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CORPORATE ENVIRONMENTAL RESPONSIBILITIES (CER)

A Case of Logistic Companies in Sweden

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ABSTRACT

Corporate environmental responsibilities of organizations have become an eminent consideration among organizational managers and scholars in recent years. Environmental issues have gained much momentum that virtually every group of stakeholders is now demanding environmental efficiency from contemporary organizations. This study investigated environmental practices of two logistics companies in Sweden with the aim to shed light on the measures taken by these companies in response to the environmental impacts of their business activities. We investigated: How and why are logistics service providers in Sweden responding to the demand for environmental responsible business practice?

Based on a qualitative research design, a case study was conducted with DHL and PostNord AB. The results of the study show that the case companies perform environmental practices to reduce the carbon emissions of their business operations due to stakeholders demand. The findings identify stakeholders such as, customers, the Swedish government and shareholders/investors as those that exert the most pressure on the case companies regarding their environmental practices and initiatives.

Keywords: Corporate environmental responsibility, Sustainability, Green initiatives, Corporate social responsibility, Logistics companies, Carbon dioxide, Greenhouse gas emissions.

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“Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning”. This quote by Winston Churchill has inspired me over the past years. To me this master thesis is the end of a new chapter in my life. I am very grateful to all those who support my choices in life, and I would like to send a special thank you to my family and friends for all their support all through these years. Thank you! (Duker, J)

Dedicated to my mother, my late father and my children: Celine De’Lois Duker and Queenetta De’Von Duker.

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1. INTRODUCTION

This chapter provides an overview of the study's topic. It highlights the study's background, description of the problem, research question and aim. The chapter's final section presents the outline of the study.

1.1 Background

On a global level, transportation is one of the major causes of environmental problems where transport of goods and services is one of the key drivers for the growth in carbon emissions, and has contributed about 15% of the total man-made CO₂ emissions (Fuglestedt *et al.*, 2008). Business activities often have implications on the environment, and this has raised debates about why business organizations have to organize their business operations in environmentally responsible ways. Within the European Union for example; the transport sector is the second largest contributor of greenhouse gas emissions accounting for about 25%, of which more than 70% is from road transport (European Commission, 2007). While other sectors managed to decrease their greenhouse gas emission by 15% between 1990 and 2007, the transport sector had an opposite turn with an increase of about 36% as a result of sharp increase in personal and freight transport (*ibid.*, 2007). The authors chose to explore the logistics industry in Sweden due to the industry's heavy reliance on transport in its daily business operations and its environmental impacts thereof. Studies have shown how significant the impact of transport is, both on businesses and on the environment (e.g., World Economic Forum, 2009; Fuglestedt *et al.*, 2008; Wu and Dunn, 1995). By implication, one would expect that, an efficient use of transport with renewable energy alone will go a long way to alleviate the negative impact of transport sector on the environment.

The environmental aspect of corporate responsibility of business organizations has been widely debated over the past decades as stakeholder's demands increase tremendously on organizations to be more socially responsible and environmentally conscious in their business operations. Porter & Kramer (2006) argued that social and environmental responsibility of organizations have become an inevitable priority for business leaders in every country, whereas Vogel (2006) maintained that neglecting environmental issues may be costly in the long run, and emphasized also on the impact that it can have on the legitimacy of the organization. Holtbrügge & Dögl (2012) wrote that there has been a significant change in global climate and environmental conditions, and argued that these changes have resulted in a growing public awareness of corporate environmental responsibilities (CER) as an important topic for both the business world and in academic literature. Other scholars have argued on the growing stakeholder's awareness and pressure on organizations concerning the pursuit for CER within their various fields (e.g., Sindhi & Kumar, 2012). An empirical example to this effect was the pressure that Greenpeace exerted on Shell to avoid dumping the Brent Spar in the Atlantic, which reveals the impact of non-governmental organizations engagement on environmental issues (Porter & Kramer, 2006). Literature on the broader concept of corporate social responsibilities (CSR) shows that the concept has gained momentum and become a management trend (Engwall *et al.*, 2010), and emerging global trend (Sahlin-Andersson, 2006). As such, Porter & Kramer (2006) argued that, in recent years; governments, activists, and the media are very proficient at holding organizations accountable for the social and environmental consequences of their business activities.

Likewise, scholars around the globe have cited many reasons why organizations are becoming more conscious about the carbon emissions of their business operations, e.g., through the use of governmental and intergovernmental laws, rules, regulations, legislations and directives, and also non-governmental voluntary agreements (VAs) (e.g., Sindhi & Kumar, 2012; Porter & Kramer, 2006). Hart (1995) applied the resource-based view of the firm (RBV) framework

with focus on environmental social responsibility, and concluded that, environmental social responsibility can create a dynamic capability that leads to gaining competitive advantage in certain types of organizations. Other scholars have argued that business organizations that incorporate corporate responsibility practices into their core management strategies stand to gain competitive advantage (Porter & Kramer, 2006; Owen, 2005; O'Dwyer, 2002; Coombs, 1995), reputation (Belz & Peattie, 2012: 128; Owen, 2005; O'Dwyer, 2002), legitimacy (Belz & Peattie, 2012: 128; Eriksson-Zetterquist, 2009; Vogel, 2005; Dowling & Pfeffer, 1975), harvesting shared value in a supply chain (Galleara, Ghobadianb, & Chena, 2012), an enhanced ability for recruitment of the most qualified employees (Albinger & Freeman, 2000), and cost savings in production (Porter & Linde, 1995). While other scholars have maintained that organizations cannot disregard issues relating to the environment because CER as a concept has a strong institutional support (Jose & Lee, 2007).

1.2 Problem Description

The discussion above reveals that business operations of some organizations have huge environmental impact where pressure has been mounted on certain organizations in recent years to minimize the impact of their operations on the environment (Jose & Lee, 2007; Porter & Kramer, 2006; Hart, 1995). On this basis, the authors channelled their focus towards the environmental work within the logistics industry. It is argued that the logistics industry's business operations have one of the biggest environment impacts that result to an increase in greenhouse gas emissions (e.g., World Economic Forum, 2009; Fuglestedt *et al.*, 2008; Wu and Dunn, 1995). Even though a lot of studies have been conducted on stakeholders as the drivers of the broader CSR concept (Sahlin-Andersson, 2009), corporate governance (Harjoto & Jo, 2011), corporate citizenship (Timonen & Luoma-Aho, 2010), and corporate sustainability (Przychodzen & Przychodzen, 2013), CER practices in the logistics industry have started to attract the attention of researchers according to Isaksson (2012). However, most of the literature and empirical studies regarding CER have mainly been directed towards the industry of manufacturing companies (e.g., Holtbrügge & Dögl, 2012; Hong *et al.*, 2009). Dahlsrud (2008) argued that relatively little has been done specifically on CER, which connotes that a particular focus on CER is needed in academic literature, and more importantly in relations to the logistics industry which has been relatively less researched according to Lin & Ho (2008). This study presents a case study of two logistics companies, and our ambition is to address the research gap by contributing toward an understanding of environmental practices within the logistics industry.

Furthermore, issues related to the environment and climate change have received a fair share of debate and discussions during the past years. It is argued that the business operations of logistics companies rely heavily on transportation of different kinds, which use fossil fuel that emits carbon dioxide which is harmful to the environment. With all of these in mind, we anticipate to be able to answer the following research question at the end of this study:

Research Questions: *How and why are logistics service providers in Sweden responding to the demand for environmental responsible business practice?*

1.3 Aim

Literature on CER mostly focuses on the environmental work and practices with companies that operate within the industry of manufacturing, but relatively less has been done on the environmental performance of logistics industry. In addition, stakeholders' demand is increasing tremendously in recent years on logistics companies' environmental performance. Thus, the aim of this study is to investigate what the logistics service providers in Sweden are

doing in response to the environmental impacts of their business activities. This study focuses on CER activities of logistics companies, and our ambition is to make a contribution that not only theoretically explains how and why the concept of CER has developed over the years but to achieve also a deeper understanding of how and why environmental practices are spreading among logistics service providers in recent years. Empirically, this study describes CER practices in the logistics industry with the aim of creating understanding for organizations and institutions by identify drivers and challenges of CER.

1.4 Research outline

This research comprises of six (6) chapters as follows:

Chapter 1 (C1) introduced the research background and description, formulated the research question, aim and presented an outline of the research. In the second chapter (C2), we present our theoretical background and previous studies that we deem relevant to our research question and aim. The third chapter (C3) outlines how we have conducted this study by presenting our philosophical views. The research approach and design, data collection, and how the data has been analysed are presented here in C3. In (C4) empirical findings from our conducted interviews are presented in this chapter. This chapter together with our theoretical foundation and other relevant secondary data will help the authors analyse the finding and eventually draw a conclusion. This chapter (C5) is where we will analyse the empirical findings in conjunction with the theoretical foundations with focus on our research question and purpose. In this final chapter (C6), a conclusion will be drawn and suggestions for future research are proposed.

2. THEORETICAL BACKGROUND

This chapter consists of different but related theoretical contributions that will serve as foundation for analysing our findings later on in the fifth chapter. Together with our empirical findings, the following theoretical background will help provide answer to our research question.

2.1 Definitions

Scholars have defined corporate environmental responsibility (CER) differently, (e.g., Dahlsrud, 2008; McWilliams & Siegel, 2000). However, for the purpose of this research paper; we will adhere to the definition by Gunningham (2009) on CER as practices that benefit the environment (or mitigate the adverse impact of business on the environment) that go beyond those that companies are legally obliged to carry out. The following terms are repeatedly utilized in this paper, and for easy understanding we will give a brief meaning to each of them. *Corporate Responsibility* (CR) is often used in this paper to mean the obligations that an organization is expected to deliver, and incorporates economic, social and environment. *ISO14001* is a standardized environmental management system that offers a framework that companies and organizations can follow in order to set up an effective environmental management program. Its certificate means that the company or organization is measuring and reducing its environmental impacts. *Sustainability Report* is used by companies to communicate their economic, environmental and social activities to depict transparency and compliance to rules and regulations.

2.2 Drivers and Challenges of CER

The process of adopting CER is easier for certain firms because institutional environment of organizations differ from one another (Isaksson, 2012; Furusten, 2013). Environmental sensitive organizations tend to respond relatively quicker to the call for environmental efficiency (O'Dwyer, 2002). Studies have shown that different factors drive an organization's effort to delivering its environmental obligations, e.g., the media (Aerts & Cormier, 2009); size of the organization and their environmental activities and disclosure (Aerts & Cormier, 2009; O'Dwyer, 2002). Aerts & Cormier (2009) concluded in their study about relationship between corporate environmental communication through annual report disclosures and press releases and environmental reports that negative media legitimacy is a driver of environmental press releases. The adoption of CER according to Isaksson (2012) poses a challenge to logistics companies, particularly those who try to develop and implement the initiatives towards their customers and or subcontractors. Similarly, Sindhi & Kumar (2012) argued that an organization can choose to violate an environmental standard if the expected penalty for the violation is smaller than the expected cost of compliance. Berns *et al.*, (2009) concluded in a survey of about 1500 worldwide business executives and managers that, many organizations do not have enough overall-plans with which they can successfully manage sustainability implementation and at the same time deliver positive financial results. However, Isaksson (2012) suggested that, for a logistics company to be able to successfully integrate CER into its business processes, the company needs to adopt and try to adapt the initiatives to its core business strategy and link them to its financial performance

As stated earlier, there has been increasing pressure on certain organizations to be environmentally responsible in order to minimize the impacts of their business operations on the environment. Although the sphere of pressure is not the same on all organizations to initiate CER practices, McKinnon *et al.*, (2010) highlighted that climate change is likely to become a major business driver over the next few years as organizations come under intense pressure to decarbonise their activities. The figure below (figure 2) presents some drivers and challenges of CER. These drivers of environmental practices and initiatives are identified to

understand how and why organizations go beyond regulations and compliance even though they are not pressured by society and or stakeholders to do so. The challenges that organizations face in practicing environmental initiatives are also identified in order to enhance the reader's understanding of the situation.



