as philanthropic activities.

Previous research regarding the correlation between CSR and financial performance has as seen above, resulted in mixed views. McGuire *et al.* (1988) states that this might be due to the way of measuring financial performance and the methodology used, since these have differed significantly between various studies. These investigation methods, their general outcome as well as the downside of each of them are summarized in table 3.

Table 3 - Ways of measuring financial performance

Measuring method	General result of studies	Downside of the method
Stock-marked based	Various or no correlation	Failure to adjust for risk
Accounting-based	Positive correlation	Can't exclude the effect of other variables

Source: McGuire *et al.*, 1988

Even though there are only two general ways of measuring company, exactly how it is done differs notably between various studies. However, the economical result of a company's CSR engagement can often be determined on how and why the engage in CSR. If a company's goal with CSR is to enhance their financial performance with it. They are just as likely to do it by the help of CSR engagement compared to a “traditional investment”. Nevertheless, not all companies engage in CSR with the goal to enhance their performance. (ibid)

2.4 Conceptual framework

In this part of the chapter, the conceptual framework which is based on the literature review is described. It starts with the conceptualization of research question one followed by research question two and three.

2.4.1 Concetualization of research question one

Research question one describes why companies engage in CSR. To be able to answer this question we applied the following theories:

- CSR benefits by Kottler and Lee (2005)
- Reasons for participating in CSR by Kramer and Porter (2006)
- Increased pressures by Golob and Podnar (2007)

- The challenge of profit maximization by Clark-Murphy *et al.* (2007)

2.4.2 Concetualization of research question two

Research question two describes how companies apply CSR. To be able to answer this question we applied the following theories:

- Aspects of CSR by Balabanis *et al.* (1998) and Graafland *et al.* (2004)

2.4.3 Concetualization of research question three

Research question three describes what the correlation between the use of CSR and financial performance is. To be able to answer this question we applied the following theories:

- The correlation between CSR and financial performance by McGuire *et al.* (1988)
- The question of timing by Sarbutts (2003)

2.4.4 Summary

A summary of the conceptual framework can be observed in figure 3.

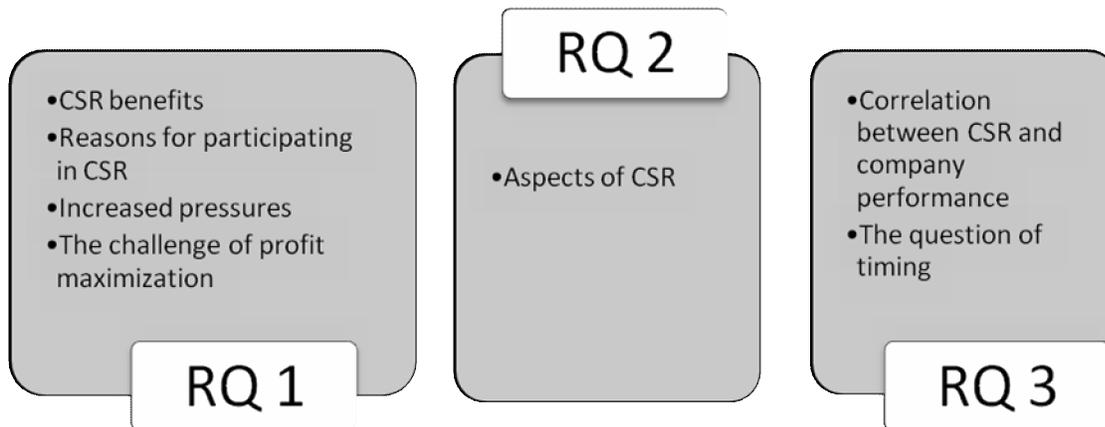


Figure 3 - Conceptual framework

3. Methodology

This chapter presents the methodology applied in this thesis. The structure of this chapter can be observed in figure 4. The chapter starts with the research purpose, followed by the research approach. Moreover, the research strategy and data collection is described followed by the sample selection and data analysis, ending with a discussion concerning the validity and reliability.

