Motivations behind

Corporate Social Responsibility

- A case study of Arla Foods

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Abstract

Introduction
Corporate social responsibility (CSR) is gaining more attention by society in recent years. The authors chose Arla Foods in the dairy industry, which is one of the leading dairy companies in the world and headquarters in Viby, Denmark, as a case study.

Problem discussion
Many researchers have been engaged in researching CSR activities; a modern corporation can gain numerous benefits. To investigate motivations behind CSR is to know why a company chooses to commit to CSR while there is the growing attention among stakeholder groups towards a company’s behaviors. In this study, the authors chose Arla Foods as a case company for their high interest in CSR activities and accessibility.

Purpose
To investigate motivations behind a company’s practiced CSR activities.

Methodology
In this study, the authors took interpretivism and practiced in a deductive way. By examining existing theories and collecting data, qualitative research has been chosen in order to investigate motivations behind Arla Foods’s CSR. Primary and secondary data are collected to ensure the quality of the study.

Empirical
The empirical materials collected from the code of conduct and annual report of Arla Company as well as information from interviewee are reliable, exact, and consistent with theory.

Analysis
Exploring the connection between theories and empirical which have been divided into definition of CSR, stakeholder and three motivations of Arla.

Conclusion
What CSR Arla is doing is consistent with definition which examined the categories of Arla’s CSR activities, however those activities are tools or implements to help reach the company’s financial goals.

Keywords: CSR (Corporate Social Responsibility), motivations, Arla
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1. Introduction

Due to the recent unethical scandals caused by the world’s leading companies, there are now growing attentions to Corporate Social Responsibility (CSR) issues. CSR and its motivations have been investigated both academically and practically for a long time, however it seems these studies are not sufficient for consistent and convincing results. Also little is known about Scandinavian based companies. In order to fill in the gap and make an academic contribution to this field of study, which aims to investigate motivation behind CSR activities, through a case study of Arla Foods, which is a Danish-Swedish dairy company and one of the world major players in the industry. The authors chose the company in consideration of their high commitment in CSR activities and access to firsthand data. Also, this study delimited its research area for deep understandings, and conducted from the company perspective.
1.1. Background

Corporate social responsibility (CSR) has gained attention by society in recent years. The growing trend became prominent due to some scandals caused by giant companies. For instance, Nike’s forced child labors and other violating human right incidents in Southeast Asian factories in 1990s (DeTienne and Lewis, 2005), and Enron and Worldcom’s two world biggest unethical accounting scandals at the beginning of 21 century (Albaum and Peterson, 2006), and so on. These incidents encouraged the world to think of social problems or other ethical issues and increased the need for information transparency (Albaum and Peterson, 2006). Once a society realized these facts, the importance of CSR has fast spread out in the business world.

What is corporate social responsibility?

The notion of CSR has been studied for a long time. Carroll (1999) states that it first began being formally discussed in the 1950s, and experienced a significant growth of its concept both academically and practically in the 60s and the 70s as people began to aware of the social power. In the long-term history, CSR has been defined in various ways and, however, there is no one single definition of CSR that everyone is unanimous for. It is now, for example, defined as “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 as large” (World Business Council for Sustainable Development, 2000, p8), and as “an integral component of the operations of a company whereby it voluntarily contributes to society” (Kanji and Chopra, 2010, p120).

Not only its definition but also the area of CSR is viewed and examined from multiple perspectives. Dahlsrud (2006) found the five most commonly used dimensions in CSR definitions; stakeholder, social, economic, voluntariness and environmental, through examining a number of existing CSRs. Within these dimensions, a company has a wide range of CSR activities to take. Philanthropic charity, responding to social disclosure, concerning environmental issues, workforce diversity, healthy finance and involvement in local community are given as typical examples (Brønn and Vrioni, 2001). The kinds of action to take is up to a company since it is related to orientation or philosophy a company
has varied among companies. They use different ways of expressing it through CSR activities.

*Dairy Industry and Arla Foods*

Food industry is one of the most huge and well-developed business areas in the world. The industry can be classified into several smaller divisions and, among them, dairy industry especially treats egg products and other milk based dairy products such as milk, cream, cheese or yoghurt (United Nation Statistics Division, 2011).

Arla Foods is one of the leading dairy companies in the world. Headquarter in Viby, Denmark; Arla operates their business in more than 100 countries with more than 16,000 employees (Annual report, 2010). The net revenue of 2010 was approximately 49 billion DKK and the net profit was 1,268 million DKK (Annual report, 2010).

The core markets are Sweden, Denmark, Finland, the United Kingdom, Netherlands and Germany and they are well-known for their global brands such as Arla, Castello and Lurpak (Annual report, 2010). These Arla’s products are made of milk produced by more than 7,000 local farmers in Sweden and Denmark.

1.2. Problem discussion

A company cannot implement CSR activities for nothing. It consumes time and vital resources such as human and capital resources. To practice CSR is costly and does not generate immediate profit for a company (Hopkins, 2006). However, now numerous companies are committed to CSR in the world even though it charges them additional costs. Many studies related to motivations behind CSR activities have also been done since the 1980s until 21st century (e.g. Gaafland, 2002, Hemingway and Maclagan, 2004, Tuzzolino and Armandi, 1981). Some researchers suggest it is because a company believes that CSR will result in profitability in a long-term perspective and pays off the additional costs (Hopkins, 2006). Others argue that it is primarily for stakeholders. Due to the scandals caused by big global companies, there is growing attention among stakeholder groups towards a company’s behaviors. According to Samuel and Papasolomou (2007), the
reasons are to appease pressure groups or to indicate their responsibility towards the society to their stakeholders. However they are not the only factor, which drives a company to be engaged in CSR. Graafland and van de Ven (2006) argues moral is the factor which stimulates a company to do so. “Social responsibility” in CSR propounds that businesses are inspired by not only self-interest of the company but also by the public interest. The results of CSR are everyone benefits, the company is having a better brand image and the related community is more materialized (Samuel and Papasolomou, 2007). Question arouse here is whether the companies practice CSR activities as a result of being influenced by their ethical conscious or seeking for benefits afterwards. For example, Tilt and Symes (1999) mentioned that the mining companies are doing rehabilitation of the mining sites not to be environmental friendly but for the reason they can get tax benefits.

In spite of a long-term investigation, nowadays there are still a number of researchers who are investigating this topic. The fact suggests that possibly sufficient studies for consistent and convincing results have not done yet in this field. Furthermore, most of the studies related to CSR had investigated companies in US or central Europe such as UK (e.g. Graafland and van de Ven, 2006, Maignan and Ralston, 2002, Samuel and Papasolomou, 2007), and little is known about other countries. Especially quite few researchers studied about Scandinavian countries based company. How a company perceives CSR differs internationally (Silberhorn and Warren, 2007), therefore the case study of Scandinavian companies are desired in order to fill in a gap and for progress in this field of study.

In this study the authors explore Arla Foods, a Danish - Swedish global company in a dairy industry, as a case company. The reasons of choosing Arla are their high interest in CSR activities and accessibility. Since this study aims to investigate motivations of CSR, practicing CSR is an essential criterion. Arla shows their great interest in it through their independent CSR reports and diverse activities listed on their website. Arla practices other CSR activities in diverse ways, by which their higher interest and commitment in being socially responsible can be observed. The authors believe that Arla’s high commitment to CSR activities allows deepening and enriching understandings of the topic. The other criterion is accessibility. Arla headquarters in the neighbor country where the authors reside and has an office in the region. That makes the authors easily conduct an interview, thus access to firsthand data is secured.
1.3. Purpose
The aim of this study is to investigate the motivations behind a company’s CSR activities.

1.4. Research question
What motivates a company to practice CSR activities?

1.5. Delimitation
This study has some delimitation when choosing the subject. CSR activities generally build upon the interactive relationship between a company and their stakeholders such as customers, employees, shareholders and society. In this study, however, CSR motivation will be investigated only from the company perspective, since the relationship or CSR motivations from stakeholders’ perspective are both broad research areas to investigate within limited time and resources. Also, the authors chose Arla Foods as a case study company since they have great contribution to dairy industry and have somewhat influences the daily life of many people in the world.
2. Theoretical framework

There is no universally agreed CSR definition. In consideration of discussions about dimensions and categories of CSR by Dahlsrud (2006) and Carroll (1979), the authors chose one offered by World Business Council for Sustainable Development to be the definition for this study. Since it is deeply related to CSR issues, stakeholder theory is also important and several key stakeholders are identified. With regard to motivation, the authors discuss it through applying a model of principle of motivations by Maignan and Ralston (2002). This model divides CSR into three parts; value-driven, performance-driven and stakeholder-driven CSR. The authors take a closer look at each driver and discuss the contents deeply.
2.1 Definition of CSR

CSR has experienced a long history. The meaning has been discussed in various ways and ongoing debate on the consistent CSR domains. Although many researchers and businesspersons have been engaged in, there is no universally agreed definition of CSR. Dahlsrud (2006), however, states that the level of authority depends on frequency of a definition used, which means the more frequently a definition is used, the more authority it has rather than those of rarely used. Companies are encouraged to regard their responsibilities over several stakeholders with the aim of integrating economic, social and environment, considering their management tools, strategies, and their activities (Russo, 2010). There are several available definitions of CSR which referring to above dimensions have shown and the latest and frequently quoted found out through Dahlsrud’s study, as below.

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”

- Commission of the European Communities, 2001

“The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.”

- World Business Council for Sustainable Development, 1999

“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.”


2.2 The dimensions and categories of CSR

One way to understand what CSR is to indentify dimensions that characterize the meaning. The recent study by Dahlsrud (2006) identified five dimensions of CSR. This study was done through examining 37 CSR definitions collected by literature reviews and identifying
frequently used dimensions to characterize CSR by web search. Dahlsrud’s study resulted in the following five dimensions to be commonly referred in order to define CSR (2006);

<table>
<thead>
<tr>
<th>Environment-</th>
<th>The natural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society-</td>
<td>The relationship between business and society</td>
</tr>
<tr>
<td>Economy-</td>
<td>Socio-economic of financial aspects</td>
</tr>
<tr>
<td>Stakeholder-</td>
<td>Stakeholders or stakeholders groups</td>
</tr>
<tr>
<td>Voluntariness-</td>
<td>Actions not prescribed by law</td>
</tr>
</tbody>
</table>

(Dahlsrud 2006, p4)

On the discussion from Dahlsrud (2006), the environmental dimension have lower ratio than other dimensions. The voluntariness dimension means that the business should perform when manage requirements to set the minimum performance level as acceptable, even though in this definition no explanation of the optimal performance is provided. Different sets of tools have to be used when analyzing and managing the social, environmental and economic impacts of business.

Furthermore Carroll and Shabana (2010) suggest another way to investigate the meaning of CSR and characterize it, which is to classify a company’s activities under some different categories. In accordance with this way, they adopt Carroll’s four categories. Carroll (1979) identified economy, legal, ethics and discretionary (philanthropy or voluntariness) of “business performance” as a content of CSR and responsibilities of management. Each of categories is explained as follows:
1. Economic responsibility
- to produce goods and services that society wants and sell them at a profit.

2. Legal responsibility
- to fulfill the social contract such as the laws and regulations under which business
is expected to operate.

