



# The challenge of becoming socially responsible: implementing ISO 26000 in industrial retail

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<p><b>Abstract:</b></p> <p>The background of this study lies in the increasing demands of stakeholders regarding sustainability and the rising amount of sustainability standards and guidelines within sustainability. Additionally, the complexity behind engaging in sustainability within retail is an important factor behind the study, because the biggest impact in retail usually lies in products that have already been manufactured somewhere else. The purpose of the study is therefore to investigate how companies within industrial retail should engage in sustainability and how the sustainability can be implemented into their processes. This will be done through designing a sustainability strategy for a case company within industrial retail through the ISO 26000 sustainability standard.</p> <p>The study was conducted through a modified action research design and the study includes one case company within industrial retail. Primary data in the study was collected through four semi-structured interviews and through three reflections of the finalized strategy. As secondary data was used company documents and previous studies of the ISO 26000 standard.</p> <p>Findings in the study indicated that the implementation process of the ISO 26000 is complex and it is questionable if the ISO 26000 standard is something companies should strive for. The findings suggested that ISO 26000 is a valuable guideline for companies, that want to map their sustainability for the first time. However, it is debatable if it adds any value for companies that already do engage in sustainability. Additionally, the findings revealed that the biggest focus regarding sustainability within retail should be on the suppliers and the supply chains. Some challenges connected with the implementation process were also discovered in the study. For example conflicting opinions about the implementation of the strategy within the case company could result in imperfect sustainability activities.</p> <p>The biggest limitation in the study was the restricted time, which caused the action research model to be modified. Instead of having the original complete actions research process, the implementation and reflection phase was replaced with reflections of the finalized strategy. Additionally, one reflection from the respondents was not received, which is an unfortunate limitation in the study.</p> <p>This study contributes with an extensive investigation of the implementation process of the ISO 26000 standard, which has been lacking in the field earlier. Additionally, the study will serve as an excellent base for any further research on the implementation of the ISO 26000 standard.</p>	
<b>Keywords:</b> ISO 26000, sustainability, social responsibility, corporate social responsibility, industrial retail, retail	

**Svensk sammanfattning:**

Bakgrunden till denna studie ligger i den ökande mängden krav från diverse intressenter gällande hållbarhet och den samtidigt ökande mängden hållbarhetsstandarder och riktlinjer. Dessutom är komplexiteten gällande hållbarhet inom detaljhandeln en viktig bidragande faktor till denna studie, därför att detaljister sällan har en möjlighet att direkt påverka produkternas hållbarhet, då de redan är producerade någon annanstans. Syftet med denna studie är därmed att undersöka hur företag inom industriell detaljhandel borde engagera sig inom hållbarhet och hur hållbarhet kan implementeras i deras processer. Detta görs genom att planera en hållbarhetsstrategi för ett fallbolag genom hållbarhetsstandarden ISO 26000.

Studien utfördes genom en modifierad version av aktionsforskning och studien inkluderade ett fallbolag inom industriell detaljhandel. Primär data i studien samlades genom fyra semi-strukturerade intervjuer och tre reflektioner om den slutförda strategin. Sekundär data samlades via företagsdokument och tidigare studier om ISO 26000-standarden.

Resultaten i studien antyder att implementeringsprocessen gällande ISO 26000 är väldigt komplex och det kan ifrågasättas ifall ISO 26000 standarden egentligen bidrar med något mervärde för företag som implementerar den. Resultaten tydde på att ISO 26000 är en värdefull riktlinje för företag som vill kartlägga sin hållbarhet för första gången. De som däremot redan investerat i hållbarhet fann inget mervärde i standarden. Därtill antydde resultaten att största fokuset inom detaljhandel borde vara bland leverantörerna och leverantörskedjan. Vissa problem inom en möjlig implementering upptäcktes också i studien. Till exempel kan motstridiga åsikter inom fallbolaget om hur hållbarhet borde implementeras inom företaget orsaka ofullständiga hållbarhetsåtgärder.

Största begränsningen i studien var begränsad tid, vilket resulterade till att aktionsforskningsmodellen behövdes modifieras. Istället för att ha hela ursprungliga aktionsforskningsmodellen, modifierades den så att implementeringsfasen ersattes av reflektioner på den slutförda strategin. Utöver detta var en till begränsning i studien att en reflektion uteblev.

Denna studie bidrar med en omfattande undersökning om implementeringsprocessen av ISO 26000 hållbarhetsstandarden, vilket har saknats i tidigare studier. Dessutom kommer studien att fungera som en utmärkt bas för ytterligare forskning i implementeringsprocessen och möjligen själva implementeringen av ISO 26000 standarden.

**Nyckelord:** ISO 26000, hållbarhet, socialt ansvarstagande, företags samhällsansvar, industriell detaljhandel, detaljhandel

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## 1 INTRODUCTION

Sustainability is becoming increasingly important for all stakeholders and due to this, organizations need to begin to regard corporate social responsibility activities as important parts of their strategies. One huge problem regarding this is, that there are various ways of practicing and reporting sustainability activities, instead of only one guideline. Dow Votaw, an American business scholar, wrote in the 1970's that corporate social responsibility does not always mean the same thing for everyone (Votaw, 1972). This is still noticeable today, when looking through the many different ways of reporting sustainability and CSR activities.

Sustainability is a complex phenomenon and through times there have been many different definitions and explanations for what sustainability is. For a couple of decades, sustainability has also been researched more from a corporation's point of view. This has led to the usage of the term corporate social responsibility. Corporate social responsibility (onwards CSR) is a phenomenon that is becoming increasingly present in more and more organizations' strategies. This is mostly because of increasing demands from stakeholders, but also because of regulations and their own interest to invest in CSR (Lindgreen & Swaen, 2009; Bhattacharya & Sen 2004; Schwartz & Carroll 2003). Nowadays, as CSR has become a rising trend and a quite important part of any corporation's strategy, many different guidelines and standards has also been published (Grafström, Göthberg & Windell, 2008; 2015). There are standards that purely focus on a specific subject, for example environmental sustainability, but then there are also standards that are broader and focus on many different subjects at the same time. The standard that will be the basis for this study, ISO 26000, is one of these broad standards that include many different subjects (Henriques, 2012). ISO 26000 is a sustainability standard including seven core subjects (Henriques, 2011), that will be used as the sustainability guideline in this study. The core subjects in the ISO 26000 standard are human rights, labor practices, the environment, fair operating practices, community involvement and development, consumer issues and organizational governance.

This study will be focusing on one case company within industrial retail and how they could start engaging more in sustainability. This will be done through the ISO 26000 sustainability standard. The study will focus on the implementation process of the ISO 26000 sustainability standard through analyzing and conducting a sustainability strategy structured by me as a researcher. This will be done through an action research design process, where the implementation process will be replaced by reflections on the finalized strategy.



## **1.1 Background of the problem**

Most organizations know the importance of sustainability and implementing CSR activities, but many organizations do not know how to do it. The most common reasons for this are that the organizations do not have a clear action plan, they have too little time, or they have too little knowledge of CSR implementation or CSR in general (Brandsma, Moratis & Cochiuș, 2009). Therefore, the problem is that the organizations do not know how to proceed in engaging in CSR, even though they should be engaging in CSR activities in order to keep up with the stakeholder demands. This dilemma creates a huge problem that is also the reason behind this study. As companies do not know how to proceed in engaging in sustainability, there is a need for a study looking further into the implementation of sustainability activities.

Additionally, while sustainability issues have become more important during the recent years, quite a few guidelines and standards have simultaneously been conducted. These standards have somewhat the same goal, but the way of reaching the goal varies between the guidelines. One problem with this is the many varieties of reporting and standardization, which can be confusing for stakeholders and it might even lead to trust issues on the market. An even bigger problem within the guidelines and standards is the implementation process, which I will investigate in this study. This is also an important problem behind this study. How can companies know which standard or guideline they should use, and how can these guidelines help the organizations within sustainability engagement? Additionally, within retail industry, that sells products that have already been manufactured elsewhere, it is more complex to engage in sustainability. This also lies as an important factor behind the problem of this study.

An important part of the problem background is also the lack of studies within the ISO 26000 standard's implementation. Several books have been written on the subject on how the standard should be implemented (Henriques, 2011; Moratis & Cochiuș, 2011; Bernhart and Maher, 2011), but very few studies have been conducted on the actual implementation. Therefore, there is a clear research gap regarding this topic. Additionally, studies that have been conducted on the topic has been in very different cultures than Finland and none of the studies have been focusing on the implementation itself. Therefore, this topic should be studied much more actively than it has been so far. Especially, considering the fact that the ISO 26000 standard was published already in 2010, which is almost 10 years ago (Henriques, 2011).

## **1.2 Purpose of the study and research questions**

The purpose of this study is to investigate implementation of sustainability through the ISO 26000 sustainability standard. More specifically, the aim of the study is to investigate the implementation of sustainability activities through looking deeper into the motives, goals and drivers for implementing sustainability in a company within industrial retail and then to conduct a sustainability strategy for them through action research. As mentioned earlier, so far, only a few studies have been conducted on the ISO 26000 sustainability strategy's implementation, that will be researched in this study. Other studies about ISO 26000 have been conducted, but these studies do not focus on the implementation and most of these studies have been conducted in very different cultures from Finland. Therefore, the aim of this research is also to fill a research gap of the ISO 26000 sustainability standard, especially regarding its implementation.

The research questions that aim to fulfil the purpose of this study are the following:

*RQ1: How can the ISO 26000 standard be implemented and what kind of challenges can occur?*

*RQ2: What are the motives behind the implementation of the ISO 26000 standard?*

*RQ3: How can a company within retail act sustainable, when the biggest impact lies in the already available products?*

## **1.3 Delimitations of the study**

This study focuses on one case study within a specific industry, industrial retail. Therefore, the study investigates the ISO 26000 sustainability standard from the industrial retail point of view. Additionally, a very specific delimitation of the study is that this study will solely focus on the implementation process of the standard. This includes attitudes for the standard, the company's view of the standard, the company's view of corporate social responsibility and the company's view of their sustainability activities. This study will not focus on the standardization point of view, but on the implementation of the standard, and therefore also the structuring of the sustainability strategy.

## **1.4 Limitations of the study**

In action research, the implementation of the action is an important phase, but due to the limited time, an implementation of the sustainability strategy structured will not be

possible and therefore an alternative action is being taken. As an alternative, instead of having the implementation of the strategy and reflections on the implementation, reflections from the finalized strategy will be gathered. These reflections will be used in the study instead of reflections from the implementation. This is certainly a limitation in the study, and in further research this limitation should be avoided. However, as Romme (2003) argues, the benefits of participation in creating solutions can in fact be more beneficial than the solution itself. This is also the case in this research project, as the participants from the case company are actively involved in the research.

Additionally, only one case company is included in the study, but in order to get a broader picture, more companies should be analysed. However, it is crucial in this specific research to gather information from one specific case company, in order to obtain a clear picture about the specific industry in which the case company is operating. This creates an excellent basis for any further research on the ISO 26000 within the industrial retail and within retail in general.

## 1.5 Terminology

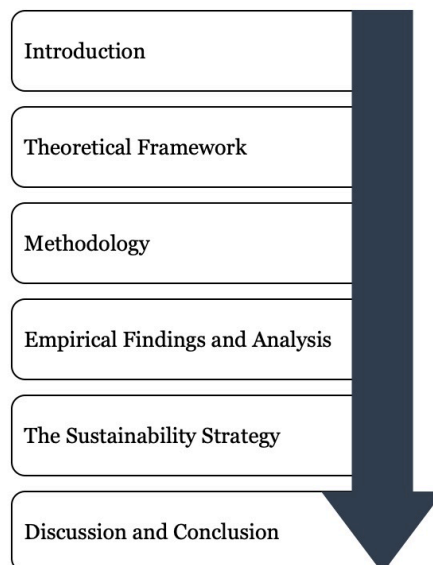
**Table 1 Definitions of the study**

<i>Term</i>	<i>Definition</i>
CSR	Corporate Social Responsibility: sustainability within corporations.
Standard	Something used as a measure, model, norm or a guideline for some specific subject. For example sustainability.
Standardization	The process of making something conform to a standard
ISO	International Organization for Standardization. ISO develops and publishes standards worldwide.
ISO 26000	A sustainability standard published by ISO. Contains seven core subjects.
GRI	Global Reportive Initiative: helps organizations to understand and communicate their sustainability through their Sustainability Reporting Standards.
Code of Conduct	A set of rules and regulations set by organizations for themselves to follow. Can include anything from ethics and sustainability to organizational arrangements.

Due Diligence	Investigation of a company's activities. Can be financial or non-financial. Often conducted before an investment, a merger or an acquisition.
B2B	Business to business. Businesses that do business with other businesses.
B2C	Business to consumers. Businesses that do business with direct consumers.

## 1.6 Structure of the paper

This study is structured according to the traditional model, including some adjustments. The structure of the study is presented in the Figure 1 below. The thesis will begin with the introduction chapter presented in this chapter, including the background of the study, the research problem, research questions, limitations, delimitations and the purpose of the study. In the introduction some important terms and their definitions were also presented. Following the introduction will be a thorough presentation of the theoretical framework. The theoretical framework will begin with an introduction to CSR and sustainability following with standardization of CSR and the ISO 26000 sustainability standard. The theoretical framework will be followed by a thorough presentation of the methodology used in the study. The methodology will include discussion about the study's research philosophy, approach, design and methods. This chapter will also include discussion about the data analysis and the study's reliability and research ethics. In the fourth chapter, which is results and analysis the empirical results will be presented and they will be analyzed through the theoretical framework. The fifth chapter is continued analysis, this is the chapter where the finalized sustainability strategy will be presented. The study will be ended with a discussion and a conclusion, where all the findings will be discussed thoroughly.



**Figure 1** The structure of the study

## **2 THEORETICAL FRAMEWORK**

Sustainability is quite rapidly becoming increasingly important. This is putting more pressure on organizations. Stakeholders are demanding more from organizations regarding sustainability and as a response to this, organizations are investing more in activities within sustainability (Lindgreen & Swaen, 2009; Bhattacharya & Sen, 2004; Schwartz & Carroll, 2003). Whilst sustainability is constantly becoming increasingly important, it has also become clear that a standard regarding sustainability for organizations is needed. One reaction to this is the emergence of sustainability standards and certifications. These standards and certifications provide a guideline for companies to help them to achieve a more sustainable and responsible development. In order to understand these standards, one needs to first understand what sustainability is from a company's point of view. In the following chapter corporate social responsibility will be explained and discussed, in order to understand the need for sustainability standards. Following this, a specific sustainability standard that has been described as one of the most appreciated standards will be presented (Henriques, 2011). This, ISO 26000 standard, will be presented and discussed thoroughly, following with the implementation process of standards in general and also specifically the ISO 26000 standard. The chapter will be finished with previous studies about ISO 26000.

### **2.1 Corporate Social Responsibility**

Even though the term Corporate Social Responsibility has only been used for a couple of decades, sustainability has been researched from an organizational point of view already much longer. For example, Davis (1960) researched in the 1960's if businesses can afford to ignore social responsibilities. Currently, there are a great number of definitions of Corporate Social Responsibility or CSR, and unfortunately there is not only one correct definition, but in fact numerous correct definitions. This becomes even more challenging when globally there are many different regulations and laws regarding sustainability and CSR. Academics and practitioners have for decades been trying to find a universal definition for CSR, that everyone would agree on (Carroll, 1991). Carroll (1991) was one of the first ones to define CSR and to explain what it actually consists of. According to Carroll, CSR consists of four dimensions that are economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities, as seen in Figure 2. These four dimensions constructs a pyramid, with economic as the foundation of CSR, and legal, ethical and philanthropic responsibilities built on the foundation. Economic responsibility of an organization is to be profitable in order to maintain growth, both in the organization but also in the society. Legal responsibilities are to obey

the law and to follow regulations. Ethical responsibilities are to act as ethical as possible by doing what is right, just and fair and to avoid harm. Philanthropic responsibilities involve being a good citizen by contributing resources to the community and by this improving quality of life. This involves charity for example.

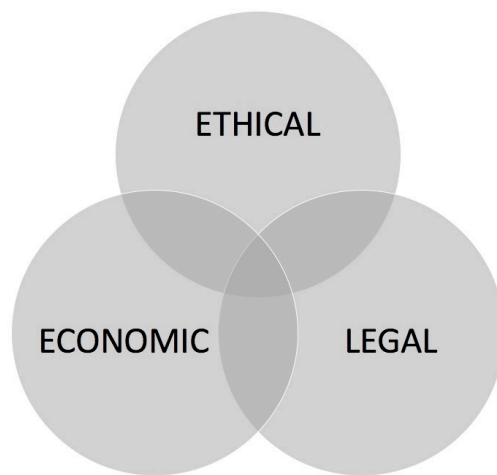


**Figure 2** Four dimensions of CSR (Carroll, 1991)

Carroll's (1991) pyramid model has over time been used and developed further, but it has also received quite a lot of criticism (Schwartz & Carroll, 2003). Because of this critique that the pyramid model has received, many new models have been developed based on Carroll's ideas. From Carroll's (1991) view of CSR, several different theories of CSR have been developed. Dahlsrud (2008) gathered 37 different definitions of CSR and analyzed them. According to Dahlsrud's (2008) research, there are five dimensions in CSR. These dimensions are the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntary work dimension. The environmental dimension describes the natural environment and its wellbeing, the social dimension describes the relationship between businesses and the society, the economic dimension describes the socio-economic and financial aspects, the stakeholder dimension describes stakeholders and the voluntary work dimension describes actions not prescribed by law. There are many examples of these dimensions. The environmental dimension includes for example contributing to a cleaner environment while the social dimension is contributing to a better society. The economic dimension means contributing to an economic development and profitability of businesses and the stakeholder dimension is affecting all the stakeholders from employees to investors. Last, the voluntariness dimension is considering all the ethical issues in the society. From

these dimensions the trinity of economic, social and environmental are perhaps the most common definitions of CSR, but to understand the definition of CSR completely, all of these five dimensions need to be included in the definition (Dahlrud, 2008).

One dimension that was missing from Dahlrud's (2008) research of definitions was the legal dimension. Schwartz and Carroll (2003) did research on Carroll's early model and developed it further to a trinity between legal, economic and ethical aspects. According to their research these three aspects are overlapping. Schwartz and Carroll (2003) presented these dimensions in a Venn diagram as seen in Figure 3. Therefore, some aspects are purely economic, while other aspects are economic and ethical or even economic, ethical and legal.



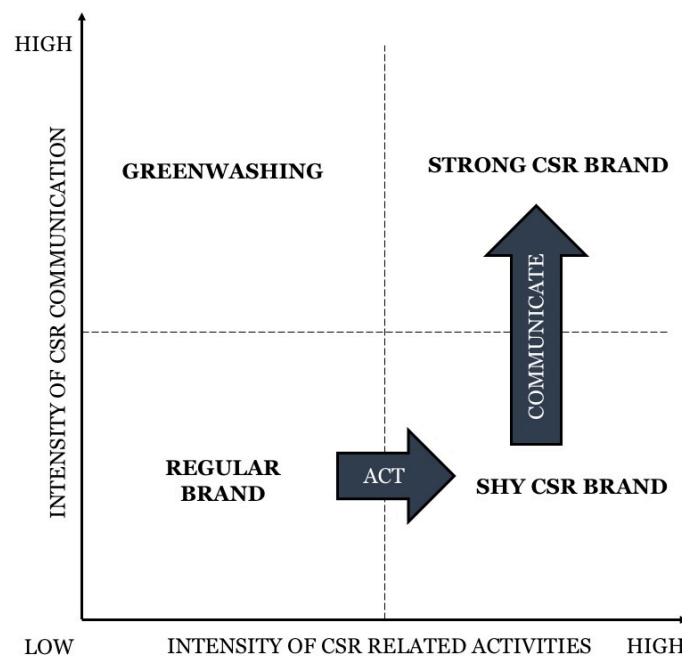
**Figure 3      The Three-Domain Model of CSR (Schwartz & Carroll, 2003)**

The legal aspect of CSR refers to the company's legal responsibilities and responsiveness to legal expectations set by the society. The legal aspect can be divided into three categories: compliance, avoidance of civil litigation and anticipation of law. These three categories of the legal aspect of CSR contributes to the company in different ways. Companies can for example avoid lawsuits and they might be able to change the pace that new legislation is being conducted. The legislation might also be a guideline for a company when planning future strategies within CSR. Some laws for example have different kind of restrictions regarding CSR activities, for example within emissions.

All these definitions and different aspects of CSR construct different standards within sustainability. Therefore, these definitions are the base for the sustainability standards developed.

## 2.2 Greenwashing

While the demand for CSR activities is increasing, some companies might not want to actually invest in CSR, but instead just appear so to speak green, this is called greenwashing and it is usually achieved by misleading customers, regarding the company's environmental practices. This information can be communicated to customers on purpose, but also by accident, for example by false marketing regarding the product or service, or other misleading practices on firm level (Delmas & Burbano, 2011). One of the most important activities in order to avoid greenwashing is clear communication and transparency. As seen in Figure 4, the combination of CSR communication and CSR activities need to be in balance in order to avoid greenwashing.



**Figure 4** CSR communication and greenwashing (Pohl & Tolhurst, 2011)

If a company decides to actively communicate about CSR activities, without actually engaging in CSR activities as much, it will lead to greenwashing. Meanwhile, active engaging in CSR activities following with active communication will more likely lead to a strong CSR brand. (Pohl & Tolhurst, 2011) Greenwashing can have serious consequences. It can lead to customers' losing their trust in the company and their products or even to lawsuits for false marketing. The company can lose all their reliability and credibility among customers, which can lead to losing market shares and revenues. The customers are not the only ones who are interested in the company's CSR activities, and therefore using greenwashing can lead to losing credibility among stakeholders in addition to losing the customers' credibility. This on the other hand can lead to the



company losing its credibility on the market, which can have severe consequences for the company. (Pohl & Tolhurst, 2011; Delmas & Burbano, 2011)

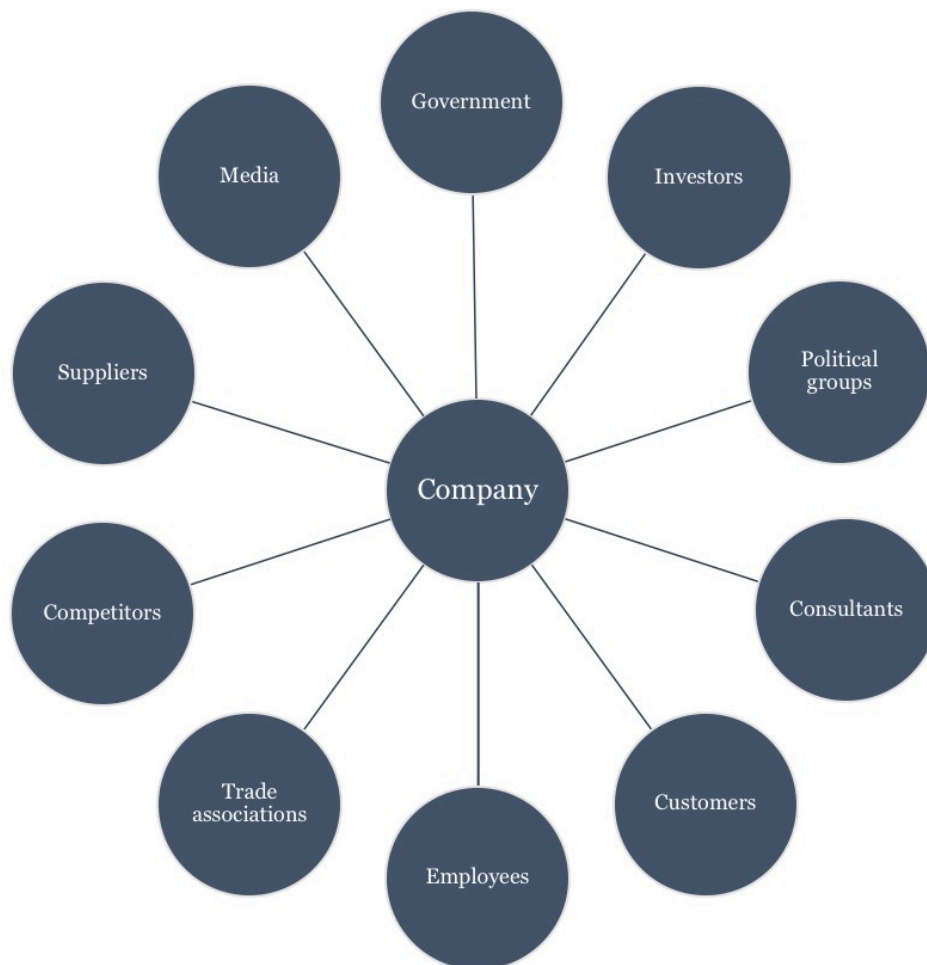
Some famous companies that have done greenwashing are for example British Petroleum, Ford Motor Company and General Electric (Furlow, 2009). British Petroleum is labelling itself as a green oil company. They have done this through a green campaign, where they used the slogan “Beyond Petroleum”. They are also using the green color quite widely in their marketing, which can be seen as deceptive. Ford Motor Company had a green campaign for one of their hybrid SUVs, even though Ford’s cars were considered as the most polluting and the least fuel efficient. Not only Ford was widely criticized about their green campaign. General Electric had a similar case, when they promoted an environmental campaign about what they were doing for the environment, while they were battling a pollution case in court.