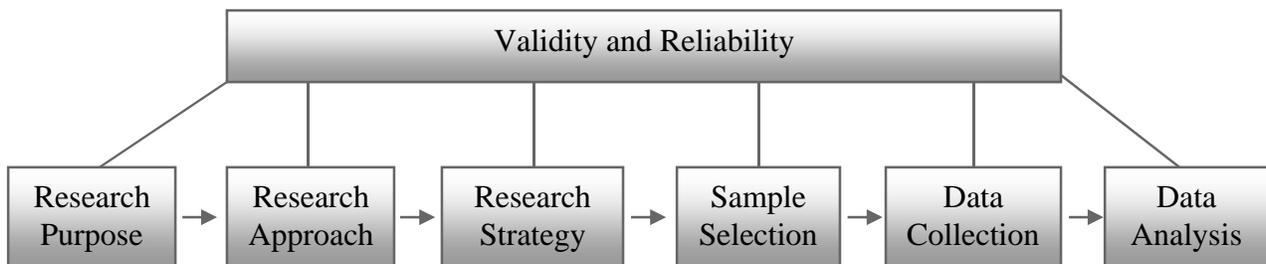


Figure 4 - Method structure

Source: Adapted from Foster, 1998

3.1 Purpose of Research

According to Yin (2003) case studies can be exploratory, descriptive or explanatory. These three types will be described separately below.

3.1.1 Exploratory research

The exploratory research aims to define the questions and hypotheses of a subsequent study or determining the feasibility of a desired research procedure (Yin 2003). The main purpose for an exploratory research is to collect as much data as possible in a specified area of research and enlighten it in a versatile approach. This type of study is often used to gain a deeper knowledge and thereby a basis for further studies. (Davidson & Patel, 2003)

3.1.2 Descriptive research

The descriptive research aims to present a complete description of a subject within its context (Yin 2003). The descriptive research approach answers the questions: what, who, where, when and how. Descriptive researches are often used when it already exists an amount of knowledge

about the subject, this knowledge can then be used to categorize the information into models. Furthermore, this type of study focuses on investigating a few aspects of a larger subject. (Davidson & Patel, 2003)

3.1.3 Explanatory research

The explanatory research presents data relevant for cause-effect relationships. It explains how events occur (Yin 2003). When the research area and amount of knowledge has become even more comprehensive, conducting an explanatory case study can be appropriate. This type of research demands that there is adequate knowledge within the research area in order to derive theoretical assumptions into practice. In order to conduct an explanatory research the researcher has to develop a hypothesis and then analyze the hypothesis outcome. It is of major importance that the study must be conducted without the risk of an unexpected factor affecting the result. (Davidson & Patel, 2006)

This thesis will mainly have an exploratory research purpose since it aims to gain a deeper understanding of CSR. As CSR is a rather complex phenomenon an explanatory research can be used to clarify this complex subject. However, this thesis will also be descriptive as it answers the question how companies engage in CSR. Moreover, the thesis will have an explanatory approach as it investigates the cause and effect when it answers the question what the correlation between CSR engagement and financial performance is.

3.2 Research Approach

There are two main research approaches to choose from, either a qualitative or a quantitative. The main differences between these two are the assumptions they are built on. (Yin, 2003) In the qualitative research approach the data collection is based on “soft” data, for example in form of qualitative interviews. The quantitative research approach refers to measurements by data collection and statistical facts. (Davidson & Patel, 2006)

This thesis is based on a qualitative research approach as it focuses on words rather than numbers. This applies to all of our research questions, which are based primarily on an interview as well as written sources. This was an optimum choice for research question one and two as we

aimed to gain a deeper understanding of why companies engage in CSR and how companies apply CSR. At first our goal was to use a quantitative research approach for research question three in order to investigate what the correlation is between CSR engagement and financial performance. However, this was not possible since PwC had not released any annual report after implementing CSR into their business. Therefore, we had no statistical facts to analyze and we had to conduct a qualitative research approach for this research question as well.

3.3 Research Strategy

Yin (1989) states that the research strategy is acquired in order to answer the research questions. There are five major research strategies to choose from in order to answer the research questions: experiments, surveys, archival analysis, histories and case studies. These will be described further below. (ibid)

3.3.1 Experiment

The purpose of conducting an experiment is to isolate specific factors and in detail study their effects. The experiment aims to discover relationships and attribute of a specific study or to test existing theories. (Denscombe, 2000)

3.3.2 Survey

A survey should be extensive and give a complete and instant picture of a subject. It should include “everything” within the research area. (Denscombe, 2000)

3.3.3 Archival analysis

The archival analysis is not only supposed to research a specific problem it also aims to create a solution for the issue. Therefore, this type of strategy is especially popular in areas such as, organizational development, education, healthcare and social science. . (Denscombe, 2000)

3.3.4 History

A history research strategy is mainly characterised by studies on the field and it often involves studies of people’s lives and culture. Aspects from day-to-day life are considered as the most important data. (Denscombe, 2000)

3.3.5 Case study

A case study focus on only one or a few subjects and it should describe the research area in detail and in depth. Furthermore, a case study focuses on the specific, relations and processes, holistic point of view, natural environments and it uses multiple sources when collecting data. (Denscombe, 2000)

3.3.6 When to use each strategy

When deciding which strategy to use there are three main conditions requiring attention. These conditions are: the type of research questions posed, the extent of control an investigator has over actual behavioral events and the degree of focus on contemporary as opposed to historical events (Yin, 1989). The appropriate situation for using the different research strategies can be observed in table 4.