3. Ethical responsibility
- to behave or act in a way, which is not necessarily codified into law but is expected
by society’s members.

4. Discretionary responsibility
- social expectations for business to assume social roles that are purely voluntary.
  (Carroll, 1979, p500)

Carroll (1975) ranked economic responsibility to be the most important one, which a
company must fulfill first because it is the base of all business operations, followed by
legal, ethical, and discretionary (philanthropic). Silberhorn and Warren (2007), however, argue
that a company’s perception of importance of each responsibility is different among
countries. Furthermore, recently ethical and philanthropic responsibility has gained more
attentions and become more important. Companies are required to equally deal with each
responsibility.

In this study, the authors support the new definition from World Business Council for
Sustainable Development 2000, which not only concerns the company’s business
operations but also focuses on contributes to economic development though improving the
quality of life. These characteristics have similarities with the authors’ comprehension on
CSR and related to orientation of the topic.
2.3 Stakeholder theory

Stakeholders are defined in many ways as CSR is. Freeman (1984, p46) states that stakeholders are “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. This definition seems broad but comprehensive which covers and redefines all others (Friedman and Miles, 2006).

When considering the concept of CSR, the term ‘stakeholders’ can be frequently observed. Since the development of CSR has highly affected the notion of stakeholders and vice versa (Friedman and Miles, 2006), stakeholder theory should also be identified in this study.

There are seven key stakeholders identified and developed by Rute et al (2005) of the CSR experience and practices in Portugal. According to Rute et al (2005 pp6), Instituto Ethos de Empresas e Responsabilidade Social (ETHOS) (2001, pp7-8) presents the seven elements of stakeholders.

1. Values and transparency - self-regulation of conduct and transparent relations with the Society

2. Environment - environmental impacts management and responsibility before future generations

3 Government and society - political transparency and social leadership

4. Consumers and customers - social dimension of consumption

5. Community - relation with social action, the local community, and volunteer work

6. Workplace - individuals’ respect and works’ respect, dialogue and participation

7. Suppliers - selection of and partnership with suppliers”

On the basis of the concept above, the researcher of Rute et al (2005) classified the seven indicators into three principal components as Table 1 shows below.
Table 1: CSR variables of key stakeholders, Source: Rute et al (2005)

<table>
<thead>
<tr>
<th>External influence (CSR external)</th>
<th>Values and transparency with positive effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government and society with negative effect</td>
</tr>
<tr>
<td></td>
<td>Environment with negative effect</td>
</tr>
<tr>
<td>Market influence (CSR market)</td>
<td>Consumers and customers with positive effect</td>
</tr>
<tr>
<td></td>
<td>Community with negative effect</td>
</tr>
<tr>
<td>Operative influence (CSR operative)</td>
<td>Suppliers with positive effect</td>
</tr>
<tr>
<td></td>
<td>Workplace with negative effect</td>
</tr>
</tbody>
</table>

Since there are a number of various stakeholders as the study of Rute et al (2005) shows above, interests each stakeholder has through the relationship with a company can be diverse (Raghubir et al 2010). For instance, customers pursue satisfaction or quality of life, competitor and economy expect industry growth, environment expects sustainability and board of directors and governance ask confidence and reassurance (Raghubir et al 2010). Also the stakeholders expect management to participate in the debated societal problems and proactively consider the impact on the business (Kok et al, 2001). Friedman and Miles (2006) say that companies should aim to manage these given interests through its business operations.

2.4 Principles of motivations

There are several categories about the motivations behind the company’s practice of CSR. Maignan and Ralston (2002) conceptualized CSR and indentified three principles of motivations behind CSR as follows.

1. “Value-driven CSR: CSR is presented as being part of the company’s culture, or as an expression of its core values.”
2. “Performance-driven CSR: CSR is introduced as a part of the firm’s economic mission, as an instrument to improve its financial performance and competitive posture.”

3. “Stakeholder-driven CSR: CSR is presented as a response to the pressure and scrutiny of one or more stakeholder groups.”

Maignan and Ralston (2002, pp501)

Each section of the three motivations will be interpreted in details to enhance understanding as follows.

2.4.1 Value-driven CSR

The first suggested driver of CSR is value-driven. It means that a company is internally affected while designing CSR by its philosophy such as corporate value.

According to Hemingway and Maclagan (2004), individual managers’ personal values are one of factors that influence CSR. Apart from a company’s strategic commercial interests, “where individual managers can exercise influence, they may initiate or change specific projects in order to address their personal moral concerns” (Hemingway and Maclagan 2004, p41). Godos-Díez at el (2011) also points out the importance of CEOs’ perception of ethics and social commitments when a company is designing CSR activities. Both CEOs’ and managers’ interests highly influence CSR, due to their great authorities. However, not only top managements but also other employees and the entire company’ culture can be CSR drivers. Lynes and Andrachuk (2008) studied motivations behind CSR, and revealed the corporate existent culture to be the important decision-making factors. They also concluded that the social ideology of employees has a huge impact on the level of CSR commitment such as the manager’s perceptions of CSR influenced by their experience and education. Furthermore, the impact of internal self-regulations on CSR is disclosed by Mijatovic and Stokic (2010). Their study statistically found out that CSR is more influenced by internal self-regulations such as corporate values and code of conducts, which ethically guides a company’s behaviors such as strategic management and decision-making processes shall be integrated mission statements, than required external regulations such as ISOs. Their individual influence, however, is not so high and should be supplemented with other either internal or external factors (Mijatovic and Stokic, 2010).
These studies certify that a company’s intrinsic values can be the drivers of CSR, and it exists at both individual and corporate levels of value.

2.4.2 Performance-driven CSR
The second main driver is performance, which means a company practice CSR for financial returns and competitiveness in the market. Both prior and post firm economic performances are essential for this driven (Hui, 2008). Carroll (1999) stated a new idea of CSR proposed by Peter Drucker. He suggested that CSR, which had been regarded just as a company’s responsibility for society, can be seen as “business opportunities” to make profitability. Wan Saiful (2006) also positions CSR in a similar context as Drucker suggested.

CSR ethically should not pursue the expectations or gain returns from stakeholders, however “it also does not reject the notion that CSR should be aimed at enhancing profitability since by serving the needs of the stakeholders, the firm surely stands more chance to gain more rewards” (Wan Saiful, 2006). In recent years, a lot of companies began to see CSR as one of marketing means to achieve their objectives. According to Gaafland (2002), a company tends to more actively implement CSR if it will return to them as profit. There are some ways of CSR influencing and improving a company’s profitability. Lacy and Kennett-Hensel (2010) shows that customer relationship can be consolidated by implementation of CSR in a long run. Through using CSR to address customers’ social concerns, a company is likely to enhance their corporate image, trust and build customer loyalty, thus strengthen customer relationship that can result in financial returns (Liu and Zhou, 2009).

According to Porter and Kramer (2006), a company’s activities in ordinary business significantly influence value chain, which describes all the business activities. Some activities will offer opportunities to prove social and strategic distinction. Activities in value chain can be performed to enhance the improvements of social dimension and the change of value chain activities can benefit society by reinforcing strategies. Pursuing the performance-driven, CSR also contributes to position a company in a competitive posture in the market and match the firm’s competencies with stakeholders’ expectations (Hui, 2008). Investments in competitive issues will potentially reduce the restriction in value
chain activities of company. When value chain fully integrated practices and investments in competitive context, it will limit and distinguish CSR from everyday business of company (Porter and Kramer, 2006).

2.4.3 Stakeholder-driven CSR
Contrasting to internal motivations that can be found from value- and performance-driven ones, stakeholder-driven CSR considers external influences as main motivations. Stakeholders play an important role in CSR matters to suggest that managers responsible to investors and promote the interests of employees, suppliers, customer, etc. who have implicitly and explicitly influence on the organizational resources (Friedman and Miles, 2002). Companies sometimes practice CSR activities since they are afraid of negative reactions of stakeholders, such as the firms need to install internally new control equipments to tackle the gas emissions which will lead ozone destruction and global warming (Hui, 2008). L’Eang (1994) says that organizations primarily take more reactive stance with respect to CSR activities, so more responding to external pressures rather than spontaneously offering them. As is mentioned in the section above, there are various stakeholder groups holding various expectations to a company, therefore, there must be many factors influencing a decision-making regarding CSR.

For example, societal morals urge companies to adopt gender-free view (Thompson, 2008). Because of its function to make companies public, a great impact and attention of media on companies’ activities also should be considered (Islam and Deegan, 2010), and Dawkins and Lewis (2003) also found that mass media is intolerant to companies which do not meet the expectations and obligations. Economy and legal regulations are also stakeholders a company should take into account which can happen in the forms of worker strikes, product boycotts and lawsuits. A company is required to contribute to active economy, and obeyed regulations. The influence of external regulations such as the industry standards of ISO 9001, 14001 and others on CSR is investigated by Mijatovic and Stokic (2010). Furthermore, political conditions and host government’s expectations influence CSR activities and a company needs to flexibly manage their demands (Detomasi, 2008). Sethi (1975) states that a company can and is required to respond to these expectations through encouraging competition in the market and through operating its business within constrains.
This chapter presents the choices of methodology behind this study. The authors take interpretivism stance and a deductive way to approach the purpose and research question. Also the authors employ qualitative research method and a single case study of Arla Foods in order for gaining deep understandings about research subject and in accordance with the purpose. For the data collection, primary data is collected through the interview with CSR manager at Arla and secondary data is gathered from the university library and the Internet, and also the company’s official publications. Furthermore, issues of credibility and source criticism of this study are discussed at the end of this chapter.

This section provides the readers an overall cognition of this study and understandings of how, what and why the authors made the choices for achieving the purpose.
3.1 Scientific perspective and research approach

Before deciding research methods, it is important to identify scientific perspective of this research, so-called epistemological issues, since it reflects a researcher’s perception of the world, and affects how the researcher approaches the study (Creswell, 2009). When it comes to epistemological issues, two perspectives with different nature and purpose exist; positivism and interpretivism. Positivism sees reality objective and independent phenomena, and the researchers look for rational and logical approach for study (Slevitch, 2011). Interpretivism, on the other hand, considers interactive social actions to understand reality, and reality cannot be absolutely objective (Slevitch, 2011). In this study, the authors took interpretivism since the study aims to understand motivations behind CSR, not just give explanations of them.

In addition to perspective, approach to this study also should be identified here. There are two research approaches; deductive and inductive. According to Bryman and Bell (2007), the nature of deductive approach is to a hypothesis testing. With a deductive stance, research starts with collecting theories, followed by building hypothesis and testing them through gathered theories and empirical findings (Bryman and Bell, 2007). Unlike deductive way, theory is generated as an outcome of research in inductive approach. A researcher analyzes his or her findings and applies it to the development of existing theory (Bryman and Bell, 2007). This study has been practiced in a deductive way. The research process starts with identifying research focus, followed by examining existing theories and collecting data. Empirical findings were analyzed and discussed through theories.

3.2 Research Method

There are two main types of research methods, qualitative research and quantitative research. Quantitative research is based on positivistic perspective, and stresses numerical and quantifiable way of both data collection and analysis. Unlike quantitative research, qualitative research is based on interpretivistic perspective, and values words (Bryman and Bell, 2007).