Figure 1, Drivers and challenges of CER (adopted from Isaksson, 2012; Berns *et al.*, 2009)

Drivers:

One of the drivers of CER is government policy and regulations. In many countries, government legislations, policies, regulations and directives play a vital role in driving positive environmental behaviour, e.g., fuel prices, taxes, subsidies, *etc.*, (Berns *et al.*, 2009). Another factor that drives CER practices is competitive pressure among organizations. Many organizations have '*jumped on the bandwagon*' to incorporate CER initiatives into their business in order to gain competitive advantage (e.g. Hart, 1995). Khanna *et al.*, (2007) concluded in a study where they compared economic incentives for organizations to participate in voluntary environmental programs (VEPs) and environmental management practices (EMPs) that big organizations and those that face greater competitive pressure were more likely to participate in VEPs, while organizations that were more innovative and those facing greater regulatory pressure were more likely to adopt EMPs.

In terms of the pressure from the media, Halkos & Evangelinos (2002) found in their studies that organizations whose managers perceived that environmental issues could affect their organizations public image were more likely to implement an environmental management system (EMS), e.g., ISO 14001. The media has been a strong driver of change in contemporary business, and has a strong influence on the public's perception of organisations. Pressure from customers is also considered as an essential driver of CER initiatives. Customers have become more environmentally conscious about organization's activities, products and services (e.g., IEA, 2013; Robecosam, 2013; Delmas & Burbano, 2011; Berns *et*

al, 2009). Pressure from shareholders and NGOs is considered among those factors that drive organizations to initiate CER practices. For example, investors agitate for the implementation of CER owing to its potential for new source of revenue, whereas NGOs have a strong and effective pressure on organizations for the same course but yet with different objectives (e.g., Porter & Kramer, 2006). Global Reporting Initiative (GRI) and United Nations Global Compact (UNGC) are examples of voluntary agreements (VAs) that focus on the sustainable business practices, and contain standards about transparency and ethical issues. According to Potoski & Prakash (2005), environmental management systems like ISO 14000 certification lead to environmental performance improvement.

Challenges:

There are some notable factors that bring setbacks to the progress of adapting CER by organizations. Among these factors is what is considered as compliance and regulators cost. Prakash & Potoski (2012) described regulatory and compliance cost as something with both positive and negative externalities and cited the downsides of compliance cost to be a voluminous rulebook with rigidity. The difficulty for organizations to keep abreast of regulatory requirements and compliance costs hamper the development of environmental initiatives. Even though some organizations would want to adopt new technologies to reduce the environmental impact of their business activities, the imposing costs can deter these organizations overall implementations. On this basis, Porter & Linde (1995) proposed that, by stimulating innovation, strict environmental regulations can actually enhance competitiveness and therefore partially or more than fully offset the costs of compliance.

Predicting the direct economic gains for organizations to participate in CER activities also serve as a challenge. Even though scholars have argued for competitive advantage as an incentive for adopting and adapting CER and other related benefits, e.g., legitimacy, reputation, *etc.*, (Belz & Peattie, 2012: 128; Galleara *et al.*, 2012; Eriksson-Zetterquist, 2009; Owen, 2005; Vogel, 2005; O'Dwyer, 2002; Albinger & Freeman, 2000; Coombs, 1995; Hart, 1995; Porter & Linde, 1995). Other scholars have discussed what is termed as a large upfront participating expense (e.g. Ervin *et al.*, 2013; Berns *et al.*, 2009) and the difficulty in predicting economic returns (Isaksson, 2012) as things that impede the positive development of CER practices. Scholars have debated the blur definitions of the broader concept of CSR (e.g., Sahlin-Andersson, 2006; Whitehouse, 2006), and by implication, the strategic prioritization of environmental issues varies among different actors in different industries and countries. Studies have concluded that big organizations, e.g., MNCs face a more complex environmental management practices which in turn can inhibit their ability to comply with a mosaic of regulations in different countries that can lead to greater risks from being found in non-compliance (Ervin *et al.*, 2013).

Drawing from the above discussion, we deemed it necessary to highlight on three different but related institutional theories, namely, the stakeholder's theory, legitimacy theory and isomorphism to give the reader a broader theoretical grounding and understanding about the topic discussed. Stakeholder's theory is the study's core theoretical concept, and the theory is used to explain how and why our case companies address environmental issues. Legitimacy theory is relevant to this study as it enable us to understand why the chosen case companies practice CER. Isomorphism which is the final theoretical framework will help us to explain why the concept of CER has become institutionalized among certain form of organizations and industries. Furthermore, we assume that environmental issues are often complex and difficult to understand because of the numerous stakeholders that are involved in an organization's CER formation. It can be argued that organizations must account to a multitude

of stakeholders with differing and often conflicting interests and at the same time, adhere to *hard laws* and regulations that are legally binding as well as voluntary *soft laws* and standards. Therefore the stakeholders' theory is used to strengthen the theoretical framework for this paper.

2.3 The Stakeholder theory

A lot of studies have been done after the stakeholder theory was first introduced by Edward Freeman in the 1980s. The stakeholder theory stems from the idea that the investors and or shareholders are not the only ones to whom an organization is accountable to, i.e., to extend the circle of stakeholders and the relationship that exist between an organization and its external environment in unification with its behaviour within the environment (Freeman, 1984). Since the introduction of the theory, other research from both empirical and theoretical studies has shown that organizations respond to multiple stakeholders and not only those with whom an organization has a contract (Gibson, 2000; Frooman, 1999; Rowley, 1997; Clarkson, 1995; Donaldson & Preston, 1995). This could be interpreted that organizations acknowledges and interacts with a multitude of entities. Freeman described stakeholders as "*any group or individual who can affect or is affected by the achievement of the firm's objectives*" (Freeman 1984: 25, cited in Rowley 1997). Donaldson & Preston (1995) discussing the stakeholder theory of corporation used the reference of surveys from the 1960's, 1970's and 1980's and concluded that it is ethically wrong for an organization to focus solely on the interest of shareholders without incorporating that of workers and customers for example.

After Freeman's initial definition, many other scholars have formulated other definitions that are somewhat different in scope. Clarkson (1995) maintained that an organization will not survive as a going concern without a continuous participation of its primary stakeholders, and stressed on the high level of interdependence between an organization and its primary stakeholder groups. According to Clarkson (1995), "*if any primary stakeholder group, such as customers or suppliers, becomes dissatisfied and withdraws from the corporate system, in whole or in part, the corporation will be seriously damaged or unable to continue as a going concern*". Secondary stakeholders on the other hand may influence the activities of an organization, but they do not engage in transactions with the organization, neither are they essential for the organizations survival but they may have the capacity to mobilize public opinion in favour or in opposition to an organizations performance according to Clarkson (1995). This distinction connote that the primary stakeholders are those that are directly involved in the value creation of an organization, whereas the secondary stakeholders are those that are not directly involved the value creation of an organization. Another exemplary distinction is the work done by Waddock, Bodwell, & Graves (2002), where they divided stakeholders into three categories: primary stakeholders such as owners, employees, customers, and suppliers; secondary stakeholders such as non-governmental organizations (NGOs), activists, communities, and governments; the third stakeholders includes the general societal trends and institutional forces.

In terms of CER activities of organizations, studies have shown that pressure from stakeholders compel organizations to initiate environmental management measures (Gunningham, 2009; Jose & Lee, 2007; Porter & Kramer, 2006). However, the differing scope of definition of who is an organization stakeholder is argued to have granted the possibility to freely interpret who can have an impact on the CER activities of an organization (Friedman & Miles, 2006, cited in Mainardes, Alves & Raposo, 2011). But even though logistics companies operate in a regulated business environment and must conduct their

business operations to suit certain environment requirements, these regulations come from different stakeholders where some are legally binding and others voluntary, however, Mitchell (1997) argued that environmental management regulations is a necessary tool for guiding the actions of a specific organization. Similarly, there is an argument by other scholars that different stakeholders exert different levels of pressure on an organization, and that the sphere of pressure exerted on an organization depends on the kind of institutional environment that the organization operates (Furusten, 2013). Regardless of the sphere of pressure, Larsson (2009) argued that environmental work needs to be implemented in everyday operations of organizations.

In Waddock *et al.*, (2002) stakeholder's categorizations, one may argue that stakeholders may serve different purpose and importance for how and why the organization should work with environmental issues. Climate change for example has been argued as one of the contributory factors of the increased awareness and concern for why the environment need to be protected (e.g., Kyoto protocol, 2013; European Climate Change Programme, (ECCP), 2013; Intergovernmental Panel on Climate Change, (IPCC), 2013; "an inconvenient truth" a documentary video in 2006 by Al Gore). In this way, the involvement of stakeholders and the transparency and accountability of organizations become those prerequisite conditions for successful CER practices according to Sindhi & Kumar (2012). Holtbügge & Dögl (2012) wrote that CER make organizations to take responsible actions with the goal to protect and improve on environmental impact of their business operations. Moreover, stakeholders may monitor organizations environmental performances through what is communicated by the organizations in the annual and quarterly reports. If this should be seen as the general societal trend, then one could argue that institutional forces have regulated the environmental activities of organizations. However, we assume that pressure from stakeholders on organizations to initiate environmental activities can direct the strategic plans of an organization towards crafting sustainable environmental strategies. The proceeding section will therefore elaborate on legitimacy theory which supports the stakeholders' theory and sort of explains why organizations engage in social, environmental and non-profit initiatives. Legitimacy theory is relevant to the study's research question and aim as it highlights and explains the behaviour of an organization. Legitimacy theory is also relevant in this study because the theory explains why organizations practice and initiate certain business activities over others.

2.4 Legitimacy theory

Institutional legitimacy is based on the idea that organizations have to act inside the borders that are socially acceptable. Organizations arrange their activities in accordance with the expectations of the society to strengthen its moral awareness, and show that they conform to external expectations in order to acquire the social endorsement that gives them the licence to operate (Eriksson-Zetterquist, 2009, O'Donovan, 2002, Dowling & Pfeffer, 1975). Institutional environment consist of the "*cognitive, normative, and regulative structures and activities that provide stability and meaning to social activities*" (Scott, 1995: 33). Scott (1995) underlined the essence of regulatory, normative and cognitive factors that affect an organization's decision to embrace any specific organizational practice that exceed the normal practice. Organizations respond most often to the coercive action of regulators in their institutional environment due to the fact that failing to respond to regulatory demands engenders significant risk to the organization's legitimacy and viability. The normative aspects according to Scott (1995) refer to the set of expectations within a particular organizational context, and it constitutes what is appropriate and legitimate behaviour. The cognitive factors of the institutional environment encompasses of the cultural elements that

govern choice often without receiving cognisant thought (DiMaggio & Powell, 1983). Scott (1995) maintained that there is no one institutional elements that dominate the others but instead, all the three elements have to be considered for an organization to obtain a broad understanding of the social phenomena of what is appropriate and acceptable in specific society under a given time period.