### **2.3 The stakeholder approach**

A company is never acting alone in its environment and there are many stakeholders that are interested in the activities of the company. As stated earlier, the increasing demands of the stakeholders regarding CSR is also referring to this. Many stakeholders follow closely the CSR activities that the company is engaging in and these stakeholders can contribute to this process in different ways. The relationship between the company and the stakeholders is interactive. Stakeholders can affect the company’s behavior and the company affects the stakeholders’ behavior. The stakeholder approach is an important part of the research of the ISO 26000 sustainability standard, because the ISO 26000 standard builds strongly on stakeholders (Chiarini & Vagnoni, 2017).

The stakeholder approach is based on the model created by Edward Freeman in 1984. Since then the approach has been adopted and adjusted to today’s society. According to Freeman’s model a company’s CSR is continuously defined and developed between a company and its stakeholders. The stakeholder approach does not only include the most central stakeholders of the company, such as customers, suppliers and owners, but also

many others, such as the media, political groups and consultants. All these stakeholders are involved in the process of defining and developing a company's CSR.



**Figure 5**      **Actors in the stakeholder approach (Freeman, 1984)**

In the Figure 5 above is listed all the stakeholders in the Freeman's model from 1984. These stakeholders are divided into two groups, the primary stakeholders and the secondary stakeholders. The primary stakeholders are the stakeholders that are crucial for the survival of the company. If the relationship with these stakeholders is not nurtured, it can cause devastating consequences for the company. These stakeholders have a direct relationship with the company. The secondary stakeholders on the other hand, are stakeholders that can form opinions about the company, that may affect the company either positively or negatively. The secondary stakeholders do not however have a direct impact on the company's survival, and therefore, they have an indirect relationship with the company. However, the secondary stakeholders can also have a huge impact on the company, for example through media and negative publicity. (Grafström et al., 2008; 2015) Regarding the ISO 26000 standard, the most important stakeholders concerning CSR are the primary stakeholders. The reason for this is that the primary stakeholders do have a crucial impact on the company, while the secondary

stakeholders have a much lesser impact. Whether a stakeholder is primary or secondary varies depending on the company, but investors and customers for example, are usually considered as primary whereas media and political groups are considered as secondary stakeholders. However, these can vary depending on the company and on the industry.

Identifying both primary or direct and secondary or indirect stakeholders is very important for a company, especially before investing in a sustainability standards such as the ISO 26000, but this might not be enough. A company needs to identify in addition to the relationship it has to its stakeholders, also the relationships the stakeholders have with each other. This way it will be easier for the company to analyse the market as a whole and to analyse the CSR practices in the market. (Grafström et al. 2008; 2015)

Due to the importance of stakeholders regarding the ISO 26000, the stakeholders have also been considered as an important part of the interviews in this study. This will be discussed in the methodology chapter later in the thesis.

## **2.4 CSR in supply chains**

In retail, the most important aspect is usually the supply chain and sustainability within it. The supply chain is normally not fully controlled by the retail company, due to manufacturing by many different subcontractors in various parts of the world (Ayers and Odegaard, 2017). This creates plenty of difficulties for the retail company to know about the level of sustainability within the supply chain. In today's world exist plenty of slavery, human trafficking and other human rights violations and incidences (Buckwalter, Perinetti, Pollet & Salvaggio, 2006; Van de Glind & Kooijmans, 2008). These violations against human rights also exist in supply chains. As seen in the media, even the biggest and most well-known brands have been caught using sweatshops in their manufacturing. For example H&M, Nike, Walmart and Adidas among many more have been accused of using sweatshops in their production (Sethi, 2014; Snyder, 2010; Fair Labour Association, 2006). Sweatshops are manufacturing facilities using labor as slavery or with extremely low wages (Snyder, 2010). However, not only human rights are in danger in supply chains, but also all the other aspects within sustainability. Manufacturing facilities and transportation in supply chains might for example use dangerous chemicals or very unsustainable logistics or they might be polluting in some other unsustainable ways (Ayers & Odegaard, 2017).

A major problem within CSR in supply chains is how it should be monitored. Especially regarding retailers, it can be challenging to track down the entire supply chain and have information about every part of the supply chain and their level of sustainability.

Different kind of solutions have been suggested for monitoring the supply chains. For example Hsueh (2013) suggested a new revenue sharing contract between the retailer and the supplier. This contract requires the manufacturer to invest in CSR and in return after the retailer sells the products from the manufacturer, they will return a ratio of its revenue to the manufacturer. However, regardless to the attempts of finding solutions for CSR within supply chains, there still remain extensive problems within sustainability throughout supply chains.

## **2.5 Standards and standardization**

Secondary stakeholders that many companies interact with are actors that create both guidelines and regulations for companies. These actors can be for example organizations providing standards and certifications. Standards are ubiquitous tools for regulating and organizing social life (Timmermans & Epstein 2010). These tools aid both organizations and individuals to assess various issues, both tangible and intangible.

Currently, many different kinds of standards exist. Standards range from everything between a standard that ensures a certain quality of a product or a service (Beck & Walgenbach, 2005), to the governance of social and environmental performance of companies (Gilbert, Rasche & Waddock, 2011). A standard can for example be a certification for its origin, such as the swan label for Finnish products made in Finland (Grafström et al., 2015) or the many existing coffee certifications (Reinecke, Manning & Hagen 2012). Additionally, it can be more of a guideline on how the company should act within a specific field, for example sustainability, such as the ISO 26000 standard (Brunsson, Rasche & Seidl 2012) which will be elaborated further on. One of the biggest organizations creating standards worldwide is the International Organization of Standardization (ISO, n.d.). ISO is a non-governmental organization providing standards within multiple different fields of industries.

The formal definition of standards by ISO is as follows:

*A document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context. (ISO, n.d.)*

Standards are guidelines, that helps a company keep a certain level of quality or attainment (Henriques, 2012). A standard can be defined as a specific type of rule for common and voluntary use, decided by one or several people or organizations (Brunsson

et al., 2012). These standards can either serve solely as guidelines for companies or they can even provide a certification for companies. Standards are used by companies in addition to achieving certain goals, also to create uniformity across the market (Timmermans & Epstein, 2010). This uniformity also makes it easier for stakeholders, such as investors, to compare different companies with each other. When adopting a standard, the company decides as a collective to voluntarily adopt some holistic model, that either comes from the inside of the company or is external.

### **2.5.1 *Standardization of CSR***

Standards are becoming increasingly common in many different fields. One of these fields is sustainability. The amount of sustainability standards has been rapidly increasing since the 1990's (Grafström et al., 2015), some call this increase of guidelines and regulations even an "explosion of regulations" (Ahrne & Brunsson 2004). According to Jutterström (2006), in the beginning of the 1990's there were barely 20 guidelines and voluntary regulations regarding CSR, when ten years later the amount had risen to 80 (Grafström et al., 2015). Due to the large number of CSR guidelines and voluntary regulations, companies have more difficulties navigating their way through this jungle (Grafström et al., 2015).

Instead of creating obligatory regulations for CSR, most of the regulations existing are voluntary. Many companies prefer to regulate their CSR engagement themselves, rather than having an obligatory regulation. This is also why when creating the ISO 26000 sustainability standard, ISO invited many member organizations from all over the world to discuss what the standard should include (Tamm Hallström, 2005). According to Lindberg (2005) this cooperative way of creating regulations is a way to avoid legislative nature or other obligatory regulations within the field.

According to Grafström et al. (2015) it is important for companies to act proactive regarding CSR instead of only reacting when criticism appears. This is why standards are a good way of practicing sustainability within a company. The ISO 26000 standard for example helps the company to first identify its key stakeholders, and then it guides the company on what they should do regarding sustainability, taking into consideration all its key stakeholders. This is a proactive way of taking CSR into consideration, instead of only reacting to negative feedback.

### **2.5.2 *CSR standardization in the retail industry***

Retailers are an intermediate between consumers and producers, which makes it difficult for them to be sustainable because they cannot impact the sustainability of the products

already produced (Wiese, Kellner, Lietke, Toporowski & Zielke, 2012). Large retailers usually have a higher level of control in supply chains (Hingley, 2005) and therefore, they have a better position to implement sustainability standards in the supply chains (Brammer, Hoejmosé & Millington, 2011). However, smaller retailers do not have this same opportunity, and therefore they might struggle more with this issue. According to Wiese et al. (2012) retailers play a very important role in the supply chain as intermediators because they are often the part that is demanding more sustainability actions and standards. Retailers are the actors who are connecting the demands from customers to the suppliers' supply. Retailers interact with the customers directly and they are very concerned with satisfying the customers' needs. Due to the increasing demand regarding sustainability from customers, also retailers need to safeguard sustainable behavior in the supply chain. However, the retailers are not in the position where they themselves can implement sustainability standards in the supply chain, they can only demand this from the suppliers. This creates some limitations to the retailers' impact on sustainability standardization.

Some examples of big retailers coping with sustainability issues, are Unilever, Mountain Equipment Co-Op (MEC) and Nestlé India (Brammer et al., 2011). Unilever is very meticulous with choosing its suppliers and making sure that they follow all their standards. In one case one of their suppliers was not meeting Unilever's pollution standards, which lead to them notifying supplier to take corrective actions. Mountain Equipment Co-Op on the other hand uses a specific Supplier Code as a standard, that all the suppliers must adhere to. All the suppliers are educated on what the standards include, and they are told about their obligation to meet the standards. In return for following the standards, MEC works together with factories to improve practices. Nestlé India also invests a lot in their suppliers. They train their suppliers, provide technical assistance on safety and quality issues and support suppliers' management systems and products. This way they have overcome many food safety and quality issues, and they have saved over US \$ 5 million over five years, whilst simultaneously developing over 70 new Indian suppliers to meet Nestlé's sustainability standards.

### ***2.5.3 CSR standardization in Finland***

In Finland, The Finnish Standards Association (SFS, n.d.) is the central standardization organization that controls and co-ordinates standardization work in Finland (SFS, n.d.). SFS develops, approves and publishes national standards. In addition to this, they also sell verification services and communicate information about standards and standardization. SFS has also approved standards within sustainability, for example the

ISO 26000 sustainability standard which will be in the center of this study, they have also approved the ISO 14001 standard, which focuses solely on environmental aspects. Finland might be seen as a bit slower on taking action within sustainability standardization, compared to many other highly developed countries in Europe. In the UK, for instance, 84 percent of the 100 largest British companies published a corporate responsibility report in 2008, whereas only 41 percent of Finnish large companies did so (KPMG, 2008). In addition to this, Halme and Huse (1997) discovered in their research that Finnish companies show less interest in environmental issues, than their Norwegian and Swedish counterparts. In their study, Schadewitz and Niskala (2010) emphasized that only a small fraction of companies in Finland publish sustainability reports. Likewise, Vuontisjärvi (2006) argued that social responsibility in Finland was in quite a dissatisfactory state and showed lack of consistency, with very little quantitative information being reported. All this raises concerns both regarding the sustainability standardization situation in Finland and also the general level of knowledge about sustainability in corporations in Finland.

Fifka and Drabble (2012) conducted a study about sustainability reporting in Finland. Their study included the 50 largest companies in Finland according to turnover. Their research showed that 40 percent of these companies had a separate sustainability report and 56 percent of them included a social responsibility section in their annual report. Additionally, 50 percent of these companies reported their social responsibility according to Global Reporting Initiative (GRI), which is a standard for sustainability reporting. Six percent of the companies used a sustainability standard called AA1000. However, 92 percent of these companies acknowledged social responsibility on their website. From this study, one can easily interpret that over half of the largest companies in Finland do not use standards or try to standardize their CSR activities in any way. However, almost all the companies acknowledge the need for CSR, as seen from the CSR presence on their respective websites. It seems like many companies in Finland still do not engage in CSR by using standards, but from a marketing point of view. Therefore, there is a need for a more standardized sustainability engagement in Finland.

## **2.6 Advantages and disadvantages of standards**

All standards include both positive and negative aspects, and so does sustainability standards. One of the greatest advantages of standards is how they provide a source of good practice on how to conduct something (Henriques, 2012). These sustainability standards have tangible guidelines on how to deal with issues regarding sustainability. The ISO 26000 standards include for example environmental issues, but also human

rights. Standards can also lead to more business (Henriques, 2012). This is the case when customers start demanding more from companies regarding sustainability, which then leads to companies taking more actions within sustainability in order not to lose their business. Another advantage within standards is that they provide discipline (Henriques, 2012). Standards usually provide a systematic and disciplined way of operating in some specific area, for example corporate social responsibility. With the help of disciplines from standards, companies can cut unnecessary work off and only focus on the core of the business operations. Finally, standards can also be an important learning process. The adoption of a standard can provide a new perspective to the company which could possibly lead to more efficient business or new ideas regarding their business (Henriques 2012). Like with many different aspects and strategies, adoption of a sustainability standard can also lead to an early mover advantage which can lead to a competitive advantage (Su, Dhanorkar & Linderman 2015). If a company is one of the first within their industry or market with adopting a sustainability standard and therefore acting more sustainably, it is likely that they will also gain more positive publicity and even more customers and business due to this.

Some disadvantages of standards are for example that they can be a bit obscure (Henriques, 2012). Because standards are written to be precise, it can result in some difficulties in interpreting the standard. This can lead to only a few individuals within the company becoming experts within the standard and standardization, which again can lead to some complications within the implementation process. Standards can also be quite bureaucratic which can possibly lead to only following the standard ‘on paper’, while not actually promoting the behavior that the standard represents. Finally, a disadvantage that companies must realize before implementing a standard is that all standards do not suit all companies, and therefore they might not work (Henriques, 2012). Companies vary quite much from each other, as do also human individuals, due to this, different standards might work differently for different companies. Some companies might succeed in promoting environmental sustainability through a sustainability standard, whereas another companies might not succeed in this.

### ***2.6.1 Costs and benefits of CSR standardization***

Everything has its cost and so does engaging in CSR. The key question in this case is, if the company practicing CSR is more cost efficient than a company that is not investing in CSR. It is important to broadly evaluate costs related to CSR before implementing CSR activities related to standards (Epstein & Roy, 2001). CSR costs can be divided into two groups: one-time costs and continuous costs (Weber, 2008). One-time costs can be for



example donations or one-time investments, while continuous costs can be fees, personnel costs and material costs. Donations can be made for example in order to support victims of nature disasters and a one-time investment can be for investing in building a school in a developing country. Fees are costs for different standards, certifications and licenses, personnel fees include investing in a CSR team within the organization and also for example volunteering opportunities for the employees. Material costs can vary from anything from more sustainable paper used for printing to sustainable packaging material. These costs can vary quite a lot depending on the industry, the activities and how they are implemented (Weber, 2008; Sprinkle & Maines, 2010).

Benefits of CSR are quite many and CSR activities can be implemented into a company for many different reasons. Many companies do believe that their engagement in CSR and sustainability does plenty of good in the society and it is a part of being a good citizen, and this is the reason why they invest in CSR (Sprinkle & Maines, 2010). However, this is usually not the only reason why companies decide to engage in CSR. Usually, companies invest in CSR because of the benefits that CSR might possibly yield. Some of these benefits are for example increased brand value, improved reputation, goodwill and brand image, opportunities for new markets, improved relationships with stakeholders and fair competition (Weber 2008; Orlitzky, Schmidt & Rynes 2003; McWilliams & Siegel 2001). Also, when a company has good reputation, consumers usually see the company as more reliable and honest.

#### *2.6.1.1 Operative benefits*

Operative benefits include for example increased loyalty and efficiency among employees. When a company is engaging in CSR activities through investing in employees' wellbeing it motivates employees and they feel more loyal to their employer. This can be done for example by offering employees health care, possibility to volunteer work and recreational days. Employees can also feel that their work is more meaningful if the company they are working for is investing in CSR (Chong & Tan, 2010). CSR has also been noticed to improve recruiting practices and the chances to recruit top candidates and performers (Sprinkle & Maines 2010). Operative benefits also include customer loyalty. Customer loyalty can increase for example when customers want to act as sustainable as possible, and to do this, they choose to use companies that invest in CSR. Investing in CSR also prevents and minimizes the chances of future risks for disasters and other scandals within sustainability (Weber 2008). Investing in CSR can therefore contribute to better risk management (Sprinkle & Maines 2010).

### *2.6.1.2 Financial benefits*

As in operative benefits, when the risk for future disasters and other scandals within sustainability is reduced, the future cost for these risks is also reduced. Disasters and scandals within sustainability, for example environmental or social disasters, can be very expensive and can even include losses in market shares, brand image and customer loyalty. These factors also decrease incomes and increase costs. Investing in CSR might also result in cost savings for other reasons. Cost savings could also be a result from better relations to stakeholders or even because of tax savings (Weber, 2008). When investing in CSR, the future revenue may be increased due to many different reasons, for example because of the reduced risks, gained market shares and employee and customer loyalty (Sprinkle & Maines, 2010). Increased revenue may also arise from increased sales or price increases and a more stable development and risk management. Improved access to capital can also be a result of better relationships with stakeholders. As the company acts more sustainably, several new stakeholders may be interested in the company (Weber, 2008).

### *2.6.1.3 Social benefits*

Social benefits are for example increased social awareness and better abilities to solve societal problems. These can include for example education of social responsibilities, transparency regarding information and social activities in the community. Also, governments usually support companies in their socially responsible activities for example through policy instruments and subsidies. These support activities usually aim to increase international competitiveness and simultaneously support sustainable development (Porter & Van der Linde, 1995; Matten & Moon, 2008). All these benefits can lead to competitiveness and economic success (Weber, 2008).

## **2.7 International Organization for Standardization (ISO)**

ISO was first established in 1946 when delegates from 25 countries met at the Institute of Civil Engineers in London and decided to create a new organization operating internationally to facilitate international coordination and unification of industrial standards. On 23 February in 1947 the new organization, ISO, began its operations officially, and today ISO is an independent non-governmental international organization including members from 164 countries. To take care of the development of standards, ISO has 786 technical committees and subcommittees. ISO's main purpose is to develop standards for different functions in order to unify the standardization world-wide. The headquarters of ISO is located in Geneva, Switzerland. ISO does not operate for profits,

but they use all potential profits for developing new standards and improving their existing ones instead. The main players in developing the ISO standards are the ISO members, over 100,000 experts world-wide and the ISO staff operating from Geneva. These three partners are the ones who both create new and develop existing standards. (ISO, n.d.)

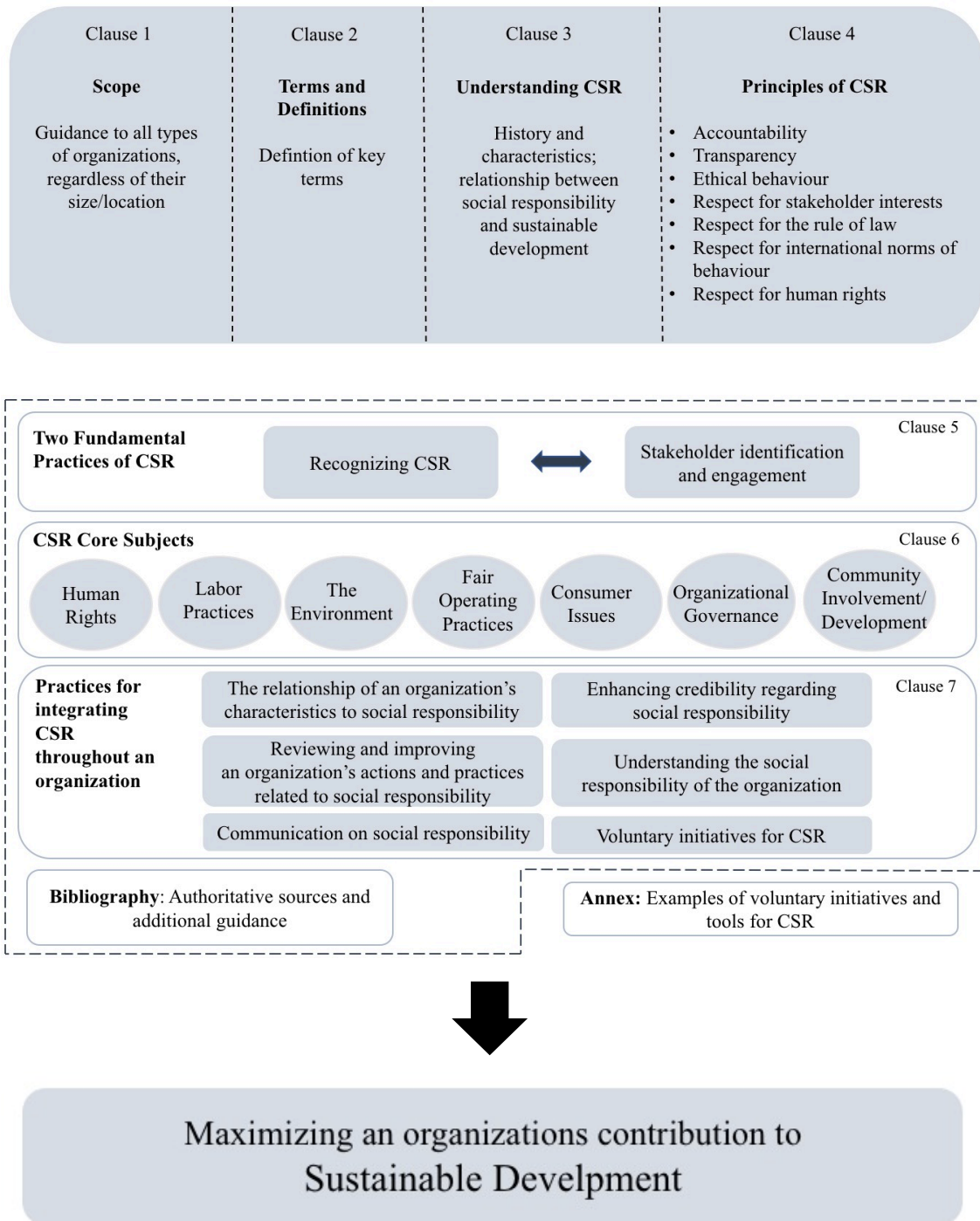
## **2.8 The ISO 26000 standard**

The ISO 26000 standard is a guideline for sustainable behavior (Moratis & Cochius, 2011), and in contrast to other ISO standards the ISO 26000 is not a management system standard (Hahn, 2013). The ISO 26000 standard is not certifiable, therefore it is called a 'Guidance Standard'. However, some countries, such as Denmark and Portugal for example, are considering transforming the standard for third party certification (Leipziger, 2010). The aim of the standard is to help companies achieve a sustainable development and set a strategic direction for the organization (Chiarini & Vagnoni, 2017). This is done through guidelines, that encourage companies to take action within sustainability that go beyond what is legally required (Moratis & Cochius 2011). The development process of the ISO 26000 standard was initiated in 2005, by a working group that involved about 300 nominated experts from 54 ISO member countries. The ISO 26000 working group was one of the biggest and most diverse working groups ever established by the ISO. (Castka & Balzarova 2008) The standard was published in 2010 after years of development (Hahn 2013; Henriques 2011). The standard is designed to fit all types of organizations, from very small ones to the largest organizations in the world. These organizations include all kinds of organizations, from companies and governments to educational institutions and churches. The ISO 26000 standard includes seven core principles on which it is built on (Moratis & Cochius 2011). These principles are accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior and respect for human rights. These seven core principles are the base for the ISO 26000 standard's structure.

### ***2.8.1 The structure of the ISO 26000 standard***

The ISO 26000 standard is divided into seven clauses, an annex and a bibliography as shown in the Figure 6. The first clause of the standard is the scope, which basically explains the contents of the standard, the purpose of the standard and other basic information about the standard. In this section it is explained that the standard is not a management system and that it is not meant for certification purposes (Moratis & Cochius 2011). In the second clause, the most important terms and definitions of the standard are described. This is a section which helps to understand important terms

included in the guideline, such as due diligence. After these clauses, the guideline includes an explanation of what CSR is, and about the background and history of CSR. This section also emphasizes the characteristics between CSR and sustainable development, which is a key element in the standard. The fourth clause includes the seven core principles that the standard is built on. (Moratis & Cochiuș 2011) These four clauses build the base for the standard and the standardization process. Without first understanding these clauses, it will be difficult to proceed to the following sections (Henriques 2011). The fifth clause presents the two fundamental practices of CSR. The guideline emphasizes the importance of stakeholder engagement, and in this clause the relationships between stakeholders and CSR is presented. The sixth clause presents the seven core subjects of ISO 26000. These are human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development and organizational governance. The seventh clause, which includes practices for integrating CSR throughout the organization is the last clause, before the annex and the bibliography. This part includes recommendations about the implementation of CSR activities. Some important subjects in this section are communication about CSR, enhancing the credibility of CSR activities and reviewing and improving CSR initiatives in the organization. The annex in the guideline provides examples of voluntary initiatives and tools for engaging in CSR and the bibliography provides additional guidance if needed.