For this study, qualitative research has chosen in order to achieve the aim. Qualitative research seeks for understanding and explanation of phenomena (Hoepfl, 1997) and also
for in-depth view on subject is influenced by social factors such as culture, society and politics (Dharasmi and Scott, 2009). Also Denzin and Lincoln (2000) state that qualitative method takes an interpretive and naturalistic path to the world, which means researchers study phenomenon in their natural background and try to interpret the meanings of them. Since companies are manmade entities and exist within interaction between other social entities, they cannot be studied separately from them. Considering these factors, the authors decided to employ a qualitative approach for the aim of this study, to investigate the motivations of CSR deeply.

3.2.1 Case Study
According to Eisenhardt, a case study is “a research strategy which focuses on understanding the dynamics present within single settings” (1989, p534). Yin (2003) gives the types of research question, the degree of focus on contemporary event and control over the event to be three important criteria when choosing a research method, and state that case study is the most appropriate for “how” and “why” questions to examine a contemporary event rather than historical one, with little or no researchers’ control over the event. Although this study has the “what” question, which is suited to archival analysis or survey, the authors chose to adopt case study method, considering the nature of the study. Firstly this study did not require any control by the authors over the events. Also since this study focused on contemporary events, archival analysis, which is used to explore historical events, did not fit the purpose. Furthermore, the authors preferred using a case study to survey because a case study provided deeper understandings on the one phenomenon. Also, according to Yin (2003), “what” question can be applied to case study if it is exploratory.

This study employed single case study in order to gain an understanding of research subject and due to limit accessibility to companies. Even though only one case study was chosen by the authors, investigating Arla Foods can help to provide the study with dependable, accessible and representative arguments because Arla Food is the major player in the dairy industry in Scandinavian countries and also in the world, and has a wide positive influence in social and environment aspects. According to their independent CSR report, the company has carried out numerous CSR activities in practice and plentiful
information of motivations can also be observed. By analyzing the CSR annual report and talking with its CSR specialist, the aim of this study, the motivations of a company’s CSR, can be explored.

3.3 Data collection

In order to improve the quality of the case study, several different sources should be included when collecting data. Data can be mainly divided into two; primary data and secondary data. Primary data is facts and information gathered by a researcher only for his or her purpose, and on the other hand, secondary data is those gathered by others for their purpose and does not necessarily suit to the researcher’s own purpose (Rabianski, 2003). This study used the combination of both of two to enhance its quality. Primary data was collected through a face-to-face interview with CSR manager at Arla Foods. Secondary data was collected from annual report, CSR report and Arla’s web site.

3.3.1 Primary data

A face-to-face interview with CSR manager at Arla Foods is a way the authors chose in order to gain primary data. When it comes to interview, three interview methods exist; structured, unstructured and semi-structured interviews (Bryman and Bell, 2007). When conducting a structured interview, interviewees should follow the exact guideline arranged by an interviewer and are not allowed to talk freely. Unlike it, unstructured and semi-structured ways remain flexibility. Unstructured interview does not hold a fixed form. An interviewer asks a question and interviewees answer it freely like a conversation. In semi-structured interview, an interviewer has an interview guide but remains opportunity for interviewees to answer freely (Bryman and Bell, 2007).

This study employed semi-structured interview in consideration of its features and the chosen method of this study, qualitative study. Semi-structured interview has an interview guide and it allows the authors to ask what they want to ask. Furthermore, since questions are not strictly fixed like as structured interview, to some extent it allows interviewees to response freely and thus the authors are likely to gain insights through their talks.
For the interview, one manager who works with CSR issues of Arla was chosen as a participant as follows.

**Interviewee**

<table>
<thead>
<tr>
<th>Company</th>
<th>Arla Foods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>Ph D. Senior manager</td>
</tr>
<tr>
<td>Department</td>
<td>Corporate supply chain, Corporate quality, Environment, Health and Safety</td>
</tr>
</tbody>
</table>

The interviewee was chosen in consideration of his position as a senior manager and the fact that he is one of producers and actors of the company’s CSR activities. That suggests that when it comes to CSR, he has a deeper knowledge and understanding compared to other employees at the company. An interview guideline (see in appendix 1), which shows a flow of the interview and main questions, was provided to the interviewee in advance to notice the direction of the interview and to be prepared for questions.

The interview was divided into five parts. Firstly, the interviewee’s background information was required in order to get a clear vision of his position in the company and his relationship with the company’s CSR activities. Secondly, an introduction of the company, especially prepare a brief presentation of CSR activities at present was asked to get a general view of the company’s position in the market. Thirdly, questions focusing on how to choose a certain CSR activity, meanings and benefits for Arla to practice CSR, was asked to see the determination of CSR within the company. Fourthly, the interviewee’s own concern of CSR and view of the company’s CSR was asked. How he views the company’s CSR and his explanation of the activities was asked to gain a deeper understanding of the topic since he is not only a specialist in this research field but also an employee of the company. Also stakeholder’s understanding of CSR was asked. Questions like in what way stakeholders concern of the company’s CSR; if there are any voices against Arla taking CSR were asked to see the relationship between Arla and its stakeholders and if the company is doing CSR to satisfy the stakeholder groups. The authors believe that by asking question from these five dimensions was a great help to have a deeper understanding of CSR as well as solving the research question. Other precise questions are included in the appendix (see appendix 2). Furthermore, during the interview,
all conversation was recorded to avoid misunderstandings (see appendix 3). The authors explained the reason why it is necessary and ask the interviewee permission for the recording before the interview starts since it concerns with privacy issues.

3.3.2 Secondary data
Other data was collected from articles and information from the Internet and the school library. The databases such as “Google scholar”, “Hibhub” and “Business Source Premier” were used in order to reach both scientific and nonscientific articles. Key words used for searching whole paper were “CSR”, “CSR and motivation”, “CSR from a company’s side”, “company CSR motivation”, “Corporation Social Responsibility and motivation”, “Arla CSR”, “code of conduct”. The information found through these methods was used to construct and develop theory, which is necessary for analysis part. For the empirical investigation, besides primary data, the chosen company’s publications also play a significant role in gaining fundamental information about the company and their CSR. Therefore, the company’s official webpage, annual report and CSR report were examined.

3.4 Analyses of Data
After collecting all necessary information, the analysis process starts with examining primary data. The interview recorded was transcribed into a written documentation and the authors analyzed the interviewees’ words and their implications. After that, the data was analyzed in general on motivations behind company of CSR with secondary data such as scientific articles and a company’s official publications.

3.5 Quality Standards
To ensure the quality of this study, credibility should be managed. It is an important issue to discuss when conducting research in order to decrease the authors’ bias and increase trustworthiness. In this study, credibility is built upon validity and reliability, which are considered as two important factors qualitative researchers should be concerned with (Patton, 2002).
3.5.1 Validity
Validity is one of criterion to judge the quality of research, which is concerned with the ability of measurement instrument to measure what it was supposed to measure (Ask
er et al 1998). Validity can be categorized into internal and external. According to Bryman and Bell, internal validity refers to credibility of the research, which means, “whether or not there is a good match between researchers’ observations and the theoretical ideas they develop” (2007 p410). External validity is concerned with the degree of generalization of results to other settings (Bryman and Bell, 2007).

Internal validity is enhanced through creating interview questions on the basis of the theoretical framework of this study. For the interview, the interviewee who have experience and influence in CSR activities were selected, since they are more capable of well discussing the motivations rather than employees from other departments. When it comes to external validity, generalization is in question since this study uses a single case study, which does not prove application of the results to other studies and situations.

3.5.2 Reliability
Reliability is also concerned with the level of trustworthiness of the research. It refers to consistency of measurement and the degree to which the research results can be replicated (Bryman and Bell, 2007). The level of reliability of this study is low since it carried out a semi-structured interview, which is hard to be replicated again. To enhance reliability, the procedure such as an interview guideline and respondents are shown at the end of paper in appendix.

3.6 Source Criticism
The sources of information of this study are journal articles, Arla’s website and official publications and the interview with CSR manager at Arla. When it comes to journal articles, peer-reviewed journals or scientific articles are mainly used. The authors fully examined the contents of articles and check their credibility and authority through comparing them with other articles, and then made a judgment. Therefore, references used in this study were also considered to be reliable enough by the authors. Furthermore, the
sources of empirical data should be examined. Arla’s website and publications such as CSR report and annual report initially aim not to sell, but to inform the readers the facts surrounding the company. However to some extent it lacks of objectivity since it is presented one-sidedly by the company. Therefore the authors have to make a careful decision on which information to take or not. Concerning the interviewee, the reliability is ensured since the authors chose the interviewee who actually works as a specialist in Arla Foods and has a deep understanding of CSR activities done by the company. He is working on corporate supply chain, corporate quality, environment, health and safety issues, which are closely relevant to CSR. More specifically, the interviewee is a senior manager working on CSR issues at corporate level and has influential impacts on the company’s CSR. All these aspects show that the interviewee can help the authors obtain both the company and the interviewee’s personal sights through the interview.
4. Empirical investigation

This section shows empirical data about the research subject, which the author collected and is divided into two parts. The information for the former part is gathered through examining Arla’s official publications such as the code of conduct and annual CSR report. Arla has mainly 11 different CSR categories and is engaged in various activities for each. The latter part is build upon the interview with CSR manager at Arla. Here, result of the interview is shown.
4.1. Arla’s CSR

Arla’s code of conduct is their values and what guides Arla’s employees at any decision-making scenes. They recognize themselves as a major player in the market so that they are aware of their responsibility for stakeholders. Also, this code of conduct is set for development of their business. In the preface, it states as follows (Code of conduct, 2011, pp2-3),

“Arla Foods addresses ethical and quality matters in a sustainable and responsible matter, in order to safeguard the company’s reputation and profitability”

The contents are divided into mainly 11 categories and addresses how Arla should act or behave within each scene. Also, Arla’s CSR report was also categorized into 11 sections in accordance with the code of conduct. Each provides what the company does and how they approached to their objectives.

Business principles

It shows Arla’s credibility and integrity in business activities. Arla claimed they observe laws and regulations within the field. To be ethical, Arla declared no usage of bribes (Code of conduct, 2010). Arla has been part of the Global Compact, which requires the company to render their actions in an honest and open way, to meet the moral standards. Inside the corporations, it has developed policies against bribery, facilitation payments and gifts. Competition investigations are on going to avoid market domination. Legal structure committee has been formed to meet local laws and regulations (Report, 2011).

Operational Principles

Arla promises to provide platitudeous information to decision-makers of the company to reinforce the relationship and maintain their financial interest. Also, Arla’s representatives should be elected by owners’ votes (Code of conduct, 2010). Since Arla is a farmer-owned dairy cooperation, it is the owners who own the voting power to make decisions. Owner’s Net has been brought to live in order to keep the owners informed. In the year of 2010, cooperation members decided to increase investment in Arla to help the expansion and to
show more trust, which in turn, has coursed an increase in milk price Arla paid back to the farmers. To solve milk farmers’ financial pressure, Arla introduced a new price model, which asked the farmers to invest another DKK 0.05-0.07 per kilo, and formed a new concept of performance price.