Legitimacy theory proponents advocate that organizations act in ways that are legitimate, and engage in social contract by performing certain desirable activities in return for acceptance and approval from the society in which it operates (Eriksson-Zetterquist, 2009; O'Donovan, 2002; Dowling & Pfeffer, 1975). To that effect, one could argue that contemporary organizations disclose sustainability reports as means of showing transparency and accountability to gain legitimacy, and to be perceived as a good corporate citizen. In this way, legitimacy is vital to the survival of the organization where certain agreements are reached between an organization and the society where legal, economic and social sanctions may be imposed on an organization if the social contract is not met (Dowling & Pfeffer, 1975). Scholars have expressed different but related opinions about the definition of legitimacy. For example, Suchman described that:

“legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). But contrary to the definition by Suchman (1995), Scott argued that *“legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws”* (Scott, 1995: 45). Whereas Deephouse & Suchman, (2008:51) maintained that, legitimacy is *“the acceptance by the general public and by relevant elite organizations of an association’s right to exist and to pursue its affairs in its chosen manner”*.

It can be deduced from the above definitions that organizations frequently ensure that they operate within the bounds and norms of their institutional environment. For the organization, it may be essential to ensure that their activities are perceived by stakeholders as being legitimate. One fact worth considering is that the bounds and norms (cognitive, normative, and regulative structures) are not fixed but instead it changes over time and this change may in turn oblige organizations to respond to ongoing changes in their operating environment. Government environmental regulations and directives for example can change over, and as such, an organization that has already incorporated the previous directive into its business operations and strategies may have to incorporate new changes. According to Thompson, Strickland & Gamble (2010: 48), an organization must conduct its businesses in an ethical manner and in accordance with socially redeeming values and business principles to avoid the pitfalls of scandal and risks associated with unethical strategies and operating practices.

One could also argue that an organization has the obligations of social contract which include the multitude of implicit and explicit expectations of the society on how organizations should behave. For the stakeholders or society of any organization, it is important that the business activities and operations of the organization are considered legitimate. This connote that any organization that lacks legitimacy or perceived as being illegitimate may have a hard time maintaining sustainable growth; good market share and profitability both on the short and long run. Organizational legitimacy affects the competition for resources and performance measures according to Deephouse & Suchman (2008). This may be due to the fact that organizations gain legitimacy from others, being it from its primary or secondary stakeholders. It is assumed according to legitimacy theory that society allows organizations to carry on operations if the activities largely meet their expectations. Furthermore, institutional

theory advocates that organizational survival is not determined only by material resources and technical information, but also on the organization's perceived legitimacy (Powell & DiMaggio, 1991). One could argue based on legitimacy theory that an organization may attempt to create certain agreement to fulfil certain societal values and norms, e.g., by disclosing the organizations environmental practices publicly in order to legitimize what they are doing. We assume that this practice can then be copied by other organizations within the field and this assumption leads us to the next discussion about institutional isomorphism.

2.5 Institutional Isomorphism

Isomorphism according to DiMaggio & Powell (1983) is when organizations facing similar environmental surroundings act and behave the same way. It has become corporate lifestyle for many business organizations to be considered environmentally responsible by performing activities beyond laws and regulations (e.g. Engwall *et al.*, 2010; Sahlin-Andersson, 2006). Even though such activities are 'voluntary' as stated earlier, organizations may perform them in order to satisfy their internal and external stakeholders. It is argued that contemporary organizations have a tendency for quick adaptation and changing their business procedures and practices, especially when there is a change in their business environment. Institutional isomorphism proponents have argued that organizations are affected by a geographical proximity to their competitors and often copy one another (DiMaggio & Powell, 1983). Similarly, Hawley (1968) stressed in the late 60's that organizations are influenced by their institutional environment and argued that organizations in the same environment are likely to behave in a similar manner and become isomorphic. Management scholars have pointed out that issues related to organizational isomorphism have received great amounts of attention in the management field and the institutional theory in particular (Tan, Shao & Li, 2013). However, the development of isomorphic behaviour among organizations became more outlined by the work of DiMaggio & Powell in the 1980s (Tan *et al.*, 2013). DiMaggio & Powell (1983) described isomorphism as the process where organizations become more alike in their organizational field, and argue that; "*Isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions*" (*ibid.*, 1983: 149).

In addressing the issues of organizational isomorphism, DiMaggio & Powell (1983) added that organizations compete not just for resources and customers but also for institutional legitimacy. The two types of isomorphism according to DiMaggio & Powell (1983) are competitive and institutional, and they identified three mechanisms of isomorphic institutional change, i.e., "*1) coercive isomorphism stems from political influence and the problem of legitimacy; 2) mimetic isomorphism resulting from standard responses to uncertainty; and 3) normative isomorphism, associated with professionalization*" (*ibid.*, 1983). The first mechanism, coercive isomorphism, according to DiMaggio & Powell (1983) originates from both formal and informal demands from other organizations, and coercive pressure comes from political forces with laws and regulations that control organizations. Different organizational communication tools like annual reports and other financial reports make organizations isomorphic by coercive mechanism, e.g. The Swedish governments and EU regulations and directives on carbon emissions, and financial reporting requirements according GRI guidelines. Mimetic isomorphism on the other hand appears mainly in uncertainties, and may lead organizations to imitate one another to become alike where the poorly performing organizations imitate well performing organizations. According to DiMaggio & Powell (1983), imitation can also give legitimacy to an organization because of the stakeholder perception that the organization in question have at least tried. Organizations most often imitate other organizations that operate within the same field as they are perceived

as *'role-models'*. Normativity is the last mechanism described by DiMaggio and Powell (1983) where they argued that organizations become homogeneous by normative mechanisms through professionalization. Professionalization comes from education and professional networks where isomorphism behaviour may arise through for example their disseminating of working and educational models.

2.6 Theoretical summary

CER initiatives in companies are institutionalized because of stakeholder's awareness of the negative impacts of business activities on the environment. Organizations have come to terms with the fact that, stakeholders' expectations and demands are paramount and have to be responded to, and also meet various legal and regulatory requirements and standards in order to gain legitimacy. Drivers and challenges of CER activities have been used in this study to examine how organizations use CER practices to interact with its institutional environment. Accordingly, stakeholder's theory, legitimacy theory and isomorphism, all institutional theories, show that organizations are expected to act in accordance with external expectations. Therefore, organizations may adopt CER practices in order to achieve social validation.

We used institutional theory to study the external pressure that logistics companies are exposed to. The three theories are used to demonstrate how and why logistics companies may use its CER practices to respond to external expectations and pressure to meet its societal obligations as environmentally responsible entities. Furthermore, it can be expected that logistic companies may respond and adhere to stakeholders concerns through adoption and adaptation of CER practices to meet stakeholder's expectations. This may be due to the fact that organizations may not have an inherent right to operate *'licence to operate'*, which is to say that the activities of that organization must be perceived as legitimate. The factors identified here in the theoretical background are relevant, and these factors and theories together with the empirical findings in chapter four will help provide answer to our research question and fulfil the study's purpose.

3 METHODOLOGY

In this chapter, the suitable approach to this study has been presented which includes the study's research design and method of data collection.

3.1 Selection of research topic and case companies

Environmental and sustainability reports show that Sweden is one of the most environmentally conscious countries in the world (Robecosam, 2013; IEA, 2013). This makes a study into how and why logistic companies are responding to environmental issues a necessity. Necessity in the sense that, green products will be greener if the value added by logistic companies' operations are conducted in an environmentally friendly manner. The theoretical background provides the foundation for this study with the purpose to investigate CER activities of two logistics companies (DHL and PostNord AB), and to examine how and why they are responding to stakeholder's pressure and demand for environmentally friendly business practices.

DHL and PostNord as choice of case study:

As previously highlighted, scholars have found that company size and industry's environmental sensitivity have effect on the industry and or company's CER practices. Research conducted using case study approach have shown that big organizations that operate within environmentally sensitive industries seem to be affected by their visibility and performance of environmental work (e.g., Aerts and Cormier, 2009; O'Dwyer, 2002). On the basis of these findings, DHL and PostNord AB have been selected as case for this study. The rationale among other things is that both companies are among the top players in Swedish logistics industry, they are multinational logistics companies with huge number of employees, and their business operations' heavy reliance on transportation which is argued to be among the biggest contributor of greenhouse gas emissions. It is imperative to remind the readers that the case companies have their differences in terms of ownership, e.g., while DHL is publicly owned, PostNord is solely own by the Danish and Swedish States (DHL, 2014a; PostNord, 2014a). Although the ownership structure of the case companies may influence the respondent's response, we are however not going to highlight any difference in terms of comparisons but instead the companies will be treated as a case in order to help fulfil our research aim. For simplicity, the two case companies will be briefly described to remind the reader of their presence in Swedish logistics industry.

3.1.1 Background to DHL

DHL was founded by Adrian Dalsey, Larry Hillblom and Robert Lynn in San Francisco in 1969 and the company is currently one of the largest 3PL1 companies in the world. DHL is a part of the Deutsche Post DHL group and it is present in over 220 countries and territories across the globe, making it the most international company in the world. According DHL 2013 annual report, the company has a workforce of 435,520 employees, a turnover of 55,085 billion euros and has operations in about 220 countries. Deutsche Post DHL (DP DHL) has four divisions, namely, DHL Express, DHL Global Forwarding, DHL Freight, and DHL Supply Chain (DHL, 2014a).

3.1.2 Background to Postnord AB

PostNord AB was founded in 2009 through the merger of two state-owned logistics companies - Post Danmark A/S and Posten AB in Sweden. Even though the Swedish state

¹ Third-party logistics provider abbreviated 3PL. They are logistic service providers (LSP) that provide service to customers of outsourced or specialized integrated operations, warehousing or transportation based on customer's needs or market conditions.

owns 60%; voting rights are equally shared. The company offers communications and logistics solutions to, from and within the Nordic region where the company delivers mail to private individuals and businesses in Sweden and Denmark, and have its headquarters in Solna –Stockholm. PostNord’s main services include mail & communication, logistics and e-commerce. The company is the leading communication and logistics company in the Nordic region. According to PostNord’s 2013 annual report, the company has a workforce of about 39000 employees and a turnover of about 40 billion Swedish Crowns. Strålfors AB is a subsidiary of PostNord, and Strålfors is responsible for sales and business development in relationship-building communication solutions (PostNord, 2014a).

3.2 Research design

Denscombe (2010) stated that the process of a good research is not dependent on a set of rules as to what is right or what is wrong but on the ability of the researchers to make strategic decisions on the most suitable approach and method of data collection to be applied. What we learnt from the above statement is that any approach could be employed while conducting a research and so is any method of data collection. We acknowledge that the appropriateness of our chosen approach and method of data collection is dependent on the purpose of this research and our ability to make sense of and argue for their selections. This follows Saunders *et al.*, (2009) argument that no research strategy is typically superior or inferior to any other, the yardstick between a suitable research strategy and other alternatives will be whether the chosen strategy enables the researchers to answer their research question and meet their research aim.

DHL and PostNord as units of empirical investigation:

Based on the above discussion, the authors decided to proceed with a case study design with a qualitative data collection for this study. Dahmström (2011) emphasized that when a study is intended to emphasize social context at depth, qualitative research approach is preferable. A qualitative data collection approach has been adopted for this study because it allows for flexibility, and it is also considered suitable for a study that seeks answers in words instead of numbers (Bryman and Bell, 2005). The focus of this research is set on understanding a context-specific phenomenon, i.e., to investigate CER activities of two logistics companies in Sweden. The authors believe that a case study design with a qualitative research approach serves our aim for this study as it provides a broader view on the subject investigated. As a result, access to detailed information became a necessity in order to be able to examine how and why our case companies are responding to stakeholder’s pressure for environmental responsibilities. This enables us to be able to provide our readers with an in-depth analysis and better understanding of the case companies’ environmental work. The two case companies became the places of investigation for the CER practices of logistics companies in Sweden, and as such the two companies also have a lot in common and thereby do not constitute “*two or more contrasting cases or situations*” (Bryman and Bell, 2005: 75).