**Figure 6** The structure of ISO 26000 (ISO, n.d.)

### 2.8.2 The core subjects

The sixth clause of the standard includes the seven core subjects of the ISO 26000 standard. As mentioned earlier, these core subjects are the following: human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development and organizational governance.

### *2.8.2.1 Human rights*

Human rights are extremely relevant and important to any organization today and human rights was actually one of the first issues that the ISO 26000 working group came up with. From a human rights perspective, one important aspect is that the ISO 26000 standard is applicable to governments (Henriques 2011). In addition to governments, businesses also have an important part regarding human rights (Henriques, 2011). According to the standard, an organization should respect human rights and also recognize their importance and their universality. Human rights in the standard include a broad spectrum of aspects. Human rights due diligence is one important aspect, as is discrimination and acknowledgement of vulnerable groups. Assessing risk situations regarding human rights is also mentioned as an important action, as is avoidance of complicity. Complicity is both conscious and unconscious assistance in committing illegal acts by others, that lead to negative effects on people, the planet or the society (Moratis & Cochiuș, 2011). Rights at work are also listed in the standard (Henriques, 2011).

### *2.8.2.2 Labor practices*

Labor practices applies to all the activities related to work, that are done within, by or on behalf of an organization. Within labor practices, five major aspects are identified. These are the employment itself and employment relationships, conditions of work and social protection, social dialogue, health and safety at work and human development and training in the workplace (Moratis & Cochiuș, 2011). These all reflect upon the fact that the working environment needs to be a safe place regarding physical, psychological and social aspects of work. These all also reflect also that the working environment needs to be a place for growth, both regarding training and personal growth. These aspects also represent healthy relationships, both with colleagues and with the work itself.

### *2.8.2.3 The environment*

The environmental part of the standard emphasizes how organizations should be responsible and accountable for their impact on the environment and how they should take actions to compensate for their impact (Henriques, 2011). The standard includes four issues that need to be considered (Moratis & Cochiuș, 2011). These issues are prevention of pollution, sustainable resource use, climate change mitigation and adaption, restoration of natural habitats and protection of the environment. As terms these can be quite broad, and depending on the organization, the location and the industry, these can vary considerably. Prevention of pollution means limiting the amount

of contaminants released into the environment. These contaminants can be anything from toxic waste to polluting emissions. Sustainable resource use means that organizations should use resources at a slower pace than the Earth can produce these resources. This section includes three issues: energy efficiency, conservation of and access to water and efficiency in the use of materials. Climate change, which is currently one of the largest environmental problems in the world, is included in two sections of the standard. Organizations should both minimize their effects on the climate change and also adapt to the consequences of climate change. Protection of the environment and restoration of natural habitats include appreciating, protecting and restoring ecosystems.

#### *2.8.2.4 Fair operating practices*

Fair operating practices includes how organizations interact with their stakeholders (Henriques, 2011). Five main issues within this section is presented in the standard (Moratis & Cochiuș, 2011). These issues are anti-corruption, responsible political investment, fair competition, promoting social responsibility in the value chain and respect for property rights. These actions should be based on the principles of ethical behaviour presented earlier. Anti-corruption means that organizations should never engage in any activities involving corruption. Responsible political investment emphasizes the importance of avoiding involvement in public political processes or at the very least to be transparent regarding their political actions. Fair competition includes practicing business fairly, without any illegal activities such as cartels for example. Promoting social responsibility in the value chain means that organizations should promote sustainable practices throughout the supply chain and thus minimizing negative impacts and practices. Last, respect for property rights is about respecting each other's physical and intellectual properties, such as copyright, patents and moral rights.

#### *2.8.2.5 Consumer issues*

Consumer issues are very important because consumers are one of the most important stakeholders within retail. Seven core issues are introduced within the consumer issues (Moratis & Cochiuș, 2017). These seven core issues are as follows: fair marketing, information and contractual practices, protecting consumer health and safety, sustainable consumption, consumer service, support and dispute resolution, consumer data protection and privacy, access to essential services, education and awareness. All these aspects have the same agenda. They aim to protect the consumers by providing safe products, and by protecting their integrity. They also aim to be honest with consumers in order to gain mutual trust. They also aim to educate consumers about social

responsibility through products and information provided by the organization. By educating consumers, they gain both trust but also possible customer loyalty. By educating consumers organizations will also spread the knowledge about social responsibility, which will possibly lead to increased awareness about CSR and sustainability in general.

#### *2.8.2.6 Community involvement and development*

Local or other communities are important to any organizations and therefore these communities should be caressed. Community involvement can include various kinds of activities, everything from education and culture to technology improvements and social investments (Henriques, 2012). Community involvement usually also includes wealth and income creation for the locals. These community involvements can be executed in the organization's local community or alternatively in other communities that need the support. Community involvements can include everything from financial support to implementing a specific project (Moratis & Cochiuș, 2011).

#### *2.8.2.7 Organizational governance*

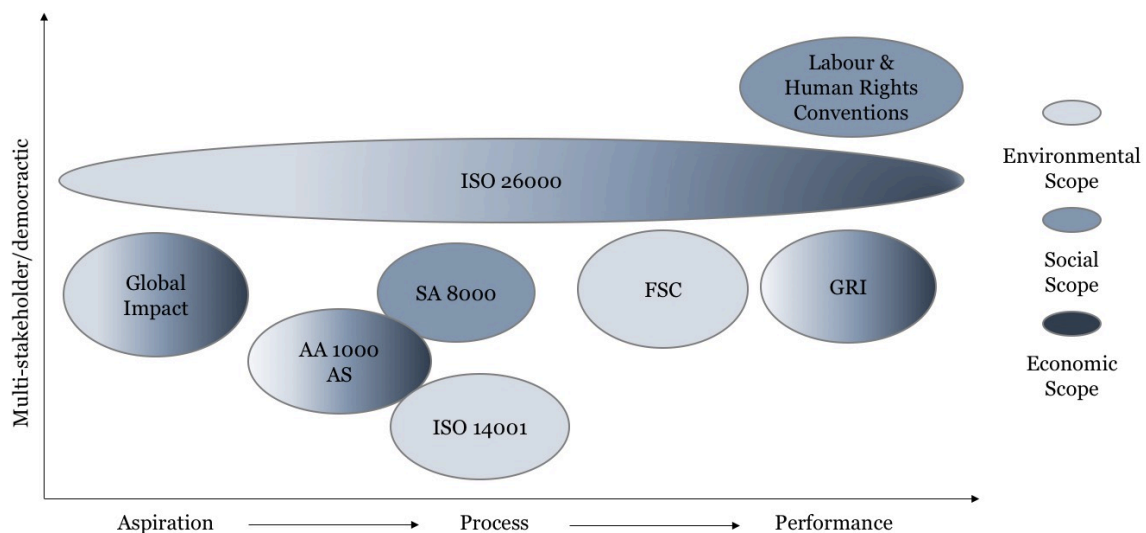
Organizational governance is something that all organizations need in order to be able to make decisions, implement the decisions and monitor them, based on the organization's vision, mission and strategy (Moratis & Cochiuș, 2017). Organizational governance can be divided into five issues. These issues are legal compliance, transparency, accountability, ethical conduct and recognition of stakeholders and their concerns. Legal compliance means obeying the law and following regulations. All countries have their own legal systems and therefore also their own laws and regulations. If an organization is global, in addition to following the laws and regulations in one country, they must follow laws and regulations in all the countries. Transparency is very important for all organizations, regardless of the size or industry. Transparency emphasizes acting as transparent as possible and not hiding information from any stakeholders. Accountability on the other hand is showing that the organization is accountable for its actions. Without transparency, there is no accountability and without accountability there is no organizational governance. (Henriques, 2011). Ethical conduct is about honesty, equity and integrity of an organization's actions and to behave as ethically as possible regarding people, animals and society as a whole (Moratis & Cochiuș, 2011). Recognition of stakeholders emphasizes the importance of recognizing its stakeholders, their values and their needs (Henriques, 2011).



Organizational governance also includes different kinds of reports and audits, in order to achieve transparency. These reports and audits can be for example purely non-financial, but also financial. They should also consider performance in some way. Besides these reports, companies should also conduct risk assessment regarding different aspects within sustainability. Through these risk assessments, companies will both create more transparency and accountability in regard to stakeholders, but they will also secure their own operations by preparing for different kinds of risks within sustainability (Bernhart and Maher, 2011).

### 2.8.3 Why ISO 26000?

Currently there are many different sustainability standards available. They vary slightly from each other and they focus on different aspects of sustainability. The content of these standards can be divided into three scopes: the environmental scope, the social scope and the economic scope. Below in Figure 7 is a map of sustainability standards, which presents the different sustainability standards, the nature of the standard, their scopes and where they are situated regarding stakeholders. From the map it is also quite easy to compare these different sustainability standards with each other. The map presents eight sustainability standards that are all unique. Two of these standards are purely social, two are purely environmental and the rest of the standards are broad-ranging standards that cover all aspects of sustainability. ISO 26000 is one of the standards that is a broad-ranging and cover all aspects of sustainability.



**Figure 7** The map of sustainability standards (Henriques, 2012)

The difference between all the other standards compared to the ISO 26000 standard is that when looking at the nature of the standard, as if the standard is more of an

aspiration, process or if it focuses more on the performance, the ISO 26000 is the only one that focuses on all of these. Global Impact, for example, is a purely aspirational standard, that has a number of aspirational principles while they do not have anything more concrete, while GRI is a standard that purely focuses on reporting and organizational performance without any focus on the implementation process. The ISO 26000 standard, on the other hand, is a standard that has an aspirational view with all its sustainability related principles (Moratis & Cochiuș, 2011), which also focuses on the implementation process as a whole with a clear guideline, while it is also clearly focusing on the performance of the company (Chiarini & Vagoni, 2017). Additionally, the ISO 26000 standard takes into consideration the stakeholders, when compared to many other sustainability standards on the map. It does this by focusing on increasing the number of CSR engaged stakeholders for example (Balzarova & Castka, 2012). The ISO 26000 is also considered to be good at taking into consideration customer needs regarding CSR (Chiarini & Vagoni, 2017).

Because the ISO 26000 standard is a member of the ISO family, it is also well integrated with other ISO management system standards, even if it is not a management system standard itself. This makes it easier for companies to implement multiple ISO standards without any further complications regarding how they fit together (Castka & Balzarova, 2008). However, in comparison to other ISO standards, the ISO 26000 does not provide a certificate, which can make the standardization slightly more confusing for companies. Because of lacking a certificate, companies might have lower barriers for implementing the standard. However, this might on the other hand also be a challenge, because without a certificate, there is no third party assessment of the company's sustainability activities. Therefore, it might be easier for companies not to fully comply with the standard, even though they have started the implementation. As a comparison, the ISO 9000 and the ISO 14000 both require an audit plan and a management review, which the ISO 26000 does not require (Chiarini & Vagoni, 2017).

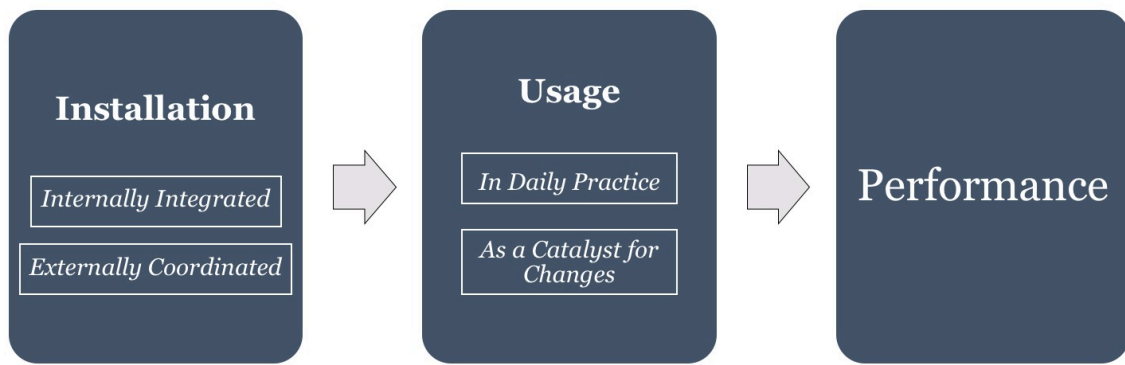
## **2.9 Implementation of standards**

The implementation process of standards is a complex process and it varies depending on the standard in use. As seen before, a successful implementation of a standard can lead to many benefits, foremost a competitive advantage. In order to gain the competitive advantage, the implementation needs to follow the guideline very precisely but it must also adapt to the company. Without the adaption to the company, the implementation process might fail. As said before, there are multiple aspects that need to be considered when implementing a standard. One of the first aspects a company needs to think about

before the implementation is the timing of the implementation (Su et al., 2015). According to Su et al. (2015) the timing plays a crucial role because it can potentially lead to a performance advantage. According to their study, companies benefit from early implementation in highly competitive environments, while in less competitive environments there is no specific benefits. Their study showed that a company that implemented the ISO 14001 environmental standard one year earlier than other companies in the same industry, improved their return on assets (ROA) by 7-10 percent and return on sales (ROS) by 6-9 percent on average. This study therefore shows a significant performance boost when implementing a standard before others. In other words, the timing of the implementation might be crucial. Regarding timing it is not only important to be a first-mover, but also to give the standardization process enough time (Babakri, Bennetta & Franchetti, 2003). It is important not to hurry the process too much, but also not to give it too much time. It is also crucial to remember that CSR implementation is usually a top-down process (Bernhart & Maher, 2011).

### ***2.9.1 The two-staged implementation process***

Naveh and Marcus (2005) divided the implementation of an ISO management standard into two stages: the installation and the usage, as can be seen from Figure 8. Even though their study did not focus on a pure sustainability standard, the research can be used for any standards in general. The installation, which is the first stage, is about establishing rules that allow a company to effectively adhere to the standard. These rules include quality policies and manuals. Quality policies and manuals include information about the standard, important definitions and other needed information, such as data collection and analysis. The installation stage aims to introduce the standard to the company and its employees. It also aims to establish a system for carrying out the implementation and to develop a set of rules to support the implementation. The first stage is divided into two groups: internal integration and external coordination. The internal integration is about integrating the standard into the company's own systems and operations, whereas the external coordination is about fitting the standard to stakeholders', such as customers' and suppliers', needs and requirements. (Naveh & Marcus, 2005) The external coordination is especially important regarding the ISO 26000 standard because the standard focuses strongly on stakeholders (Chiarini & Vagnoni, 2017).

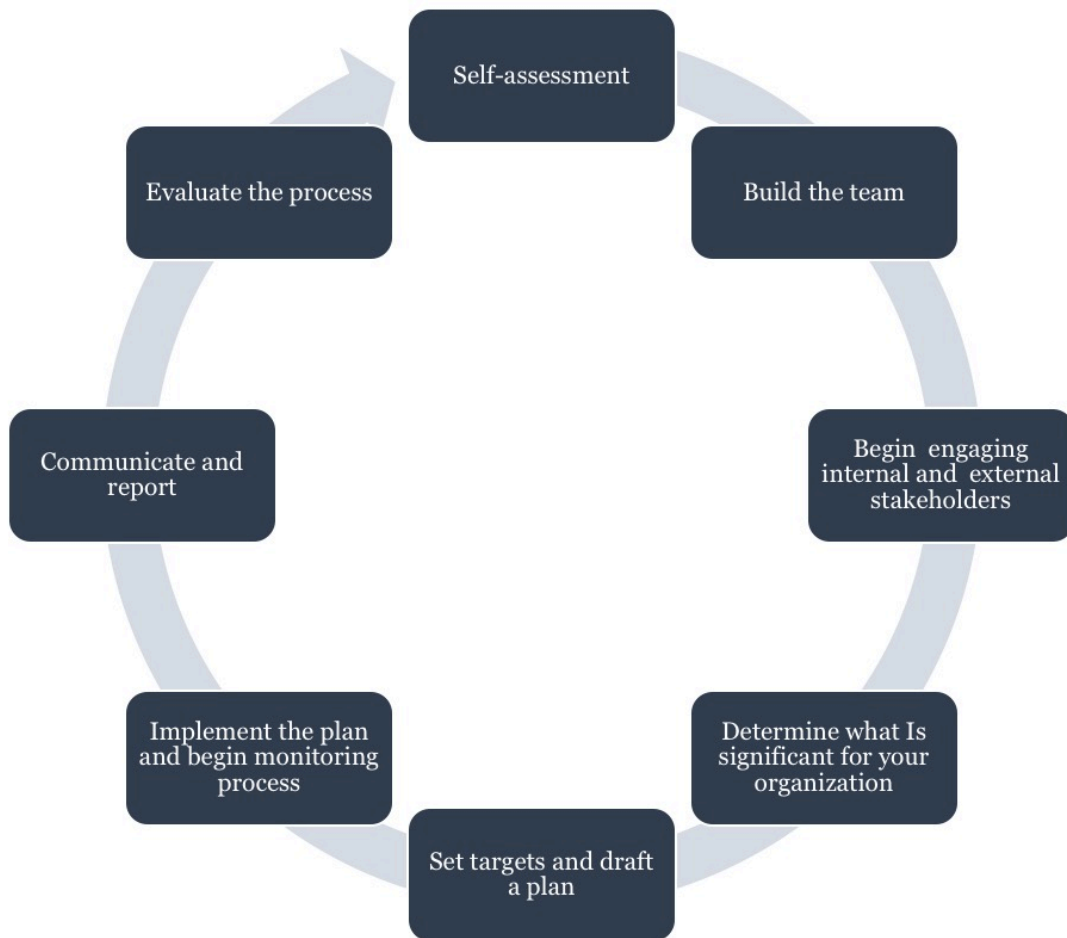


**Figure 8 Implementation of a standard (Naveh & Marcus, 2005)**

Because the installation in itself is not enough, in order to achieve a long term effect on an organization's performance, a second stage of the implementation is needed (Nutt, 1986). The second stage is usage. This stage is also divided into two categories: the daily practice and the catalyst for changes. Daily practice is regular use and application of the standard to the point that it becomes a part of the company's daily activities (Cooper & Zmud, 1990; Fichman & Kemerer, 1997; Ettlie, 1980). With the help of the daily use the company will possibly be able to systematically improve the organization's quality. When a company succeeds in integrating the standard into everyday operations, it makes it easier to maintain a certain quality regarding the standard (Bradley, 1994; Frehr, 1997). The second category, which is the catalyst for changes, means that the standard is used by the company in order to learn new ways of operating within their business. This is also a so called launching pad for new ideas developed from the rules set by the standard. With the help of this, companies can develop their usage of the standard even further and achieve even better quality and performance. (Naveh & Marcus, 2005) Also, without the possibility to develop new ideas and to think independently within the organization, there will likely be ongoing resistance to the implementation (Graham, 1995).

### **2.9.2 Implementing the ISO 26000**

In order to implement the standard as efficiently as possible, there are some important factors that organizations need to consider. The implementation process as a whole is divided into eight steps as presented in Figure 9. These steps help organizations by guiding them through the implementation process.



**Figure 9** Suggested steps for implementing ISO 26000 (Bernhart & Maher, 2011)

#### *2.9.2.1 Self-assessment*

The first step of the implementation process is to conduct a self-assessment (Bernhart & Maher, 2011). This self-assessment helps organizations understand what is working well for them, determine the company's own CSR destination and set objectives for the CSR-process. This usually begins with discussing and understanding the general context within which the organization wants to consider CSR and set a strategy. This step is connected with the fourth clause of the standard. Therefore, the principles of the standard are discussed and the meaning of the principles for the organization is weighted. During this step, the culture in the organization is also being assessed, in order to optimize it for the upcoming CSR implementation. Organizations also need to recognize their current CSR activities and performance. Without recognizing the current performance regarding CSR it will be difficult to invest in new CSR activities. Additionally, when a company maps its CSR activities, it will more easily recognize what activities are the most important ones, and what activities are less important. With the help of this step, it will become much easier for the company to focus on relevant and

significant issues. During this step it is also important to recognize the company's most important operations in order to achieve a broad picture of the current situation of the company. After this assessment it is important to discuss what the company wants to achieve by investing in CSR. Therefore, they need to set a destination and a goal for their CSR investments. Additionally, by setting objectives for the process, it will become easier to conduct a plan for their CSR journey later during the process. During the self-assessment phase, the organization can also begin integrating CSR into their policy and educating their employees about CSR.

#### *2.9.2.2 Building the team*

This step is crucial in order to begin the implementation process properly. The purpose of building a team is to provide a steady implementation process with uniformity. With the help of a team that will work with the implementation throughout the whole process, they will have a broader view of the process and they will more steadily implement CSR in the organization (Bernhart & Maher, 2011). Therefore, this step provides ongoing coordination and guidance of CSR implementation, monitoring and development. This group should involve people with varying expertise and titles, in order to have as much varying talent and ideas in the group as possible.

#### *2.9.2.3 Engaging internal and external stakeholders*

The purpose of this step is to understand stakeholders' interest in CSR and their concerns regarding CSR, and also to raise awareness regarding CSR, both inside and outside of the organization (Bernhart & Maher, 2011). This step also includes communicating the CSR objectives and strategy to the stakeholders. When engaging the stakeholders in an early phase of the implementation process, the stakeholders can contribute much more to setting objectives and strategies, and therefore being a part of the development of the implementation plan.

#### *2.9.2.4 Determining what is significant*

During this step it is important to carefully determine what is significant for the organization in order to be sure that they are focusing on issues that are significant for them. Issues that are significant can both be issues within the organization, but also issues that are crucial considering stakeholders (Bernhart & Maher, 2011). According to Bernhart and Maher (2011) organizations need to begin with identifying what is significant for the internal stakeholders, such as employees, and then continue with identifying the issues of significance to external stakeholders.

### *2.9.2.5 Set targets and draft a plan*

As soon as the company has determined what is significant for them and what is not, they should proceed with setting measurable targets and draft a plan according to these targets. The purpose of this step is to have a disciplined and measurable approach to CSR and to have a clear action plan for the implementation process (Bernhart & Maher, 2011). This plan is crucial for the implementation throughout the whole organization. The implementation plan should include all the information gathered before this step and in addition to these, it should list its implementation tools, implementation activities and procedures and responsibilities for monitoring. The plan should also include a schedule for the implementation and the resources and costs related to the implementation.

### *2.9.2.6 Implement the plan*

After the initial plan has been drafted, the implementation process can begin. This step is crucial in order to meet the targets set (Bernhart & Maher, 2011). During the implementation process it is also important to monitor the process itself, changes and the development of the company's CSR engagement. It is also important to monitor the organization very closely in order to notice any significant changes in any departments of the organization. Changes can include anything from employee or investor engagement to inefficiency or loss. Some key factors during the implementation phase are for example efficient and transparent communication throughout the implementation process with all the stakeholders and focusing on the most relevant and significant issues. (Bernhart & Maher 2011) Additionally, increasing employee engagement is an important part of the implementation phase (Moratis & Cochius 2011) because without engaging the employees, it will become very difficult to implement the strategy throughout the organization. Employees are the ones who in the end implement the strategy in practice. During the implementation the company should use and enhance existing tools and systems or alternatively, choose new tools and systems for the company. These tools and systems will help the organization in both implementing and in following up the implementation.

### *2.9.2.7 Communicate and report*

During this step it is important to communicate the organizations' new commitments within sustainability and the performance related to this commitment (Bernhart & Maher, 2011). This step usually begins already during the implementation phase and continues long after the implementation has been done. The performance can be communicated through a third-party sustainability reporting, such as GRI for example.

GRI is a very practical reporting tool that many organizations use (Isaksson & Steimle, 2009; Brown, de Jong & Levy, 2009). During the reporting phase it is important to measure the CSR performance carefully, and to communicate this performance to the stakeholders. When it comes to communication, both internal and external communication is very important. Without having both internal and external communication at the same level, the impact of the intended communication will probably suffer. The communication and reporting should be done through various different channels, in order to reach as many stakeholders as possible, for example web site, newsletters, local flyers, social media and so on.

#### *2.9.2.8 Evaluate the process*

During the step the of evaluating the whole process begins again (Bernhart & Maher, 2011). The company should conduct a new self-assessment. They should also continue actively with their communication and reporting. The purpose of this step is to assess if the improvements made any significant differences in the organization and what kind of impact the changes had on the organization. The following steps for further improvements and opportunities should also be discussed during this step.