Food safety

It concerns the quality of Arla’s products. Rigorous quality and safety standards are introduced by Arla to gain and maintain consumer trusts (Code of conduct, 2010). To show the reliability, a number of 51 among the whole 65 sites of Arla have been certified to meet ISO 22000 food safety standard. Arla has also gained certifications from 42 British Retail Consortium (BRC) and International Food Standard (IFS) to satisfy their consumers’ demands. To minimize the callback of products, Arla has been cooperating with Fonterra, an Australian dairy giant and leading supplier of analysis equipment, to test if their products have been infected. This cooperation led no recalls in 2010, contrasting to four recalls in 2009. To maintain food safety, Arla always keeps their employees trained to be aware of the safety issues. The company also paid attention to the packaging to cut down the safety risks and has kept a good control of milk rejection (Report, 2011).

Food and health

Arla promises to meet consumers’ demands for product information about ingredients, nutrition, etc to increase consumers’ interest in food health (Code of conduct, 2010). Arla has been trying to expand product varieties by showing a more detailed ingredient list, especially nutritional contents, to meet consumers’ different needs. In order to satisfy the growing demand for lactose-free products, Arla has developed numerous alternatives. It is also highlighted that Arla is producing dairy contains recommended amount of Vitamin D. Low fat milk sold in Sweden and many other countries are fortified with Vitamin D as well. Arla also support researches and projects such as health products for children, health effects of probiotics, milk components help preventing obesity and so on (Report, 2011).
Environment and climate

This category is about Arla’s efforts to minimize environmental impact caused in its operation chain. The basic idea is shown in its motto, “From cow to consumer” (Code of conduct, 2010). Since Arla’s objective with regard to environmental issues is to minimize their influence on environment in the whole supply chain, Arla has taken several actions to achieve that. Two of the most commendable are continued energy saving and setting new environmental standard. Compared to 2005, Arla has decreased 5% of water and energy consumption, and is still on its way to make more reduction. (See figure 1, there are energy consumption)

Figure 1: Energy consumption, Source: Report (2011, p17).

Increasing production, Arla has cut their direct and indirect emission of greenhouse gases by 0.9 percent comparing with the basic level in 2005. Arla is using new fans and drying are heat recovery units to use energy more efficiently. Denmark Protein and Vimmerby, they can save an amount of 53,900 MW of energy per year, which in turn helps to cut greenhouse gas emission of 10,600 tons and reduce energy consumption by 6%. Arla is also working on reducing transportation fuel consumption and greenhouse gases emissions, as well as using new packaging to reduce carbon footprint (see figure 2, there are carbon footprint).
Figure 2: Carbon footprint, Source: Report (2011, p17).

Furthermore, Arla has been success with LED lighting saving, eco-friendly water purification and transportation efficiency (Report, 2011).

_Agriculture_

It addresses Arla’s actions to support sustainable agriculture. They meet all requirements for milk quality, farm level environmental effort and animal welfare through the Arlagården Quality Assurance Program and other initiatives (Code of conduct, 2010). Arlagården Quality Program is one of the criterions Arla used to examine its suppliers to see if they meet its quality standards. To keep the farmers energetic, awarding systems which award farms who have supplied high quality milk for a long time has also been taken to action. In Sweden, 33 Arla members got a gold medal from the King of Sweden for 23 years’ continuously supply of high-qualified milk. To be more environmentally friendly, Arla is also taking part in projects to help decrease carbon footprints at farm level as a member of Round Table of Responsible Soy (RTRS). Arla offers a variety of activities related to farm life, school visits are introduced and online farmer blogs are shown in order to raise public awareness (Report, 2011).
**Procurement**

It addresses Arla’s expectations for their suppliers. Because suppliers have the major influence on Arla’s milk quality which in turn can impact the company’s reputation and sustainability, standards are made for choosing suppliers (Code of conduct, 2010). Arla has carried out new supplier evaluation system that is based on risk assessment. During 2010, Arla has improved the system concerning supplier responsibility, and for their sustainable products, they also chose to use certified ingredients in their products (Report, 2011).

**Workplace**

Workplace is about Arla’s promise to create a good workplace. Arla prioritize employees and provide them with good working conditions to increase loyalty and raise efficiency (Code of conduct, 2010). Lean methodology has been introduced to the company to make more employee satisfied and work efficiently since 2009. To take workplace accidents as an example, a further reduction of workplace accidents has been shown in figure 3.

Figure 3: Workplace accidents, Source: Report (2011, p25).

![Workplace Accidents Chart](image)

Program like leadership training (to top and middle managers) are brought into action to keep the tight relationship between growth and responsibility of the company.

Furthermore, new work environment strategy has also been taken to help achieve employees’ well-being, health and safety. The colleague survey completed by 12,650
colleagues in 26 countries, Arla got a score of 77 out of 100, which is 10 per cent above the average among other dairy companies. Most of the employees voted Arla a good place to work with, 75% among them say it is a place worth recommend to friends (Report, 2011).

**Market conduct**

It promises to have an honest relationship with all of their stakeholders. Arla regards themselves as a major player in the market and keep open and continuous communication with consumers, customers, competitors and suppliers (Code of conduct, 2010). According to the consumer survey held in 2010, consumers in Denmark show more positive perception toward Arla compared to the previous years, however in Sweden and Finland, the perception has fallen as compared to 2009, even though although the result is still higher than that of Denmark. Results from the consumer survey and dialogues show that they are more interested in products with fewer additives. To meet this demand, Arla Sweden has ploughed Arla Yoggi Fri, which is entirely free of additives and flavoring, into the market. However there still some problems exist like two Danish organization repined to the Danish Food Authorities that the advertisements of “Closer to Nature” are misleading (Report, 2011).

**Community relations**

It concerns Arla’s relationship with local community at the location they operate. They established long-term relationships with people, companies and organizations for contribution to the development of the local community (Code of conduct, 2010). Three major contributions Arla does in the community relation section are contributions to local social initiatives, increase of knowledge about farm life and support charitable organizations. Arla provides job opportunities and increase economic growth within their operational areas. To get consumers and customers aware of natural ingredients and the linkage between them and people, animals and nature, Arla provides several activities including farm visits. In Denmark, more than 170,000 children and adults are involved in this activity. Through charitable work in many countries, Arla contributes to support
children, for example, donations to children hospital in Stockholm and events to help children cancer foundation in Denmark. Also, in order for their commitment, Arla encourages sports activities such as Polish Run, and sponsors Football schools in Denmark which attracts around 30,000 children and teenagers during the school summer holiday (Report, 2011).

_Human rights_

Since they operate globally, they also provide their corporate culture about human rights globally in addition to their products. Arla believe that all people must be respected and support this view all locations where they operate (Code of conduct, 2010). As the company’s recognition, Arla says all people must be respected equally. Arla’ CEO has passed a CEO Statement of Support for the Women’s Empowerment Principles, and this is one example of the company’s improvement of equality stated below in the figure 4, there are more man than women in Arla.

Figure 4: Colleagues by gender, Source: Report (2011, p35).

![Colleagues by gender](image)

It can be found from this that there are considerably fewer women than men in our senior leaders, however there are more women managers at lower levels.

To increase diversity, Arla has planned to increase the number of employees with different nationalities. Arla aims at no harassment in the workplace in order to make their working
place better. As a result of a survey, the satisfaction of no harassment or bullying is high (Report, 2011).

4.2 Interview with Arla’s CSR manager

4.2.1 Company’s view of CSR
According to the interviewee, for Arla, sustainability is pure business. Being sustainable means they are able to stay in the market, and be competitive. Taking water consumption as an example, in UK the resource is not always available and those who use less water can keep competitiveness. This is how business is connected to sustainability. If Arla wants to be competitive within the market, they have to decrease cost. The interviewee said that motivation of CSR activities for Arla is to keep the company sustainable and competitive.

CSR activities also help with building trust with customers however mainly consumers. By doing CSR activities, consumers, those who actually make decisions, will get ideas like they can help avoid all bad things since they can trust Arla. By showing how careful and how the company is improving by using CSR, Arla hopes that they can attract more consumers.

Arla is trying to develop CSR in all areas. However they have focuses at the time to guarantee the high level commitment. In Arla, CEO points out directions of CSR activities, like that climate and health issues are focuses in this year. Then each department should improve their area of responsibility to meet the goal. What CSR activity to take is not decided by the top level. They only give the target, and the frontline employees actually decide what activities to take and should create activities to fulfill the target. To meet the goals and to keep the employees encouraged, the result will be connected to bonus and salary of managers, which means to fulfill the goals will result in increase in their salaries.

The interviewee said that all the policies within Arla regarding CSR are presented in the Code of Conduct. The Code of Conduct is what the company stands for, how the company should act, and is acting like a compass to show how to make decisions. Business principle means legal points, such as Arla should follow law; operational principle is how Arla acts toward their owners, farmers and so on. Food safety talks about food and health, and connecting good health with food health. Agriculture and procurement means how Arla
evaluates sources of product in different countries. Workplace means where employees work at. Market conduct means how the company should act toward their competitors in the market. Community relations are how the company should behave in areas in which they have activities. Human right is about united nation human right declaration and how should the company support it.

4.2.2 Interviewee’s view of CSR:
The interviewee’s view of CSR is quite similar with that of the company’s. He himself also concerns CSR as sustainability. Besides he considers CSR as what he should do and not to do every day, every hour, wherever in the company. For him, CSR is a way of thinking as well. It is to work within an honest, open way, to be aware of even things that are not good enough and to try to improve.

The interviewee also pointed out shortage within the company. He thinks that the company does not have enough diversity. For example the interviewee thinks that the company is missing a lot of professional persons, especially female. Through having a better mix, the company would have a better future, he said. Another aspect of lacking diversity reflects in the culture difference area. Arla has the marketing department in Denmark and Sweden which is taking care of Nordic and everyone in the apartment was born in the country-Denmark or Sweden. However in the market, taking Sweden for example, 25% of Sweden population (whole 9 million) is first and second generations of immigrants, which means there are a lot of cultural influence within consumer groups. Diversity is important here because if the marketing department only knows the basic Swedish and Danish cultures, Arla could lose almost 25% of consumers.

Arla is a big company, especially in Sweden and Denmark. To be big means a lot of consumers look at the company and try to find things that could be pointed at. Therefore, according to the interviewee, Arla has to be even more careful than its competitors, because the interviewee believes that people are more likely to support small companies. He believes that it is always the consumers’ minds, which decide what product to take so communication with consumers and media are of crucial importance.
Arla also finds indicators from its competitors’ CSR activities. Actually companies within the field see each other’s CSR and see how each company performs it. It is for the improvement of the whole industry. Arla and their competitors also cooperate with each other in some areas within Europe and other part of the world. For example, Arla is working together with Dannon, one of the two big French dairy companies, with climate and carbon footprints issues. Another company Arla has been worked with is Fonterra, New Zealand based and one of the biggest exporters in the industry, who is the owner of Sanlu (dairy company went bankrupt after crisis). Arla was going to have a joint venture with Mengniu and planned to produce milk powder together, however due to the melanin scandal, which has a major impact on the industry, Arla decided to stop all production and selling until the analysis of the milk came out to gain trust back. Equipments from Europe were ordered to do double-test the products before they was released to the market again. Although it cost a lot, it was connected to sustainability. If Arla wants to be trustworthy for consumers, it has to take difficult decisions.