By adopting a case study design, the authors have conducted a research that involved an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence, e.g., environmental reports, interviews, annual reports, *etc.*, (Robson, 2002, cited in Saunders *et al.*, 2009). Doing so, the authors were able to navigate deeper into CER activities of these companies with the aim of providing the reader an understanding of events, relationships, experiences or process occurring in environmental activities of the case companies (Denscombe, 2010). Similarly, we are through a case study approach also able to provide the reader with a comprehensive account of how the case companies are responding to the demand for environmental responsible business practice.

Although, there is no doubt to the fact that many of the characteristics of case study are not unique and could be found in alternative research designs. Albeit, when brought together, they form a broad approach to the research, with an underlying rationale for discretion and planning of an investigation that distinguish case-studies from surveys, experiment, ethnography and so on (*ibid.*, 2010).

Saunders *et al.*, (2009) discussed the logic of inductive and deductive, and stressed that the difference between the two is based on how information is gathered. Deductive and inductive research differs from one another in the sense that, while deductive research starts with a general theory and then narrows down with hypotheses which can be tested, inductive research on the other hand starts with a specific observation (Bryman & Bell, 2011: 11-14). However, an abductive research approach has been adopted in this study, i.e., we will neither adopt only inductive nor deductive but instead a combination of the two. This approach fulfils the study's aim and helps us answer the study's research question by combining our theories with our empirical findings. This approach according to Dubois and Gadde is a systematic combination when "*the researcher, by constantly going 'back and forth' from one type of research activity to another and between empirical observations and theory, is able to expand his understanding of both theory and empirical phenomena*" (Dubois and Gadde, 2002: 555).

3.3 Data collection

There are two types of research data, namely, primary and secondary data. While primary data are those gathered by the researcher, secondary data on the other hand are data gathered by someone else but it is available and accessible to the researcher (Saunders *et al.*, 2009; Sachdeva, 2009; Yin, 2009). In the process of conducting this study, data were collected from various sources e.g., the companies' websites, environmental and sustainability reports, three e-mail interviews and two face-to-face interviews.

3.3.1 Interviews

In collecting the primary data for this study, in-depth semi-structured interviews were conducted with two respondents each from the case companies. The main rationale for the two interviews was to acquire detailed insights into the CER practices of the companies. An e-mail interview with three other respondents was also conducted with the aim to obtain more insights into how the other divisions within the companies work with environmental issues and practices. Adopting semi-structure in-depth interviews gave the authors more flexibility and also the freedom and possibility for follow up questions in comparison with structured interviews, nonetheless, the semi-structured interviews will be difficult to replicate, (Robson, 2011; Bryman, 2004). During the interview process, one of the authors was in charge of the interview questions while the other took notes and asked follow-up questions when necessary. Both personal interviews were recorded and later transcribed, while e-mail interviews were analysed in order of importance to the study's research question and purpose. Respondent validation was conducted where the transcripts of the interviews were sent back to the respondents in order to avoid the risk of misunderstanding or misinterpretation, and minimizes the risk for inaccuracy or biased analysis (Yin, 2009; Merriam 1994). Among the reasons why the authors chose to conduct face-to-face interviews with two respondents and e-mail interview with three other respondents are the fact that: 1) the respondents have knowledgeable information regarding the formation of the companies' environmental reports, 2) they occupied positions that deal with issues as CER and thus possess a broad perspectives and understandings about their companies environmental operations and CER practices, and 3) the respondents had a long working experience about environmental issues and practice and in most cases perform review of environmental and or sustainability reports.

Name / Company	Position / Department	Interviews
• Fink, Susanna (PostNord AB)	• Senior Environmental Advisor (PostNord AB)	• Face-to-face interview
• Haarakoski, Jaakko (DHL)	• Nordic Countries Environmental Manager (DHL Supply Chain)	• E-mail interview
• Källbäcker, Michael (DHL)	• Quality & Environmental Manager (DHL Express)	• E-mail interview
• Öhman, Maria Nilsson (DHL)	• Environmental and Quality Manager (DHL Global Forwarding)	• Face-to-face interview
• Öhrnell, Ylva (DHL)	• Environmental Manager (DHL Global Freight)	• E-mail interview

Figure 2, Interviewees Profile (DHL and PostNord Sweden's Environmental Managers)

3.3.2 Sustainability reports and Environmental reports

In spite that we gathered really detailed and valuable information from the interviews, we wanted more data to complement the primary data gathered due to lack of access to more interviewees, and since the case companies communicate their CER practices and activities through their websites. We took the initiative to examine how the companies used sustainability, environmental, and annual reports to communicate their CER activities. In this process, the authors '*time lined*' the case companies environmental reports over a five year period, specifically from year 2009-2013. This time period is essential to both companies, e.g., DHL had initiated its GoGreen environmental program in 2008, while Posten AB and Post Denmark had just merged to form PostNord. This makes 2009 an interesting base year for this study. Moreover, having a five year *time line* from 2009-2013 would help strengthen the data we already gathered. The *time line* also shows a good description of the companies CER activities over time, and the findings thereafter were used in relation to the conducted interviews to understand the company's CER practices. Although in the best of worlds, conducting more interviews was intended; other managers in the case companies had little knowledge about their company's environmental work procedures and were therefore not able to answer our questions. DHL have four environmental managers for each of the divisions in the company and for that reason, we also deemed it necessary to have interview with each divisional manager to get a better understanding of the divisions environmental practices. PostNord on the other have one manager in charge of environmental issues and practices within the company, and as such it was not fruitful to interview other managers because these managers referred us to the company's environmental of whom we had already interviewed. Nevertheless, the quality of the gathered information from the reports has been sufficiently and significantly validated for us to draw the needed conclusion and to fulfill the aim and purpose for this study.

Furthermore, the *time line* tracks the past achievements, and environmental activities of the case companies and the authors are aware that organizations use these reports for other reasons, i.e., marketing purposes, which questions its credibility. However, the reports are useful data sources in this study for several reasons. Firstly, it provided valid information about stakeholder's expectations and pressure, as well as drivers and challenges of CER initiatives that involve logistics companies. These data has been used in this study to investigate stakeholder's pressure and how and why the case companies respond. All reports are available and accessible to the general public and other researchers, and as noted by Bryman and Bell (2007), the ability to replicate a study is important for establishment of the a study's credibility. Secondly, by using these reports, the authors could stay independent and distant from the subject of the research in examining how and why the case companies respond to stakeholder's demand for CER practices. Nevertheless, the case study conducted for this study only gives a view of two logistic companies CER practices. However, generalisation of the results of this research to all logistics companies, being it Sweden or abroad was not the central aspect of this study. Finally, we have documented the different steps in this study, and as such, an interview guide has been provided to this effect, (*see Appendix 8*).

4 EMPIRICAL FINDINGS

In this chapter, the case companies are presented as case 1 and case 2; then data gathered through interview with five respondents from the two case companies are presented and categorized in themes together with data from the case company's sustainability and environmental reports from 2009-2013.

4.1 Interview findings from CASE 1: DHL

We present our interview findings with the four environmental managers from the four divisions at DHL. The findings are categorized into four different sections, and these categorizations are done in accordance with some **themes used in the** theoretical background.

4.1.1 Drivers of environmental practices

On the question of what prompted the environmental initiatives at DHL, all four respondents had quite similar response that the initiative is part of the response to customers demand.

“Our customers demanded it as well as our shareholders and employees. Competition is another influencing factor. It is important to have the issues about the environment high on the agenda, it will be difficult to recruit young talent in the future if environmental programs are missing” (Interview, Öhman, 2014).

Öhman added that the customers also demand other services like lead time, which is very important and noted that customers demand that the delivery is done just in time, not too early and not too late. The respondent continued that some of DHL Sweden's biggest customers are very environmentally conscious. Öhman exemplified that,

“During the Chinese New Year, trains were cancelled, so DHL had to call the customer and offer an air transport for no additional fee, but the customer declined the offer, and insisted that because of the carbon emissions associated with air transport, the shipment can wait. The same customer asked DHL for the best environmentally friendly transportation solution and that the customer is willing to pay 20 percent more”.

According DHL respondents, all stakeholders are important but the customers are the most influential ones to DHL environmental performance (Haarakoski, 2014; Källbacker, 2014; Öhman, 2014; Öhrnell, 2014). Although, Öhrnell (2014) acknowledged the impacts of other stakeholders e.g., the government fiscal policies like fuel taxes, thus DHL cannot ignore the demand of such an important stakeholder. Haarakoski (2014) added that besides been a good corporate citizen as company, DHL must adhere to laws stipulated by the Swedish legislative body ‘*Parliament*’, due to the fact that any decision concerning a change of law about the environment directly or indirectly influences DHL business operations. The media are always involved in both spreading the good and bad deeds of companies, this make DHL to closely monitor environmental topics and issues on the media (Mail interview, Öhrnell, 2014). Two respondents mentioned that there is internal pressure within DHL as an organization to change and adopt environmental initiatives so as not to lose its market position (Mail interview, Källbacker, 2014; Öhrnell, 2014). Källbacker maintained that environmental matters are crucial to DHL but success in that regards is a result of how well DHL collaborates with its customers in achieving environmental efficiency. However, it is evident from the interviewees' individual response that the impact of stakeholders varies among the different division within the company.

Upon being asked the question of how DHL work to achieve the emission objectives and goals, Öhman replied that, DHL actively work with and set environmental objectives, and for the company to achieve their environmental goals and objectives, DHL works closely with both their subcontractors and customers on environmental issues. Both Källbacker and

Öhrnell added that DHL achieve its environmental objectives by collaborating with suppliers and subcontractors locally and globally. This justifies the response from Öhman on the same question that,

“Internally, it depends on where you are in the company, if you are in the supply chain division; you work a lot with your building because that is where your main environmental impact comes from. If you are working with global forwarding then it is your subcontractors, whereas, the express and same day divisions focus on reducing emissions from trucks/cars and airplanes”.

4.1.2 Responding to the call for environmental practices

Our respondents replied upon being asked how DHL respond to stakeholders call for environmental practices that their company works proactively in responding to environmental impact of its business operations in different ways, e.g., by providing gateway solutions. Ohman exemplified upon being asked what is meant by providing gateway solutions that often the customer’s goods do not fill the whole truck or an airplane, so DHL takes the goods to the cargo centre, where they build air freight pallets.

“You see, when goods/packages are received from different customers, there is need for route optimization, based on volume and weight. If you fill an airplane with cotton, it will be an ineffective transport because it will be too light and you still have to lift the plane to the assigned destination. Similarly, you cannot fill an airplane with steel because it will be too heavy, and you would not fill out the volume. So part of our environmental solution is to find the right mixture of goods from our numerous customers and optimize the weight and volume available in our trucks and airplanes effectively and efficiently” (Interview, Öhman, 2014).

This work process according DHL respondents is good for DHL in terms of cost and it is good for their customers because it is relatively lower rates but ultimately, it also is good for the environment to reduce the CO2 emissions. A respondent added that using train as main source of transport instead of road transport and ultimately, shifting from Air freight to Ocean freight would have been the most viable alternative. However, upon enquiring why the DHL do not shift from air freight to ocean freight or other environmentally friendly transport, Öhman added, it will be difficult for the company and exemplified that,

“There are quick deliveries that we cannot take by truck or sea, so there will still be those ones that will be transported by air. If our customers order air transports we provide it to them, but we have discussions with them on how to work with their transport trading.

Solutions that combine Air & Rail, Air & Sea are available for DHL customers according to our respondents. A respondent exemplified this that instead of using air freight from east of China to Europe, DHL take train to west of China and then fly to Europe, and by so doing DHL reduce CO2 emissions by about 40%, however, the reduction depend on factors like new or old airplane; loaded or not loaded, direct flight or not direct flight, *etc.* Öhman added that there are cases whereby the customer cannot wait because the sea travel may take about 40 days from South-East Asia to Europe, while air freight takes about 5 days; some customers can’t wait for that long, in such scenario, DHL take a boat to Dubai and fly it out to Europe.