#### **2.9.3 Challenges regarding implementation**

There are different challenges included in the implementation process of standards. One of the most common challenge according to Babakri et al. (2003) is the high cost of the certification from the standardization. However, this is only a problem regarding standards that provide a certification, which is not the case regarding the ISO 26000 standard. Another challenge within implementation that many companies identifies is lack of resources (Naveh & Marcus, 2005). Without the needed resources, it can be very difficult to implement a specific standard to a company. A specific problem regarding ISO 26000 is that it has many different has many different categories that need to be covered, and without the resources needed, this can be very difficult to achieve. Other challenges that Naveh and Marcus (2005) identified in their research regarding the implementation was uncertainty about the benefits of implementing a standard, additional training requirements and lack of top management commitment. All these challenges can lead to difficulties in implementing and in the worst case scenario, these can even lead to a failed implementation. Another study that researched challenges regarding CSR implementation recognized five huge challenges within the matter. The biggest challenge they recognized was that the competitive pressure is too strong. With this, they mean that the competition on the market is so strong that most of the companies' financial assets are used on other investments than CSR related activities.



Therefore, there is no financial ability to make CSR related investments (Graafland & Zhang, 2014). If a company does not have enough resources invest in CSR, they will probably struggle with fulfilling the standard (Naveh & Marcus, 2005). Other challenges they recognized were that the government or NGOs do not offer enough support, the whole industry does not offer enough support, the costs of implementing CSR are too high and that there are not enough human resources for CSR implementation. The most common barriers for not implementing CSR standards are lack of human resources, time and CSR training (Graafland & Zhang, 2014).

## **2.10 Previous studies**

Even if ISO 26000 is not even ten years old yet, quite a few studies have already been conducted on the matter. In this chapter, a few of these studies will be presented. Some of these studies focus on the ISO 26000 standard as a whole, some focus purely on one or two of the core subjects and some studies research on the performance connected to the ISO 26000 standard. All the following studies are based on the ISO 26000 sustainability standard and are analyzed based on it.

### ***2.10.1 Mohd Fuzi, Habidin, Hibadullah and Ong (2017)***

Mohd Fuzi, Habidin, Hibadullah and Ong (2017) examined the relationship between CSR activities, ISO 26000 and the CSR performance among Malaysian automotive suppliers. They did this through sending 400 questionnaires to Proton and Perodua automotive suppliers. Proton and Perodua are the two largest automotive manufacturers in Malaysia. Automotive suppliers play a very important role in the industrial sector. The questionnaires was built on CSR activities, ISO 26000 and CSR performance measurements. The CSR activities were the same as the core activities within ISO 26000, the part of ISO 26000 focused on recognizing social responsibility and stakeholder identification and engagement and the performance measurements focused on social performance and environmental performance through analyzing for example investments, costs, reporting, risks and waste. The study found out that there is a positive and significant relationship between CSR activities and CSR performance. The study found out that ISO 26000 has a direct positive and significant relationship with CSR performance.

### ***2.10.2 Ávila, Hoffman, Corrèa, da Rosa Gama Madruga, Schuch Júnior, de Sousa Júnior and Zanini (2013)***

Ávila, Hoffman, Corrèa, da Rosa Gama Madruga, Schuch Júnior, de Sousa Júnior and Zanini (2013) examined data from a study gathered by ISO regarding the CSR initiatives

that have been undertaken by organizations using ISO 26000. The study (Ávila et al., 2013) examined data from 70 organizations in Brazil regarding their CSR initiatives within ISO 26000, and the result indicated that the organizations who participated in the survey were committed to CSR, especially in regard to labor rights and the environment. Fair operating practices and human rights were also considered important.

### ***2.10.3 Valmohammadi (2011)***

Valmohammadi (2011) investigated CSR practices in Iranian organizations. Valohammadi (2011) examined the different subjects of ISO 26000 and what these subjects meant to the organizations participating in the study. The study concluded, that all the hundred manufacturing organizations considered all the core subjects within ISO 26000 as ‘important’ or ‘very important’, but most of them considered the environment to be the key subject of the standard. However, 90 percent of the organizations were engaging in community involvement and development, which makes these subjects the most popular ones. The reason for this is, that most of the organizations believed that CSR was similar to philanthropy and therefore their main efforts were invested in different kind of charities. Valmohammadi (2011) also recognized some main drivers for investing in CSR. The three main drivers that was concluded from the study were increased corporate identity, increased corporate reputation and competitive markets. The study also presented some barriers for why organizations do not invest in CSR. The most common reason was the general lack of knowledge or awareness of CSR.

### ***2.10.4 Hasan (2016)***

Hasan (2016) investigated measuring and understanding the engagement of CSR practices in Bangladeshi SMEs. The purpose of the study was to investigate how and to which extent Bangladeshi manufacturing SMEs are implementing CSR activities in their regular business activities. The study was carried out as a mixed-methods study including both questionnaires and semi-structured interviews. As Valmohammadi (2011), Hasan (2016) too, discovered that one barrier for implementing CSR activities within organizations is lack of awareness and knowledge. Hasan (2016) also listed some other barriers, such as corruption, a weak regulatory environment and inefficient or ill-suited government and external support. Hasan (2016) also discovered that in the Bangladeshi organizations CSR was implemented only to the degree that matched the managers’ and owners’ own interests and personal motives.

### ***2.10.5 Ranängen, Zobel and Bergström (2014)***

Ranängen, Zobel and Bergström (2014) investigated how ISO 26000 has impacted the development of CSR within the mining industry in Zambia. Ranängen et al. (2014) discovered, that even though ISO 26000 is only a guideline, instead of a certification, it can be used to evaluate and improve companies' CSR activities. According to the study, the ISO 26000 standard provides the companies with valuable advice when designing a sustainability program. Additionally, the study found out that management system based standards, such as ISO 18001 and 14001 (occupational health and safety standards) can effectively support ISO 26000.

### ***2.10.6 Toppinen, Virtanen, Mayer and Tuppurä (2015)***

Toppinen, Virtanen, Mayer and Tuppurä (2015) investigate the standardization of social responsibility through the ISO 26000 standard in the forest industry. Their research focused on investigating the level of CSR within the companies and also the core subjects they are engaging in. In the study, 60 companies all around the world within forest industry participated. The study was carried out both through a survey and managerial interviews. This included also some companies from Finland, Scandinavia and other similar cultures. The results from the study revealed, that a majority of the companies had already implemented CSR practices from the seven core subjects. The study also revealed that environmental issues and organizational governance was regarded as key subjects for implementing CSR within forest industry companies, while consumer issues and human rights were not considered important. They also argued, that based on the results, the ISO 26000 standard might not bring much added value to sustainability forerunners, that already have some existing sustainability activities in their processes.

### ***2.10.7 Mikkilä, Panapanaan and Linnanen (2016)***

Mikkilä, Panapanaan and Linnanen (2016) investigated the adequacy of national and international CSR initiatives in different operational environments, and also the institutionalization process behind the CSR initiatives. The study focused on Finnish-based companies in six different operation areas and the cases were analyzed through the ISO 26000 guideline. The study showed that Finnish companies are relatively proactive regarding CSR initiatives, but failed partly because of three reasons; Finnish trust on local legislations and institutions, inadequate base guidelines for CSR engagement and inadequate knowledge on local business environment. However, according to the study, ISO 26000 provided a relatively comprehensive guideline for CSR implementation. A few problems that arose in the study regarding the standard, was

the missing of raw material related issues within environmental issues and responsibility towards stakeholders. The study also recognized some possible benefits, that can be gained through the standard. These benefits were for example a good reputation, efficient management and an improved brand.

#### ***2.10.8 Hemphill (2013)***

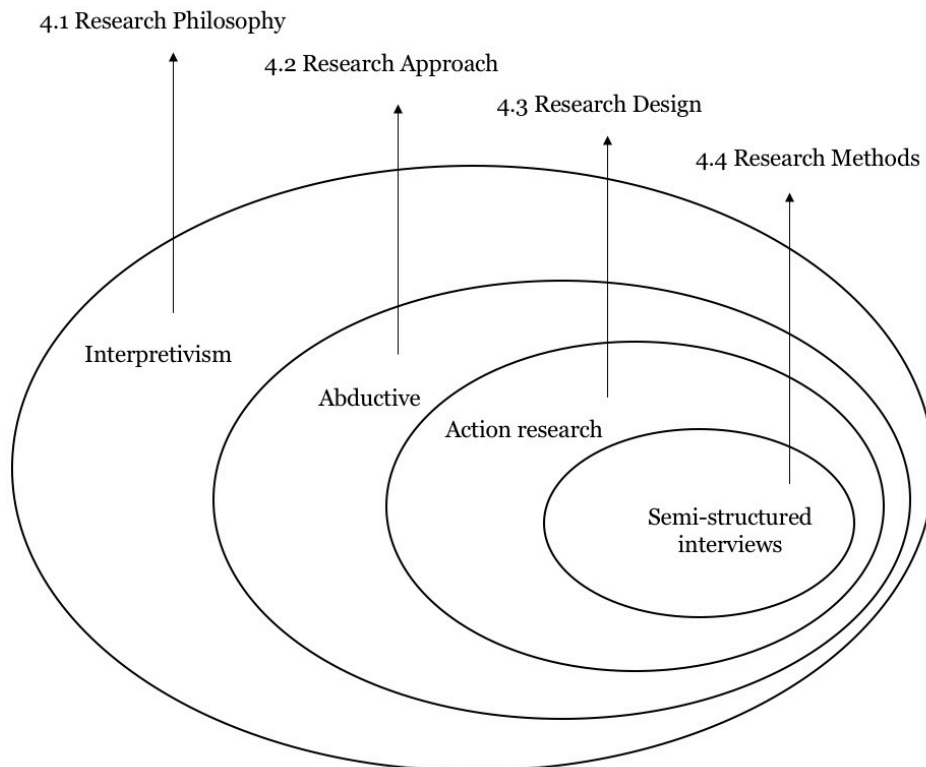
Hemphill (2013) investigated in his paper reasons for and against the implementation of the ISO 26000 standard. Reasons for implementing the standard were for example the positive image of the standard as internationally known, globally reputable and credible, and also the clear definitions and objectives of social responsibility defined in the standard. However, the study concluded that the ISO 26000 standard is too broad in scope to be used in any specific industry. It was also claimed to be too costly for any small or medium sized organizations and in addition it is not certifiable which leads to weaknesses in assessing its efficacy.

#### ***2.10.9 Summary of previous studies***

There are quite many studies conducted about the ISO 26000, but not many of these studies are conducted in Finland or within industrial retail. Additionally, practically no studies have been conducted on the implementation process of the ISO 26000 standard. Many of the existing studies have been conducted in very different cultures than Finland, for example Bangladesh, Malaysia, Zambia and Brazil. In addition, many studies have been conducted in the manufacturing or raw material industry, while this study is focusing on the retail aspect. Only a very limited number of studies about CSR within retail was found. Many of the previous studies concluded, that the ISO 26000 provides a good guideline for implementing CSR. However, almost all the studies also found some problems related to the standard. For example, Toppinen et al. (2015) argued that the standard will not bring any additional value for companies that already have some sustainability engagement. Therefore, the standard is more suitable for companies that do not yet have any sustainability engagement. Regarding the subjects, environmental issues were considered widely as one of the most important issues within the standard. Additionally, the most common barrier for implementing CSR was lack of knowledge. However, none of the existing studies are solely focusing on the implementation of the ISO 26000 standard.

### 3 METHODOLOGY

In this chapter, the methodology of the study will be presented. The methodology will be presented through the research onion presented by Saunders, Lewis and Thornhill (2009). The research onion consists of six layers, and four of these layers will be used in this study. In figure 10, these four layers can be seen. The research onion is built so that, in order to figure out how to conduct the layer in the middle, one first needs to understand all the layers above.



**Figure 10** “The research onion” (Saunders, Lewis & Thornhill, 2009)

#### 3.1 Research philosophy

Research philosophy is the first layer of the research onion and a very important part when conducting empirical research. Research philosophy guides the researcher through their study within their research strategy and their choice of methods. In a nutshell, research philosophy is the development of knowledge and the nature of that knowledge. Therefore, when conducting research, one aims to develop knowledge in a specific field (Saunders, Lewis & Thornhill, 2009). The ontological approach is more concerned with the nature of reality, while epistemological approach concerns what is acceptable knowledge in a field of study (Saunders et al., 2009; Bryman & Bell, 2015). In addition to epistemology and ontology, Saunders et al. (2009) also described a third approach, which is the axiological approach. This approach studies judgment about values. This specific study focuses mainly on implementation of the ISO 26000 standard from the

organization's point of view. In order to understand the implementation process there is a need for understanding both the organization and the standard. In this research the ontological orientation is on subjectivism and the epistemological orientation is on the interpretivism. Corporate social responsibility is an existing issue and ISO 26000 helps to make it visible. However, the construction of CSR within this one specific company is interpreted and therefore made by me as a researcher.

Subjectivism or social constructionism views reality as being socially constructed. This means that there are usually many different social actors involved, that might have various interpretations of situations (Saunders et al., 2009; Bryman & Bell, 2015). In this study various social actors that have an impact on the implementation process are involved, but the main focus is still on the organization as a whole. The study is mainly going to focus on the formal characteristics of the organization, such as the members and their job descriptions, hierarchy, rules, regulations, monitoring and sanctions, but also on the organization's own perceptions of the effects of its operations. Therefore, the ontological approach in this study is subjectivism, but information about the organization and its effects may be obtained also from the objectivism point of view. Objectivism views reality as how social entities exist independent of social actors.

The epistemological approach in this study is interpretivism, which refers to understanding differences between humans as social actors (Saunders et al., 2009). According to interpretivism it is important for researchers to understand differences between humans in a role as social actors and that the social sciences is fundamentally different from natural sciences. This means that studies within social sciences require a different kind of logic of research that reflects the distinctiveness of humans (Bryman & Bell, 2015). This study is interpretative for two reasons. I will conduct the study and therefore I will interpret the CSR engagement of the organization. I will conduct interviews where I aim to gain information about the formal characteristics of the organization. First, the interviewees will interpret these organizational characteristics from their point of view, and secondly, I will interpret their interpretations afterwards. Therefore, I will interpret both the organization and their CSR activities as well as the interviews and the information I will gain from the interviews.

### **3.2 Research approach**

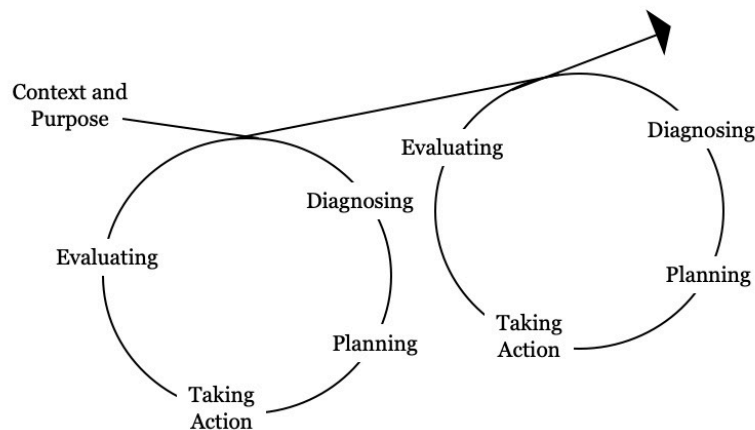
The second layer of the research onion is the research approach. The research approach is determined according to the relationship between theory and research. There are two options for an approach. The first one is the deductive approach, that develops and builds

a hypothesis first and then builds a research design to test the hypothesis, and the second one is the inductive approach, in which one collects data and then develops a theory as a result of the data analysis. In addition to these two approaches, a third one has also been emerging. The third one is a mix of the deductive and the inductive approaches and is called an abductive approach. (Saunders et al., 2009; Bryman & Bell, 2015)

In this study, an abductive approach will be used. Theory will be used in order to achieve a pre-understanding before conducting the interviews. The theory will also be used as a base for the interviews, but the interviews will not solely rely on the theory. By having the theory as a base for the data collecting, it allows the research to go more in-depth. The data collected from the interviews will then be analyzed and a theory will be conducted from this. Therefore, there is already plenty of information and studies done about why and how standardization works. I will use this information to conduct the study, but I will also create new information on what the ISO 26000 standard means for this one specific company and industry.

### 3.3 Research design

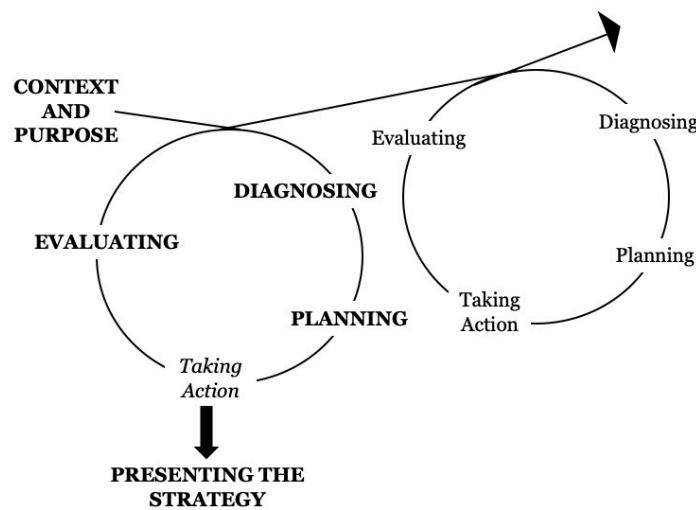
The third layer in the research onion is the research design. The research design is the framework used for collecting and analyzing data in the research process. The action research design will be used in this study. Action research is a research design that is a process designed to develop solutions to real organizational problems. This is done through a participative and collaborative approach, which uses different kinds of knowledge. The purpose of action research is to promote learning within organizations in order to produce practical outcomes through an action. (Saunders, Lewis & Thornhill, 2016) Action research is meant to contribute both to academic theory and practical action in the organization (Bryman & Bell, 2011).



**Figure 11** The original action research process (Saunders et al., 2009)

Figure 11 shows the action research process. The process begins with identifying the context and the purpose of the research. Thereafter, information should be analyzed and diagnosed, and then the strategy or the plan should be designed. After this, the plan should be implemented as an action, and the last step would be evaluating the implementation. (Saunders et al., 2009) Therefore, the key steps in the action research project is to identify issues, plan actions, take actions and evaluate the actions (Saunders et al., 2016).

However limited, due to restricted time, the usual action research process cannot be fully used in this study. The first three steps will be used in the normal way, but unfortunately because of restricted time, the taking action or implementation phase will not be in the study. This step will not be skipped, but instead the planned strategy will be sent to the case company, and the fifth step, which is evaluating, will include the case company evaluating the strategy instead of the implementation. This way the action research process will remain similar to the original one, with only some adjustments due to the time restriction. The modified model used in this study is presented below in Figure 12.



**Figure 12** The modified action research process (Based on Saunders et al., 2009)

Employee engagement is extremely important and valuable in action research, which is also the reason why in this research I decided to engage employees from the case company through interviews and reflections. The participation of employees in action research is important because employees are usually the ones who in reality implement the plan conducted in the action research process. Therefore, it is extremely important to have them as a part of the process in order to give them insights in the process, but also, to gain valuable information from them (Schein, 1999). The reason why I decided to use the action research design is because I got the opportunity to collaborate with an interesting company to create a sustainability strategy for them. In order to succeed in



this, there should be a close collaboration with the company, and through action research, we will together develop a solution for their problem regarding sustainability (Bryman & Bell, 2011). According to Schein (1995; 1999) there are two models of how the researcher and the researched community are involved with each other in action research. The first model is a doctor-patient model, where the community comes to the researcher with a problem and the researcher diagnoses and solves the community's problem. The second model is a process-oriented consultation model, where the process is more jointly researched, developed and solved. This model is the more common one for action research and is also used in this study.

A successful action research project should, according to Eden and Huxham (1996), have various outcomes. The study should have implications that relate to other situations also, and not only the one situation that was studied. Action and evaluation are important parts of the research process, but in addition to these, the research process should also be concerned with theory. Additionally, action researchers should be aware of the practical implications that their findings will have, and they should be clear about the expectations towards the collaborating company.

### 3.4 Research methods

The last layer of the research onion is the research methods, that are used to data collection in the study. The research philosophy and the research design guide which methods should be used in the study (Saunders et al., 2009). It is very important that the data collection phase is conducted properly, because the data will be the base for the analysis, together with the theoretical framework. The research methods in this study are presented in Table 2. The primary research methods used in this study are qualitative semi-structured research interviews, based on an interview guide and collection of reflections of the finalized strategy. As secondary methods for data collection are previous studies and company documents. Chapter 3.5.1 presents the semi-structured interviews, their collections, sampling and the interview guide and also the reflections. Chapter 3.5.2 presents the secondary data collection. In the table 2 below is presented all the data used in the study.

**Table 2 Primary and secondary data**

<i>Type of data</i>	<i>Number of units</i>	<i>Collection of the data</i>	<i>Type of data</i>
Semi-structured interviews	4	5.11.2018 – 12.2.2019	Primary

Reflections	3	1.4 - 8.4.2019	Primary
Company documents	8	Continuous during 1.9.2018 - 14.4.2019	Secondary
Previous studies	8	Continuous during 1.9.2018 - 14.4.2019	Secondary

### ***3.4.1 Primary data: Semi-structured interviews and reflections***

Primary data that will be used in this study are semi-structured interviews and reflections from the finalized strategy. There are two reasons for these data collection methods. First, semi-structured interviews will be used in order to gather as much information about the company's operations, structure, stakeholders, sustainability activities and their own perceptions of sustainability. Second, reflections will be used because an action research usually includes an implementation phase, but due to the limited time, an implementation is not possible during this study. Therefore, reflections from the interviewees about the finalized strategy will be replacing the implementation phase. Both of these data collection methods are extremely important in order to complete the action research process. In an action research, the participation of the employees of the case company is very important throughout the research process (Saunders et al., 2016). Therefore, both the semi-structured interviews and the reflections are important in order to have the employees of the case company participate in the strategizing process of the sustainability strategy throughout the whole process. It is also important to remember in action research, that the researcher and the researched community are not separate entities, but instead the researcher is seen as an outside facilitator who bring in change and promotes reflection over the change (Eriksson & Kovalainen, 2008). Therefore, both the interviews and the reflections are an important part of the change process both within the organization and for the study.

#### ***3.4.1.1 Sampling***

When collecting data, one needs to decide whether to use the whole population as a sample, in other words census, or to use a small part of the population, in other words a sample (Saunders et al., 2009). In many cases, sampling can be a better alternative than census because of the effectivity regarding for example time and budget that sampling creates. Many researchers have even argued that using sampling makes a possible higher accuracy than census (Henry, 1990; Barnett, 2002). Due to the impracticability of interviewing everyone in the case company in the specific time frame, and also the

probable fruitlessness of interviewing that many participants resulted to use sampling in this study. In this specific study, all the employees within the case company are the population, and the persons chosen for interviews are the sample.

The sampling technique used in this study is non-probability or judgmental sampling, because no statistical inferences need to be made from the sample (Saunders et al., 2009). In more detail, a snowball sampling method was used. Snowball sampling is a method that is commonly used when it is difficult to identify members of the desired population. Usually in the snowball method one or two persons are contacted in the population and then these persons identify further cases (Saunders et al., 2016). In this case, the first contact in the case company was the CEO. After this, the CEO named one top manager that could be interviewed, and thereafter the top manager named two middle managers who were interviewed. The middle managers were the last persons interviewed, because the information got very repetitive and therefore there was no need for further interviews. Additionally, also other sources of data was used, and therefore the four samples were enough for semi-structured interviews and for reflections.

#### *3.4.1.2 Semi-structured interviews*

Semi-structured interviews are interviews that are in general more flexible than structured interviews. The emphasis in semi-structured interviews is on how the interviewees frame and understand events and issues (Bryman & Bell, 2011). The focus is therefore on how the interviewees experience various matters and what they view as important. Through this process, the interviewer is aiming to find out patterns, behaviors and understanding different issues. Because of the flexibility in semi-structure interviews, there are no total restrictions on how the interview should be conducted (Bryman & Bell, 2011). However, an interview guide including different themes and questions is usually created, which the interviewer will follow, which is also the case in this study. This is the case in this study also. These guides are however not absolute, and they might be modified depending on the course of the interview. In this study, as a primary source of data, non-standardized semi-structured interviews will be used. Interviews are a very common data gathering method within action research, because interviews, specifically semi-structured interviews give the researcher a broad picture about the current situation of the research community. The interviewees all have the same questions, but they do have a chance to also answer the questions outside the so called interview question borders (Eriksson & Kovalainen, 2008). Because in action research it is important to engage the interviewees and have them actively being a part of the research process, it is also important to have them actively involved in the data

gathering (Eriksson & Kovalainen, 2008). Through semi-structured interviews, the interviewees do have a specific subject to talk about, but they are allowed to quite freely express their opinions and feelings. This strengthens the involvement of the interviewees and therefore the case company in the strategizing process.