Arla presents their CSR activities for their stakeholders, mainly their employees, consumers, customers and owners. The interviewee explained that they offer workplace CSR to their employees, and to environment, how they act to develop. To consumers, it is more like the whole society, and to owners, Arla is trying to get their owners to rely on Arla.

Arla separates consumers and customers. Customers are companies who can do Business to Business (B2B) activities with Arla, or companies using Arla’s products as raw materials and ingredients, or even retailers. In contrast, consumers refer to the one who actually buy their products, which means end users. Some of the stakeholders are interested in the company’s CSR. For example employees would look on how workplace is or whether harassment exists. NGOs are interested in environment and climate issues, and Arla has dialogue with them, in return, Arla gets ideas of what to improve and in what way Arla is not good enough. There are representatives and democracy within the owners; it is the owners who have the voting powers. Different stakeholders have different interest in Arla’s CSR.

When it comes to regulations, there are certain standards Arla has to meet such as quality management and environment management, international standards like ISO standards. For
example, in Denmark, Arla is certified toward ISO 2600. As Arla has joined the Global Compact in 2008, Arla has to show that they are working with improving the condition of developing countries and so on.

When the authors asked about the incentives of CSRs of the company, the interviewee declared that they should voluntarily do CSR since it is stronger to do them in a voluntary way. Since there is no so-called CSR department in Arla (the activities are in what every apartment is doing as part of their business), the total cost of CSR is not measurable. The interviewee said that sometime it is difficult to distinguish an activity from CSR account or others, and the cost is difficult to measure. It is also difficult to split profits from CSR and other activities. For example, in some areas, for example, when a young professional applies a job at Arla, the company’s profit gained from him is hard to calculate.

However because most of employees choose Arla since his or her personal value meets the company’s value, Arla can have a very qualified and ambitious person working for it thus it can continuously develop ideas of their business. Also if the personal value of employees is in line with the company’s value, it is easier to do a good job, which means that it is easier for employees to gain self-satisfaction. This also can be a motivation for CSR. They will feel good and did some contributions when they retired. Furthermore, Even though the company is taking some CSR activities that cost a lot, like the whistle blowing system, it would have good paybacks to the company. Finally the interviewee said that decisions regarding CSR may not seem optimal at the moment, for example, decisions are not perfect for environment because of lacking of techniques or money in order to actually practice the CSR.
5. Analysis

In this section, the authors analyze through examining collected empirical data with theoretical framework. Firstly their CSR definition and attitude toward CSR are analyzed in accordance with the definition the authors chose for this study. Secondly the authors identify Arla’s stakeholders by applying stakeholder classification to their 11 CSR categories. Thirdly their motivation behind CSR is analyzed through a model of principle of motivation, and is discussed for each driver. Finally the author make some comments on Arla’s CSR.
5.1 Definition of CSR

5.1.1 Arla’s attitudes toward CSR
As well as there was no universally agreed definition, Arla does not have their own one either. However Arla is fully aware of their responsibility as a major player in the world’s dairy industry, and practice various activities. In the preface of the code of conduct, they state their own attitudes as the quotes in empirical.

The authors interpret this statement shown how Arla perceive or understand CSR, since it is stated in the code of conduct, which is the base of their CSR.

5.1.2 Arla’s definition of CSR
To understand the meaning of CSR, make a clear dimension and category of CSR are needed. The authors select the most relevance definition for our paper to analysis, which from World Business Council for Sustainable Development 2000 as below.

“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.”

It can be seen that the basic idea of CSR in Arla is quite similar with that is commonly quoted. From the empirical data, researchers found that Arla has done a good diversification of CSR activity in different areas, like protecting the environment, improving workplace quality, communicating with local community, but less concern of the employee’s family is mentioned in Arla’s CSR report. From Arla’s motto, readers can clearly found that what they highlighted is not they do CSR, but is what they aim to achieve. The reason for Arla to address those ethical and sustainability is to maintain the company’s reputation and profit. Furthermore, reputation can also result in profit as consumers have built trust on the company and will buy from Arla continuously.

Another thing to mention is that, according to the interviewee, Arla and its competitors are doing CSR in a corporate way rather than in a competitive way. Taking Arla and the French dairy company Dannon as an example, the two companies are working together to
cut carbon footprints and are dealing with climate issues. Also competitors find indicators from each other to develop own CSR activities. The idea is to improve the whole industry, help the industry raise its reputation, maintain and gain more consumers. It is all related to the company’s sustainability within the market.

5.2 Arla’s stakeholders:
Arla regards themselves as big company, especially in Sweden and Denmark. To meet the stakeholder classification mentioned in the theory, the authors identified the main stakeholders of Arla’s business operation, which include environment, workplace, suppliers, consumers and customers, community, society. From the empirical data and observations, the authors found that Arla has developed different ways to satisfy its stakeholders.

To values and transparency, Arla claimed laws and regulations and establish the moral standards to reduce bribery such as facilitation payments and gifts.

To workplace, Arla introduce Lean methodology to help make a better working place through ways like reducing accidents in workplace. Increasing the number of employees from different countries and keeping the equality between the sexes are also on going, surveys come off regularly to improve working efficiency and employee’s satisfaction.

To protect environment, actions about energy saving program, water saving, improved transport efficiency and reduce carbon footprint, new environmental standard outside London, usage of LED light.

To suppliers, award farms who supply high quality milk to firm and introduce many activities related to farmer’s life, increase the milk price and paid more back to farmers; propose new evaluation system for suppliers about responsibility and quality standards.

To consumers and customers, Arla is improving its product quality and has set food standards to guarantee the consumer’s health, and the new labelling is used to aware the consumers about the ingredients added and how is it going to benefit health.
To community, support charitable to help children, provide job station, organize to visit farm, encourage sports activities of children and teenagers on holiday, support non-profit organizations.

To connect society, arm visits, new label system, progressive product development, consumer contact and dialogue, work with media, local commitment, and raise knowledge of nature.

Since the interaction between the company and each stakeholders are different, diversity CSR activities are measured by different stakeholders. The basic motivation of business is to make profits, providing different CSR activities is to meet different stakeholders’ needs to gain and maintain their interest in Arla.

5.3 Motivations

5.3.1 Influence of corporate value on motivation
The first motivation suggested by Maignan and Ralston (2002) is value-driven, which means a company contributes CSR to express their corporate values. This motive can be observed in the case of Arla. First of all, values of CEO, managers and employees should be considered. During the interview, the interviewee mentioned that CEO and other top managements decide a main stream and points out the direction of Arla’s CSR activities. That means their personal values are somewhat reflected to CSR. However, at the operational level, it indeed relies on employees at each department to decide which activity actually to take. Therefore it can be said that to some extent employees’ value has also influence on CSR.

Furthermore, when examining the official publications, the authors found that Arla’s CSR activities are corresponding to each provision of their code of conduct. According the interviewee, it is the Arla’s philosophy penetrating throughout the company, and all employees are supposed to act in accordance with it when they make a decision. It is clear that their code of conduct as a core value affect decision-making regarding CSR, and this idea is also supported by Mijatovic and Stokic’s study (2010).
However, the important fact should be considered here is its original reason to exist. As is stated in it, Arla’s code of conduct is built for developing their business, which means that it primarily aims to economical development, rather than expressing their value. The authors therefore say that it is not sufficient to support the idea of values-driven to be their precise and original reason to practice CSR activities.

5.3.2 Responses to stakeholders

Stakeholder-driven CSR means that a company contributes to CSR in order to respond to their stakeholders’ pressures and requirements (Maignan and Ralston, 2002). In accordance with the Freeman’s definition (1984), there seems to be many stakeholders surrounding Arla, which have interactive relationship with the company. When examining the code of conduct and the CSR report, it is observable that Arla emphasizes the importance of several key stakeholders: environment, supplier, workplace, society, consumer and customer. The interviewee also certified that during the interview.

The empirical findings of this study identified that the company strongly pays attentions to their stakeholders. Several studies found that the activities have positively affects on a company’s relationship with stakeholders, especially with consumers, in food safety, and food and health CSRs, Arla increases lactose-free products, monitoring materials included in packages, etc. that is to meet their customers’ growing interests in safety and health issues. Also there is great interest in creating a good workplace condition and improving the balance of different nationalities and mix-gender can be seen through various activities to increase employees’ loyalty and efficiency. Firm are encouraged to regard their responsibilities over several stakeholders with the aim of integrating economic, social and environment by means of their management tools, strategies, and their activities. (Russo, 2010) To meet the social and environment goals, Arla has increased the quality of milk, minimized the consumption of energy and water, as well as kept a harmonious relationship with key stakeholders.
5.3.3 Performance motives

In terms of performance-driven, CSR is means to achieve economic missions. A company’s motivations for financial returns and competitive position in the market are concerned (Maignan and Ralston, 2002). In the case of Arla, this motivation can be greatly observed.

As is stated in it, code of conduct, which is the base of the company’s CSR activities, intends to maintain the company’s reputation and profitability. That means all CSR activities are fundamentally performed in order to achieve them. Economic aspect is the prerequisite condition for Arla’s CSR. Also, during the interview, the interviewee stated that sustainability of the business and competitiveness in the market are the reason for Arla to practice CSR. Since he frequently emphasized the importance of these two factors, it is clear that they primarily motivate the company to contribute to CSR activities.

Also, the empirical findings reveal Arla’s motivation of trying to relate every CSR activity to their performance return. They do not mention about their motive for financial returns for each CSR activity, however there are indirect links. Arla values their consumers and tries to satisfy their demands since they believe that consumers’ trust toward their product and themselves will lead them to be more competitive position in the market. Also in market conduct activities, the company states their motivation to remain to be a major player in the market, which means looking for competitiveness. Furthermore Arla is engaged in increasing diversity at workplace, since they believe that it will generate a good business chance.
6. Conclusions

Purpose:

_to investigate motivations behind a company’s CSR activities._

Research question:

What motivates a company to practice CSR activities?

After collecting data from Arla’s CSR report and information from the CSR manager through the interview, readers can clearly discover that the motivation behind Arla’s CSR is not that ethical as some literature argued. What CSR Arla is doing is consistent with definition that is most often quoted after carefully examined the categories of Arla’s CSR activities, but those activities are somewhat more like tools or implements to help reach the company’s financial goals. As the categories are only giving descriptions of different CSRs, how to practise and what exact activities should be taken is not marked. To reach the final goal of getting profits, what CSR activities to take is influenced by both managers’ and employees’ cognitions of CSR. Self value is of great influence in choosing CSR. Since there is no CSR area of focus for Arla and the fact Arla is trying to explore every category of CSR according to its servants’ cognition, it can also be observed that CSR is used to implement the company’s financial goal. Although it is said that the CSR activities are performed to actualize the requirement of its Code of Conduct, or to satisfy its stakeholders, the ultimate goal is still money, which shows the picture that, there’s no pure ethical business, even for a social responsible company like Arla. By the implement of those public concerned CSR activities, a company can gain a better brand image and build trust with its consumers, which will initially increase the company’s profits. As mentioned by the interviewee, the motivation for Arla to do CSR is to be sustainable and competitive in the market. Sustainable and competitive here not only mean to be eco-friendly and environmental, but is more about to keep itself in the market and be competitive comparing to its competitors. Motivation for company to do CSR is not exactly the same with that of individual employees who care of self-satisfaction and what contribution they made. CSR activities are viewed as pure business by the company. Together with theories discovered by other researchers, the motivation of a company doing CSR can be generalized as company’s financial profits.
CSR can benefits the whole world for it not only can help to build a company’s reputation and financial benefits, but also accelerate the development rate of rural areas, improve the global environment, and enhance people’s living standard by increase the whole industry. Even if the motivation for those companies is for profits, they will in turn make benefits to improve the whole world.
7. Reflection

In doing this thesis, the knowledge of marketing has been brought to practise. Since it was the first time for the authors to accomplish a bachelor level thesis, there were things going beyond control like having difficulties getting contact with a case company.