4.1.3 Challenges with environmental initiatives

Öhman (2014) addressing the challenges that Logistics companies face and their environmental impact admitted that the whole industry is so oil dependent, and continued that although DHL work with different renewable fuels and other alternatives, it is ‘*a drop in the sea*’, if we think about it on a global scale, the industry is very fossil fuel dependent. The respondent added that competition also continues to rise with more companies coming into

the industry. Källbacker added that DHL is trying to reduce its dependency on fossil fuel by introducing hybrid cars, solar panels on DHL hubs, whereas the express division uses biogas. The strongest challenge to the *express division* according to Källbacker is availability of biogas and also biogas stations that are close to the distribution centres. By implication, the express division is in the process of switching to diesel because the demand for biogas is high and its becoming hard for DHL truck drivers to get access to biogas along their pick-up and delivery routes. Öhrnell highlighted that the *freight division* tests different renewable fuels but it is a challenge for subcontractors even though some renewable initiatives have been taken by some of DHL's subcontractors. Öhrnell stated another challenge whereby the costs associated with environmental issues are transferred unto the customers,

“if something happens in infrastructure, DHL needs to adapt of course; if there are troubles on the railways, this immediately impact on DHL operation and consequently its customers”.

Öhman discussed the issues about carbon emissions responsibility outside the borders of Sweden because Swedish CO2 emission targets measures emissions within Sweden, and the trend is the same within Europe. Whereas the biggest CO2 problem according our respondents is the long distance transport outside Sweden and Europe, e.g., Africa, South-East Asia, South and North America, etc. Öhman stressed:

“If you see it from the Swedish perspective, the Swedish government has stronger targets than that of the European Commission. My theory of the environmental problem is that, Swedish and European targets are strictly designed for only Sweden and Europe respectively, whereas, greenhouse gas is global problem because irrespective of where you drop it out, it goes around the world. Nobody is targeting that because it is outside their targets, and there is no global agreement that covers the whole world”

4.1.4 Integrating environmental initiatives in business operations

Haarakoski and Öhrnell emphasized on employee's involvement in environmental initiatives as an integrated part of DHL's environmental work, and exemplified waste handling, energy effectiveness and frequent meetings on environmental agendas, green services and training at different levels. Källbacker added that environmental efficiency has become part of everyday operations at DHL, for example, fleet and distribution routes optimization, construction of new buildings and facilities. In addition, DHL offer its customers the CO2 offset value added services through its GoGreen environmental program. Källbacker continued that the DHL works with customers through discussions about the most environmental friendly transport and other logistics activities. Similarly, DHL also work with their suppliers and subcontractors continuously and explain to them about DHL's environmental concerns and demands as well as DHL's customers' environmental concerns and demands. Öhman confirmed on the question of how DHL work to integrate environmental practices into the company's business operations that, the process of integrating environmental initiatives into the company's daily operation is an *on-going one* that incorporates employees, customers, subcontractors and suppliers. Öhman cited an example that DHL works a lot with its energy consumption within the company when it comes to employee's business travel and how these travels are conducted; do we travel by train or airplane? Öhman claimed that such discussions are important because it is impossible to calculate the total CO2 emissions, nevertheless DHL cares for the environment and there is pedagogical reason for its employees that the company engage on energy CO2 and energy efficiency even internally. All the respondents highlighted on DHL's environmental protection program - 'GoGreen' as the company's CO2 emissions reduction program. However, for the company to ensure accountability and transparency of its emission program, the GoGreen environmental program is annually verified by an independent certifying body, i.e., the Swiss-based Société Générale de Surveillance.

4.2 Findings from DHL Sustainability and Environmental reports

We present below some environmental data from DHL sustainability and environmental reports. These data contain information that has importance to our study but our respondents did not discuss thoroughly during the interview. Separating the two will give the reader a clearer picture of data from the respondents and environmental reports.

4.2.1 DHL's environmental performance from 2009-2013

According to the official website of DHL, the company launched their carbon neutral and environmental program *GoGreen* in 2008 with the primary focus to minimize DHL business operation's impact on the environment - CO₂ emissions (DHL, 2014a).

"GoGreen is a key strategic priority for our business. It brings together our efforts to manage our climate change impacts across all our divisions, regions and countries. It also helps us to manage our additional environmental impacts. With GoGreen, we are the first global logistics provider to set a measureable CO₂ efficiency target" (DHL CR report, 2010: 23).

GoGreen is part of DHL corporate strategy and is used in offering innovative and sustainable solutions to its customers. Even though GoGreen was launched in 2008, the first environmental report was issued in year 2003. In 2009 CR report, DHL maintained that, *"We assess our impact on the environment, the people who work for us, the communities of which we are a part and our relationship with our customers around the world, to ensure we meet our goals"* (DHL CR report, 2009: 10).

The aim with GOGREEN according to DHL is to increase the carbon efficiency of the company's operations and those of its transport subcontractors by 30% in year 2020 compared with the baseline year of 2007 (DHL, 2014b). In concrete terms, this means a 30% reduction in CO₂ emissions and other greenhouse gases emitted for every letter and every parcel delivered, every tonne of cargo transported and every square meter of warehouse space across DHL operations as compared to 2007 levels. However, this target according to the company is not limited to the emissions generated directly by DHL business operations, i.e., mail and parcel delivery, cargo transport, business travel, warehouse operations and so on, but also the emissions of greenhouse gases generated by DHL transport subcontractors (DHL, 2014c). This according to DHL is very vital owing to the core of its business activities, i.e., mail and logistic services,

"DHL is also aware of the many other ways its business activities affect the environment and DHL is working to limit these impacts" (DHL, 2014a). This awareness is highlighted in the company's environmental policy that, *"We acknowledge that our activities have a considerable impact on the environment. Leadership for us includes being a leader in terms of environmental protection - a key component of our business strategy"* (DHL Environmental Policy, 2010: 1).

To see what is said by the company about their stakeholders, we checked the company's latest corporate responsibility report (CRR). DHL stated in the 2013 CRR that,

"We maintain a continuous dialogue with our most important stakeholder groups: these include our customers, employees and investors, as well as suppliers, subcontractors, policymakers, administrative bodies and government regulators, the public, the media and NGOs. Our aim is to address current and emerging social and business challenges in collaborative, close exchange with our stakeholders"... *"We satisfy our customers, who demand continuous improvements to the speed and quality of our services, and reduce our impact on the environment"* (DHL CR report, 2013: 9, 21).

DHL is accredited in compliance with ISO 14001, which is the international recognized standard for Environmental Management Systems (EMS) and in compliance with ISO 9001:2000 to achieve the highest quality in the company's everyday work with their customers (DHL, 2014a). The reports below have been taken from DHL's CR reports and annual reports covering the period 2009-2013 (DHL, 2009, 2010, 2011, 2012, and 2013). In these reports, the authors were only interested in DHL's environmental practices, e.g., carbon emissions, green initiatives, packaging, transport, etc., thus other areas in the reports have been disregarded, e.g., economic and other social engagements. The idea is to strengthen the data gathered through the series of interviews; the authors made a five-year timeline on sustainability and environmental reports of DHL, and then summarized the company's environmental performance. This is done to provide the reader with an overview of the company's response to its stakeholders' environmental demands; and at the same time, to strengthen our analysis and enable us answer the research question and fulfil the aim of the study.

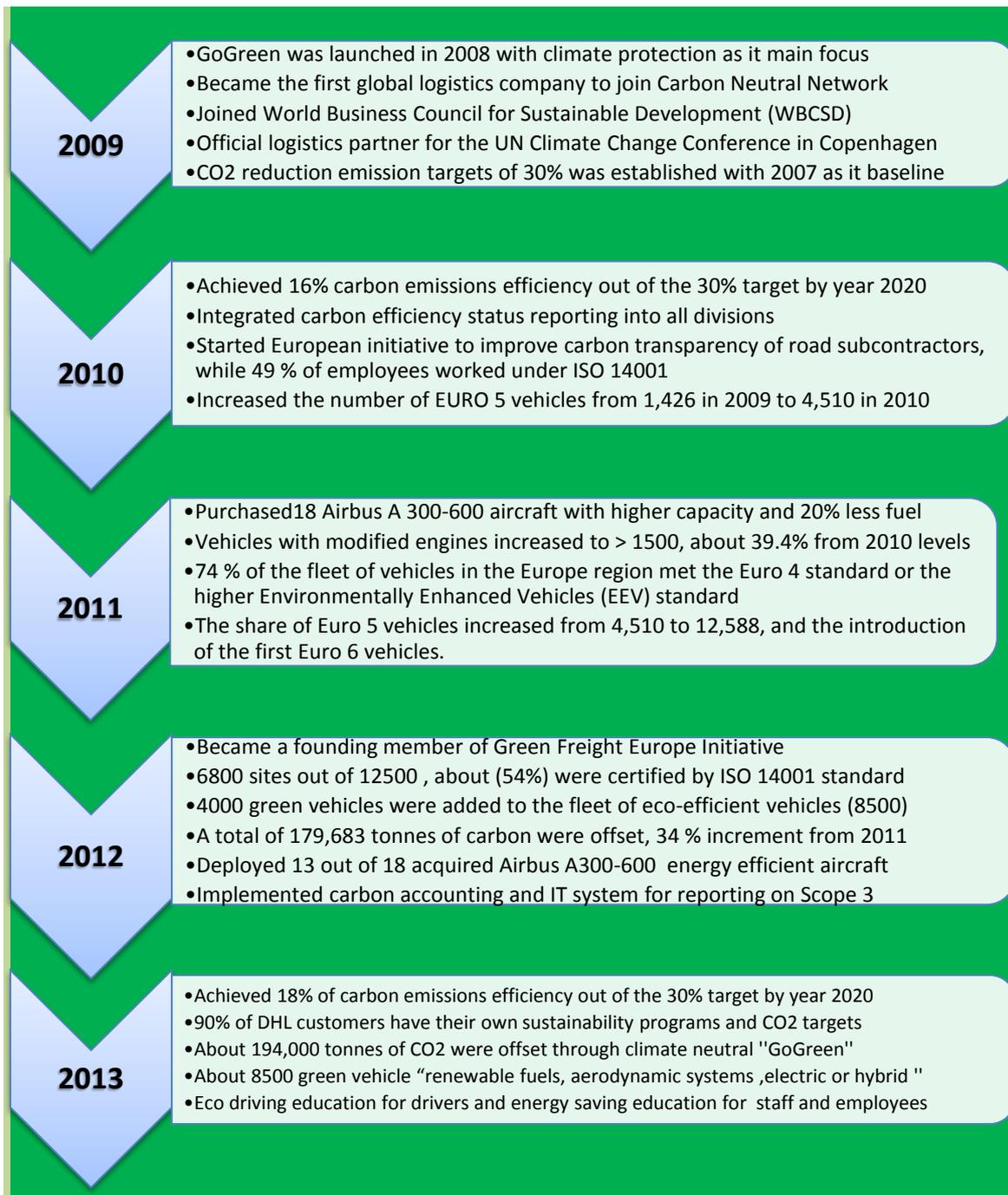


Figure 4: A timeline of DHL environmental performance covering environmental reports from 2009-2013

4.3 Findings from CASE 2: POSTNORD AB

This section contains a presentation of our interview findings with PostNord's environmental manager. The findings are categorized into four different sections, and these categorizations are done in accordance with some factors identified in the study's theoretical background.