Table 4 – Choosing an Appropriate research strategy

Strategy	<i>Form of research question</i>	<i>Requires control over behavioral events?</i>	<i>Focuses on contemporary events?</i>
Experiment	how, why	yes	yes
Survey	who, what, where, how many, how much	no	yes
Archival analysis	who, what, where, how many, how much	no	yes/no
History	how, why	no	no
Case Study	how, why	no	yes

Source: Yin, 1989

We decided to conduct a case study as it answers how and why questions. As the interest for CSR has increased rapidly in the recent years we were interested in analyzing a contemporary event. The fact that a case study allows for several data collection methods also makes it suitable for us since we will use both interviews and written sources. Furthermore, this thesis aims to describe CSR in detail and with depth which is one of the main attributes for a case study.

3.4 Sample Selection

A case study usually demands that the researcher makes a choice based on a long series of events, people and organizations etcetera. The researcher must choose one or a few examples from a larger group. Regardless of the subject, in a case study the researcher needs to choose a certain case from a large number of possibilities. (Denscombe, 2000)

The focus of this thesis has been on the accounting industry as it is one of the few industries where CSR still is rather uncommon. When choosing a company to study the choice fell on Öhrlings PriceWaterhouseCoopers (PwC) as they recently introduced a CSR engagement program into their business. Therefore it is interesting to investigate why they made this choice and how they implement CSR. Since they are unique in their industry to participate in CSR it is plausible to distinguish PwC's financial performance compared to the rest of the industry in order to examine if there is a correlation between CSR engagement and financial performance.

3.5 Data Collection Method

Denscombe (2000) state that the main data collection methods are, interviews, questionnaires, observations and written sources. These methods can be used separately or together. However, it is recommended to use more than one method in order to gain a better understanding of the research area. Furthermore, Denscombe (2000) argues that the researcher can use several data collection methods and thereby "triangulate" the subject in order to find the "truth".

In this thesis we used written sources and an interview to be able to answer our research questions. To gain further information and as complement to the interview we used written sources in form of PwC's webpage and annual-report concerning the company and their CSR activities. We used these two data collection methods in order to triangulate our subject and thereby reach a more trustworthy result. Observation was of no choice since it would be virtually impossible to observe the company's CSR activities. Questionnaires were excluded as it is time consuming and the fact that it is not appropriate to use when investigating a complex subject. Moreover, questionnaires do not allow for follow-up questions and it is hard to get thorough information when using this type of data collection method. (Denscombe, 2000)

As we intended to study a specific case an interview with an appropriate individual within PwC would give us deeper knowledge about the company and their CSR activities. Baring this in mind, we contacted PwC's office in Lulea and talked to the office manager. Our aim was to obtain a personal interview with him or another suitable individual. However, he told us that he was not interesting to participate in an interview concerning CSR, neither was anyone else at the office. He recommended us to contact PwC's Swedish head office in Stockholm since the office in Lulea had limited knowledge concerning the company's CSR activities. After this we contacted PwC's principle director of global sustainable business solutions by e-mail. In our e-mail we presented our situation and requested a telephone interview. He recommended us to contact his associate, whom we contacted by phone and booked an interview which was scheduled a week later. We sent her an e-mail containing the interview questions. However, the day of the interview we received an e-mail telling us that she was not the right person to interview and she recommended us to contact a member of PwC's global sustainable business solution group. We called him and booked a new interview later the same day.

We conducted our interview with Mr. Anders Welin on May 6th 2008. The interview was conducted by telephone because of the geographical distance. The interview lasted for approximately 45 minutes and the interview was recorded in order to remember and avoid misunderstandings.

Descombe (2000) states that there are three approaches to choose from when conducting an interview, structured, semi-structured and unstructured. A structured interview is characterized by strong control over the questions and answers. The unstructured interview has an emphasis on the thought of the individual being interviewed. This type of interview does not follow any guidelines and intervene as little as possible.