While examining the case company’s publications and interviewee’s feedbacks, the motivation of CSR could be generalized as a pure profit. It has been different from some researcher’s opinion that companies practice CSR just to be ethical. The study also filled the gap that less reports concerning CSR motivations had investigated in Scandinavian countries. However while exploring the topic of motivation behind a company’s CSR, the authors realized that there are still many areas to be studied.

Through the case study, CSR plays an important role in the company and authors found that many CSR activities have integrated together with some other commercial activities thus making it difficult for researchers to classify. In this way, a recognized definition of how to define CSR is still needed; furthermore there are limited scientific classifications on the motivations behind a company, also rough to search the most applicable motivations for the fact behind Arla that CSR is not a field of competition. For the fact that what CSR activity to take depends on the self-values of managers and employees, the education of the decision makers is also interesting to investigate. To explore new motivations in other industries and see how and in which way CSR can manage to improve the whole industry is also worth of investigation.
8. Reference list

8.1 Books


8.2 Journal Article


Instituto Ethos de Empresas e Responsabilidade Social (ETHOS) (2001), Ethos Indicadors on Corporate Social Responsability, ETHOS, Sao Paulo.


Slevitch, L, 2011. Qualitative and Quantitative Methodologies Compared: Ontological and Epistemological Perspectives, *Journal of Quality Assurance in Hospitality & Tourism*, 12,1, pp. 73-81


8.3 Website

8.4 Official publications
Annual Report 2010, Viby, Denmark: Arla Foods amba

Code of conduct: Our responsibility, Arla Foods’ corporate social responsibility, Viby, Denmark: Arla Foods amba
8.5 Interviewee
Ph D. Senior manager, Corporate supply chain, Corporate quality, Environment, Health and Safety, Arla Foods, interviewed 2011-5-7, during 2 hours
9. Appendix:

9.1 Interview guideline:

*Your background*

- Name, Age, position, Number of years in the position, Major Job.

*Company’s background*

- Basic information of Arla Foods, perceived reputation.

*CSR activities (company view)*

- Why does Arla Foods practice CSR? / What does CSR mean to Arla Foods?
- What does Arla Foods expect from practicing CSR?
- What is the focus of CSR among various CSR activities?
- How do Arla Foods decide what CSR to practice?
- Are there any policies Arla Foods have with regard to CSR?

*CSR activities (your own view)*

- What is your concern of CSR? / How do you see CSR?
- What do you think of the current CSR?
- What do you think Arla Foods should consider when designing CSR?
- Do you think CSR influence on the company’s image, loyalty and customer satisfaction?

*Others*

- To whom does Arla Foods practice CSR?
- Do you think Arla Foods’ stakeholders concern CSR?
- What are the employees’ understandings of CSR? (Pros and cons)
- Is there certain standards regarding CSR that Arla Foods should pass?
What incentives (ex. government financial incentives, award schemes) would encourage Arla Foods to implement CSR?

How much does Arla Foods spend on CSR?

This is a semi-structured interview. The interview will be conducted mainly in line with this guideline, but some other questions and follow-up questions will be asked to gain more understandings and avoid misunderstandings.

9.2 Interview questions

Please tell us some of your background information.

How long have you been in position as a CSR manager in Arla? Could you give us some explanations of your main job?

We would like to ask you about Arla’s view about CSR. Why does Arla Foods practice CSR? What is the company expecting for?

After reading Arla’s CSR report, we saw many kinds of activities taken related to health and safety, community relations, environment and climate, is there any expectations that is consistent for all activities?

Is there any focus among those CSR activities? Or continuous focus?

How does the company decide what CSR to practise? Who is the decision-maker? Is the Ceo’s personal value affecting CSR activity?

Are there any specific policies that Arla has with regard to CSR?

Is the Code of Conduct a kind of philosophy for Arla?

What is your concern of CSR as a senior manager? How do you see it?

Do you think CSR influence a company’s image, can help build loyalty in consumers?

Do you consider competitors’ CSR activities when designing CSR?

To whom does Arla practice CSR?
Do Arla’s stakeholders concern about CSR activities Arla is taking?

Is there any requirements and standards Arla should pass?

Is there any incentives that encourage Arla to implement CSR? Like government financial supports or something?

We think it is costly to actually practise CSR. How much does Arla spend on CSR annually?

9.3 Interview recording

Interview with a senior manager

Corporate supply chain, corporate quality, environment, health and safety at Arla

Manager: Before going to the questions, maybe I should shortly present myself. I am working very much with sustainability and CSR issues at corporate level. I am a part of small corporate group supporting top managements within sustainability area that includes also environment, climate health and food safety, work environment issues so on. I am sitting here in Stockholm office, and also headquarter in Århus. Some of my topics of responsibility are to do internal follow up and external reporting of CSR that we report each year. Also working with issues what should be improved in the company, what area should be improved, where we are compared with others in the industry, supporting top management with such inputs with decisions. Before we start with questions, I brought some information you may need that we publish.

We are a food company having production lines within 13 countries, service office in another 20, but we have market around 100 around the market, that means the most sustainable issue also influence us. So we have a quite wide spect we have to deal with…

Now it’s your turn.

Interviewer: So first of all, we would like to ask your background.

Manager: you see my name here, Kjell Lunden Petterson, 56; I have been in a position of senior manager, which means that I am a kind of a specialist within a little group as I mentioned. We are 6 all together, 5 and plus one PhD student working with^^^ (05:05) type of analysis, supporting top management, working with strategy so everything we are
working with will be implemented 1,2,3 years from now. Besides, working with follow up and communication. I have worked with this we made a reorganization of the company, 4 years ago I think. 2007. Previously I worked as an environmental manager within the Swedish organization, before that I had worked in one of subsidiary of Arla with baby food producing quality and environmental manager, also worked at national food administration. My degree is within animal^^^^^ (06) which is university agricultural science, so that is where I took my PhD.

**Interviewer:** How long have you been in a position as a CSR manager of Arla?

**Manager:** 4 years.

**Interviewer:** Could you give us some explanations of your main job?

**Manager:** Yes, half of a year, I am working with planning and executing follow up, producing annual CSR report, but of course that’s a part time. Parallel to that, I work to evaluate what we are in the company and to see what we should improve, giving a put to business plan for the company all the way down. I work in different projects with organization developing project, for example, at the moment, for last 3 months I have been active in preparing ^^^^ (07:40) system in Sweden. ^^^^ system means, normally if you see something that you think should not be happening going on, not following internal law, you should report your manager. But in the case your manager could be involved in it and you do not trust him for 100 %, you as an employee of Arla Foods, you must have a possibility to report it to someone independent. You can do it anonymously, or you can give your name when you give a report.

We want to have a system, so every employee in Arla, if she or he sees something that is not in line with Arla values, should be possible to give the information to someone who can take care of it and follow up. That could be from a manager’s harassment to some of his or her employee, whatever. That is a project we have running for 5 months to see how it could be done in our organization. So in that project, we will be in a decision taking within our CSR committees, which include our CEO. That is an example of things of I am doing.

Parallels I am doing procurement of our purchasing department to see how we can improve our evaluation of suppliers around the world. So we also evaluate how they act as a social
point of view, environmental point of view, we have a better information about if they are suppliers we want to work with or not, not just a price or product quality, it’s also other information around that, I mean, working hour or so on. Because we are sourcing raw materials and so on to all the group, that’s all the problem if we are not carefully enough. That is a kind of different activities I am working with, and of course, I do a lot of talking to you, students, and also participating courses at university.

Interviewer: You mean teaching?
Manager: Yes, 2 or 3 hours seminars. As an example of industry, how we work, because that is also part of sustainability. We must give back, I mean, new young students learning, it’s a way to make a change for a long run, to spread ideas. Maybe within a number of years, maybe they will apply for a job at Arla. That is a way to get a right thinking back to the company with a new energetic student. That is also a part of sustainability.

Interviewer: So we can skip the company background since we can get the information on web?
Manager: I think the main different of Arla with many of other companies is that Arla is farmer cooperative, which means, not owned by shareholders, owned by about little bit more than 7000 Swedish and Dimish dairy farmers, we have no shareholders. We have only farmers that own us.

Interviewer: We read in the annual report that CEO, actually he is a dairy farmer.
Manager: Not CEO, but a chairman of board. Yes, he is a dairy farmer. All of our own are dairy farmers and they are active farmers. Here in Nordic countries, that is a kind of farmer cooperative, that is a kind of farmer organization has been very successful here, and it was a dominant organization among farmers. That goes back to 1930s when the farmers organized themselves as cooperative, and started producing and processing like an industry-like, taking care of their raw materials, producing products that could sell to consumers and then get better prices for their products from the farm, not sell to private processor because the price is very low and could not feed, and give food to their family.

That is the when cooperative idea started at the beginning of twenty century. There has been a tradition in Nordic countries, go together, start cooperative, in that way, take away
all the organizational company, that between me as a producer and farm, and consumers. There are still a few companies in a dairy industry within Europe, two or three other big dairy companies that are private. That also affect how we see sustainability because we include farms. We start at farm and end at consumers. Not just customers but consumers, the persons who pay and eat products. Even a little bit steps up; we plan and develop packaging that works to be recycling after consumers. So we talk about the whole value chain, from cow to all the way to consumers.

**Interviewer:** Ok. Now we would like to ask you about company’s view about how the company sees the CSR. Why does Arla Foods practice CSR?

**Manager:** Ok. Why we are working with this whole area? I should talk about the company’s management. We are fully convinced that, since we are owned by farmers, to be a farmer means that we must look numbers of years ahead. To be a farmer means you use resources but that must be able to reuse and must be fertile even for fifteen or twenty years because someone will work and use the land and those buildings and so on for very long time. You have production and you can have a full production for 3 months and stop production for numbers of years and start again. Farming means you can continue go on and go on for year and year, and if we want to be a competitive and successful within the market, we must look ahead ten, fifteen and twenty years ahead.

We must now start to think of plan and prepare as a company to be competitive within twenty years time line, not just look on the next three or four months as many of the stock market companies are looking for. That means if you want to be competitive for fifteen or twenty years, there comes sustainability. We have to sustainable. We have to develop with the rest of the world, you have to be prepared, you have to decrease resources you use and so on. That is a basic idea.