4.3.1 Drivers of environmental practices

PostNord is owned by both the Swedish and Danish States, and both States have a long history of working with environmental issues, and as far as PostNord is concerned, environmental matters are high on their company's business agenda (Interview, Fink, 2014). According to Fink, there is an increasing amount of pressure from the owners (the States)

demanding PostNord to be constantly proactive about environmental initiatives ahead of its competitors. Being proactive on environmental matters are very important according to Fink, *“It is part of the company’s policies that PostNord should go before others in caring for the environment. Knowing that environmental consciousness and efficiency is a part of winning businesses, the owners have high expectations of the company, and are setting high targets as a result”* (Interview, Fink, 2014).

Fink continued that climate change is also of a growing concern for the company, and added that what is happening across the globe is not *‘a one country or one continent matter’*, and this makes it paramount for the company as a state owned company take more environmental responsibilities. Fink (2014) acknowledged other players in the logistics industry and stated that there is fierce competition and PostNord considers its competitors and looks at what they do as well. The company understands that taking responsibility for the environment and going before others grants competitive advantage. However, Fink revealed that competition is not the major driver of PostNord environmental initiatives, instead, the customers.

“The greatest driver for us is the customers and our owners. You see, the company owner’s sets high targets and have really high expectations on us. Our owners and customers are very influential on our work concerning the environment” (Interview, Fink, 2014).

Fink emphasized that PostNord customers are highly aware of the danger facing the environment and know that something has to be done about it, so the customers are demanding green product and services and PostNord is doing its best to meet that demand. *“We know that our customers are caring more and more about environmental practices because these customers’ own customers are making demands on them as well”* (Interview, Fink, 2014).

Fink added that being a state owned company raises the expectations of PostNord customers on their environmental performance, and stressed that from time to time, customers may demand specific emission reports; therefore, PostNord has to be ahead of its customers in terms of taking responsibility for the environment. When asked about government regulations and other institutional actors as drivers for positive environmental performance, Fink stated that the Swedish government gave a directive in 2008 that all state own companies should report according to GRI guidelines, and added that Posten Sweden now PostNord has been ISO 4001 certified since 1990s, and the company is also ISO 9001 certified on quality management standard; and has been a member of the United Nations Global Compact (UNGC) since 2009. PostNord is also a member of the environmental programmes within its international trade organization known as International Post Corporation (IPC), and among several others. PostNord considers other regulatory bodies as motivation for continuous environmental patriotism (Interview, Fink, 2014).

4.3.2 Responding to the call for environmental practices

Fink confirmed that the company has an overall target of 40% carbon emissions reduction by 2020, and stressed that CER is an important part of PostNord business strategy. Fink continued that the 40% emissions targets are further broken down into different small goals. In Sweden for example, PostNord has a lot of mails and parcels that go through their terminals. To achieve the company emissions targets, the company has built two new terminals mainly for mail: one in Hallsberg, close to Örebro which was launched in 2013 and the other in Rosersberg, north of Stockholm, close to Arlanda Airport to be launched in 2014. The two terminals are located within a short proximity to the railway station and the rail goes through the terminal buildings. One of the rationales is to reduce road transport which has a

'lion share' of the total carbon emission in Sweden (*ibid.*, 2014). Since road transport has a larger share of CO₂ emissions, PostNord finds it essential to reduce the impacts of its mail transport on the environment. Some of the steps PostNord has taking is its engagement in regular check-ups like changing of vehicle to more CO₂ efficient ones; testing new renewable fuels and energies, and route optimizations. PostNord has so far introduced a lot of electric vehicles, small delivery vehicles ranging from electric bicycles to club cars/golf cars *etc.* Fink added that the company is making special demands on its subcontractors for CO₂ efficiency programs, and mentioned that these demands are followed up though frequent third party audits.

4.3.3 Challenges with environmental initiatives

Fink reflected on the increasing demand on PostNord environmental responsibility, but also admitted that there are a number of challenges facing the logistics industry as a whole in implementing environmental initiatives. The company has targets and expectations, however, implementing and integrating all of them simultaneously is a huge challenge, not only for PostNord but virtually every logistics company. Fink cited that, '*it is almost impossible for any logistics company to be completely carbon neutral*', but highlighted on offsetting as a possible alternative. However, PostNord do not offset because the company has a lot to do within its own business and thus chooses not to offset but rather re-invest the resources that ought to be offset back into PostNord own business.

"There is nothing wrong with offsetting, nonetheless, it is essential for PostNord to deal with its own emissions within our operating environment before offsetting anywhere else" (Interview, Fink, 2014).

Another issue with proper implementation of environmental practices is the difficulty in accurately measuring the carbon emissions, i.e., calculating the international emission figures according to Fink.

"Emissions from transport of goods from Sweden to the United States for example or any other country outside the boundaries of Sweden is difficult to calculate because PostNord environmental emission data ought to be for the entire transport or route, however, there is no reliable data for what happens outside the borders of Sweden, and even if such a data exist, there is also the risk of double counting" (Interview, Fink, 2014).

Controlling the carbon emissions of their subcontractors is another challenge according to Fink, and noted that '*PostNord cannot change all its fleets of cars at once, neither can they own all trucks/cars, ships and or airplanes*', because embarking on such an initiative will be very costly program, and above all ineffective and inefficient, thus subcontractors are needed. Margins are also quite low in the logistics industry and customers' willingness to pay extra is another challenge.

"The issues about the environment ought to be on everybody's mind so everybody thinks about it so it sits on the 'back bones' of people, and more importantly, the understanding that improvement on environmental efficiency is a continuous process" (Interview, Fink, 2014).

4.3.4 Integrating environmental initiatives in business operations

As far as PostNord is concerned, Fink pointed out that the implementation and integration of environmental initiatives into the company business activities is an on-going process. PostNord has set up a fund that is called '*environmental fund*' and that is a kind of offsetting but for the company's internal activities, for example, employees themselves sometimes invent different ideas and suggestions for different environmental efficiency projects like changing lights and buying electric cars. This initiative within PostNord has helped

employees to get actively involved in environmental projects. The idea behind the environmental fund is so that all employees get to know about environmental related issues and thus a collectively strive for environmental efficiency (*ibid.*, 2014).

The ISO14001 certification requires that all the company's employees have at least some basic information and education about the environmental consequence of the company business operations. On this basis the company have a web-based platform for educating employees about the environment. In addition, PostNord offers information on its website, provide employees with magazines with articles that describe how and what the company is doing in terms of the environment. The web based education is mandatory for all managers and specialists. Truck and bus drivers for example need to know how to optimize each route to avoid running same route at multiple times when they are out driving and distributing mails and parcels. Managers on the other hand need to have a better grasp on environmental issues according to Fink.

4.4 Findings from PostNord Sustainability and Environmental reports

We now present some environmental data from PostNord's sustainability reports. These data contain information that has importance to our study but our respondent did not discuss thoroughly enough during the interview. Separating the two will give the reader a clearer picture of data from the respondents and environmental reports.

4.4.1 PostNord's environmental performance from 2009-2013

PostNord AB continued its environmental practices after the merger in 2009 between the two state-owned logistics companies - Post Danmark A/S and Posten AB in Sweden (PostNord, 2014a). PostNord Climate Fund is the company's environmental tool for reducing the carbon emissions of its business operations on the environment. Allocation of resources has been an ongoing project within the companies in an effort to reaching the carbon emission target of 40% by 2020 with 2009 as base year (*ibid.*, 2014a). Also, being proactive on environmental matters is something that is very important for PostNord, and stated in the company's 2013 annual report that,

"In 2012 the government turned to the boards of state-owned companies and imposed sustainability target management requirements" (PostNord Annual Report, 2013: 49).

The company have a goal to dramatically reduce their carbon emissions because of customer's demand, and stated that, being environmentally sound choice for their customers is part of the company's vision. This is demonstrated in their annual reports as something that has become part of the company's policies to go before others in caring out environmental practices because to the company, environmental consciousness and efficiency is a part of winning businesses apart from the owner's high expectations. On the issue about customers as drivers of environmental practices, the president and group CEO of PostNord, Lars G Nordström mentioned that,

"Quite simply, we've decided to be an environmentally sound choice for our customers" (PostNord Sustainability Report, 2009: 3). *"Our operations require various types of transportation. Reducing our consumption of fossil fuels is one of the group's highest priority initiatives in order to achieve our long-term environmental goals"* (PostNord Annual Report, 2013: 59). *"Many corporate customers have their own ambitious environmental targets and look beyond their own operations. Customers demonstrate interest in and impose requirements for specific environmental data for the services they buy, environmental and quality certificates, the use of alternative vehicle fuels and training drivers in fuel-efficient driving"* (PostNord sustainability report, 2012: 21).

A statement from the 2010 sustainability confirmed that competition is driving changes in the logistics industry. PostNord wrote that the company is exposed to intense competition in the communication area, primarily from digital alternatives, which results in declining letter volumes. This substitution effect means that the company must adjust its operational capacity and costs in order to adapt to a changing market, where pressure on prices has affected both the communication and logistics businesses (PostNord Sustainability Report, 2010: 8). The company has a supplier code that requires suppliers to take responsibility for their subcontractors' compliance with PostNord's requirements (PostNord Annual Report, 2013: 62).

“PostNord operates in a competitive market, where market changes and position shifts may present challenges to PostNord’s competitive advantage and profitability” (ibid., 2013: 96).

As stated earlier in chapter 3, the authors had relatively limited access to primary information at PostNord, thus the five years' *timeline* is absolutely necessary as it complements the primary data collected through interviews and it boosts the argument in this research. The figure below presents an overview of how PostNord works with, initiates and responds to environmental concerns of its various stakeholders between 2009 and 2013 respectively.



Figure 5: A time line of PostNord environmental performance (adopted from environmental reports from 2009-2013)

4.5 Summary

Both case companies' issue sustainability reports each year with the aim of reaching out to their stakeholders about their social and environmental responsibilities, among other things. These reports do not only cover the company's environmental activities, but rather a combination of social and economic aspect of their corporate responsibilities. However and as stated earlier, the authors in this study have only focused on the environmental part of the case companies corporate responsibilities. DHL issued its first environmental report in 2003 whereas PostNord wrote in the 2009 Annual report that: "*Environmental efficiency has been a common denominator in Post Danmark's and Posten's environmental goals to date*" (p. 13), however, the first sustainability report after the merger was published in 2009. Furthermore, the case companies have different carbon emission goals, DHL has emissions reduction goal of 30% by 2020 with 2007 as its base year (DHL, 2014a), while PostNord aims at a carbon emissions reduction of 40% by 2020 with 2009 as its baseline year (PostNord, 2014a). As at the end of 2013, DHL and PostNord had achieved 18% and 16% respectively out of their emissions reduction targets. Both companies review their environmental activities performed during the year, and make projections of different goals and targets as well as environmental strategies for the year(s) ahead. See the timeline in figure 4 and 5 for a summary of the case company's environmental projects and practices covering year 2009-2013.

5 ANALYSIS

This section presents the analysis that is based on the study's theoretical foundation and empirical findings from the case companies. This chapter is divided into four sections in order to provide the reader with a clear picture on how and why the case companies in greening their business operations.

5.1 Stakeholders: Drivers of CER

According to the findings presented in chapter four, the results indicate that environmental issues are of great importance to both case companies and their business operations. Working with environmental issues and incorporating different measures that together help decrease the total CO₂ emissions of the case companies business operations are deemed very important. One of DHL respondents answered,

“It is important to have the issues about the environment high on the agenda; it will be difficult to recruit young talent in the future if environment programs are missing” (Interview, Öhman, 2014).