We decided to conduct a semi-structured interview as this type of interview allows flexibility. If needed the interviewer can modify the questions during the interview or explain things further (ibid). We consider this important in our interview in order to gain as much depth as possible and to obtain relevant information. (The interview guide can be found in appendices one and two.)

3.6 Data Analysis

Yin (2003) describes that the researcher can choose from two general strategies when analyzing data either relying on theoretical propositions or developing a case description. Relying on theoretical propositions is used when there is a substantial amount of previous research within the subject. Developing a case description is suitable when limited research has been conducted within the subject. This thesis is based on theoretical propositions as it is based on previous research in the field of CSR.

Miles and Huberman (1994) states that a data analysis contains of three stages: data reduction, data display and conclusion drawing and verification. Data reduction is used to sharpen, sort, focus, discard and organize the data in order to reach conclusions and to verify them. Data display means that the reduced data is displayed and organized in a foreseeable manner so that conclusions can be found. Conclusion drawing and verification refers to the researcher's decisions of what things mean. The researcher can do so by investigating regularities, patterns, explanations, possible configurations, casual flows and propositions. When we collected and analyzed our data we considered data reduction, data display and conclusion drawing and verification. We considered data reduction by focusing on our research questions and by discarding irrelevant information. After that, we aimed to display the reduced data in a clear manner in order to avoid misinterpretations and to facilitate conclusion drawings. When we came to the conclusion drawing and verifications of the data analysis we investigated regularities, patterns and explanations in order to reach a "correct" conclusion.

Data can be analyzed in two ways when conducting a case study either a within case analysis or a cross case analysis. In a within case study analysis empirical data is compared to theory. If conducting a cross case analysis empirical data from different cases are compared (Yin, 2003). As this thesis focus on one case a within case analysis was performed, which made it possible to compare reality to theory. As this thesis only investigated one company it was not possible to conduct a cross-case analysis as it require a minimum of two cases.

3.7 Quality Standards

Measurement errors are important to take into consideration when conducting a research, therefore it is important to consider the reliability and validity.

3.7.1 Reliability and Validity

Thurén (2004) state that reliability refers to the fact that measurements are conducted correctly. The criteria for reliability is based on neutrality of the research instruments, they should give the same result independent of the specific case. When the reliability is strong, two studies using the same method will provide the same result (Denscombe, 2000).

Denscombe (2000) state that validity means that data and methods are “correct”. Concerning research data, validity refers to whether the data reflects the truth and reality and covers the definitive questions. (ibid)

In this thesis the reliability and validity was taken into concern by letting a University professor in language examine our interview questions to analyze if they were clear and understandable. The interview questions were also sent in advance to our respondent in order to give him the time and opportunity to prepare. The interview was recorded in order to avoid missing or forgetting something. By recording the interview it made it possible for us to go back to the interview and listen to it again if needed. We conducted our interview with Anders Welin who has great knowledge about PwC’s CSR activities. He is also a member of PwC’s global sustainable business solution group, a group of 25 individuals specialized in PwC’s CSR related issues. The interview was conducted in Swedish as it is our and the respondents native tongue, this gave us the possibility to communicate freely and without misunderstandings and language problems. Afterwards the interview was translated into English. This could allow for language blunders and misinterpretations. To avoid this we used a dictionary while carefully translating the interview. In order to remember as much possible we compiled the interview the same day as it was conducted. Moreover, we used an interview together with written sources in order to be able to triangulate CSR.

4. Öhrlings PriceWaterhouseCoopers

This chapter presents the empirical data collected via the interview with Anders Welin, CSR expert at PwC and written sources. It Starts with a brief company background, followed by research question 1 concerning why PwC engage in CSR, research question 2 concerning how companies engage in CSR and finally research question 3 which describes the correlation between the use of CSR and financial performance is.

4.1 Company background

PwC is one of the largest accounting, auditing and consulting firms in the world and is operating in 150 countries. The company was founded by a merger in 1998 of the two companies Price Waterhouse and Coopers & Lybrand (Facts & Figures, n.d.). PwC has 125 offices in Sweden with 3 100 employees (Företagsfakta, n.d.).

4.2 Reasons for PwC to engage in CSR

PwC explain that they engage in CSR as they believe that there is a value in being a “good” citizen as well as to inform the public of what they do to become a better citizen. They believe that it is important to live as you learn and if doing so the company can get an improved brand image and reputation. They also state that it is important for them to be among the first within their industry to participate in CSR as they describe CSR as “red hot” right now. PwC describe that they wants to show the market that they are innovative and that they have a go-ahead attitude. Furthermore, in their annual report PwC states that they participate in CSR in order to enhance their leading market position (Verksamheten 2006-2007, n.d.).