For us, sustainability is a pure business. If you are sustainable, you will be able to stay in the market, work in the market of a number of years ahead. But if you are not, sooner or later you will be kicked out because you cannot compete. So sustainability for us, it is a pure business. For example, within environmental and climate area, today as energy, many both private persons and companies use fossil flue. Fossil flue is not sustainable. For example, oil will be not available for within thirty or forty years and oil is costly and cannot compete. Then, what resources should we use? First of all, we should decrease
consumption. That means lower cost and more competitive. Say water, water will be a lacking resource in many part of the world.

It is already today, not here in Sweden, but in UK, the resource is not always available. That means if we want to help production, we must have productions that use less water, because if not, we will be kicked out of the market. That is the example of business connected to sustainability.

**Interviewer:** So, Arla is expecting competitiveness and sustainability through doing CSR activities?

**Manager:** Yes. We are also convinced if we continuously improve, we can stay competitive and even more competitive. It is also a way of building trust among customers and but mainly consumers because they are the one actually buy our products and the ones decide to take our products or our competitors’ products. So if we can show that we are careful, improve and think of all issues within CSR to become more sustainable… our idea is that if we continuously improve and show that as example, consumer will get idea “ok, if I choose Arla products, I can avoid all bad things at company since I can trust Arla”. That means hopefully more consumers reach out and take our products.

**Interviewer:** OK. Then, when we see Arla’s CSR report, we can see many kinds of activities such as health and safety, community relations or environment and climate. Is there any expectation that is consistent for all activities? Is there any focus among activities? continuous focus…

**Manager:** OK, among them, what we put more focus on than others? Let’s say…we try to develop all areas. Some areas are easier than others. But therefore, we cannot do everything at the same time. If we can making investment, like building or rebuilding dairies, or producing steam plants, we should make a long term thinking of what equipments should be put in there, how we should plan, for example we are now working on new dairy in London at the moment, of course that should be the top of lines within environmental friendly, efficiency, and workforce should be good. Then, we put a lot of resources into that because if we start at very high level, that dairy will be running for thirty or forty years.

At the same time, for example, we see, during our follow up, every high frequency of
accidents. That is not ok because that is not our vision. But there are accidents, so what methods can we use to bring down accident frequency? This is not only because it affects employees but also the economy, efficiency at the plant. Because every time something happens maybe the person must stay at home one or two days after the accident. That means extra cost to take other person who is not as qualified as the person at home. Therefore, that is another example of how we structure method.

We do prioritize what we should focus on. For example, if you have some indications or directions pointed out by our CEO, here is … (CEO comments on CSR report 2010). So this three major areas... these signals our CEO sending will be a part of business plan that will start in late spring and during summer for the next year. This is area we have to get in active, how we should improve these three areas. Last year we also had about evaluating suppliers we work with, and also working environment and accidents. Accidents decreased by I think at some of the plants 40%. So this is an example of how we can send signals out from organization.

Then, besides that, as I said earlier, we have connected business with all this activities. For us CSR is a good business management. All activities we are doing should be connected to what department, what area in a department can be responsible, what we can improve within “our” are of responsibility. For example, those department works with producing milk powder and selling it in some countries, they have their local activities there because that also gives better commitment from their employees. Within their part of business, they do their activities. My part, since I have been working in CSR, I also have a commitment to communicate as I am doing now. That is a part of my and our group’s commitment that we should do and not pointed out by CEO but it should be a part of my daily works so depending on where you are and what you do, but all together, we are doing a lot.

Interviewer: How does the company decide what CSR to practice? We guess there are many areas of CSR…

Manager: One thing is that CEO points out the direction, like this three. When we talking about business planning, we have top management doing their plans, and they point out different numbers of areas that go down to the business groups and business group within the areas they have to take a direction and get it into activity and go down to departmentall the way down. So if I am sitting at business group, we have top management, four business
groups (consumer Nordic, consumer UK, consumer international, global category). Within each of those, they have a direction from top management, what we can do in our business, what is our main area of improvement, connected to our business. Therefore if we point out the direction, actual activities coming out have to be connected to business each part of company is doing. We are doing what top management point out. You have to show you actually have improved in that area. For example, work environment is a clear direction and you have to improve and decrease frequency of activity. We also work on diversity and that will be also the area everyone has to take care of. Numbers of other things… education, training of employees, managers, leaders, operators… because we have to keep up with level of knowledge to take care of new circumstances that will come up. Those are other areas that need to be followed up.

**Interviewer:** Um… so it is like CEO and top management’s value affect CSR? Who is a decision-maker? Most influential person on CSR… Is it employees, frontline staff? Can they say something to the top, like a bottom-up?

**Manager:** Yes, business planning works like this. You have areas that you need to improve, and maybe have a target; you have a next level below that they have to create activities to fulfil the target. So the nature of different activities, it is not decided by the top level.

**Interviewer:** So it depends on frontline staffs how they understand the area?

**Manager:** Yes. But also we have new environment and climate things accepted by community these weeks. They will be energy efficiency target, which means each part of business must decrease energy consumption 3% annually until at least 2020, and need to decrease water consumption by 3 or 4% annually, independent on production size. So even if it is growing production size, I mean increasing production, they have to decrease energy consumption. Getting target from the top level means a lot of activities to next, next and next level. Umm, you have to because you have to report. Of course it is a follow up and reporting. It is also connected to bonus and salary of managers. If they are not fulfilling those goals, that will affect their own salaries. I mean, salary increases, I do not think it takes 20% of their salary away, but they have a very small opportunity to increase salary if they do not fulfil the targets that put by the department. So there is a connection to show
how important it is.

**Interviewer:** I see. So, Are there any specific policies that Arla has with regard to CSR?

**Manager:** Yes. All the policies are here. (code of conduct) Code of conduct is all of our policy.

**Interviewer:** Does code of conduct mean Arla’s value or mission…?

**Manager:** Code of conduct is what we stand for, how we should act, how we should behave, if we take a difficult decision, it supports us and also is a compass to show how we should act and what kind of decision we should take. I mean all the written areas… here, business principle, that means legal point we should follow laws. Operational principle is how we act toward our owners, farmers, how we include them in the business process, information, dialogue, form and so on.

Food safety talks about food and health… I means since we are in several markets, we are major player, which means many people eat Arla products everyday, which means indirectly we can affect health of population. We must support good health is about food health.

Environment and climate tells what it is, agriculture and procurement means how we evaluate sources of product in different countries. Workplace means where we work, my office is here in Stockholm but also in rhus. Market conduct means how we should act toward our competitors in the market. Community relations are …how we should act where we have our activities. If we have a diary in Kalmar, for example, how we act locally. Human right is also about united nation human right declaration, how we should support it… more explanation in the text. Responsibility for forced labor, child labor, trade union, salary and working hours. This document is within the basement of the company’s strategy. The company’s strategy is based on our code of conduct, because this is a way we should behave and how we should act as a company and an employee at the company.

We had a slight improvement on the text later… this is what we all stands for. If there is anyone who is not possible to work with this, should find a job outside Arla.

**Interviewer:** Is it a kind of philosophy that Arla has?

**Manager:** Yes, yes.
**Interviewer:** So, now we start your own view about CSR at Arla? What is your concern of CSR as a senior manager? How do you see it?

**Manager:** For me, CSR and sustainability is the same thing. Since I am the one of the persons developing the company’s CSR, so the company’s view and my own view are very similar, actually. For me, it is to be, work within in an honest way, open way, to be aware of even things that is not good enough, try to improve… include all these areas talking about… I see CSR is what we should do and not do every day, every hour, wherever in the company because its something… way of thinking.

For example, if I meet my colleagues, I can oversee some aspects. So for me, it is a very much… for the company, be competitive in the next fifteen years, a lot of activity areas we should work with, but also how we should have a good workplace, that means you should be aware of attitudes toward your colleagues. If you are content to people around you, you do better job, and that supports the company. If you have neighbours you have discussion that occupied your mind for one two hours a day. That means you have less one or two hours on what you should do here in your workplace.

One thing I think here, we do not have enough diversity. Diversity is… a gender issue; of course… we have a three management level, top fifty managers, top 100, and say 3 or 400 managers. On the lower managing level, we have quite high numbers of female managers, but as going up, a man much more dominates. That is not good. That is not good for the company for the long run. I see few professional. There is no difference between man and woman. Internationally and professionally, they are equal. That is I stand on. That means we are mission a lot of professional persons, female. Because if we have them, that will be better mixed, more competitive because we develop the company in more better way.

If you have a marketing department, we can take a Sweden, if you look at Denmark, we take care Nordic, you have a marketing department, those people decide which products should be developed and how should be marketed, and everyone in the department was born in the country. They are mainly Swedish and Danish; maybe they are age from 30 to 40. Then we look at… market, the consumers we are selling to, how they look like? In Sweden, Swedish population is 9 millions, and 25% of Swedish population is the first and second generation of immigrants, which means there are a lot of cultural influence within
Swedish consumer groups, we are actually selling our products to. If the marketing department only knows the basic Swedish and Danish cultures, that could miss almost 25% of consumers. That is the sustainability for me. That is why diversity is so important.

It is not about man and woman, here is about knowledge and culture. So therefore the diversity is important for me, that is the area we have just started but I have been on the agenda for 5 years and now on the agenda. That is also the long-term competitiveness.

Dairy products have a big different in another culture, there are no problems producing that kinds of product even here, but we have to be aware of interest of what could be a product, we have to try to see if someone is going to buy it, may they do not, but we must be opened to other kinds of products, other ways to use milk, doing interested products. Also advertising, marketing… depends on… for example Ramadan period among Muslim. Ramadan is in Europe almost as the important as Christmas. The spending value of Ramadan is exceptional. We have to have a product that we can market and sell in the period. There is one area that diversity is important.

Arla has very many areas… but all areas are improved. For environment and climate area, we are far ahead from many other companies. Here in Nordic countries, laws and regulations concerning the relation between company and employees are very strong and … I think we are working on it quite well. Then we do take care of employees very well, but a part of company in other countries, it may be a bit different. There are areas that we are doing very well but the other area… we have to improve.

**Interviewer:** I see. Then… I think maybe you already answer this question… I mean you say that CSR activities influence on the company’s competitiveness. But, do you think it affects the company’s good image, building loyalty in consumers’ minds and so on?

**Manager:** Consumers’ minds decide what product to take, that’s the basic. Especially, Arla in Sweden and Arla in Denmark, we are seen as a big company. Often the newspaper starts with “dairy giant Arla”, that means…those bustard. To be big means a lot of consumers look at you, try to find something not good and something that could be pointed out to say “you are doing wrong thing”, therefore it is even more important for us as a major player in dairy market in Sweden and Denmark. We must be even more careful than
our competitors because small one is competing big one many people always support the small one, because the big one is a bad one. Therefore it is so important for us to work with this, communicate with this in a way those consumers and media can see that we are really trying to do improve, do our best, and actually come out very good compared to others. Therefore it is even more important for Arla as a major player within the market because everyone looks at. Everyone wants to find something not enough.