This quote is in line with Albinger & Freeman (2000) argument that performing environmental related activities enhances the organizations ability to recruit the most qualified employees. The aim of this paper was to show how and why logistics service providers are dealing with environmental demands they are faced with. In order to answer the first part of our research question; we deemed it necessary to identify who expectations the logistics industry is responding to. And as it happened, the findings indicated that customers are the most influential drivers of environmental management programs for the case companies. The respondents clearly expressed that there has been a strong customer pressure on their companies to initiate environmental-efficient program into their core activities, and this is also evident in the environmental and sustainability reports of the case companies in recent years. Interestingly, environmental consciousness is beneficial on the long run and as PostNord respondent puts it, *“Environmental consciousness and carbon efficiency is a part of winning businesses”* (Interview, Fink, 2014). This is in line with previous research’s argument and belief that environmental responsibility could be used to gain competitive advantage; reputation and be perceived legitimate (Porter & Kramer, 2006; Owen, 2005; O’Dwyer, 2002; Coombs, 1995; Hart, 1995).

In order to understand how and why the case companies deliver and improve on their environmental responsibilities; the authors delved into the most recent five years sustainability and environmental reports of both companies. Interestingly, the companies appeared to be indifferent (to a great extent) in how they deliver the environmental obligations expected of them. For example, DHL and PostNord identified “Customers, Shareholders or Owners, Governments” as the main stakeholders for their environmental practices. All five respondents regarded their customers in Sweden as the most influential drivers for environmental efficiency, because the customers own customers have exerted pressure on them to reduce their carbon emissions on the environment. This confirms the statement by Freeman (1986) that organizations’ obligations are not limited to meeting and exceeding the expectations of its owners and shareholders but their obligations are extended to all stakeholders, as well as relationship that exist between an organization and its external environment in unification with its behaviour within the environment. PostNord on the other hand acknowledges its owners as the next key influential stakeholder and as the main initiator or how to respond to the environmental related requirement. Fink stated, *“It is part of the ownership policy of PostNord that we are proactive and go before our competitors in environmental issues”*.

The annual and sustainability reports of the case companies identify two different groups of stakeholders, namely, internal and external stakeholders, and this is acknowledged by Clarkson (1995) distinction of primary and secondary stakeholders. Waddock *et al.* (2002) added the general societal trends and institutional forces as the third stakeholder. Societal trends are identified in the company's annual, environmental and sustainability reports as another important factor that pressure them into environmental practices. PostNord and DHL highlighted that their stakeholders have expectations on them to take responsibilities for the impact that their business operations on the environment. PostNord acknowledged in its 2013 annual report that:

“Most of PostNord’s business involves the transportation of letters, wares and goods from one point to another. Carbon dioxide emissions from transport account for the lion’s share of the group’s environmental impact. 91% of the group’s total carbon dioxide emissions are related to transport. Reduced consumption of fossil fuels is therefore one of PostNord’s highest priority initiatives in order to achieve our long-term emissions target” (p. 59).

The companies acknowledge the impact of its business on the environment and have put in place different measures to reduce their carbon emissions; however, these measures are often instigated by stakeholder's pressure, e.g., customers demand; the Swedish government directives on environmental practices. The Government and customers as stakeholders can affect or is affected by the business operations of these companies and their environmental work and practices based on the stakeholder definition by Freeman (1984). This indicates that stakeholders such as government, customers and investors/shareholders have an enormous possibility to impact the environmental practices of logistics companies (Sindhi & Kumar, 2012; Gunningham, 2009; Porter & Kramer, 2006). The pressure on logistic companies by stakeholders to take environmental responsibilities can be understandable due to the huge environmental impact of their business operations. It can be argued based on response from the interview, and the company's sustainability and environmental reports that the companies are bordered by pressure from different stakeholders that are asking for environmental responsibilities. This correlates with previous research that organizations respond to multiple stakeholders and not only those with whom an organization has a contract (Gibson, 2000; Frooman, 1999; Rowley, 1997; Donaldson & Preston, 1995; Clarkson, 1995; Freeman 1984).

The respondents maintained that without the support and loyalty of such stakeholders as customers, there would be little or no financial gains, and stressed the fact that environmental issues are so high on their business agendas. However, we are yet to know why this sudden care about the environment. The activities of logistics companies have a negative impact on the environment, and as PostNord stated, 91% of their CO₂ emissions comes from their transport operations. However, the case companies maintain that they have a long tradition of working with issues that concern the environment, but working with environmental issues is a continuous process. Nevertheless, the environmental practices of these companies became evident only during the past decade which may have a lot to do with the recent stakeholder's pressure such as government rules and regulation, and customers demand. For example, Fink (2014) pointed on the Swedish government directive in 2008 that all state own companies should report according to GRI guidelines was a huge step and wake up call for most companies.

The interviews and the companies' respective environmental reports indicate why it is paramount that logistics service providers respond to their stakeholders demands and deliver the expected environmental obligations. One of the reasons is the risk of damaging the company's relationships with directly vital and powerful stakeholders, e.g., customers and the

government. Accordingly, Fink (2014) stated that this is very essential and even more important for PostNord that is a state owned, and also in line with the theoretical notion which in this case implies that the state as a stakeholder and because of its stake in PostNord becomes overly engaged in the environmental endeavours of the company. As stakeholder analysts such as Donaldson & Preston (1995) and Hart (1995) highlighted, certain stakeholders have the power to affect organizations activities and performance significantly that organizations cannot disregard the demand from such stakeholders, e.g., government regulations. This makes the stakeholder theory an important concept to utilize when identifying the relationship between organizations and the society (Waddock *et al.*, 2002; Gibson, 2000; Rowley, 1997; Donaldson & Preston, 1995).

There is a clear link between stakeholder's pressure and the study's case companies environmental practices. Stakeholders involves a wide range of groups (Waddock *et al.*, 2002; Clarkson, 1995), and these stakeholders often have conflicting interests for what organizations should do to become 'good corporate' environmental citizens. Customers are regarded as the main drivers that propel the case companies to initiate environmental programs. According to Öhman (2014), customers may have conflicting demands, for example lead time is considered as an essential factor for customers in patronizing logistics services. However, the fastest means of transport may also be the biggest contributor of greenhouse emissions, e.g., using airplanes, thus a dilemma for the logistic service providers. This indicates that it may be impossible to completely eradicate the use of airfreight since there are certain express shipping services that have to be executed by air. As Öhman (2014) admitted, "when customers order airfreight service, DHL delivers, regardless".

The different targets of the case companies and the logistics industry in general exhibit signs of following government regulations, EU-directives and institutional pressure to perform environmental practices or be outperformed by competitors. This is demonstrated by the environmental targets of the case companies, DHL have a carbon emission reduction of 30% by 2020 compared with the baseline year of 2007 emissions levels, while PostNord on the other hand has a target of reducing its overall carbon emissions by 40% by 2020 using the baseline of 2009 which is 10 percent more than DHL's projection. However, both case companies are ISO 14001 certified; UNGC members and use GRI guidelines for their environmental reporting. Thus as Khanna *et al.* (2007) concluded, organizations that face greater regulatory pressure were more likely to adopt environmental management practices (EMPs), whereas organizational managers that perceived that environmental issues could affect their organizations public image were more likely to implement an environmental management system (EMS) (Halkos & Evangelinos, 2002).

5.2 The challenges to adopting environmental initiatives

Associated costs of adopting environmental initiatives versus customers' willingness to pay have been identified according our findings as a challenge. Stakeholders' demand for environmental efficiency continues to rise and as Prokash & Potoski (2012) put it, even though some companies may successfully adopt environmental initiative, the increasing requirements and compliance cost may impair total integration of the new initiative to their business operations. Although none of the respondent's emphasis much on the cost associated with actually being environmental friendly, a huge sum of money has been invested by both companies towards their environmental programs which correlate with Berns *et al.*, (2009) findings that costs is one of the possible challenges to the adoption of environmental initiatives. Öhman (2014) admitted that regulatory demand is extremely high in the industry, particularly in Sweden and that even though the energy industry is relatively more

environmentally efficient, the whole industry is too oil dependent which poses an enormous challenge to the industry's environmental contributions. Even though a lot has been done during the past decade through the introduction of other renewable fuels, for example electric cars, all respondents maintained that it is '*a drop in the sea*' considering the climate changes and carbon emissions at the global stage. The last statement is true and sort of explains the complexity of the phenomenon, as it makes one wonder how much a single company could deliver, environmental-wise, to make a significant contribution to the world.

There are low margins in the industry due to competition according to our findings, which means that there is a negative correlation between customers' demand for environmental friendly products and services and their willingness to pay the little extra. Fink (2014) propagates that environmental matters ought to be embraced by everybody as a collective responsibility, which could be interpreted that customers ought to demonstrate the willingness to support the cost. Friedman (2006) reminds us that '*the business of business is business*', and that is in accordance with Berns *et al.*, (2009) conclusions that many organizations do not have a complete overall-plan to successfully manage sustainability implementation and at the same time deliver positive financial results. However, four of the five respondents (including PostNord) appeared isomorphic in their response that the effort to integrate environmental initiatives completely into core of their business operations is an on-going process and similarly, three of them added that total integration may take some time.

Ervin *et al.*, (2013) assumption that MNCs face relatively tougher challenges and greater risks than their domestic competitors, can however not directly be applied to PostNord and DHL since no results could confirm it. As we gathered, PostNord has relatively higher level of pressure from its owners, although one may argue that this is due to the fact that the company is owned by two states. The assumption could be valid in the case of a developing country, or other countries that are not regarded as highly environmentally mindful. Data gathered from the interviews as well as the companies environmental and sustainability reports reveal that '*everyone is minding his/her own business*'; and that optimal reduction in carbon emission can only be achieved when CO₂ emissions and other environmental related problems are seen as a global issue and treated as such. As a respondent emphasized, there are blur boundaries as to who is responsible for which environmental impacts; what proportion of air pollution for example is generated by DHL and PostNord; or how to measure the carbon emissions outside the boundaries of Sweden. The challenge arises because for example, the Swedish environmental and emissions targets are often limited to the country alone whereas, CO₂ emissions from one company/country could spread beyond its vicinity to become a country's or global problem in the increment of greenhouse gases.

Consequently, both companies have taken upon themselves the responsibilities of educating their customers across the globe on climate issues and offering them more environmental friendly alternative logistics services. As stated severally earlier, the operations of logistics companies rely heavily on transportation, thus internalizing all business activities will be extremely costly, ineffective and inefficient according the respondents. The challenge of overseeing the entire environmental activities of the DHL and PostNord various subcontractors is a huge problem. Because, virtually all companies in the logistics industry subcontract several aspects of their business operations, which pose a huge challenge on the proper implementation of CER, since no logistics company can boast of environmental efficiency of its subcontractors' operations according the respondents (Fink, 2014; Haarakoski, 2014; Källbacker, 2014; Ohrnell, 2014; Öhman, 2014).

5.3 Legitimacy: Responding to the demand for environmental initiatives

The aim of this paper is to shed light on environmental activities of logistics service providers in Sweden by investigating how and why the case companies respond to stakeholders demand on environmental practices. Our empirical findings have shown among other things that the case companies engage in and invest in environmental matters in order to gain and maintain legitimacy, which confirms the relevance of legitimacy theory to this paper. Organizational legitimacy scholars advocate that organizations act inside the borders that are socially acceptable and organize their activities in accordance with the expectations of the society to strengthen its moral awareness and to gain legitimacy (Deephouse & Suchman 2008; Scott, 1995; Suchman, 1995; Wood 1991; DiMaggio & Powell, 1983). This connotes that organizations frequently ensure that they operate within the bounds and norms of their institutional environment. DHL and PostNord partly demonstrate their environmental responsibilities through the ambition of integrating environmental initiatives into their core business operations. It can be argued that this integration can have a positive impact on the company's legitimacy if it is implemented through proactive environmental strategies. Another dimension to this could imply that environmental responsibilities of business organizations are then accepted as a norm for sustainable organizations (Sindhi & Kumar, 2012; Gunningham, 2009; Porter & Kramer, 2006). However, their legitimacy only increases if their activities are organized in accordance with the expectations of the society in order to acquire the social endorsement that gives them the licence to operate (Eriksson-Zetterquist, 2009, O'Donovan, 2002, Dowling and Pfeffer, 1975).