**Table 3 Interview respondents**

<i>Interview</i>	<i>Respondent</i>	<i>Title</i>	<i>Time of interview</i>	<i>Conducted through</i>	<i>Date of the Interview</i>
1	A	CEO	46 minutes	Face to face	9.11.2018
2	B	Manager	53 minutes	Face to face	5.11.2018
3	C	Middle manager	58 minutes	Skype	8.2.2019
4	D	Middle manager	41 minutes	Telephone	12.2.2019

The four interviews conducted can be seen in the Table 3 above. The interviews were conducted one to one. Two of the interviews were face to face interviews, one was through Skype and one was a telephone interview. The way the interviews were conducted is varying, because the interviewees were located in different locations in Finland, which made it impossible to have a face to face interview with everyone. All the interviews lasted approximately 40 – 60 minutes and they were done during the interviewees' work day. The interviews were recorded in order to facilitate the transcribing and coding phase.

#### *3.4.1.3 Interview guide*

In order to prepare for an interview, the researcher must first identify the topic that is under investigation, then identify categories of the topic and last identify question stems (McIntosh & Morse, 2015). Therefore, when conducting the interview guide the topic of the interviews were identified first. This topic was CSR within the company. Then six categories of the topic was identified and these categories were the structure of the company, stakeholders of the company, CSR activities within the company, CSR deficiencies within the company, drivers for CSR and CSR goals. After these topics were structured, the questions were formulated. The interviews were conducted through a list of themes and questions. Some additional follow-up questions were added during the interview, when necessary. Therefore, the interviews followed the interview guide with

specific questions and topics but were adjusted depending on the course of the interview. The questions and themes in the interview guide gave the interviewees an opportunity to answer the questions quite freely, which also resulted in some follow-up questions that were not planned from the beginning.

#### 3.4.1.4 Reflections

Another primary source of data in this study is reflections. The reflections were gathered after the sustainability strategy was structured and the participants from the case company provided feedback and comments on the strategy. These reflections are replacing the reflections that should have been provided by the case company after the implementation. However, as stated earlier, the implementation of the strategy was not possible during this study due to time restrictions and therefore it was replaced with the feedback on the structured strategy. These reflections of the strategy are a crucial part of the study, because of the lacking implementation phase. Reflections were asked from the same sample that the semi-structured interviews were conducted on. This brings consistency to the study. However, only three out of four respondents provided feedback on the strategy, as can be seen in table 4. In addition to these three reflections collected, I myself reflected both on the strategy and the reflections provided by respondents A, B and C.

**Table 4 Received reflections**

<i>Respondent</i>	<i>Reflections</i>
A	Yes
B	Yes
C	Yes
D	No

The reflections were feedback and comments, that the interviewees had on the finalized sustainability strategy. The interviewees were provided with some questions to help the reflection process, but they were not required to answer any certain questions. The reflections were open for any comments and feedback that they wanted to provide with. Therefore, the questions were only for guiding and helping the interviewees in reflecting the strategy.

### 3.4.2 Secondary data: Company documents and previous studies

Secondary data is data that has been collected for some other purpose but will be reanalyzed for the study conducted. (Saunders et al., 2009) Two secondary data were used in this study. The first source of secondary data is previous studies about ISO standard and its implementation, and the second source of data is company documents, such as their code of conduct, financial statements and other important documents, from the Finnish branch, the Swedish parent company and the Swedish case company branch. Both of these data sets are important in order to be able to analyze the case company, its sustainability activities and to conduct an up to date sustainability strategy. The secondary data therefore support the study and the strategizing process.

#### 3.4.2.1 Company documents

Company documents that were analyzed in this study are presented in the table 5 below. These documents vary from annual reports from the Finnish branch to the parent company's policies and the Swedish branch's environmental certification. From the Finnish branch, only annual reports from years 2016, 2017 and 2018 were available, and no other documents. The parent company in Sweden had quite a broad spectrum of policies regarding different subjects within sustainability, and the Swedish branch of the case company even had an environmental certification. All these documents have been retrieved from the case company, except the ISO 14001 certificate which was found on the Swedish branch's website. All these documents are categorized as organizational documents (Bryman & Bell, 2011). These company documents will be analyzed further on in the study, together with the case company analysis in chapter 4.

**Table 5 Company documents used in the study**

<i>Type of document</i>	<i>Country</i>	<i>Year</i>	<i>Purpose</i>
Annual Report Case Company 2015/2016	Finland	2016	Financial
Annual Report Case Company 2016/2017	Finland	2017	Financial
Annual Report Case Company 2017/2018	Finland	2018	Financial
Parent Company's Equality Policy	Sweden	2018	Equality
Parent Company's Environmental Policy	Sweden	2018	Environmental
Parent Company's Work Environment Policy	Sweden	2018	Labor rights

Parent Company's Code of Conduct	Sweden	2018	General
ISO 14001 Certification	Sweden	2019	Environmental

#### 3.4.2.2 Previous studies

Another secondary data used in the study is previous studies of ISO 26000. These studies are listed in the table 6 below. All these studies include ISO 26000 as the main point, but their points of view vary. Some studies focus on specific core subjects, when other studies focus on motives, drivers and barriers behind implementation of ISO 26000. These studies were retrieved from the EBSCO and Wiley Online Library databases. The previous studies will be analyzed further on in the study together with the other data.

**Table 6 Previous studies used in the study**

<i>Researcher(s)</i>	<i>Title</i>	<i>Point of view</i>	<i>Year</i>
Ávila, Hoffmann, Corrêa, da Rosa Gama Madruga, Schuch Júnior, de Sousa Júnior and Zanini	Social responsibility initiatives using ISO 26000: An analysis from Brazil	Commitment to different ISO 26000 core subjects	2013
Hasan	Measuring and understanding the engagement of Bangladeshi SMEs with sustainable and socially responsible business practices: an ISO 26000 perspective	Motives, drivers and barriers for CSR and ISO 26000	2016
Hemphill	The ISO 26000 guidance on social responsibility international standard: what are the business governance implications?	Reasons for and against the implementation of the ISO 26000 standard	2013
Mikkilä, Panapanaan and Linnanen	The Pursuit of Responsible Business: Corporate Responsibility of Finnish Companies in Their Global Operations	National and international CSR initiatives	2016
Mohd Fuzi, Habidin, Hibadullah and Ong	CSR practices, ISO 26000 and performance among Malaysian automotive suppliers	Performance connected to ISO 26000	2017

Ranängen, Zobel and Bergström	The merits of ISO 26000 for CSR development in the mining industry: a case study in the Zambian Copperbelt	Impact of ISO 26000	2014
Toppinen, Virtanen, Mayer and Tuppuru	Standardizing Social Responsibility via ISO 26000: Empirical insights from the Forest industry	Level of CSR	2015

### 3.5 Data analysis

The qualitative data analysis process often contain three steps, that can either be used individually or combined. These steps are summarizing of meanings, categorization of meanings and structuring of meanings using a narrative (Saunders et al., 2009). During this study, the first two steps were used in order to analyze the data collected. The first step of summarizing the data was conducted with all the data, both primary and secondary. The data was summarized regarding key points which helped to condensate the meaning of large amounts of data and information. The second step which is categorization of meanings was also widely used in all the data analyses. This step includes developing categories and attaching these categories to meaningful chunks of data. After the summarizing of all the data, these summaries were categorized in different categories. From these categories it was easier to pick out the most important data in order to continue the data analysis process. The data analysis process of both primary and secondary data followed similar frameworks.

#### 3.5.1 Data analysis of primary data

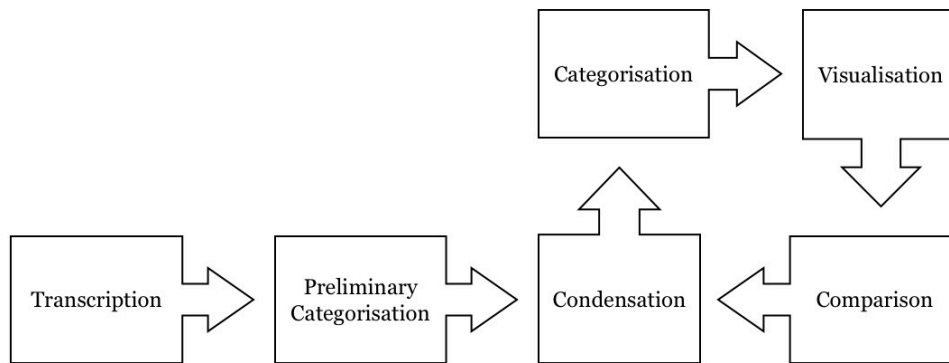
The primary data analysis process was done through Kvale's (1996) method shown in figure 13. Regarding the interviews, the process began with carefully transcribing the semi-structured interviews, and simultaneously reflect on the content of the interviews. After the transcriptions, the coding process begun.

First, a preliminary categorization of the interviews was conducted. During this categorization, the interviews were analyzed, and the content was preliminary divided into different categories and groups. Hereafter, the content of the preliminary categories was analyzed for a second time, and the information was divided even further into more categories. This procedure was repeated a few times, until the categories were finalized and there was nothing left to categorize. After this, the data analysis for the semi-structured interviews was completed. The initial coding and categorization resulted in six categories. During the following rounds of analyzing, these categories were modified



and the final categorization included four groups including some subgroups. These categories are presented in chapter 4.

The data analysis for the reflections followed a similar model that the semi-structured interview's data analysis. However, because the reflections were not collected face to face, but through written e-mails, the transcribing part was unnecessary. The reflections were also categorized in some subgroups. This was also partly done regarding the questions that had been asked during the reflection phase. After the categorizing of the reflections, they were analyzed once more and then categorized even further.



**Figure 13** The process of data analysis (Kvale, 1996)

### **3.5.2 Data analysis of secondary data**

The organizational documents were analyzed by reading through all the documents provided by the case company, and then choosing the documents that were relevant for this study. The number of company documents retrieved from the case company was 29 and this number was reduced to 8 relevant documents. Documents for example regarding bonus systems and insider trading were excluded from the study. The documents that were chosen are presented in table 5. These documents were analyzed again through coding after the initial reading of the documents. During this phase, key subjects and key words were recognized in the documents and these were analyzed.

The data analysis of previous studies followed somewhat the Kvale's (1996) model, excluding the transcription phase. During the analysis of previous studies, the studies were studied properly, following with categorizing these studies under different themes. As seen in the table 6, these five studies had quite a different point of views to the ISO 26000 standard.

## **3.6 Trustworthiness and authenticity of the research**

The credibility of the research is very important and it consists of three aspects. These three aspects are reliability, replication and validity. Of these three aspects reliability and

validity are most important for business research because replicability in business research is actually quite rare. Due to this, this chapter will only discuss reliability and validity regarding this study. However, some researchers have argued that reliability and validity are more suitable for quantitative research, and therefore is inapplicable in qualitative research (Bryman & Bell, 2011). However, Kirk and Miller (1986) and LeCompte and Goetz (1982) have applied reliability and validity to qualitative research including some adjustments. They described both reliability and validity to be divided into external and internal. Lincoln and Guba (1985) and Guba and Lincoln (1994) divided these even further into two categories: trustworthiness and authenticity. During this chapter, trustworthiness and authenticity will be discussed regarding this study. Trustworthiness is divided into four categories according to Bryman and Bell (2011). Therefore, this study is also evaluated through these four categories: credibility, transferability, dependability and confirmability.

Credibility in this study has been achieved through carefully following the existing academic rules and good practice, and also by making sure that everything that the interviewees discussed during the interviews was correctly understood by me as a researcher. This latter technique is called respondent validation (Bryman & Bell, 2011). To additionally increase the credibility in the study, triangulation was used, which means that more than one source of data was used in the study (Shenton, 2004). Transferability in this study has been achieved through including studies from different cultures and industries and also by studying the current sustainability and ISO 26000 in general in Finland (Shenton, 2004). Dependability in this study has been achieved through carefully describing all the phases in the study (Krefting, 1991). This includes carefully describing the methodology and conducting the analysis in accordance with it. Additionally, the appendix of the study includes the most important documents needed for gaining a broad understanding about the study. Additionally, the two supervisors included in the research process has also contributed plenty to the dependability through their contribution. Confirmability in the study has been achieved through not letting personal values or theoretical inclinations affect the research process or the findings (Shenton, 2004).

In addition to trustworthiness, authenticity is also very important in research. Like trustworthiness, authenticity is also divided into categories (Bryman & Bell, 2011). These categories are fairness, ontological authenticity, educative authenticity, catalytic authenticity and tactical authenticity. Fairness in the study has been achieved through including members of different positions within the case company. This allows me to

investigate the case company and their actions from various different viewpoints, which therefore increases fairness. Ontological authenticity has been achieved in the study by also discussing sustainability on a general level with the interviewees during the semi-structured interviews. This helped me to understand more about the case company, also the interviewees to gain more understanding about their operations regarding sustainability. Educative authenticity in the study was achieved by including persons from different positions within the case company. This allowed the interviewees to see the operations from different point of views, when they went through the finalized strategy. Catalytic authenticity was achieved in the study by structuring the sustainability to the case company. The case company has an interest to actually implement the whole strategy or alternatively a part of the strategy, which would result in a change in their environment. Tactical authenticity has been achieved through engaging the interviewees during the research process and by developing a strategy for the case company. All the interviewees stated during their reflections that the case company will most certainly benefit from the strategy and use it as a guideline in their sustainability work. Therefore, this research has been an important part of empowering the members of the research process to take action.

### **3.7 Research ethics**

My involvement in the study as a researcher has been very active throughout the process, and especially in the structuring of the sustainability strategy. When structuring the strategy, I have been using the information provided by the interviewees, and the interpretation of this information and the transformation of this information into the strategy was done purely by me. Therefore, my interpretation and my involvement in the research process and especially the strategy structuring might have caused some bias in the study. My own perceptions and knowledge, might have affected the structuring of the strategy. However, I have tried to minimize this through various methods of how to avoid being biased. In this research, responsible conduct of research (RCR) guidelines by The Finnish Advisory Board on Research Integrity was used (Finnish advisory board on research integrity 2012). This guideline includes many aspects and examples regarding a responsible research, but it also includes information about violations against the responsible conduct of research. Some important aspects regarding research ethics in this specific study are described below.

Confidentiality is a very important part within research ethics and therefore it is also within this research project (Byrne, 2017). During this study all the information gathered from the case company and from the interviewees has been viewed and analyzed solely

by me and all the information is deleted after this research project. The identity of the interviewees will not be revealed in any circumstances and all the interviewees are completely anonymous within this study. Additionally, anonymity is very important in this study because the case company and the interviewees specifically requested it. Consent of the interviewees for attending the interviews and for recording the interviews was also very important. Without the consent, the interviews would not have been recorded. All the interviewees also gave consent to use anything that came up during the interviews, but anonymously. Additionally, sensitive information within the case company was purposefully not included in the study, in order to keep the company's anonymity in this study.

My contribution and bias are the biggest risks in the research ethics of this study. There are different kinds of research biases, but the biases that are most probable in this study are participant bias and analysis bias (Noble & Smith, 2015). First, the participant bias refers both to the recruiting of participants and study inclusion. Recruiting bias occurs in the study, because the participants were chosen through a snowball sampling method. The participants got to refer to the next person who should be interviewed and this resulted that the participants might have referred only to persons that they knew better and worked close with. This in turn could have resulted in having participants only from a certain level of hierarchy or a certain part of the organization. In this study, the interviewees in the study were from different parts of the organization but they were all either top managers or middle managers. Therefore, leaving out the lower hierarchy could have caused a participant bias. However, according to Noble and Smith (2015) by recruiting new participants until no new information emerges can the participant bias be avoided. This has also been done in this specific study. Information was gathered through participants, until no new information emerged. Therefore, it is likely that the participation bias in this specific study is quite low.

The analysis bias on the other hand refers to the researcher analyzing the data subjectively in order to confirm their hypothesis (Noble & Smith, 2015). In this study, analyzing bias is possible because of the active participation throughout the research process and also because of the case company's participation. The analysis bias is possible both because of the researcher's subjective perceptions but also because of the case company's expectations towards the researcher and the study. However, both these biases have been minimized through a transparent methodology, constant comparison across participants and triangulation (Noble & Smith, 2015; Shenton, 2004).

## 4 EMPIRICAL FINDINGS AND ANALYSIS

In this chapter, the empirical findings from the interviews will be presented and analyzed. The findings are divided into four categories: the case company, CSR drivers for the case company, CSR goals within the case company and the current CSR within the case company, both pros and cons.

### 4.1 The case company

The case company in this study is a company within the industrial retail industry and it is a part of a bigger group. The parent company operates in the market for industrial consumables, industrial components and related services in Sweden, Norway and Finland. The total market for industrial consumables and industrial components in Sweden, Norway and Finland is valued at approximately 4 billion euros, and the parent company is one of the leading suppliers in this market. The parent company of the case company is listed on Nasdaq Stockholm's Main Market (Mid Cap). The case company operates in Finland, Sweden and Norway, and it is the largest industrial reseller chain in the Nordics specializing in tools, machinery, personal protective equipment and industrial consumables for the professional market. The company in Finland represents 17 percent of the total revenue of the group.

The revenue of the case company in Finland was approximately 90,000,000 € in 2017 and 100,000,000 € in 2018. Operating profit was approximately 300,000 € in 2017 and 4,000,000 € in 2018. Therefore, there was an increase of 11,3 percent in revenue and the operating profit margin increased from 0,3 percent to 4,1 percent. The case company has approximately 260 employees in Finland and in total 1600 employees.

#### 4.1.1 The structure of the company

The case company operates within industrial retail and they have shops spread all over Finland. The Finnish headquarter is located in Vantaa and IT department is located in Kotka. The case company is divided into 28 different units where the sales take place. In addition to these units they also have in some customer's factories service points, where they take care of both sales and distribution for the specific customer.

The main customer segment for the case company is the industrial industry, but they do also have a secondary customer segment which is the building sector. The products that the case company is selling are according to respondent A market leaders, or alternatively very close to being market leaders. According to respondents A, B and C the case company is not only focusing on the selling the products, but even more important

is their service they are offering. The service includes knowing their customer's demand, needs and inventory. The case company focuses on offering the customer solutions that they need in order to make their business smoother and more profitable. Summarized, the case company is the link between suppliers and end customers, that aims to make the end customer's operations easier.

The case company has entered the market through acquisitions, and this has also caused some difficulties. According to respondent A this has caused some difficulties, because all these different units used to be family owned businesses with their own vocabulary and ways of doing business. After the acquisition, the case company had to standardize everything in order to achieve a coherent business environment throughout the organization. In some places this caused some resistance and due to this some managers and employees had to be replaced. However, according to all of the interviewees the case company has quite a low hierarchy and their employee turnover is extremely low.

Retailers play an important role in the supply chain and therefore the case company also has an ability to demand more from their suppliers (Wiese et al., 2012). According to Hingley (2005), large retailers usually have a higher level of control in supply chains. Because the case company is quite large, and is not only operating in Finland, but also in Norway and Sweden, therefore they have quite high impact on their suppliers. This impact could also mean demanding more sustainable actions throughout the supply chain.

#### ***4.1.2 Comparison between Finland and Sweden***

Regarding the company documents, there were some distinct differences between the case company branches in Finland and Sweden. The Swedish counterpart have already implemented several standards, where the environmental standard, ISO 14001, is one of them. The Swedish counterpart also has very clear and transparent information on their website about their sustainability activities and the policies that they follow. The policies that the Swedish branch is following, are policies that the parent company has published. The parent company comments in its policies that they wish that all the branches under them would implement these policies in their operations. However, the Finnish branch has not yet done that for policies concerning sustainability. The Finnish branch does not have any information on their website about any policies that they would follow. The fact that the Finnish branch of the case company is investing much less in sustainability than its Swedish counterpart is not very shocking when investigating studies. As shown earlier, according to a study conducted by KPMG, in 2008 only 41 percent of largest

Finnish companies published a CSR report when the number in UK was 84 percent. Also Schadewitz and Niskala (2010) and Vuontisjärvi (2006) acknowledged the fact that Finnish companies are investing much less in CSR than companies in other countries, for example in Scandinavia. However, even in Finland 92 percent of 50 largest Finnish companies do acknowledge sustainability on their website (Fifka & Drabble, 2012). The case company is not doing this at the moment, but should definitely communicate sustainability through their website.

*Environmental efforts are to be structured and, when warranted, conform to internationally recognized environmental management systems (for example, ISO 14001). Environmental measures are to be implemented insofar as they are technically feasible, economically viable and environmentally justified (Environmental Policy, company document, 2018)*

The parent company states in its policies and code of conduct in many parts, that all the companies in the group should promote a sustainable way of operating. The policies include in several parts statements, that if possible and needed the companies within the group should implement standards, especially sustainability standards. Especially the environmental efforts and the usage of environmental standards is promoted by the group in their environmental policy. This is something that the case company is not engaging in at all currently. Therefore, engaging in a sustainability standard such as ISO 26000 could be an excellent way to begin engaging in sustainability.

*The management of each operating area is responsible for ensuring that this “Code of Conduct” is implemented and adhered to in the Group’s business activities (Code of Conduct, company document, 2018)*

The parent company also states in its policies that every individual company is responsible for its own actions and its own compliance to the parent company’s policies. Therefore, it would be extremely important for the Finnish branch to begin complying to the policies more through the ISO 26000 sustainability standard. Currently, some parts, such as the environmental policy, of the policies are not adhered by the Finnish branch of the group. Therefore, it is not only important for the Finnish branch, but also for the group as whole that all the branches follow the policy as thoroughly as possible.

*Each individual company in the Group is responsible for daily environmental efforts, which are to be performed according to the specific*

*conditions and needs of each company (Environmental Policy, company document, 2018)*

It is also added in the environmental policy, that the compliance of the policy should be adjusted according to the local branch's needs. Therefore, it is extremely important to conduct an analysis of the case company's current situation and needs, as is being done through this specific study. Without analyzing the current situation thoroughly, it will become problematic to start engaging in any sustainability activities properly. As also presented by Bernhart and Maher (2011), the self-assessment phase is crucial in order to proceed with the implementation of CSR activities.

*The Group will endeavor to ensure that suppliers and sub-suppliers comply with the relevant principles of this "Code of Conduct" and, for example, provide their employees with a safe and healthy work environment (Code of Conduct, company document, 2018)*

Regarding the suppliers, the parent company has a section where they elucidate how they work together with their suppliers. This section includes various kinds of examples on how the parent company does not allow the use of any suppliers that engage in any unethical activities. However, the Finnish branch made it quite clear, that they do not know about all of their suppliers' activities, and therefore they are not fully complying to the groups' code of conduct regarding this matter. IT would be extremely important to have all branches of the group complying to the code of conduct and the policy, in order to have as uniform policies as possible throughout the organization.

One problem with this is that the code of conduct does not include any part about how this should be done. For example, they a part where they elaborate on that, if the supplier cannot provide proof of ethical work when asked, the company will not buy the products of said supplier anymore. However, this is not followed with any information or guidelines on how the procedure should be done. Therefore, it is quite free to interpret the policies individually and this could result some major differences between different branches within the group. Without an uniform behavior regarding policies, even the group as a whole could end up in difficulties due to misleading policies.

#### **4.1.3 Stakeholders**

As seen in the stakeholder approach by Freeman (1984), some stakeholders are primary and others are secondary stakeholders. During the interviews all the respondents categorized the also case company's stakeholders into these two groups. All the



respondents stated that the most important stakeholders for the case company are customers, suppliers and employees and in addition to these, investors were also listed as important, but however not as primary stakeholders. One respondent commented on how the investors are not visible in their operations, except through an annual report, that the CEO of the case company conducts for the group regarding investors. Therefore, customers, suppliers and employees are listed as primary stakeholders that are crucial for the company's survival and as secondary stakeholders, that can form opinions about the company are the rest of their stakeholders, are listed investors, competitors, media and so on (Grafström et al., 2015; 2008). Additionally, the ISO will be an important secondary stakeholder for the case company, when they begin the implementation of the standard.

According to the respondents, if employees are not satisfied, neither will customers be. This is why they feel it is very important to also invest in the wellbeing of the employees in order to be successful in their business. Suppliers are important to the case company because their business is built on a retail business model. Without suppliers, they do not have a service to provide. Customers are of course important because without customers, the case company would not have any revenues. The case company's classification of investors as secondary stakeholders is an interesting categorization, because usually investors are considered as primary stakeholders. However, as many respondents stated, they did not feel like they were connected to the investors in any other way than through some annual reporting that the management provided for the investors. This is an explanation why most of the respondents categorized investors in the secondary stakeholder group.

#### **4.2 Drivers for CSR within the case company**

The interviewees identified various drivers for the case company's CSR work. One of the most important drivers that came up during every interview was that both suppliers and customers are demanding more and more regarding sustainability. Questions regarding sustainability are coming up in offer inquiries and companies that are not aligned with these questions, are excluded from the bidding. According to some of the respondents, these sustainability questions in offer inquiries are increasing constantly, and in the future it is quite likely, that the majority of companies are using these kinds of questions to exclude companies that are not complying with sustainability issues. Respondent C also added that if one of the case company's suppliers would not comply to sustainability issues and this would come up later through some kind of a scandal, it could have a huge impact on the case company's image. Therefore, according to respondent C it is very

important to invest in sustainability as early as possible. Not only to keep up with the competitors, but also for their brand image. Grafström et al. (2015) also argued that it is very important to be proactive within sustainability, and not only react when something negative appears. With a proactive approach, the case company could achieve a competitive advantage through constantly being one step ahead of its competitors.