PwC also view their CSR engagement as a communication tool and as a form of advertisement as it allows them to be visible in different situations with the help of CSR. They state that by participating in CSR they will reach out to more customers as well as new ones. They describe it like this: “It is all about being visible in the society”.

PwC describes that their employees are affected by their CSR engagement, and that employees feel motivated and proud to work at a company that participates in CSR.

PwC forecast that CSR will become even more important in the near future. They argue that there will be increased pressures from stakeholders that companies take their responsibility. They also state that there will be increased pressures on companies to provide a sustainable report. PwC argues that there is going to be a shift from the traditional annual report that does not include any sustainable reporting. PwC believes that companies in the near future will also have statutory requirements to present a corporate sustainable report.

4.3 The application of CSR at PwC

PwC was the first company in their industry to define ethical guidelines which they call “Code of Conduct”. The code is based on the company’s values in teamwork, leadership and excellence. Leadership refers to the company’s strive for innovation and power of action. The teamwork stands for PwC’s aim to reach the best solutions in collaboration with colleagues and customers. Excellence represents the company’s aim to deliver their promises and exceed expectations. The code also involves CSR. The policy for CSR was implemented in 2007 and is based on Global Compact’s ten principles, which is a UN program aiming to promote social and environmental responsibility of international companies (Verksamheten 2006-2007, n.d.). The ten principles are in the areas of human rights, labor standards, environment and anti-corruption. The ten principles can be observed in table 5 below.

Table 5 - Global Compacts ten principles

Human rights	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
Principle 2	Make sure that they are not complicit in human rights abuses
Labor standards	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labor
Principle 5	The effective abolition of child labor
Principle 6	The elimination of discrimination in respect of employment and occupation
Environment	
Principle 7	Businesses should support a precautionary approach to environmental challenges
Principle 8	Undertake initiatives to promote greater environmental responsibility
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Source: Adapted from The ten principles, n.d.

PwC describes that they have participated in CSR by: introducing a policy for environmentally friendly cars and a bonus have been established in order to encourage employees to use environmentally friendly cars. PwC is also composing new guidelines for travels and buy-ins which takes concern to the environment. PwC has also started an investigation within the company where the purpose is to analyze how the company can become even more environmentally friendly. The company also describe that they have invested in a good working environment for their employees and that consultants have been applied in order to develop a good working environment with ergonomic solutions. PwC have also participated in different kinds of sponsorship within culture and sports. The company has sponsored the Swedish hockey series, Elitserien and they are the main sponsor for a chamber orchestra called Stockholms

Sinfonietta. PwC's largest CSR project is a philanthropic project in India, where underprivileged children have the possibility to attend school and obtain an education.

Less concrete evidence of CSR activities, but still important, is the company's participation in CSR by:

- Expressing support for human rights and to avoid participating in business activities that abuse human rights.
- Acting in a socially responsible manner, within the laws, customs and traditions of the countries where they operate, and contribute in a responsible manner to the development of communities.
- PwC aims to act in a manner that minimizes the damaging environmental impacts of their business operations.
- They encourage the support of charitable, educational and community service activities.
- The company supports international and local efforts to prevent corruption and financial crime. (Corporate citizenship, n.d.)

PwC explains that their CSR engagement is still rather new and that more activities are planned to take place in a near future.

4.4 The correlation between CSR engagement and financial performance at PwC

PwC explain that there is an increasing interest in their services, but whether or not it is a result of their CSR engagement is hard to determine. They explain that the company's CSR participation only is in the introduction stage and that few stakeholders know what the company does. The only communication about the company's CSR activities has been in the company's annual report and on their webpage. However, the company plans to communicate this to a greater extent in the future when the CSR activities have been fully implemented. PwC describes it is part of the concept to communicate their CSR activities to the public. Furthermore, PwC explains that they view their investment in CSR as a traditional investment.

The first internal report of CSR activities is compiled during 2007/2008 and the first external report will be launched 2008 (Verksamheten 2006-2007, n.d.).

5. Data analysis

In this chapter the collected empirical data is described in comparison to the chosen theory of CSR. The chapter start with a description of why companies engage in CSR, followed by how companies participate in CSR and finally what the correlation between CSR engagement and financial performance is.