Several stakeholders have been identified as drivers of environmental initiatives. The customers of the case companies put pressure on them, and as argue by the respondents and highlighted through the company's sustainability reports; the customers own customers pressure them to take responsibilities for the environment. The customers pressure the companies to issue environmental report that covers and shows the tangible and visible environmental activities that have been carried out over the year(s) where the company specify what environmental projects that are been carried out and those yet to be carried out. These environmental targets and projects serve as a communication tool for the companies. This is to say that *'action speaks louder than voice'*, and as such, it is evident in the case companies sustainability reports about how much carbon emissions that they have achieved over the year(s), and the fact that DHL and PostNord are able to quantify this with figures contributes to the perception or assumption that the actions of an entity are desirable, proper, or appropriate according to Suchman (1995), which in turn grant legitimacy. According to PostNord 2013 annual report, the company have achieved 16% reduction in CO2 emissions compared to 2009 out of the 40% target by 2020 whereas DHL shows 18% carbon emissions efficiency compared to 2007 out of the 30% target by year 2020. DHL and PostNord through these figures about their environmental achievements may increase their legitimacy and reputation on environmental issues, and as advocated by Powell & DiMaggio (1991), an organizations survival is not determined only by material resources and technical information, but also on the organization's perceived legitimacy.

Furthermore, the Swedish government as a stakeholder also pressure the case companies to adopt environmental reporting tools like the GRI, and also the third party verification of their reports, thus increasing its trustworthiness, credibility, accountability and transparency. The environmental and sustainability reports also indicate that the companies are working with energy efficiencies, an example, in the case of PostNord is that instead of sorting at the terminal, and transporting to the railway station where it is then transported to the respective regions/districts or cities, the company has built and launched two terminals in Hallsberg and

Rosersberg, all close to the rail ways where the rail passes through the terminals. This is one way of conducting businesses in an ethical manner and in accordance with socially redeeming values and environmental business principles (Thompson *et al.*, 2010). These among many other measures are being taken by the case companies to reduce the company's overall carbon emissions, and also in the effort of achieving the company's emissions targets. This can be interpreted as a way of showing environment commitments that lead to legitimacy, thus a 'licence to operate' by the society (Eriksson-Zetterquist, 2009).

5.4 Integrating Environment Initiatives

Crafting strategies that best suit and fit the integration of environmental practices is considered paramount by the case companies. The work on environmental issues has become part and parcel of the case companies' business agendas. Four of the respondents stated in their response that environmental efficiency and its integration into daily operation is an on-going process, which means it is a collective responsibility because it is impossible for logistics companies to be completely carbon-free in their operations, but if properly integrated into daily operations, carbon emissions could be reduced to a reasonable minimum. All four respondents from DHL highlighted that DHL environmental work incorporates employees, customers and suppliers in an effort to achieve the best practical environmental work practice, similarly, PostNord actively educate and involve its employees in integrating their environmental projects. The official webpage of both companies show that they provide environmental or sustainability report as means of being transparent and to communicate their environmental engagement to the public, which sort of justifies the supporters of legitimacy theory (e.g., Eriksson-Zetterquist, 2009; Deephouse & Suchman 2008; O'Donovan, 2002; Scott, 1995; Suchman, 1995; DiMaggio & Powell, 1983; Dowling and Pfeffer, 1975). Öhman (2014) added that DHL has its own emission reporting tools for calculating shipment inbound and outbound of Sweden and that the report is offered to its Swedish customers once a year and maintained that this is unique because it is not common anywhere else in the world.

In its effort to further integrate environmental consciousness into everyday practice, PostNord implemented a web based environmental education for all managers and specialists. This can be seen as an important step because when employees and especially those employees in key positions have basic knowledge about the environment issues, then they can also re-educate and inform their subordinates. However, educating employees about environmental issues is part of the ISO 14001 package which is adopted and adapted by both companies. Besides, the case companies are influenced by their institutional environment and are likely to behave in a similar manner and become isomorphic (Hawley, 1968) by adopting for example, ISO 14001. Also while DHL offsets carbon emissions through their environmental program GOGreen, and another fact that the GoGreen program is reviewed and verified annually by a third party independent certification organization, the Société Générale de Surveillance (SGS) in Switzerland (DHL, 2014d). PostNord follows the same step but different through their environmental fund which is also verified and reviewed by KPMG which is a third party auditing firm (PostNord Annual Report, 2013: 42). This practice that can be argued to as isomorphic behaviour by is boldly expressed in their environmental and sustainable report, not only to boost transparency and credibility but to carve a positive image of the company's and to be seen as good environmental corporate citizen.

It is certain that isomorphic patterns exist between the case companies and certainly within the entire logistics industry. An obvious assertion comes from the sustainability or environmental reports by the case companies. Basically, almost all logistics service providers produce some form of reports that cover their environmental practices. It is evident from the

data gathered from the respondents and the annual reports of the companies that they both monitor their rivals and their environmental practices, one may argue that such effort could enable the company perform or be outperformed by its competitors in environmental endeavours. Accordingly, DiMaggio & Powell, (1983) stressed that organizations are affected by a geographical proximity to their competitors and often copy one another particularly when it comes to social and environmental performance. This implies that there is probability of isomorphic activities in the logistics industry. For instance, coercive isomorphism is evident in the companies sustainability reports as certain guidelines have to be fulfilled, for example following the GRI reporting guidelines which according to DiMaggio & Powell (1983) stems from political influence and the problem of legitimacy, and the fact that the reports are verified by a third party also becomes a contributory factor. DiMaggio & Powell (1983) summarized that, *“the fewer the number of visible alternative organizational models in a field, the faster the rate of isomorphism in that field”* and *“the greater the extent to which technologies are uncertain or goals are ambiguous within a field, the greater the rate of isomorphic change”*. The case companies were selected as sample for the logistics industry, and as the data reveals; they both continuously invest in alternatives to fossil fuel; shifting their operations towards becoming carbon efficient e.g., route optimization; customized gateway solutions; working closely with and providing consultancy service to their customers and suppliers.

6. CONCLUSION

This chapter concludes our study by answering the study's research question. Further in this chapter, a suggestion for further research is proposed together with our academic contribution.

6.1 Research question and aim

The aim of this study was to investigate what the logistics service providers in Sweden are doing in response to the environmental impacts of their business activities. To fulfil the aim of this study and to answer the research question, the authors embarked on a case study with a qualitative research approach with DHL and PostNord. The conclusion presented below is based on our empirical findings and analysis.

6.2 Academic contributions and recommendations

To answer the first part of the research question of *how*: we conclude from the findings that, the case companies respond to stakeholders demand for better environmental performance by constantly investing in greener resources, e.g., electric cars, invest in renewable energy technologies, train and educate their employees and customers on how to minimize CO₂ emissions, work closely with suppliers and sub-contractors by setting environmental standards and requirements, and above all, provide environmental and sustainability reports annually to show accountability and transparency to the stakeholders about their environmental endeavours. Concerning the second part of the research question of *why*: our findings show that, stakeholders, particularly customers and the Swedish government are the prominent drivers of corporate environmental responsibilities within the logistics industry. Stakeholders' demand is stronger than ever on environmental practices of the case companies and as such the companies cannot disregard environmental demands of stakeholders, the companies otherwise risk losing legitimacy. Another reason is to compete for market position and attract potential employees, because other logistics companies are responding to environmental demand of stakeholders, or the fear that competitors might respond quicker and thus earn other gains, e.g., competitive advantage, good environmental reputation, *etc.* However, these strategic practices correlate with previous studies that due to stakeholder's pressure and demand, an organization may initiate certain measures that go beyond compliance to gain legitimacy and reputation.

We conclude that even though the companies face challenges, e.g., customers' unwillingness to pay more, high competition, rapid fall in the demand for postal mails due to electronic mail, inability to exercise full control over sub-contractors environmental activities, unavailability of bio gas (renewable energy), etc., the case companies are responding to environmental demands in reducing their CO₂ emissions, thus a total reduction in greenhouse gas emissions. The empirical evidence also reveals that the case companies are identical in their response to the call for environmental proficiency. Thus, if all logistics service providers emulate the same, then their share of the environmental problems will significantly diminish and become controllable. Other industries that cultivate the same environmental behaviour could expect similar results. Furthermore, preserving the environment ought to be a collective responsibility, which means that everyone has a role to play, the government, corporations, sub-contractors, and every living person on earth. It is not enough to set targets for a company, country or countries within a political union because; carbon emissions, global warming, and other consequences of irresponsible environmental behaviour are not limited to logistics industry alone, but is a global issue. Therefore, it takes collective effort to successfully reduce the negative impact of our existence on planet earth.

6.3 Suggestions for future research

This study investigated the logistics industry in Sweden, to understand how and why they respond to environmental demands of their stakeholders. The result shows among other things that Swedish customers are relatively more environmental conscious thus the case companies have become proactive in their engagement in environmental initiatives. However, this study focused on two big logistics companies which make it difficult to draw conclusions about the whole industry. A possible suggestion for future studies could be to compare CER practices of logistics companies in Sweden, with the ambition to create an overview or comparison of how they respond to stakeholders demand for environmental friendly business practices. Better yet, owing to limited access to information for this study; future research could investigate the environmental performance of a single logistics company but from stakeholders' point of view.

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8. APPENDIX

Interview Questions- Overview

Could you briefly tell us about yourself: name, education, number of years that you have worked within the industry, and number of years worked in your current position?

What is your role in this company?

- 1) How would you describe the environmental work in your company?
- 2) Can you briefly describe how the environmental work was developed and or initiated in your company?
 - a. What are the factors that prompted the development or initiation of environmental work in your company?
 - b. Is company a member of any environmental network? If yes, identify!
 - c. Does your company have any environmental certification?
 - i. If yes which of the certifications, and why did your company chose to be certified?
 - ii. If no, why?
- 3) Is your company actively setting and working with environmental objectives?
 - a. How does your company achieve such environmental objectives?
 - b. Does your company have any environmental objectives that are specifically designed for the Swedish market?
 - c. What are the factors that prompted your company to initiate these activities?
- 4) How does your company respond to the call for green initiatives (environmental initiatives)?
 - a. What impact does it have on your company's environmental practices? e.g., positive, negative or both?
- 5) Your company's business activities rely heavily on transport; specifically what measure has your company taking to respond to the impacts of its business activities?
- 6) Your company have a lot of stakeholders, which of the stakeholder do you consider as the most influential to your company's environmental work, and why?

- a. Does competition have any influence on environmental performance? If yes, how? Exemplify!
 - b. Do the media have any influence on environmental performance? If yes, how? Exemplify!
 - c. Do the customers have any influence on your company's environmental performance? If yes, how? Exemplify!
 - d. Do the Swedish government have any influence on environmental performance? If yes, how? Exemplify!
 - e. Do the European Commission's directives and regulations have any influence on your company's environmental performance? If yes, how? Exemplify!
 - f. Others? Exemplify
- 7) The European Commission's "Energy Roadmap 2050" and "Transport White Paper" suggest that greenhouse gas emissions need to be reduced by 40% and 80-95% by 2030 and 2050 respectively. What is company's position in this projection?
- 8) How is the environmental practices integrated in your company?
- a. Does your company face challenges or setbacks in practicing environmental or sustainable business activities? In what way and how do these challenges affect your company?
 - b. Can you exemplify these challenges?
- 9) Other comments about your company's environmental work?