**Interviewer:** Do you consider competitors’ CSR activities when designing CSR?

**Manager:** If we look at competitors? Yes, in a way… we are making an internal follow up, of course we read our competitors’ report, to see if they have indicators, look at them to see how they perform… this area is open for stealing idea. It is quite ok because it is actually good if someone finds “ah, this is good improve, now we do better” , the competitor will do the same thing, so then the whole business will improve. So of course we look at each other. Because we do not compete within this area… we compete in selling, marketing and price, but this is actually… we do cooperate with some major European competitors in some areas because if we do better, support each other and do better, which means the whole industry becomes better. So there is openness within the area between main dairy companies in Europe.

We also have cooperation with Fonterra, New Zealand and Australian company. New Zealand based dairy company, which is the one of the ten major dairy companies in the world, one of the biggest exporters. They export 95% of their producing. They sell a lot to Japan and China. They are major exporter to Asia. Also, we have a dialogue with Dannon, one of two big French dairy companies, we work together on the climate issues and carbon foot print, especially within… because Dannon is also the one of our big customers for milk powder. So we have dialogue and we do have it across the company border within this area. Fonterra is also the owner of Sanlu, the dairy company that went bankrupt after the crisis. That had a major impact on the industry, which could happen… Arla was going to have a joint venture with Mengniu, so we had a plan together, producing a milk powder together with Mengniu, that was a night before that we opened the new plant…that night, top managers met and decided that…no one knew who will be affected by melanin scandal. So we decided that we stop all production, we did not sell one package of milk power to
anyone until we analyze and see if something is in it. Because no one trust us if we continuously sell some which we are not 100% sure that it is not contained melanin. The whole production stopped for over a month. All selling activities and everything stopped.

**Interviewer:** Is it on regular now?
**Manager:** Yes. The next morning, they ordered equipments from Europe, to set up and all products were double tested before it was released to the market again. That costed a lot of money. This was also the issue concerning sustainability. If we want to be trustworthy, we have to take all of these difficult decisions, which costed 100 or 1,000 millions. If we do not do that, we are not trustworthy for consumers.

**Interviewer:** But I think Mengniu got a trouble now. I read a new and it says almost 200 students got sick after drinking milk.
**Manager:** Do you know why?

**Interviewer:** It does not say why, but says it maybe that students drinking in a wrong way but I think... 200... are they all drinking in a wrong way?
**Manager:** Sounds a bit fishy...

**Interviewer:** They are in the same school... the only thing that is the same to them is drinking the milk. They still investigate it... ok. Then, we would like to ask, to whom does Arla practice CSR?
**Manager:** Ok. We always talk about four major stakeholders. One we usually talk about is of course, our employees, consumers, customers, and our owners. They are our four main stakeholders. We have society around them, media around them, but they are our mains. Why we are doing for our employees is of course, workplace, environment, how we act to possibly develop and so on. Consumers... if we say consumers, that means the whole society more or less. Owners should be able to rely on that Arla will continuously be an interesting company for consumers and customers and competitors.

**Interviewer:** I would like to make sure employees, owner, consumers and customers?
**Manager:** Yes. Why do we split consumers and customers? It is because farmers produce milk, we process milk and make it into products... and we can have business to business
customers, another company using our product as a raw material and ingredients of their products.

If we talk about consumer products, customers are our retailers, we sell to ordinary shops owned by retailers, and after that consumers come because consumers buy at the normal food shops. If we want to get our products on a shelf of retailers, there must have an agreement between Arla and retailers, they must allow us to put our products on their shops. That is why customers could be other companies that use our products as ingredients and supporting someway. We have retailing customers. If they are not interested in us as a supplier, we are not able to sell our product to consumers. They have a main power in a food chain.

**Interviewer:** Agreement on Coop?

**Manager:** Yes, they are one of four retailer chains. Then they have ICA, Axfood, and small one Bergendahls, located in south of Sweden. Those are four main retailer chains in Sweden. In Denmark, of course we have others. For example, UK, Arla’s biggest market, we have 20% of turnover in UK. In UK, business is completely different. Mainly private label—retailers are much stronger than Sweden—so the issue is to get into the shop. When we talk about milk, 70% is private labelled. So we are producing the most in different retailers. On the same producing line, we change label to one retailer to another. What is happening?

**Interviewer:** Do Arla’s stakeholders concern about CSR activities Arla is taking?

**Manager:** Yes. Some are interested in. each could look at different area more or less. If you are employee, you look on how workplace is—for example, harassment. Does it exist? Growing mobbing is even worse than children mobbing. That happens between people. So we should not have that but they do exist. So we follow up every year, we send out to each employee to see if each of them see or be harassed or mobbed, we can see if it exists, where it exists so we can take actions. Those questions are answered anonymously. We know that those answers come from the plant but do not know who gives the answer.

Of course, NGOs are interested in environment and climate areas. They look on the subjects. We have a dialogue with them, we want them to give their view of what to improve and in what way we are not good enough so we have a dialogue. Owners are
interested in... they are representatives and democracy within the owners... managers and CEO is sitting but it is only owners that have voting powers. They also have representative democracy system through the organization. They are interested in our competitiveness, milk price, if they can be a decision-maker, they get information right time... we try to educate them, what business is about. That area works. That is operational principle in code of conducts.

Depending on what stakeholders, main interests can differ ... we have not talked about food safety, being a food producer, of course we must fulfil all demands on food safety, because we fail there, we will be out of business immediately. In Japan, a dairy company disappeared in a half of year, I think? If we do not fulfil the demands, we should not be in the business.

That is the way that a market should work.

**Interviewer:** Is there any requirements and standards that Arla should include or pass?

**Manager:** Of course, as we talk about quality management and environment management, there are international standards, ISO standards that we certified. 9001, 4001, food safety, ISO 2200... they are actually standards within the CSR. ISO 6000... it could be approved one and half years ago... made us non-certifiable standards. Now they are national standard organization that tries to make it certifiable standards. For example, in Denmark, we are actually certified toward ISO 2600. We look into the standards, and take it into our development, but at the moment, we do not have internal discussion that we should be certified again toward ISO. Maybe it will be changed, but its not major initiatives at the moment. It takes some years before we find the way to adapt it into our business.

**Interviewer:** We read the report that Arla joined global compact. Is there certain requirement Arla annually should take?

**Manager:** Yes. Global compact is initiated by Kofi Annan, who was the previous chairman of united nation. Very wise man in many ways. What he realized when he looked at the world, how we should make improvement for the different countries, especially not so developing countries. He saw that those... sum of all economic transaction within the company... umm... in the company it is called turnover... I think you know what I mean. Then, he saw that turnover of big multinational companies is much higher, bigger than
hundreds and hundreds of countries. Then he thought that if it takes a generation to change regulations in many countries, maybe we could make development in those big companies that have activities in numbers of countries. If they improve, they could be reliant within the countries, they get better circumstances for employees, these areas they are active. That is why he put together, united nations’ declarations, ILO, international labor organization declarations, put it in around environment and anti-corruption, so they are all these areas…

If you are member of global compact, Arla has been since the beginning of 2008, you should show you are working with all these to fulfil and improve all these declarations. Everywhere you are active… global compact is now the biggest organization when it comes to company’s organization, hundreds and thousands companies are active with global compact. That is why he is so wise because the improvements have been so much more now even though… they also affect … like if you get something in the water, the ring goes spreading, it spreads. In that way is the success of the global compact. It could be very much bureaucratic organization… all the members companies meet in different groups and we can give some solutions we have made to others and spread ideas, how it is possible to make improvement in different countries. So it is a really nice network. I use the network to find a way to implement… functions here in Arla.

**Interviewer:** Then, are there any incentives that encourage Arla to implement CSR? Like government financial supports or something.

**Manager:** No, no. Working on CSR is… I think the basic definition we use is… it should be voluntary from the company’s point of view. We include it within the business perspective, we include environment, society within business. We also do that within the interaction with our stakeholders around us. But it should be voluntary it is stronger if you do it voluntary. You do as much as needed to get money, for example, if you do it voluntary… but we need to keep this in mind that we are actually making profit by doing this. Then it will be self-running.

**Interviewer:** We think it is costly to actually practice CSR. How much does Arla spend on CSR annually?

**Manager:** I can say… that is the question I cannot answer. We do not have CSR
department, we have this job to support management, work together with management, but we are not CSR department. That is very clear from our CEO. This is connected to business, daily activities in all departments and should be in that way. Should not be that someone comes outside through the door and goes out the door again. It should be in what we are doing in a part of our business. This is the principle idea.

Of course what we do have is… we make a decision, some activities will cost, for example if we introduce with a blow system, just administration and implement of the system will be about 1 million SEK for the first year. That is something the company has to deal with because the implement cost should be self-financed. Probably we will find thing and improve it in different part, so we will pay back and pay for the cost hopefully. So we do not have a special department, besides, I know how much it costs to print out these reports and code of conducts, but those are very small compared to our total turnover. But if we should produce steam at dairy, most energy consumption at the dairy, so we can have a heat treatment at the dairy. If we should invest in new boiler to produce steam, if we should invest in new wood chips or biogas instead of oil, it will cost a little bit more, then we can discuss if it should be on CSR or can be on other account. Those costs are difficult to say how much they are, because they are connected to a part of investments. So they are some costs… and we can have some other products that we can give extra cost to cover by doing this activity… so I cannot give you an exact answer.

**Interviewer:** Is it also to split profits from CSR and activities from others?

**Manager:** Those costs and profits are very difficult to say… this is input. Decreasing production cost. But also for example, other area, if we know, work hard, get these ideas, really use these values… then you by doing that… for example, you are young professional, interested in the job, then you maybe apply for the Arla, then guess the job. You are qualified, ambitious, so much better than others, profits the company gets from you when you work at Arla is also hard to calculated. But this is actually… I asked almost all new youngs, why do you apply for Arla? Almost everyone says that before they think of applying, they read this (code of conducts), that kind of information. At least here in Europe, it is more and more important that your personal value are corresponding to the company’s value that you are applying for the job. If we have get a very qualified and ambitious person work with us, we can continuously develop ideas of our business. That
means a lot to us. But we never calculate the profits.

**Interviewer:** The company’s value is the same to employees’ values— they may find self-satisfaction?

**Manager:** If you think it is important for me— for me, women are men if they have the same job, it is my strong value, it could be hard to work at the company that says something completely different way... react completely different ways, maybe we are not so satisfied with the job. Because if you are really interested in environment— it is much easier to put all the best in what you are doing, which means you are doing is the important and improve the company. That is why the personal value, if it is in a line with the company’s value, it is much easier to do a good job— you are more content to think that “I like to be here” — if you think that is important to not to consume natural resources, then it could be fun to work with oil companies, that pump up a lot of fossil flues? No. That could be contradiction.

**Interviewer:** Talking about motivation of CSR, a company’s size is— more like to be sustainable and keep it self in the business, market place, and employees value self completion, self value and company value. Are there any other motivations behind CSR?

**Manager:** Besides there are, we talked about personal values, many managers and employees will think— “I will feel good” when I retire— “ya, I did. I think I contributed a little bit” . They can never deny personal things— at least we tried our best— They are very convinced the way we go, and that’s very good, they have continuous dialogues with the company. We must stay in business and sometimes we have to make decisions which maybe not the optimal at the moment, for example, we have to take a decision that is not perfect for environment, but we have to do because today we do not have techniques, and others are not affordable at the moment, will be in the next ten years, but today, we do not have— this balance is important.

The end of recording
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