5.1 Reasons for companies to engage in CSR

Kotler and Lee (2005) describes that companies engage in CSR in order to look better, feel better, do better and live longer. However, there are a large number of different views of why companies participate in CSR. Many argue that companies that engage in CSR can obtain increased sales and market share, improved brand positioning, improved image and clout, improved employee motivation, decreased operation costs and increased interest from investors and financial analysts.

PwC describe that they believe there is a value in being a “good” citizen, they explain that by participating in CSR the company can gain improved brand image and reputation. They also describe that employees feel motivated and proud to work for a company that engage in CSR. Furthermore, PwC state that they participate in CSR in order to enhance their market position.

Golob and Podnar (2007) state that increased pressures from society on companies to participate in CSR are another major reason for the rapid growth of companies CSR engagement. Furthermore, society is starting to hold companies responsible for social consequences of their business activities. Many also argue that the increasing demand for companies to engage in CSR is due to the increasing concern for the environment.

PwC believe that CSR will become even more important in the near future as they argue that there will be an increase in pressures from stakeholders that companies take their social responsibility. PwC also explain that they observe a shift from the traditional annual report to

one that includes a sustainability report and that this would increase the pressure for companies to engage in CSR even further.

Clark-Murphy *et al.* (2007) explain that even though many believe that companies can gain benefits from participating in CSR, others argue that CSR engagement do not affect the company at all, some even argue that companies can be affected negatively if they participate in CSR. They describe that those companies that engage in CSR challenge the traditional corporate objective of profit maximization and that it therefore can be negative for a company. (ibid)

However, most argue that companies CSR engagement affects the company positively. Many believe that companies do not participate in CSR in order to do the right thing, they do it to create increased financial value for the company (Chairer *et al.*, 2005).

PwC seem to have similar views, they explain that the company’s investment in CSR can be viewed as a traditional investment. They also explain that there is an increasing interest for their services, but whether or not it is a result of their CSR engagement is hard to determine as their engagement in CSR still is rather new.

5.2 The application of CSR

Graafland *et al.* (2004) argues that there are many areas where companies can engage in CSR. Table 6 identifies the areas in which companies can engage in CSR and what activities PwC has in these areas.

Table 6 - CSR application Theory vs. PwC

Theory	PwC
Environmental Protection	Policy for environmentally friendly cars, guidelines for travels and buy-ins and an investigation concerning environmentally friendliness
Philanthropy	The India project
Involvement in social causes	Sponsorship
Urban investments	-
Employee schemes	Ergonomic working environment

As can be observed in table 6, many have found that the main focus of CSR activities in companies today lies within the areas of:

- Environmental protection (e.g. reduction of emissions and waste and the recycling of materials)
- Philanthropy (donating to charities, etc.)
- Involvement in social causes (involving anything from human rights to AIDS education)
- Urban investment (working with local government to regenerate small businesses and the inner city environment generally)
- Employee schemes (higher standards of occupational health and safety, good standard of staff treatment, job-sharing, flextime, etc.)

PwC has CSR activities within all of these areas except urban investments. Within the area of environmental protection PwC has a policy for environmentally friendly cars and guidelines with concern to the environment for travels and buy-ins. Currently there is an investigation at PwC with the purpose to analyze how the company can become more environmentally friendly. They also have a philanthropic project in India where unprivileged children are given an education. Within the field of social causes the company invests in sponsorships within sports and culture. PwC also make substantial investments in maintaining an ergonomic working environment for their employees which can be categorized as employee schemes. The company's CSR activities are based on ten principles within the areas of human rights, labor standards, environment and anti-corruption.

5.3 The correlation between CSR engagement and financial performance

McGuire *et al.* (1988) states that there are various arguments concerning the relationship between CSR engagement and financial performance. Sarbutts (2003) argue that CSR can affect a company's reputation and thereby affect the financial performance. Balabanis *et al.* (1998) explain that companies engage in CSR of self-interest as it is believed that CSR improves corporate image and thereby improve financial performance.

McGuire *et al.* (1988) describe that CSR engagement can affect financial performance in three ways either, negatively, positively through internal improvement or positively through the reduction of costs.

Sarbutts (2003) explain that the timing for participating in CSR is of major importance since the values of society and politics are an ever changing process. Furthermore, McGuire *et al.* (1988) state that economical results of a company's CSR engagement depend on how and why the company participates in CSR. They describe that a company can view an investment in CSR as a traditional investment, with the goal to enhance the company's performance. Moreover, they argue that not all companies engage in CSR in order to improve the financial performance.