*Once, we had a case where there were problems with the products. Of course it all then fell over us because we had sold these products forward. We even had customers, who had sold these products again forward. This ended up with us collecting these products from all over and sending them back and replacing and compensating the mistake. (Respondent C, interview, 8.2.2019)*

These kinds of mistakes can become very expensive according to the respondent B, and therefore it would be smarter to try to avoid these kinds of problems as much as possible. According to Weber (2008) investing in sustainability can yield cost savings for many reasons, for example by avoiding disasters and scandals. All the interviewees recognized that sustainability issues will become more important in the near future and therefore it is crucial to begin investing in it early. According to Sprinkle and Maines (2010) early investments in sustainability could even yield increased revenue in the future through reduced risks, gained market shares and employee and customer loyalty.

As Halme and Huse (1997) discovered in their research, Finnish companies show less interest in sustainability than their Norwegian and Swedish counterparts. This is also clearly the case with the case company. When analyzing documents about sustainability within the case company and comparing these to the branches in Sweden and Norway, Finland is clearly behind in this development. The case company is not doing any sustainability reporting either, as is not over 50 percent of the largest companies in Finland (Fifka & Drabble, 2012). These are two very important reasons and drivers for the case company to take action within sustainability and be a fore runner within the field.

Another important driver that most of the respondents recognized was the effectivity of the employees. According to them, if employees are not satisfied, they will not do their work as efficiently and good as they could. Because the case company is operating within industrial retail, they have plenty of products that require special knowledge and training, for example dangerous chemicals.

*In order to fulfil the technical expertise that is required, requires it the employee to develop and grow into an expert within the matter. This requires years of dealing*

*with the same issues and also constantly learning new things. In order to make our service concept work, this is crucial for us. (Respondent C, interview, 8.2.2019)*

Without employee wellbeing this would not be possible, according to respondent C. Unsatisfied employees would not be as engaged as satisfied employees, which could result major deficiencies within technical expertise that is required within the case company. If the employees are not satisfied, the employee turnover will also increase. When the employee turnover increases, the whole service concept that requires years of knowledge will be damaged. The case company already has a quite good reputation and brand image on the market according to the respondents. The case company receives for example plenty of high-level applicants and they have contracts with many high-level customers. Investing in sustainability would therefore be an extremely important action in order to maintain both the employees, the applicants and other stakeholders' loyalty. Sustainability activities would also be a good way to attract even more high-level applicants in the future and also for the employees' retention (Sprinkle & Maines, 2010).

Additionally, all the interviewees stated that one great motive behind their interest in engaging in sustainability is their personal interest. All the interviewees commented on how they want to leave a better world for all the children and therefore, try to make more sustainable decisions in their business. One respondent commented on specifically the restoration of the environment for future generations, while another respondent commented on a stable economic growth without harming any groups of people, nature or animals. All the respondents also commented on how they all engage in sustainability within their personal lives, and therefore they do not see any obstacles for why they would not engage in sustainability within their professional lives also. As they all stated, the sustainability engagement begins from having the values and then building on these values.

#### **4.3 CSR goals within the case company**

One of the most important CSR goal that rose up during the interviews was differentiation. The case company could, according to the respondents, achieve a competitive advantage through differentiation. The differentiation would come through investing in CSR activities. However, the engagement in CSR activities should be recognized as soon as possible and the company should implement activities before their competitors take action (Su et al., 2015). This early mover advantage can be very important when implementing sustainability, especially because many companies in Finland are not yet engaging in it. All the respondents recognized the importance of investing in CSR, due to the pressure from stakeholders. This pressure comes both from

suppliers and from customers, and even from investors. The pressure includes demands for more sustainable products and services. As an example, some of the case company's customers are already demanding more sustainable products and operations from their suppliers. This creates pressure for the case company to take action within sustainability. Without the differentiation through CSR, the case company could easily fall behind its competitors in the future. According to Grafström (2015), in order to achieve this differentiation, it is important to act proactive, and invest in CSR before any regulations or criticism appears. Through this specific sustainability strategizing project, the case company is already being proactive in the matter. However, they should proceed with both implementation and continuous development in order to maintain the proactive status.

*If we want to be sure about the sustainability throughout the supply chain, we would need to have someone at the factories where the products are being made, inspecting and auditing the factories. The thing is that we do not ourselves import the products, but our suppliers do. Because of this we would need to oblige our suppliers to have someone at the factories inspecting them. (Respondent C, interview, 8.2.2019)*

Because being sustainable within retail is difficult, it is very important to have sustainable suppliers (Wiese et al., 2012). According to respondent B, choosing the products and suppliers, that they can trust on regarding sustainability, is one important goal for the case company. This is a driver for the company to invest in sustainability, but also definitely a goal. When the case company knows its suppliers better and is well aware of their sustainability information, it is less likely that some catastrophes and scandals within sustainability will appear. In order to have suppliers that comply to all the sustainability regulations that the case company has set, the suppliers need to prove their effort in some way. According to the respondent C, they would need a third party to monitor and inspect the factories that manufactures the products that the case company sells. As retailers play a huge role in the supply chain (Wiese et al., 2012) and big retailers have the power to impact on their suppliers supply chains and factories (Brammer et al., 2011; Hingley, 2005), the case company should as a big retailer take this opportunity and require more within sustainability from their suppliers. For example Unilever, a very large retailer, is very particular with choosing their suppliers according to the suppliers sustainability activities (Brammer et al., 2011). If a supplier is not meeting Unilever's standards, are these suppliers required corrective actions and without these actions the supplier contracts are terminated. This is also something the case company should

consider doing, because when requiring more sustainable actions from their suppliers, the sustainable behavior will spread throughout the supply chain.

*First, we need the managers and supervisors to recognize what sustainability is and then we need to communicate this downwards and make sure that we all speak the same language regarding this. (Respondent A, interview, 9.11.2018)*

Another important goal that came up during the interviews was that the case company wants to recognize all the different aspects within sustainability, so that they can influence sustainability more within the company. According to respondent A, sustainability should be considered within the company's values, planning and implementation. When this is done, it will become both easier and more efficient to invest in sustainability activities within the company. Standardization within sustainability could also lead to a more disciplined way of practicing sustainability (Henriques, 2012), which could also make it easier for the company to implement the activities in the company. In order to achieve sustainability in the entire organization, according to respondent A, it should be done gradually. First, the management team should recognize the sustainability within the case company and conduct a self-assessment about the needs for sustainability. When the management team has integrated the sustainability in the company's values, is it easier to begin spread the sustainability values throughout the case company.

The interpretation of the sustainability strategy needs to be the same to everyone within the case company and it needs to be communicated clearly. Difficulties in interpreting the standard could lead to having only a few people within the case company being experts of the strategy, while others would not understand it. This could lead to complications in the implementation process (Henriques, 2012). As respondent A also stated, the company needs to collectively adopt the standard in order to succeed in the implementation. They need to make the decision together as an organization and they must have everyone on board with the change (Timmermans & Epstein, 2010). All the respondents also agreed on the importance of the learning during the implementation process of sustainability. Without training and information flow, it could be very difficult for the organization as a whole to adapt a sustainability standard or adapt sustainability activities. According to Henriques (2012), this learning process does not end in the implementation of the standard, but it continues beyond this. The learning process from the standard can contribute to plenty of new ideas, innovation and efficiency within the organization. Therefore, it is very important to have proper learning opportunities within the organization.

Additionally, in order to achieve sustainability in the organization, the company will need to thoroughly plan and implement sustainability actions. As Pohl and Tolhurst (2011) argued, if a company communicates sustainability without proper actions, it will be classified as greenwashing. If the company would be accused of greenwashing, it could seriously harm the company's image and reputation. Therefore, it is extremely important to be careful with the process of activating sustainability.

#### **4.4 Current CSR within the case company: Pros and Cons**

All the interviewees recognized CSR to be very important for the case company, and they all agreed on that the case company should start investing more in sustainability. Additionally, all the interviewees recognized some CSR activities that the case company is already active within. The subjects within the ISO 26000 that the interviewees recognized as the most important ones for the case company were quite the same for all the interviewees. These subjects were human rights, the environment and organizational governance.

Human rights is extremely important for the company because without respecting human rights, the employees would not be satisfied at work. The environment is important according to the interviewees because it is the subject that the case company has the least control over currently. All of the interviewees think that the case company should invest more into the environment in order to have the case company's sustainability on a good level. Organizational governance is important mostly because the case company has been formed through acquisitions. Respondent A thinks that without having an open and transparent communication and information flow within the company, the organization could not function as well as it is today. The interviewee believes that it is because of this open information flow and communication that the company has succeeded to bring together several different organization culture, into just one culture.

##### **4.4.1 Human rights and labor practices**

All the interviewees agreed on how equal the working environment within the case company is. They all stated that everyone has the same opportunities within the company, regardless of their sex, religion or age. They all also agreed on that human rights and especially equality within the company is extremely important. However, respondent C pointed out, that they know exactly what is happening in Finland within their business and they can control it, but they do not know what is happening throughout their supply chain. The respondent pointed out that human rights and

equality in their supplier's factories in for example Asia can be quite the opposite from what the human rights are here in Finland. Regulations in Asia, and also other areas are very different from what we are familiar with in Finland, and therefore the supply chains in Asia and other areas might look very different from supply chains in Finland. The case company does not however themselves import products and therefore the responsibility of supply chains is mainly on the case company's suppliers. Having control over supply chains is extremely important when considering human rights and labor practices, because human rights violations and incidences of modern day slavery do occur quite much outside the western countries (Buckwalter et al., 2006; Van de Glind & Kooijmans, 2008). As seen before, even many huge manufacturers and retailers have been accused of using sweatshops (Sethi, 2014). Therefore, it would be crucial for the case company to have control over its suppliers' supply chains and require information about their ethicality regarding human rights and labor practices. This way they could be sure about the conditions within the factories where the products they sell are being made.

According to Moratis and Cochius (2011) it is important for companies to assess human rights through human rights' due diligence. According to them the due diligence should include for example sections for discrimination and vulnerable groups. The case company could benefit from conducting a due diligence about human rights, or involving it as a part in the analysis. Assessing risks is also an important aspect that the case company should look more into, especially regarding human rights in their supply chain. As a part of their due diligence, they should assess risks in the whole supply chain.

*I could say that within equality and communication with our employees we are already quite sustainable. In other words, from the people point of view, we are already quite developed within sustainability. (Respondent A, interview, 9.11.2018)*

All the respondents also commented on how low their employee turnover within the company is, which in their opinion has to be connected to the equality, job satisfaction, fairness and safety at work. The respondent B also told that the wellbeing of the employees is very important. According to respondent B, if any bullying or harassment arise within the case company, they take it very seriously and act immediately. They do not have any specific protocol for handling situations like these, but according to respondent B, if a bullying or harassment case arises, the management team takes actions by contacting the occupational health services who then takes the responsibility of solving the case. This is a very important aspect considering employee satisfaction.

According to Moratis and Cochiuș (2011) within labor practices, in addition to the aspects respondents already mentioned, also human development and training at workplace are very important. In the future, the case company could invest in these issues. According to respondent C, the case company already has quite broad training regarding their products and the safety related to the products. This training should however be extended even further in the future. Currently, only a fraction of the employees goes through the extensive training related to the products and their safety, but in the future, this should be extended to the whole personnel. Regarding safety at work, according to the respondents, the case company has quite a good level of it. They have a committee for safety at work and they also check their safety at warehouses every year with a random inspection. According to respondent A, these inspections always give them valuable information and they always get some improvement suggestions. However, these suggestions are only for even further improvements because according to the safety inspections made by a third party, they already have the basics on a very good level.

However, two of the interviewees stated, that even though the employee satisfaction is overall quite good, there is always some improvements that could be made. For example, they have had problems with a couple of local managers, that caused quite a high employee turnover in their local branches. These problems were eventually fixed, but according to one of the interviewees, this could have been done much sooner.

Additionally, regarding the gender split at the case company, most of the respondents commented on the equality. According to the respondents, the case company has as many females as males employed and they do not look at gender, race or age when employing people. According to them, this can also be seen in the current demographics of the case company. The case company has approximately fifty-fifty when considering the distribution of gender within the company.

#### **4.4.2 Organizational governance**

As mentioned earlier, organizational governance can be divided into five issues: legal compliance, transparency, accountability, ethical conduct and recognition of stakeholders and their concerns (Moratis & Cochiuș, 2011). Within the case company, these issues are well met, but some issues require some improvements. The communication within the company is quite good according to most of the respondents, even though there are some aspects that should be improved. The case company has a weekly newsletter for its employees, where they inform about everything that is happening within the company. This newsletter includes both information regarding



specific branches, but also information about the organization as a whole. In addition to the newsletter, the case company also has a staff info tour twice a year. During this tour, the management group travels through all the offices and shops in Finland for two to three days. During these days the management group informs the employees about any major changes within the company, or other important information that the employees need to know. The employees also have a chance to let the management know their opinions and ideas during this tour. According to respondent A, this tour helps the whole organization with communication because the information flows downwards, but also upwards. The employees get to know anything that is happening on the management level, and the management get to know what is happening on the shop or office level. In addition to these, the case company also has a seminar specifically for managers and supervisors twice a year.

Even though, the communication in the case company is quite good according to the respondents, some of the respondents had some comments about the internal communications. One of the middle manager level respondents stated that the internal communication is satisfactory, but it could be improved. The respondent gave an example of the problematic middle managers who increased the employee turnover in some local branches, that was presented earlier. The respondent thinks this problem should have been solved much earlier, but instead it took quite a long time for the case company to take action. Perhaps the reason for this was that the communication did not flow as smoothly within the company as it should have been.

Due to the open communication in the case company, the transparency within the case company is on a quite good level. This in turn increases the accountability as Moratis and Cochius (2011) explains. However, due to some issues with both the internal and the external communication, the transparency is at hazard. Continuous lack in communications or alternatively some missteps regarding communications could lead to devastating results, even though the transparency is currently at a decent level. Greenwashing is also an aspect that should be considered when discussing transparency, accountability and ethical conduct (Pohl & Tolhurst, 2011).

The external communication in the company is also quite good according to the respondents, but some of the interviewees pointed out some development areas within this. The case company had a newsletter for clients a few years ago, that they sent four times per year, but they do not have it anymore. Now, they have merged this newsletter together with a campaign letter that they send to their clients four to five times per year. Regarding the external communication, one respondent suggested that the case

company should advertise themselves more in social media, in order to create more awareness of both the company, and some important issues regarding sustainability. According to the respondent, this could be done, , for example by creating video presentations about the values of the company and some infomercials about different sustainability aspects that the company is battling. One good example here is the battery recycling that the company does, but do not advertise as well as it could. According to respondent A, communication with suppliers and customers should also be improved. The case company does create a satisfaction survey for customers every year where they ask questions about, for example, if they have enough information about the case company. The case company aims to take these feedbacks into consideration within the operations, but according to respondent A, there should be some improvements made within this.

One aspect that the case company is not being active within is sustainability reporting. One of the interviewees stated that they do not feel like they have a need for it just yet, but probably in the future. They do, however, have a report about emissions from their cars, but nothing else.

#### **4.4.3 *The environment***

The standard includes four issues that need to be considered: prevention of pollution, sustainable resource use, climate change and restoration of natural habitats (Moratis & Cochius, 2011). Some practical actions that the case company has been taking over the years are for example emission limits in their car policy, recycling in their warehouses, recycling of batteries for their clients and others and they have also been changing to some energy-efficient light bulbs. The case company has also started discussions and negotiations with their customers about making the logistics more efficient regarding emissions and costs. This would include not delivering products five times a week for different people, but instead making it more efficient by delivering these products in a way that would consider emissions and costs more carefully. This project is however still in the very beginning and the case company has only been asking some of their customers if they consider this important. All these actions are prevention of pollution and also sustainable resource use. The standard emphasizes that organizations should be responsible and accountable for their actions regarding environment, and they should also consider a way to compensate for these actions (Henriques, 2011).

Most of the interviewees agreed that the case company does not yet recognize sustainability within environmental issues. They feel like they have some level of control

in all the other subject areas, but not within environmental issues. Respondent A also mentioned that they feel like they do not have the expertise necessary within environmental sustainability in order to invest in it.

#### **4.4.4 Consumer issues**

The seven core issues within consumer issues are all important for the case company, even though they sell only a very small percentile for consumers and the majority is for businesses. Within the seven core issues the most important ones for the case company are fair marketing, information and contractual practices, protecting consumers health and safety, sustainable consumption and consumer service. (Moratis & Cochius, 2011) Due to all the dangerous chemicals, that the case company sells, the company has user safety information that they keep up to date and make sure that all the customers knows all the information about their products. This is extremely important for the case company, because their customers rely on them to have all the information about the safety procedures of all the products, because they sell for example chemicals that can cause cancer or can harm fetuses. This issue is within protecting their consumers and information on contractual practices (Moratis & Cochius, 2011).

Respondent C commented on this:

*We have the responsibility that all the safety procedures and products are right ones and that they work. It is our responsibility that the person gets out from there alive. (Respondent C, interview, 8.2.2019)*

Respondent C also commented on the product loops that have been accelerating quickly during the past 15 years. Due to this, it is extremely important that the case company continuously educates its employees about all the products and the safety instructions. The interviewee stated that the company continuously arranges trainings to the employees, in order to give them a broad knowledge about the products. Especially because many products have very strict safety instructions. Respondent C also said that they need to rely on colleagues on daily basis regarding the safety of the products. Different people within the organization has received different trainings for some specific products and their safety. This is one reason why the communication between colleagues is extremely important. In addition to internal trainings, trainings should perhaps also be arranged for the case company's customers. This way they could provide even better information flow, customer service and also raise awareness among their customers regarding the products' safety.

#### **4.4.5 Community involvement**

As local communities are important to any organizations, the case company should also invest in its local community. As the case company is spread all over Finland, they could have various projects in different locations to support the local communities. However, the case company has already been participating in some charity work for years. They donate annually a sum of money to charity organizations during Christmas time. During recent years, these organizations have been involved with supporting low-income families and prevention of social exclusion. The case company has also been involved in some charity activities locally, for example by sponsoring some sports events or teams and supporting local children. Within community involvement it is very important to consider the local area and what kind of improvements could be needed there, because the needs of different areas can vary quite much (Moratis & Cochius, 2011). Some areas might need more funding in technology, while other communities might need more funding in children.

#### **4.4.6 Fair operating practices**

Because fair operating practices concerns how organizations interact with their stakeholders, it is extremely important for any organization and therefore also for the case company (Moratis & Cochius, 2011). The case company follows all the laws in Finland and according to all the interviewees this is not a problem for the case company. According to respondent C this is quite an obvious aspect for them, that they obey the law and are fair managers. The respondent also pointed out that it is not enough to obey all the laws, but they need to have overall transparent and fair operating practices. All the respondents also agreed that there is no corruption or any unethical actions within investing or competition. However, the respondents could not confirm if these activities are not existing in their supply chain.

#### **4.4.7 Suppliers and sustainability**

The case company aims to choose big suppliers for long-term contracts, because they feel that these companies usually have their sustainability in order. However, they do not inspect these companies thoroughly regarding their sustainability, in fact they do not inspect the sustainability within the supply chains at all.

*With the biggest suppliers we do have a mutual contract that all processes within the company are in order, but we cannot intervene on what our suppliers do in their factories. But of course if some grievances would come up, we would discuss*

*this with the supplier and require them to correct them. (Respondent A, interview, 9.11.2018)*

The case company does have negotiations with some suppliers several times per year, where they discuss the standpoints of both parties regarding some aspects within their business, but these negotiations are still lacking discussions about sustainability. Because these discussions and contracts are completely lacking a part about sustainability, it is extremely difficult for the case company to know whether or not the products they sell are manufactured and transported sustainably or not.

*It is not a problem for us because it is basically already a part of our supplier selection. We only work together with big leading brands because they already have all their processes in order. This is very safe for us as a retailer to sell products of big suppliers. (Respondent A, interview, 9.11.2018)*

The case company currently has an unofficial policy, that they only work with well-known and big suppliers, in order to be ensure the products' sustainability. However, as seen multiple times before, this is usually not the case. As seen before, big companies, such as H&M, Nike, Walmart and Adidas for example, have been accused of using sweatshops in their manufacturing (Sethi, 2014; Fair Labour Association, 2006). Therefore, even though these companies are huge and very well-known, have they been caught or accused of using sweatshops, and therefore using unsustainable operations in their production. Therefore, even if the case company is using very large manufacturers and very well-known companies as their partners, they cannot be sure about that these companies are acting in sustainable and ethical ways. Therefore, the case company should demand more information about their partners' supply chains in order to be able to rely on their sustainability.

*We do not necessarily know where our products have been manufactured. For us getting to the origin of the products is very difficult. Of course we try to choose our products in a way that we do not choose products that we know are made unethically, but still there always remains that uncertainty about who and how can the ethicality of the product be proved. (Respondent B, interview, 5.11.2018)*

As respondent B stated, the uncertainty of the production is a very broad and serious problem for the case company. Currently, as they are not taking any actions in order to have control over the sustainability within the supply chains, they cannot know if their suppliers are acting in a sustainable way or not. As Ayers and Odegaard (2017) stated, it is extremely difficult for retailers to fully control the supply chains due to a great amount

of subcontractors and other stakeholders within the supply chain. However, in order to have more control over the supply chain should the case company take more actions first in demanding more from the suppliers and second in making sure the suppliers and subcontractors follow the sustainability policies set by the case company. This could also be discussed through a compromise. An example of a compromise would be for example the Hsueh's (2013) example of giving a small percentage of the revenue to the manufacturer in return for more sustainable actions within the manufacturing and logistics. This is however a compromise that will need discussions including many parts within the supply chain and might therefore require both more time and more resources (Hsueh, 2013).

## 5 THE SUSTAINABILITY STRATEGY

In the previous chapter, the topics of the interviews were presented and analyzed through the theoretical framework which was presented earlier in the study. In this chapter, the analysis will be developed even further and a sustainability framework will be presented. This sustainability framework will be presented to the case company and they will provide feedback on it. These reflections provided will replace the implementation step, that is an important part of an action research.

### 5.1 Suggested sustainability strategy

The suggested sustainability strategy should take into consideration all the subjects included in the ISO 26000 standard, and therefore it would also be built on the Carroll's (1991) model of CSR. However, the strategy should also consider which of the subjects are the most important ones for the case company and also analyze the stakeholders' involvement in these subjects. Therefore, the stakeholder analysis is built on the stakeholder approach by Freeman (1984). The strategy should emphasize the most important subjects, but also include rest of the subjects in the standard. As standards are ubiquitous tools for regulating and organizing social life (Timmermans and Epstein 2010), the ISO 26000 standard should also be treated as one. The strategy should be present in all activities within the company and also integrated in the company values. Because standards are guidelines (Henriques, 2012), the case company should adapt the strategy to be suitable for their own use. If they would notice a significant mismatch with some activity, they should consider changing it to a certain degree. Especially because ISO 26000 is only a guideline, and does not provide any certification (Henriques, 2012) the case company should keep that in mind, when evaluating their CSR activities. The strategy will be discussed through the seven subjects. Practical actions that the case company can take will be within the strategy, as well as some more open suggestions that the case company can to discuss.

#### 5.1.1 *Key subjects within the case company*

The respondents of the case company chose human rights as a key subject, together with the environment and organizational governance. The key subjects are the issues that the case company should begin with regarding the sustainability implementation process. When the key subjects are in order, they should continue with the secondary subjects. The key subjects are the subjects that rose during the interviews as the most crucial ones to invest in as soon as possible. Human rights and organizational governance rose as the most important ones because all the respondents regarded them as the most important

ones, and environment rose up because all the respondents agreed on the fact that the case company is currently investing close to nothing in environmental sustainability.

#### *5.1.1.1 Human rights*

The most important aspect within human rights that the case company has to take into consideration in their current state is human rights in their supply chain. The human rights within their operations in Finland are currently on a good level, while the human rights in their supply chain has not been taken into consideration. Therefore, the case company should make sure that human rights are taken into consideration throughout their supply chain. However, this is not as straight forward as it might sound, because the case company does not import products themselves. Therefore, they should demand their suppliers to take human rights into consideration in the supply chains. This could be done by updating the case company's code of conduct and also by adding an section about suppliers and what is required from them. The case company could, for example, require their suppliers to present evidence about the level of human rights situations in their factories and supply chain. This could be done for example through a third party who would inspect their factories.