PwC explain that stakeholders are starting to put more emphasis on a company's CSR engagement and that pressures that a company take their social responsibility has increased. They also believe that the interest for CSR will increase even further in the near future. They describe CSR as red-hot right now. Furthermore, PwC believes that by participating in CSR the company can get an improved brand image and reputation. They also explain that engagement in CSR can be viewed as a traditional investment as it can improve the company's image. Moreover, the company state that they participate in CSR in order to enhance their leading market position. Furthermore, in the interview Ander Welin he expressed that "the fruit of our work will be seen soon" in reference to what the company can gain by participating in CSR.

6. Conclusion

By conducting a case study we have reached our purpose to gain a deeper understanding of CSR. Baring this in mind we are now able to answer our research question, which are presented below.

6.1 Why do companies engage in CSR?

There are many different reasons for companies to engage in CSR. In our study we found that the company engages in CSR in order to improve their reputation and image. Furthermore, by participating in CSR the company could keep their market position as CSR can give the company a competitive advantage. In this study we found that the company engages in CSR as they have economical incitements. In our opinion many companies use CSR in order to increase financial performance. A company's main goal is usually to serve the interest of shareholders and maximize profit. So why would the company use CSR if it would not pay off?

The fact that CSR engagement has increased the last years can indicate that companies uses CSR as a strategy when customers have stated to put emphasize on a company's CSR engagements. CSR has started to gain increased interest from society at large and this has pressured companies to include CSR in their business activities. As the concern for the environment has come to the attention recently this has most likely been a contributing factor for the increase in CSR engagement. However, what stakeholders demand is an ever changing process. Companies provide products and services that there is a demand for. Currently there is an increasing demand for CSR active companies. However, what the future holds is impossible to predict.

Based on the findings, we have come to the following conclusions. Our research found that a company can engage in CSR in order to:

- Increase financial performance
- Gain a competitive advantage
- Improve the reputation and image of the company

- Satisfy customers who have started to demand that companies engage in CSR

6.2 How do companies apply CSR?

Companies can apply CSR in many ways and CSR can relate to numerous different behavioral aspects within a company. Therefore it is hard to explain how companies in general apply CSR as they do it in so many different ways. However, in our study we found that the company participates in CSR within the areas of, environmental protection, charity work, sponsorship and work environment. The company has most of its activities within the area of environmental protection where they have a policy for environmentally friendly cars, guidelines for travels and buy-ins and they also have an investigation going on internally with the purpose to analyze how the company can become even more environmentally friendly. Furthermore, in our study we observed that the company claim that they participate in CSR by abstract concerns. For example, the company state that they participate in CSR by supporting human right even though it is not a concrete CSR activity.

Based on the findings, we have come to the following conclusions for how companies apply CSR:

- We found that a company can apply CSR in two ways. By concrete activities e.g. by investing money to give unprivileged children an education. And also through more abstract activities by e.g. supporting certain issues (e.g. by supporting human rights).

6.3 What is the correlation between the use of CSR and financial performance?

There are many views concerning the correlation between CSR investments and their affect on financial performance. In our study we believe that the company's CSR investments will affect the company's performance positively as customers value CSR activities. The company's reputation and company image can be improved and this could result in increased sales. We believe that customers make decisions based on companies' social responsibility and we presume that it will increase further.

However, in our study we have not been able to investigate the correlation between CSR and financial performance since CSR has been implemented in the company most recently. The first annual report after the implementation of CSR has not yet been released and therefore we have been unable to find any numerical support for our assumptions. Nonetheless, we believe that the company's CSR engagement will affect the financial performance positively. Many due to the fact that this is what they aim to do and the fact that customers view CSR as important and that they have started to demand CSR active companies.

6.4 Recommendations and implications

This section starts with a presentation of how the purpose of this thesis has been reached, followed by suggestions to management which is based on our data and findings and finally our recommendations for future research is described.

6.4.1 Implications for theory

The purpose of this thesis has been to gain a deeper understanding of CSR. Based on the purpose we developed three research questions: why companies engage in CSR, how companies engage in CSR and what the correlation is between a company's CSR engagement and financial performance. Literature and empirical data has been used to explore, describe and explain our three research questions. We consider our theoretical framework to be appropriate and we are pleased with our interview respondent who had great knowledge about PwC's CSR activities. Our finding matches well with theory and we are content with them. However, as our thesis is based on a case study of PwC it is hard to generalize our findings.