#### *5.1.1.2 The environment*

As the case company does not clearly recognize sustainability within environmental aspects yet, they should start by building a strong base for environmental sustainability. The case company should continue with the effective recycling that they are doing, but they should also encourage their customers to recycle. This could be done, for example, through informing their customers about different products' recycle options, or even offering the customers an opportunity to return the products to the case company at the end of the products' lifecycle, so that the case company can recycle the products themselves. The case company should also explore different options for their products, in case there would be more environmentally friendly options. These options could then possibly replace some old products. These activities would also promote circular economy and give the case company an opportunity to work towards a circular economy, instead of a linear economy. As within human rights, the case company should also pay attention to the environment regarding their suppliers and the supply chain. The case company could do this by adding a section in their code of conduct regarding their suppliers.



### 5.1.1.3 *Organizational governance*

Within organizational governance the case company should improve their communication both internally and externally. Internally the case company should make the communication more transparent and efficient, in order to avoid difficulties such as problematic local managers. This could be done for example by creating an internal communications team, who would be responsible for all the internal communication in the case company. This team would also be addressed in any questions, difficulties, feedback or other important matters, in order to make sure the information runs smoothly through the company. If needed, the communications team would be responsible for delivering the information further to the person or the team who can address it. This way, the information flow would be more structured internally, and the information would not disappear in the hierarchy.

Externally the communication should be improved both with customers and with suppliers. Regarding customers, the case company should re-create the newsletter. In this newsletter, the case company should inform the customers about their products and services, but also about their sustainability. As the case company would use the newsletter to promote its activities within sustainability, the newsletter could also be an infomercial for the customers. The newsletter could also include facts about sustainability and how the case company is acting regarding these sustainability facts. In addition to the infomercials, the case company could also create content for social media, where they educate about sustainability, while at the same time as promoting their products and services. Another important communications channel is the case company's website. As Fifka and Drabble (2012) stated, many companies already communicate sustainability through their website. Therefore, the case company should definitely invest in communicating their sustainability activities and their sustainability reports through their website. Within external communication it is very important for the case company to have clear and honest communication about their CSR activities, and not to communicate before actually engaging in CSR. In order to avoid greenwashing, the company should first implement the activities before actively communicating about them (Pohl & Tolhurst, 2011). Through transparent communication about their CSR activities, they can avoid lawsuits regarding greenwashing that companies such as Ford Motor Company, General Electric and British Petroleum got (Furlow, 2009).

With suppliers the communication should be clear and persistent. Through the communication, both parties would update the situation within the supply chain and

within the companies. The case company should also communicate clearly what is demanded from the suppliers, and be persistent with this. If the suppliers would not succeed in fulfilling the demands, the case company should clearly communicate to them about the consequences. This communication should be regularly with all the suppliers, and the supplier contract could for example include a section about a quarterly or yearly check with the suppliers. During this check, the sustainability issues, and other important issues, should be discussed.

Finally, the case company should also begin with sustainability reporting. Through sustainability reporting, such as GRI, the case company would succeed in both measuring their CSR activities and also communicating these activities transparently to their stakeholders (Isaksson & Steimle, 2009). Reporting would increase transparency in the organization and this would lead to increased accountability. However, this is a later step that the case company needs to take after they have successfully implemented all the CSR activities. Without implementation of CSR activities, they do not have any activities to report on.

### ***5.1.2 Secondary subjects within the case company***

Regarding secondary subjects, they should be considered after the initial key subjects have been implemented. These secondary subjects are however as important as the key subjects, in regards to the ISO 26000 standard.

#### ***5.1.2.1 Labor practices***

Within labor practices, the most important issue that the case company should focus on is the employees' training. They are already on a quite good level regarding this, but they could make it even more efficient. The training should include many different aspects. Firstly, the chemicals and protection training should be held more often and more widely within the organization. The training should reach all personnel that has to do with sales of the products, even seasonal workers. This way, possible mistakes can be avoided. Other training that should be arranged within the organization is sustainability training. This training should include basics, such as recycling, minimizing waste and other important actions within sustainability. Regarding the gender split at the case company, they should proceed with aiming for having half and half females and males employed.

#### ***5.1.2.2 Fair operating practices***

Because the level of fair operating practices in the case company's operations in Finland are already on a very good level, they should instead focus on these practices within their

supply chain. As mentioned earlier, because the case company does not manufacture or import products themselves, they should demand fair operating practices throughout the supply chain from their suppliers. Therefore, this should also be added to the code of conduct and the supplier contracts.

#### *5.1.2.3 Consumer issues*

Within consumer issues, the most important issue the case company needs to tackle is training and educating their clients. This includes both educating their clients about their products and the safety procedures for the products. The case company could for example arrange events for their clients where they could combine educating the clients about the products and safety procedures, with advertising and selling the products at the same time. Similar events could also be arranged about sustainability. During sustainability events, both clients and others interested in the subject can participate in different lectures about sustainability. These sustainability lectures could be for example about recycling products, such as the products that the case company is selling and about leaning more towards a circular economy. Through these events, the case company would educate the consumers but also gain positive visibility and publicity in the industry and the community.

#### *5.1.2.4 Community involvement and development*

Arranging sustainability events would be one important step in engaging more in the local community and developing it. Through a sustainability event, the local awareness and knowledge of sustainability would hopefully increase, which in long term could lead to a more sustainable community. In addition to the sustainability event, the case company could also invest in donating funds to local youth communities in order to give them an opportunity to educate children and other young people about sustainability. The case company should also continue with the existing charity work they are engaging in.

### **5.2 Implementation of the strategy**

The implementation process of the strategy should firstly be structured according to the implementation model presented by Bernhart and Maher (2011) and simultaneously it should be analyzed through the two-staged implementation process by Naveh and Marcus (2005). As in Bernhart and Maher's (2011) model, the case company's implementation process should also consist of eight steps. These steps are elaborated below, from the case company's point of view. The first five steps have been a part of this research project, but these steps should still be considered during and after the initial

implementation, on a continuous basis, as Bernhart and Maher (2011) explained. The three final steps are steps that the case company needs to take independently post implementation.

### **5.2.1 Self-assessment**

The self-assessment process guides the company in finding out what significant subjects are for them for them, who their most important stakeholders are and how the company is structured (Bernhart & Maher, 2011), which is exactly what was presented in chapter 5.1. After the whole implementation process is completed and the case company needs to begin the whole process from the beginning, they need to independently go through the same analysis as during this study. They need to assess what kind of changes occurred within their sustainability, identify their key subjects again and analyze their stakeholders, as presented earlier in the study. This step is the most important one, as the whole implementation process builds on it. When the case company begins this step independently during the second round, they can easily use this study as a structure and a base for it. One aspect that the case company needs to analyze independently prior to the implementation within self-assessment is their resources (Naveh & Marcus, 2005). Without proper resources or due to lack of resources, the implementation process could fall short very quickly.

### **5.2.2 Building the team**

The second important step is to build the team for their CSR work. During this research process, we have built a team together with the case company including the four respondents and me as a researcher. However, the case company needs to build an internal team within the organization who are responsible for their CSR work and also communication, as stated in chapter 5.1.1.3. This team should include at least one person in charge in every branch and then a main responsible person for the CSR as a whole. This team could together do the CSR work, including all the assessments, discussions and evaluations. Through these arrangements, the case company would achieve higher coordination within the CSR project (Bernhart & Maher, 2011). As lack of human resources is one common barrier for implementing CSR (Graafland & Zhang, 2014), building a team is very important. This creates a whole team for the sustainability engagement within the case company, which makes it easier to coordinate and implement.

### ***5.2.3 Engaging internal and external stakeholders***

In order to understand the stakeholder's needs and demands, this step is crucial. Within this study, this step has been followed half way by identifying the case company's key stakeholders and their possible needs and demands. However, the case company needs to take further actions both prior and post implementation in order to succeed in the implementation. The case company needs to engage both internal and external stakeholders through training, informing them about new actions and promoting the new sustainable operations. Without engaging the stakeholders, the implementation process will probably fall short. The training can be arranged both internally and externally and the information flow should be as transparent as possible towards all the stakeholders. This creates trust between all the partners.

### ***5.2.4 Determining what is significant***

The step of determining of what significant has been analyzed both in chapter 4.4 and 5.1. All the important subjects for the case company has been determined in this study. These subjects have been divided into the key subjects and the secondary subjects. The key subjects are the crucial ones for the case company in order to survive and the secondary subjects are important subjects, but not as crucial as the key subjects. After the case company has gone through the whole implementation process, they should evaluate these subjects again and divide them into key and secondary subjects in order to be able to set a new CSR plan. This step is very important in order to be able to draft a plan.

### ***5.2.5 Set targets and draft a plan***

After all the ground work has been conducted, the following step is to set targets and draft a plan. The case company's target is to become more sustainable, currently without any specific measurements. The plan has been drafted in the chapter 5.1 and in the chapter 5.2 the implementation plan of the strategy is being explained. In the future, after the initial plan has been implemented and evaluated, the case company should set measurable targets for CSR and also consider conducting sustainability reporting, in order to follow these CSR activity measurements consistently. After the implementation process, the case company should also draft a new sustainability plan following the guidelines presented in this study. Investing in sustainability is a continuous process, and therefore it is not enough to conduct a sustainability strategy once, but instead follow up the strategy consistently and update it if needed. During this step, the case company should also evaluate its costs regarding the implementation and set a time schedule for

the implementation. Evaluating costs before the implementation of the ISO 26000 standard is very important and should be done carefully (Epstein and Roy 2001). If the costs are not evaluated carefully and the budget would fall short, the case company would most likely struggle to complete the implementation successfully. The company should evaluate what costs could possibly be one-time costs, and what costs would be continuous costs (Weber, 2008).

### ***5.2.6 Implement the plan***

The first step, that the case company needs to take completely independently is the implementation of the sustainability plan. During this step it is important for the case company to follow closely on the progress of the implementation and also to keep the communication as transparent as possible. This way the implementation will run more smoothly than if the communication would not be transparent (Bernhart & Maher, 2011). During the implementation it is also important to keep the employees up to date and to engage them as actively as possible (Moratis & Cochius, 2011). Through employee engagement, the plan will be implemented successfully throughout the whole organization. During the implementation, the case company can use different tools in order to succeed in the process. Communication is one of the most important tools, as is also reporting and measuring activities.

### ***5.2.7 Communicate and report***

The step of communication and reporting follows the initial implementation of the CSR activities presented in the plan. Both communication and reporting are very important in this stage. Communication is important for the case company in order to communicate their new sustainability commitments for their stakeholders, both internally and externally. For the case company it is extremely important to keep the suppliers up to date regarding the new demands on their products, but also to inform the customers about the new sustainable brand and business that the case company is providing. Internally, it is important to have transparent and active communication in order to recognize any possible problems in due time. Transparent communication also helps the case company to notice any operations, that need improvements regarding sustainability. Regarding reporting, the case company can implement a sustainability reporting system, such as GRI, where they could present their various sustainability activities and also their measurements regarding these activities. The GRI is a tool for reporting that the case company could benefit from, after they have implemented the ISO 26000 in their strategy. The GRI is a tool, that is initially better for reporting, after the sustainability within the company has already been identified (Isaksson & Steimle,

2009; Brown et al., 2009). The case company could communicate about their sustainability activities, internally through their own communications channels, and externally through various newsletters and discussions.

#### **5.2.8 *Evaluate the process***

During this step the case company should evaluate the whole implementation process, that they have gone through and prepare for starting the process over by conducting a new self-assessment. During this step, the case company should conduct surveys for their employees, customers and suppliers where they would ask about opinions regarding the case company's new sustainability activities. These surveys could possibly give new point of views to the sustainability strategy and give a clearer picture about the sustainability activities that the case company is engaging in. During this step, the reports should also be assessed and in the future during this step the previous reports should be compared to the newest report. This way the case company would get valuable information about how the operations and activities have been changed, and what kind of improvements should be made.

#### **5.2.9 *Two-staged implementation***

The two staged implementation process consisting of installation and usage by Naveh and Marcus (2005) should also been taken into consideration when implementing the strategy. First, the case company should take into consideration the installation phase, where all the core subjects would be implemented according to the implementation plan presented in chapter 5.2. The installation phase focuses on adapting the standard for the case company and to introduce the standard for the employees and other relevant stakeholders. This should be done through internal communications and training. Also, documents about the standard should be distributed and the initial plan should be presented to the employees. During this phase, the communication should also be pointed towards other stakeholders that are relevant, such as owners and investors. The second part of the implementation, which is usage, is very important for the case company in order to achieve a long-term benefit from the standard (Nutt 1986). During the usage phase, the case company should focus on integrating the standard into the case company's daily practices and engage all the employees through continuous communications and training. It is very important that all the implemented sustainability activities become part of the company's daily activities (Cooper & Zmud, 1990; Fichman & Kemerer, 1997; Ettlie 1980). During the usage phase, the case company should also experiment and discover new ways of operating within their business. This could include for example developing the case company's sustainability activities even

further, from the initial strategy. Additionally, through engaging all the employees in the development and innovation process of new sustainability activities, the resistance of the implementation to the standard will more likely be lower (Graham, 1995).

### **5.3 Time frame for implementation**

Time frame for the implementation of the strategy is completely dependent on the case company and their willingness to implement the strategy. Previous studies about ISO 26000 are lacking research on the implementation itself, and therefore also lacking information about a realistic time frame for the implementation process. Additionally, because the implementation process is continuous and does not have any specific end date, is it difficult to create a specific time frame for the implementation process. As any strategy work within organizations should sustainability strategy also be a continuous process and the sustainability strategy should be integrated in the company's ordinary strategy work. Due to these reasons, it is not possible to name any strict time frame for the implementation of the sustainability strategy.

### **5.4 Summary of the strategy**

The case company should begin with engaging in the three key activities and after their initial implementation, the case company could proceed with the secondary activities. Even if these activities are divided into two different groups, all of them are important if the case company wishes to claim that they are operating in accordance to ISO 26000.

One of the most important aspects regarding the sustainability strategy and one aspect that is similar in all the subjects is, that the case company should update their code of conduct. In the code of conduct all the sustainability subjects should be explained and further developed: what the subjects are and where and how they are implemented in the case company. For example the demands of suppliers should have an own section where all the different requirements for suppliers within all the different subjects would be explained. Another aspect that rose, that was quite similar for all the subjects, was that the case company should demand more from their suppliers. However, having an own section in the code of conduct about suppliers is insufficient. The case company should update all the supplier contracts and add a section about sustainability requirements. The case company could, for example, demand the suppliers to have an independent third party inspecting the suppliers' factories and supply chains. This way, the case company would get a clearer image about the suppliers' sustainability activities and would also know if the suppliers meet the sustainability requirements set by the case company.



The case company should also create two new teams within the organization: a sustainability team and a communications team. The sustainability team should include at least one person per local branch to monitor the sustainability activities locally and also a small team in the headquarters that would be responsible for the sustainability activities in the case company as a whole. The sustainability team would continuously monitor and develop sustainability activities within the case company. The communications team would be located in the headquarters in Vantaa and they would be responsible for both internal and external communications. The communications team would create further transparency and smoother information flow for the case company. Both of these teams would play an important role regarding communications during the implementation process.

### **5.5 Reflections on the strategy**

Because this study is an action research, an implementation step should be included. However, due to restricted time, there will not be time to implement the sustainability strategy in the organization, which is why feedback about the plan from the case company is extremely important for this study. Instead of doing the implementation phase in the action research process, the employees of the organization were asked to give feedback on the sustainability plan. These reflections of the plan are very important, in order to complete the cycle of action research. Because the subject is very new to the case company, the respondents did not feel like that they would have had plenty of comments to share about the strategy. Both respondents A and B for example stated that because the matter is very new to the respondent, the respondents had little to reflect on. However, this chapter includes reflections received from the respondents about the initial strategy conducted. The reflections from the respondents were all quite similar, and they all had quite similar feedback, praise and concerns.

Respondent B had a concern about the consumer issues aspect, because the case company only has a very small amount of consumers as customers. Most of their customers are businesses. However, the presented consumer issues in the strategy can be applied both for individual customers, as well as for business customers. Respondent C had some concerns regarding the community involvement and development. The respondent was not sure if it is relevant or necessary for the case company to invest in. The respondent suggested that instead of engaging in activities suggested in the strategy, the case company could engage in the local community through actively cooperating with local educational institutions, such as local vocational schools. During these collaborations, the case company could educate the student about different issues that

the case company is professional at. Another aspect that respondent C had concerns about was how the strategy will engage all of the employees to carry out the strategy. The respondent mentioned that it would not be enough to only have one team responsible for the implementation. The respondent C also expressed concerns about how the strategy would be explained to employees throughout the organization.

Both respondent B and C commented that the case company will most certainly benefit from the strategy. If they will not implement the strategy fully, it will at least serve as an guideline for their sustainability work. Respondent A stated, that the strategy will probably serve as a guideline within a long term sustainability commitment plan rather than as a strategy that will instantly be implemented. Respondent A also stated that the strategy will also help the employees of the company to understand corporate social responsibility better, which in order will make the sustainability implementation easier in the future. However, the respondent C also commented that if the strategy will not be implemented, the case company will probably not benefit from it as much as it could. Without proper implementation the sustainability within the case company could fall short and not lead to a competitive advantage. Respondent C commented that the categorization of key and secondary subjects was very appropriate and relevant for the case company. Respondent C also commented that it was positive to have environment as a part of the key subjects, because it is one of the most important subjects for the case company at the moment, according to the respondent.

#### **5.5.1 *Comments on the reflections***

As reading through the reflections provided by respondent B and C, it became clear that the strategy still had some improvements to be made before the initial implementation. The biggest concerns that rose were clearly the customer issue subject and the practical engagement of employees. These aspects are both important and should definitely be included in the strategy and its implementation, but the question remains on how it should be done. Customer issues is part of the ISO 26000 sustainability standard and therefore it should be a part of the case company's sustainability project. However, because the case company is not actively doing B2C (business to customer) business, customer issues should be more concerned with the case company's business customers. Even if the businesses that are the case company's customers are not direct consumers, the sustainability activities should within customer issues also be directed towards these customers. However, the consumers should not be forgotten. Therefore, the sustainability activities within the customer issues segment in the sustainability strategy, should be directed both towards the direct consumers but also towards the businesses

that are their customers. The engaging of employees is a bit more challenging, because it is difficult to analyze these kinds of activities only from the outside of the company. However, the engaging of the employees should begin with actively engaging them through transparent communication and inspirational sustainability training. Simplified code of conducts, where all the information about sustainability would also be in should also be distributed to all of the employees. Another important aspect within engaging employees is to have them being a part of the project. All the employees should have a chance to innovate new and develop the existing sustainability activities within the case company, and through this they would all be involved in the project.

A concern that arose while reading through comments, was that respondent A was clearly not planning on implementing the whole sustainability plan. The respondent rather implied that the strategy will serve as a long-term guideline for further engaging in sustainability. Respondent A's comment on this was however quite contradictory when comparing to respondent C's comment about the implementation. Respondent C said that they will probably not benefit from the strategy as much as they could, if they will not implement the strategy fully. This certainly raises some concerns because if the employees of the company do not agree on how the implementation should be done, it can damage the sustainability project significantly. This could lead for example to not implementing the strategy at all or implementing it only half-way which would certainly result in damaging consequences regarding the sustainability within the case company.

## 6 DISCUSSION AND CONCLUSION

In this chapter, the study will be concluded through a thorough discussion and a conclusion. The discussion will include major findings in the study, the meaning of these findings and how these findings relate to previous studies. The conclusion will include implications of the study, limitations in the study and recommendations for further research.

The purpose of this study was to investigate sustainability and how a company within industrial retail can engage in CSR and how the implementation process should be conducted. In the beginning of the study three research questions were presented, and throughout the study, these research questions have been investigated and finally answered. The research questions were the following:

*RQ 1: How can the ISO 26000 standard be implemented and what kind of challenges can occur?*

*RQ 2: What are the motives behind the implementation of the ISO 26000 standard?*

*RQ 3: How can a company within retail act sustainable, when the biggest impact lies in the already available products?*

These three research questions are strongly built on the implementation of sustainability, but also on the fact that the case company is operating within retail. Because the questions are structured as a base for the sustainability strategy, these questions are also discussed as what they have contributed with and how they have contributed to the finalized strategy for the case company. However, as stated earlier, an implementation of the strategy was not completed and due to this, only other sources of data were used in order to investigate the implementation process.

### 6.1 Essential findings

This study has contributed with quite many different aspects and therefore, the essential findings of this study will be discussed through the research questions presented earlier. These research questions have been the core of the study throughout the process, and therefore discussing the essential findings through these questions is very logical.

### **6.1.1 *How can the ISO 26000 standard be implemented and what kind of challenges can occur?***

Two different implementation strategies were presented in the study: the two staged-implementation process by Naveh and Marcus (2005) and the ISO 26000 implementation guide by Bernhart and Maher (2011). Both strategies are important when implementing the ISO 26000 into the case company. During the interviews, three key subjects and three secondary subjects were identified and the sustainability strategy was built on the base of these subjects. According to the reflections, both the categorization of the subjects and the suggested implementation process were logical. As presented earlier, challenges that might occur based on previous studies are plenty (Babakri et al., 2003; Naveh & Marcus, 2005; Graafland & Zhang, 2014). For example lack of resources, lack of knowledge and lack of human resources are very common challenges. These challenges are also possible to occur within the case company during the implementation process and the therefore, the case company should prepare well in order to avoid problems connected to these challenges.

During the reflections phase some questions regarding the implementation phase and problems connected to engaging employees emerged. One respondent was concerned if the strategy is practical enough to implement it throughout the organization and if the case company has ability to explain it to all the employees within the case company as simple as possible. This would create huge challenges if the implementation would fail within these aspects, because the employees are the ones who in the end implement the strategy throughout the organization. However, a solution about engaging employees through training, innovation projects, a code of conduct and transparent communication was suggested. Another concern that is quite relevant is the concern of greenwashing. The case company should emerge carefully with the sustainability communication and not communicate before they have actually implemented the strategy (Pohl & Tolhurst, 2011). Without properly implementing and proceeding to broad communication, the case company could be accused of greenwashing. Greenwashing on the other hand could lead to tremendous harm on the brand image, and it could even lead to loss of customers, suppliers and investors (Pohl & Tolhurst, 2011; Delmas & Burbano, 2011).

During the interviews and the reflections, all the respondents seemed very concerned about sustainability and they all showed great interest in structuring a sustainability strategy for the case company. The company's eagerness in conducting a sustainability strategy will however not be enough if they are not ready to implement the strategy. Even if the respondents showed a great deal of interest towards sustainability, it is clear that

the case company cannot invest in sustainability more than their resources, parent company and their business allow. Therefore, it was extremely important to keep this in mind while conducting the strategy. As the respondent C commented on the community involvement in the strategy, it might not be relevant for the case company's business and therefore they might not implement it. Therefore, the case company should perhaps discuss and evaluate the strategy several times and through different stakeholders before they make any decisions about the actual implementing. Additionally, the contradictory opinions about whether to implement the strategy or not will most likely cause some problems during the implementation process. As seen from the reflections, respondent A was quite skeptical about the implementation itself and regarded the strategy more as a guideline for the future, while the respondent C was very clear with the importance of implementing the strategy fully. This will create problems, if the employees do not agree on the implementation and the importance of sustainability.

#### ***6.1.2 What are the motives behind the implementation of the ISO 26000 standard?***

Motives behind a possible implementation of a sustainability strategy were quite homogeneous among the interviews. All of the interviewees stated that one of the most important motives for engaging in sustainability is personal interest for sustainability and their desire to save the world. In addition to this, other important motives behind implementing a sustainability strategy were the increased demands from stakeholders, for example suppliers and customers, and the possibility to gain a competitive advantage from sustainability work. These motives are very important in order to drive the case company's engagement in sustainability further. Without engagement from top-down, the case company will most likely not succeed in implementing a sustainability strategy.

Another important aspect in the study is the motives behind choosing the ISO 26000 over all the other sustainability standards available. Even if the case company claim to have their sustainability activities here in Finland on a good level, except within environmental sustainability, they do not currently have any guidelines or any information about their current CSR activities. Therefore, their sustainability work should begin from the scratch. When comparing the different sustainability standards in figure 7 in chapter 2, ISO 26000 has a clear advantage over all the other sustainability subjects in being the broadest sustainability standard available. Therefore, because the case company has not yet identified any sustainability activities in practice their sustainability work, should begin through a sustainability standard that focuses on as many aspects of sustainability as possible. Therefore, the ISO 26000 is the most suitable

standard for them. After they have identified all their sustainability activities and implemented new sustainability activities according to the sustainability strategy conducted through the ISO 26000 standard, the case company can start engaging in sustainability through additional sustainability standards, such as GRI for example.

It was very interesting to notice how all the respondents had personal interests for engaging more in sustainability and therefore they also felt that the case company has an obligation to invest in sustainability. A strong personal interest for sustainability will most likely help the organization in implementing the sustainability strategy and developing their sustainability work even further in the future. A key in the implementation is however to motivate employees throughout the organization, and as seen before, this might be challenging. When discussing the ISO 26000 with the respondents, they all showed great enthusiasm towards the standard and I interpreted the situation as the respondents thought the ISO 26000 was a suitable option for the case company.