6.4.2 Implications for practitioners

As presented earlier in this thesis the interest for CSR has been growing rapidly the recent years. Companies are starting to see the benefits from participating in CSR and customers are starting to demand that companies take their social responsibility. We have therefore created a list of suggestions for management where we have summarized the most important aspects to consider concerning CSR:

- CSR can improve financial performance for a company. However, the timing is important. Currently there is a strong demand for CSR active companies. Right now there is a good timing to invest in CSR.
- It is important that the company market its CSR activities in order to inform stakeholders about their CSR engagement and thereby gain benefit e.g. increased sales, motivated employees and improved reputation etc.
- Since the goal for most companies is to maximize profit it is of major importance to maintain a balance in CSR investment. If investing too much it can challenge the goal of profit maximization. If investments are too small it is a risk that stakeholders do not view the company as CSR active.
- It is important to remember that there is a value for companies to be a good citizen not only for financial performance. As it can affect e.g. how customers view the company.
- CSR has become “red hot” and we predict that it will be even more important in the near future. It is even possible that companies will be forced by law to conduct a sustainable development report. Therefore we recommend companies to take their responsibility now and start engaging in CSR.

6.4.3 Implications for future research

This thesis has provided a deeper knowledge within the field of CSR. However, there are still many interesting areas to study. Therefore, we have made a list with our recommendations for future research:

- The interest and customer demand for CSR is high right now. However, it is hard to say what the future holds. Therefore it would be interesting to conduct this type of study to analyze if there have been any changes in CSR engagement (e.g. customer demand for CSR or how companies apply CSR) and if so, why?
- Our aim was to investigate the correlation between CSR engagement and financial performance. Since PwC had not released any annual report after they implemented CSR

it was not possible to investigate if the company's CSR engagement had affected the company's performance. Therefore, we recommend this for future research.

- We recommend a broader study of CSR where the researcher investigates more than one company in order to distinguish similarities and differences between these companies and thereby be able to stipulate a more general answer.

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Interview guide in English

- When did the company implement a CSR policy and why?
 - o Do you believe that your customers consider it important that a company actively work with CSR?
 - o Do your customers know about the company's CSR engagement?
 - o Do you believe that your employees are affected by the company's CSR participation?

- How does the company work with CSR?
 - o Which CSR activities have been implemented during year 2007?
 - o What CSR activities does the company plan to implement in the near future?
 - o In what way has CSR activities affected your daily work?
 - o Do the company have CSR activities within the areas of:
 - Environment
 - Philanthropy
 - Social issues
 - Urban investment
 - Working environment

- Does the company communicate the CSR activities to the public, customers and employees?
 - o Which methods are used to communicate the CSR activities?
 - o To what extent does the company communicate the CSR activities?
 - o Why does the company communicate the CSR activities?
 - o Do you believe that the company's CSR activities can affect the company's reputation?
 - In what way?

- Approximately how much money have the company invested in CSR activities?
- Do you believe that a CSR investment can be compared to a traditional investment?
- Do you believe that companies working with CSR thereby can increase their sales?

Interview guide in Swedish

- När införde ni en CSR policy och varför?
 - o Tror ni att era kunder tycker att det är viktigt att företag arbetar aktivt med CSR?
 - o Har era kunder kännedom om era CSR insatser?
 - o Tror ni att era anställda påverkas av att företaget arbetar med CSR? (t.ex. att motivationen ökar, att de känner sig stolta över att jobba på ert företag etc.)

- Hur arbetar ni med CSR?
 - o Vilka olika CSR aktiviteter har genomförts under 2007?
 - o Vad har ni för planerade framtida CSR aktiviteter?
 - o Hur har CSR aktiviteter påverkat ert dagliga arbete?
 - o Arbetar ni med CSR aktiviteter inom områdena:
 - **Miljö**
 - **Välgörenhet**
 - **Sociala frågor**
 - **Lokala investeringar**
 - **Arbetsmiljö**

- Kommunicerar ni era CSR aktiviteter till allmänheten, kunder och medarbetare?
 - o Med vilka metoder kommunicerar ni era CSR aktiviteter?
 - o I vilken utsträckning kommunicerar ni era CSR aktiviteter?
 - o Varför kommunicerar ni era CSR aktiviteter?
 - o Tror ni att era CSR aktiviteter kan påverka företagets rykte?
 - o Hur tror ni att det kan påverka företagets rykte?

- Ungefär hur mycket pengar har ni investerat i CSR projekt?
- Anser ni att en investering i CSR kan motsvara en traditionell investering?
- Anser ni att ett företag som jobbar med CSR därigenom kan öka sin försäljning?