### ***6.1.3 How can a company within retail act sustainable, when the biggest impact lies in the already available products?***

Because companies within retail cannot affect the sustainability of manufacturing the products themselves, they need to figure out another ways of affecting this. In this study, the suppliers arose to be one of the key aspects within this. Because the case company's sustainability activities within their operations in Finland were already on a quite a good level, except regarding environmental sustainability, the suppliers were recognized as an important part of the strategy within all the subjects. Currently the case company is not actively discussing, checking or renewing supplier contracts in regard to sustainability, and therefore the strategy focused on this aspect. Suppliers are also a vital part of a retail company's stakeholders and without suppliers, they would not have any business.

Considering that the case company is operating within retail and that their revenue comes from selling products, that some other companies have produced, the case company's engagement in inspecting their suppliers' level of sustainability is close to non-existent. This is very alarming, especially in the case where they claim to have sustainability on quite a good level considering all other subjects than the environmental sustainability. Therefore, the case company's engagement in inspecting their suppliers' activities should be increased and this has also been taken into consideration in the conducted sustainability strategy. Additionally, as retailers are demanding more from suppliers, suppliers can also start requiring more sustainable actions from the retailers. If suppliers have to follow many sustainability requirements set by retailers, is it also

possible that suppliers start to require more sustainable actions from retailers that sell their products.

As the case company is operating within b2b, the customer contracts are usually larger in quantity and more long-term than within business done with consumers. Due to this, the case company has larger deals that they possibly can lose if they do not fulfill their customers' sustainability requirements. Therefore, the case company should in regards to risk management take preventive actions within sustainability in order to not to lose any important customers. If the case company would lose important customers due to lack of sustainability, would they simultaneously lose significant revenue due to lack of sustainability. This is something that the case company should take into consideration when conducting risk assessments regarding sustainability. Additionally, preventive actions within sustainability could also lead to new customers and more business.

In addition to engaging their suppliers throughout the supply chain, the case company also needs to invest in their sustainability activities in their operations in Finland. In order to claim to operate in accordance to the ISO 26000 standard, the case company needs to have the sustainability of all the core subjects on a good level. Therefore, both improvements and development suggestions within all the core subjects in the strategy were suggested. As some subjects were already on a higher level than others in the beginning (for example human rights compared to environmental sustainability), includes some subjects in the strategy more sustainability activity suggestions than other subjects. The subjects were also divided into two groups: the key subjects and the secondary subjects. This categorization was done in order to give the case company a clearer image about which activities they should begin engaging in. The key activities are the activities that are crucial for the case company, when the secondary subjects are important. However, all the subjects are very important in regards to the ISO 26000 standard.

## **6.2 Further discussion**

If ISO 26000 is the most suitable option for a company striving after more sustainable operations is debatable. As both Ranängen et al. (2014) and Mikkilä et al. (2016) stated in their studies, is ISO 26000 a valuable and comprehensive guideline for companies that want to engage in sustainability. When comparing ISO 26000 against other sustainability standards and guidelines, has ISO 26000 a much broader scope (Henriques, 2012), and therefore it covers many more subjects and aspects than other standards and guidelines in the market. However, this can also be interpreted as a



negative aspect, as Hemphill (2013) argues. According to Hemphill (2013), ISO 26000 is too broad to be applied for a specific industry, such as industrial retail in this study. However, even if the whole standard would not be implemented, provides it excellent guidance for sustainability, especially for companies that are not yet engaging in sustainability. Regarding this, Toppinen et al. (2015) argued that the ISO 26000 standard might not bring much or any added value to sustainability forerunners, that already have some existing sustainability activities in their processes. This also affirms the assertion of ISO 26000 to be most suitable for companies that do not yet engage in sustainability at all or has never done any self-assessments within sustainability. Another weakness of ISO 26000 is its lack of certifiability. According to Hemphill (2013) due to this, it is more difficult to assess any efficacy related to the standard, which in turn debilitates the power of the standard. This means that companies might not fully implement the standard and use it in the wrong way or even for greenwashing.

The lack of guidance regarding sustainability from the parent company can be seen as problematic. If the group would conduct a clear guideline on how the subsidiaries are to engage in sustainability, would the barriers for the subsidiaries to invest in sustainability be lower. The subsidiaries would get a clear guideline on what they should do regarding sustainability and how this should be done. The group could, for example, require sustainability reporting or sustainability standards or certifications from the subsidiaries. This way, all the subsidiaries would follow the same policy with no exceptions and that way create uniformity in the group's sustainability as a whole. However, this would also create some difficulties because the subsidiaries are operating in different cultures and some subsidiaries are also operating in slightly different industries. Should there would be only one specific guideline for all subsidiaries, could it create difficulties through not matching all the subsidiaries' needs or operations. Therefore, the group should require sustainability reporting from the subsidiaries, but not through a too specific guideline.

Another interesting aspect that arose during the research process was that none of the respondents considered investors as primary stakeholders for the case company. Investors are usually considered as primary stakeholders because they do have a great influence on the company (Grafström, 2015). However, all the respondents in the study categorized investors as secondary stakeholders. One probable reason for this is that the case company is a subsidiary to a bigger group that is listed in the stock market. Therefore, the case company does not have a direct connection to the investors, but rather a secondary connection with them. Due to this, many employees might feel that

investors are not very visible in their operations. As seen earlier, when asked about the investors from the respondents, the majority answered that they do not have any contact with investors, except through an annual report that the CEO alone conducts. This also indicates that the group should have a bigger influence on the subsidiaries through guidelines and also through more open communications. Through an open communication, the subsidiaries would perhaps become more aware of the investors and their importance.

### **6.3 Implications of the study**

There are plenty of previous studies conducted about ISO 26000 disregarding studies about its implementation process which are very limited. This makes it very difficult to compare this study with previous studies, but it also confirms the need for researching the matter. Previous studies about ISO 26000 have, for example, been focusing on some specific subjects within the standard and companies' commitment to these subjects. Some studies have been focusing on drivers, motives and barriers of sustainability while other studies have been focusing on the impact of the standard. However, none of the studies have focused on the implementation of the standard as this study does. The motives and driver behind implementing the ISO 26000 standard are also an important part of this study, and therefore the studies conducted by Hasan (2016) and Valmohammadi (2011) contributed to this study. Both these studies were conducted in completely different cultures, in Iran and Bangladesh, which makes them very difficult to compare with this study conducted in Finland. Only a few of the studies about ISO 26000 were conducted in any similar cultures with regard to Finland, and therefore most of the previous studies about ISO 26000 are too different to compare with this study. In addition, all the studies except one were conducted in different industries than industrial retail. The study conducted by Mohd Fuzi et al. (2017) was conducted within automotive retail, which can be seen quite close to industrial retail. The study was conducted in Malaysia which has a completely different culture, and the study focused only on CSR performance. Because of the lack of studies, this specific study about the implementation of ISO 26000 fills an existing research gap and also brings value and diversity to the existing studies.

Due to the lack of studies within the matter, this study plays an important role as an addition to the field. This study can be seen as one of the first studies conducted regarding the implementation process of the ISO 26000, even if the implementation itself was not conducted, and therefore it is very important for the continual research within sustainability standardization. Even if the study solely focuses on one individual

organization within a specific industry, the results can be interpreted as generalizable due to the broad and general spectrum of results in the study. The results can be interpreted as a guideline for any organization practicing within retail. In addition, the sustainability strategy can be implemented in any organization with some adjustments in regards to the organization and the industry the organization is operating within. Therefore, the impact of this study for the sustainability standardization research field is very important, especially within industrial retail in Finland and in similar cultures. Additionally, as there are currently many sustainability standards available, the study of the ISO 26000 standard is important in order to give both researchers and organizations a broader image about the standard's qualities and possibilities within it. The comparison between different standards is also very important to take into consideration when choosing a standard for any company. As shown in the study, the ISO 26000 standard is the best alternative if a company wants to either begin investing in sustainability or alternatively they want to invest in a broad spectrum of subjects within sustainability. This study can also be used as a base for further research as will be discussed in chapter 6.4.

### **6.3.1 Societal relevance**

As stated earlier, not many studies about ISO 26000 or its implementation does exist in Finland or in other similar cultures. ISO 26000 is however widely used in Finland and other countries with similar cultures within organizations' sustainability work. Therefore, it would be of high relevance to research more on the topic and especially the implementation, the motives behind it and other relevant aspects within it. This study contributes a great deal to the research in this field, due to the relevance. Especially because sustainability is an increasing trend, and companies and other organizations will most likely begin investing more into sustainability in the near future. Therefore, it would be important to have some research done on the topic in order to aid both the organizations and the researchers on the path of ISO 26000 and sustainability work. As argued earlier, this study could be used as a guideline, not only in Finland but also in other similar cultures. However, it is also important to take into consideration the limitation within this study, especially when planning on conducting future research on the topic.

### **6.3.2 International relevance**

As stated in chapter 6.2.1 this research can be used as a guideline for both companies and researchers, and also as a basis for future research, not only in Finland but also in other similar cultures. For example in Scandinavia and other European could be considered

similar cultures. However, the international relevance of this study should be critically examined due to the differences in cultures, regulations and other important aspects regarding sustainability work. As discussed earlier, the previous studies conducted on the topic cannot be compared with this study, because they have all been researched in such different environments and cultures. Similarly, this study cannot be generalized in countries that do not have the same prerequisites as Finland. However, this research can still be used as a guideline for future research, even in countries with different cultures.

#### **6.4 Limitations**

Even though this study is generalizable to a certain level, it also has some major limitations. These limitations make the generalization of the study unstable and also the findings somewhat unreliable, however not on a worrying scale. The biggest limitation in the study was the restricted time frame which caused further complications and limitations. Due to the restricted time, implementation of the sustainability strategy was not possible. Action research usually includes an implementation phase and then a reflection phase about the implementation. However in this study the implementation was not possible due to restricted time and therefore the action research process was modified to be more suitable for this specific research project, as seen in chapter 3. The implementation and reflections phase was replaced with reflections about the finalized sustainability strategy. Therefore, instead of having an implementation, solely reflections of the strategy was used. This certainly creates some limitations, because in action research the implementation phase is an important part. However, because it was not possible to implement the strategy for several different reasons, this was the solution that came closest to the actual action research process. Romme (2003) even argues that the benefits of participation in creating solutions can actually be more important than the solution itself, which is also the case with this research project.

Due to the limitations that restricted the action research, case research would possibly have been more suitable. Within case research, an implementation phase is not required and therefore, the problems that emerged through the action research would have been avoided. However, the action research seemed as a better option for this research project because of the practicality of the study, and therefore this study was conducted through the action research design, even though a case design could have been more suitable.

Another limitation that emerged was that the interviews conducted were all on managerial level. Two top managers and two middle managers were interviewed. As it emerged through the reflections, it could have been more practical to include some non-

manager workers from shops or warehouses in order to include opinions and point of views from the lower part of the hierarchy. Through this, the problem of engaging employees throughout the whole organization would possibly not have been emerged at all. Additionally, only three reflections were received from the case company. Due to this, it is difficult to generalize the reflections received.

Finally, because the study is an action research conducted only on one specific organization, is it more difficult to generalize the study. The results and interpretations of the study are covered only by one organization in a specific industry. This makes it difficult to adapt it to other industries or even other companies, and therefore the generalization of the study is not as good as it could be. My own interpretations within the study are also a limitation, because as I am myself conducting the evaluation of the sustainability activities within the organization, my own point of views can and perceptions affect the end result.

## **6.5 Recommendations for further research**

Future research on this topic is definitely recommended both because of the lack of the studies on the topic and also the increasing importance of sustainability. Further research on this topic should be focusing on having more information both from several organizations and from several industries. A suggested approach for this could be a multiple case research done on the topic. This, both because as mentioned earlier a case research could be a more suitable approach for this research, especially without implementation. If preferred, the further research could also focus on an action research project with an implementation phase. However, my personal opinion is that a case research design could bring more information from the study, than an action research.

A suggestion would also be to conduct multiple case studies or alternatively individual case studies in different countries, both in Europe and globally. This would create even more comparison to sustainability practices, motivation behind it and implementation of sustainability practices worldwide.

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## APPENDIX 1 INTERVIEW GUIDE (ORIGINAL IN FINNISH)

1. Kuvaile teidän liiketoimintaa? – Mitä yrityksenne tekee (valmistaa/myy, ketä ovat työntekijät/missä sijaitsee) + Ketkä ovat yrityksen tärkeimmät sidosryhmät (asiakkaat, työntekijät, sijoittajat ym.)
2. Mitä kestävä kehitys merkitsee sinulle? – Miltä ”hyvä” yritys tarkoittaa sinulle? Mitä sen tulisi tehdä ja miten sen tulisi käyttäytyä? + Onko yrityksenne mielestäsi kestävä kehitys mukainen?
3. Mitä luulette että voisitte saavuttaa mahdollisella standardoinnilla? Miten yritysvastuun hahmottaminen ISO26000:n kautta voisi hyödyttää yritystä?

### Teema-alueet:

	Erittäin epätärkeä	Jokseenkin epätärkeä	Ei tärkeä eikä epätärkeä	Jokseenkin tärkeä	Erittäin tärkeä	Organisaation tämänhetkiset toimenpiteet asian suhteen:
Organisaation hallintatapa						
Ihmisoikeudet						
Työelämän käytännöt (reiluus, työturvallisuus, yms.)						
Ympäristökysymykset (ympäristövaikutukset, resurssien käyttö ja jätekysymykset)						
Oikeudenmukaiset toimintatavat						
Kuluttaja-asiat						
Yhteisön toimintaan osallistuminen ja yhteisön kehittäminen						

4. Mitkä teema-alueet tärkeimpiä liiketoiminnan kannalta?
5. Missä teema-alueissa on mielestäsi mahdollisuuksia parannukseen?
6. Mitkä teema-alueet sisältävät riskejä joihin ei ole varauduttu tarpeeksi hyvin?

**Sidosryhmien tunnistaminen:**

7. Mitkä ovat keskeiset sidosryhmät – keneen pitää kiinnittää erityistä huomiota näissä ryhmissä (esim. avainasiakkaat vs. satunnaiset asiakkaat)?
8. Mitkä teema-alueet ovat keskeisimpiä eri sidosryhmien kohdalla?
9. Mitkä sidosryhmät (ja heidän kannaltaan relevantit teema-alueet) ovat kaikkein keskeisimpiä? Esim. millaisia suuria riskejä joihinkin sidosryhmäsuhteisiin liittyy? (katso taulukko alempana)

	Työntekijät	Asiakkaat	Omistaja/ sijoittajat	Viranomaiset/ sääntely	Paikallis yhteisö	Hankkijat/ Tavaran- toimittajat/ toimitus- ketju
Organisaation hallintatapa						
Ihmisoikeudet						
Työelämän käytännöt (reiluus, työturvallisuus, yms.)						
Ympäristökys- ymykset (ympäristövai- kutukset, resurssien käyttö ja jättekysymykse- t)						
Oikeudenmuk- aiset toimintatavat						
Kuluttaja- asiat						
Yhteisön toimintaan osallistumine- n ja yhteisön kehittäminen						

## APPENDIX 2 INTERVIEW GUIDE (TRANSLATED TO ENGLISH)

1. Describe your business? – What does your company do (manufacture/sell, who are the employees, where located) + Who are the most important stakeholders (customers, employees, investors etc.)
2. What does sustainability mean to you? What does a “good” company mean for you? How should a “good company” behave and operate? Is your company sustainable according to you?
3. What do you think your company could achieve through a sustainability standard? How could identifying sustainability through ISO 26000 benefit your company?

### Subjects:

	Not important at all	Somewhat not important	Neutral	Somewhat important	Very important	Practices within the organization currently:
Organizational governance						
Human rights						
Labour practices						
Environment						
Fair operating practices						
Consumer issues						
Community involvement and development						

4. What subjects are the most important ones for your business operations?
5. In which subjects should your company improve?
6. What subjects include risks that your company has not been prepared for well enough?

**Identifying stakeholders:**

7. What are the most central stakeholder groups? Who are the most important ones (e.g. key customers vs. occasional customers)
8. What subjects are the most important ones considering your stakeholders?
9. What stakeholder groups and subjects are the most central ones? E.g. what kind of risks are in some stakeholder groups/subjects

	Employees	Customers	Owners/ investors	Authorities/ regulation	Local commu nity	Suppliers/ Supply chain
Organizational governance						
Human rights						
Labour practices						
Environment						
Fair operating practices						
Consumer issues						
Community involvement and development						



**APPENDIX 3 THE SUSTAINABILITY STRATEGY DELIVERED TO  
THE CASE COMPANY**

# SUSTAINABILITY STRATEGY



# CONTENT

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<b>3. Secondary Subjects</b>	<b>5-6</b>
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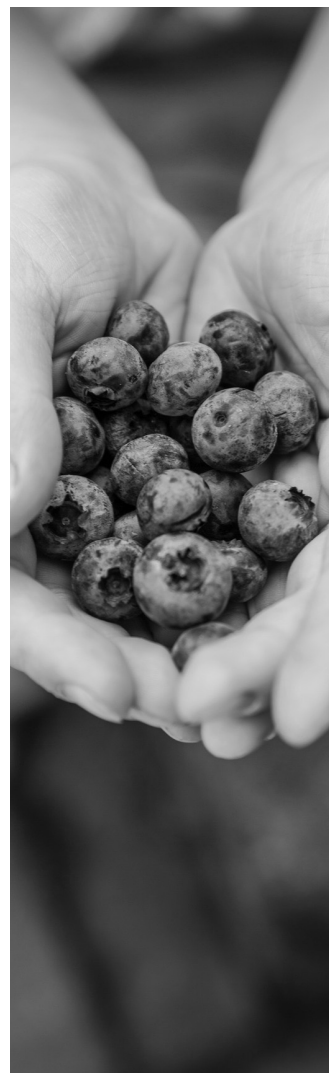
# 1. INTRODUCTION

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**In this report the suggested sustainability strategy for company X will be presented. This strategy will be based on the ISO 26000 sustainability standard that consists of seven core subjects. Out of these seven, three are identified as key subjects for company X. These subjects and their implementation process will be presented in the following chapters.**

**ISO 26000 is a sustainability standard that consists of seven core subjects: human rights, the environment, organisational governance, labor rights, fair operating practices, consumer issues and community involvement and development. ISO 26000 is suitable especially for companies, that do not yet engage much in sustainability but would like to, exactly like company X. Therefore, the ISO 26000 standard was chosen to build up the strategy for company X.**

**After the implementation of all the sustainability activities presented in this strategy, company X can officially claim to be working in accordance to ISO 26000. However, this is a continuous process and therefore company X should actively and consistently assess, implement and evaluate their sustainability activities, as presented in chapter 4.**



## 2. KEY SUBJECTS

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The key subjects are the most important subjects, that company X needs to engage in regarding sustainability. These subjects should be implemented first and should be regarded as the priority number one. These subjects are human rights, the environment and organizational governance.

### Human Rights

- Human rights in the Supply Chain
- Demand the suppliers to have human rights on a good level
- Can be done through new updated supplier contracts including the new demands
- Should be added to the updated Code of Conduct

### Environment

- Continue with recycling within company X
- Engage customers to recycle through informing customers more about different products' recycling
- Offer customers to return their products to company X, so that company X can recycle the products
- Explore new more sustainable alternatives to various products
- Demand the suppliers to have a good level of environmental sustainability & add to the contracts
- Should be added to the updated Code of Conduct



# KEY SUBJECTS

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## Organizational Governance

- Company X should have clear measurements for their sustainability activities
- Company X should also create and publish sustainability reports, in order to create transparency regarding sustainability

## Internal Communications:

- Create an internal communications team who would be responsible for all the internal communications within company X
- This team would be addressed in any questions, difficulties, feedback or other important matters
- This team would also distribute all information within company X

## External Communications:

- Re-create the newsletter for customers
- In the newsletter, company X can inform about campaigns, products and also about their sustainability activities (it can also serve as an infomercial)
- Company X should communicate clearly what is demanded from the suppliers, and be persistent with this
- If the suppliers would not succeed in fulfilling the demands, company X should clearly communicate to them about the consequences
- This communication should be regular with all the suppliers, and the supplier contracts could for example include a section about a quarterly or yearly check with the suppliers

## 3. SECONDARY SUBJECTS

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The secondary subjects are the subjects that company X should engage in after first implementing the key subjects. These subjects are also important in order to obtain the ISO 26000 standard. These subjects are labor rights, fair operating practices, consumer issues and community involvement and development

### Labor Practices

- Training about chemicals and protection should be held more often and more widely within the organization and it should reach all personnel that has to do with sales of the products, even seasonal workers
- Other training that should be arranged within the organization is training about sustainability, such as recycling and circular economy

### Fair Operating Practices

- Focus on fair operating practices within company X's supply chain through demanding this from suppliers
- Should be added to the updated Code of Conduct



# SECONDARY SUBJECTS

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## Consumer Issues

- Educating clients about company X's products and the safety procedures for the products
- Arrange events for clients where company X could combine educating the clients about the products and safety procedures, and advertising and selling products at the same time

## Community Involvement and Development

- Arranging sustainability events would be one important step in engaging more in the local community and developing it
- Through a sustainability event, the local awareness and knowledge of sustainability would hopefully increase, which in long term could lead to a more sustainable community
- Company X could also invest in donating funds to local youth communities in order to give them an opportunity to educate children and other young people about sustainability
- Continue with the existing charity work



## 4. IMPLEMENTATION

The implementation process of both key and secondary subjects is divided into eight steps. The five first steps have already been partly conducted during the strategising process, but should still be considered in the future. The three final steps should company X go through independently. Below is a figure of the eight steps, that company X should take when implementing the ISO 26000 sustainability standard. These eight steps are a continuous process. This means that, after the initial implementation process, company X should evaluate the process and prepare themselves for a new self-assessment and for a new process.





# IMPLEMENTATION

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## **Self-assessment**

Self-assessment is a phase when the company assesses its operations, stakeholders and the structure of the company

## **Build the Team**

During this step company X will build a team for their CSR work

## **Engage Stakeholders**

Engaging through training, informing and promoting sustainability both during and after implementation

## **Determine what is significant**

Determining the key and secondary subjects within ISO 26000 and the key stakeholders for company X

## **Set Targets & Draft a Plan**

Setting measurable targets and drafting a plan (this is the preliminary plan)

## **Implement the Plan & Monitor**

Implementing all the actions within company X and monitoring the progress closely.

## **Communicate & Report**

Communicate the new sustainability activities within company X, both internally and externally. Report about the measurable and non-measurable sustainability activities.

## **Evaluate the Process**

Evaluate the whole implementation process and prepare for a new self-assessment.

## 5. SUMMARY

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**One of the most important aspects in the sustainability strategy for company X is to focus plenty on the suppliers. A new Code of Conduct should be conducted for company X, including all the new sustainable actions and demands and all supplier contracts should be updated regarding the new requirements. Measurements for sustainability actions should also be determined, in order to have sustainability reporting.**

**company X should also create both a sustainability team and a communications team. The sustainability team would continuously monitor the sustainability activities within company X, and plan improvements. The communications team would be responsible for both internal and external communications for company X. The communications team would create further transparency and smoother information flow for company X.**

**After the whole implementation process has been fulfilled, can company X claim to be working in accordance to ISO 26000. However, company X should also keep in mind, that implementing sustainability in the strategy is a continuous process and should therefore be assessed, implemented and evaluated on a continuous basis.**



**APPENDIX 4                      QUESTIONS FOR REFLECTIONS (ORIGINAL IN FINNISH)**

1. Oliko jako avainaiheisiin ja toissijaisiin aiheisiin mielestäsi sopiva?
2. Koetko että Company X tulee hyötymään tästä projektista/strategiasta?
3. Koetko että Company X on tarve tälle strategialle?
4. Koetko että jokin osa strategiasta olisi turha?
5. Koetko että jokin osa strategiasta on erityisen tärkeä?
6. Muuttaisitko jotakin osaa strategiasta?
7. Koetko että strategia on implementoitavissa Company X :llä?
8. Koetko että implementointiprosessi olisi looginen ja toimiva?
9. Koetko että strategia on tarpeeksi käytännönläheinen?
10. Koetko että Company X pystyisi saavuttamaan kilpailuedun tämän strategian kautta?

**APPENDIX 5                      QUESTIONS FOR REFLECTIONS (TRANSLATED INTO ENGLISH)**

1. Was the categorization of key subjects and secondary subjects suitable according to you?
2. Do you feel that Company X will benefit from this project/strategy?
3. Do you think Company X has a need for this strategy?
4. Do you think some part of the strategy is unnecessary?
5. Do you think some part of the strategy is extremely important?
6. Would you change some part of the strategy?
7. Do you think the Company X could implement this strategy?
8. Do you think the implementation process is logical and practical?
9. Do you think the strategy is practical enough?
10. Do you think that Company X could achieve a competitive advantage through this strategy?