

Thesis in Management

Course number: 1210, 10 credits

Dept. of Management

Stockholm School of Economics

25<sup>th</sup> Feb., 2008

## **A Master of Science Thesis in the Field of Management**

“CSR, is it for real? Are there any profits in it?”

Written by: Herman H. Y. **Chong** (21063)

Tutor: Ass. Prof. Peter Norberg

Presentation Date: 10:15 am, 30<sup>th</sup> May, 2008.

Venue: Sal Johan, 4<sup>th</sup> Floor, Saltmätargatan

Discussants: Martin Johansson & Jerker Östman

## 1. Abstract

This is a study about why immense amount of resources have been spent on the realm of Corporate Social Responsibility (CSR) by large multinational Swedish firms. A lot of attention has been given to the notion that CSR is vital for a firm's survival. Stakeholders of all kinds must be taken into account and treated appropriately or there will be severe backlash against the offending firm. Five main dimensions are looked at to see what are at play here so as to understand the motivations of all the CSR related endeavours of most of the firms in the field. The areas of interest are the employees, relationship with the 3<sup>rd</sup> world, the environment and nature, the practice of philanthropy as well as Codes of Ethics. Are companies pursuing all these CSR activities due to altruism or something more mundane as to the preservation of profits and other trading advantages? What are the effects of various NGOs, government agencies, media and so on when it comes to influencing the actions of these firms? This qualitative analytical piece is backed up with suitable theory and empirical quantitative evidence. A regression model is used based on the inputs of data compiled from the large-cap firms of the Stockholm Stock Exchange. The five dimensions of interest mentioned above are coded numerically to arrive at a dependant variable representing the amount of CSR activities a company engages in. With that and a corresponding profitability measure, a linear regression model can be set up to see if there is any relationship between CSR activity and profit. Using this method I have drawn the tentative conclusion that CSR as an activity for a firm seems to be based upon the need to reduce risk in its arena of doing business and preserving profits and margins. It is also fair to say that there are inconsistencies, confusing messages and a fair amount of decoupling when it comes to practising what they espouse as CSR policies among most firms. Importantly, profits have been shown in this study to be correlated to the amount of CSR activities undertaken by companies. This does not mean however that there is exact causality between CSR and profits. There are other economic factors that might explain profits better but CSR is still an important ingredient in the plethora of best practices that companies have to pay attention to in order to stay profitable as well as to retain legitimacy with their stakeholders.

**Keywords:** CSR, Profits, Sustainability, Ethics, Environment, Stakeholders.

## **2. Table of Contents**

<b>1. Abstract .....</b>	<b>2</b>
<b>2. Table of Contents .....</b>	<b>3</b>
<b>3. Introduction .....</b>	<b>4</b>
<b>4. Purpose of the Thesis &amp; formulation of issues to be investigated .....</b>	<b>5</b>
<b>5. The Reach of this Study.....</b>	<b>6</b>
<b>6. Theories and Past Research .....</b>	<b>6</b>
<b>6.1 Ethics .....</b>	<b>6</b>
<b>6.2 The Stakeholder Theory .....</b>	<b>11</b>
<b>6.2.1 Organisation-Stakeholders.....</b>	<b>12</b>
<b>6.2.2 Economic Stakeholders .....</b>	<b>13</b>
<b>6.2.3 Societal Stakeholders.....</b>	<b>14</b>
<b>6.2.4 Globalisation and Technology.....</b>	<b>15</b>
<b>6.3 Duties and Responsibility for a Company → The Archie Carroll Model .....</b>	<b>16</b>
<b>6.4 CSR Communication → Too much of a Good Thing? .....</b>	<b>18</b>
<b>6.5 The Technique of Regression Analysis in Econometrics.....</b>	<b>21</b>
<b>7. Approach and Methodology .....</b>	<b>22</b>
<b>8. Outcome and Analysis .....</b>	<b>25</b>
<b>9. Conclusions .....</b>	<b>34</b>
<b>10a. Appendix 1 .....</b>	<b>37</b>
<b>10b. Appendix 2 .....</b>	<b>38</b>
<b>11. References .....</b>	<b>40</b>
<b>Books .....</b>	<b>40</b>
<b>Direct Sources.....</b>	<b>41</b>
<b>Electronic Sources and Articles .....</b>	<b>41</b>

### **3. Introduction**

This thesis will be concentrating on the area of CSR or Corporate Social Responsibility, which is an apt subject to study as it is a rather urgent issue nowadays with all the major companies in the world spending considerable resources in this field primarily to establish and uphold a proper rapport with their stakeholders both inside and outside the companies.

Corporate Social Responsibility (CSR) is generally considered to be a concept or practice whereby organisations consider the interests of society by taking responsibility for the impact of their activities on preferably all the stakeholders, for example customers, employees, shareholders, communities and the environment in all or most aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organisations voluntarily taking further steps to improve the quality of life for the local community and society at large. The area of CSR is vast, covering issues like corporate governance, the sustainability of the usage of resources, labour relations, ethics, environment and so on. It is influenced by the upholding of human rights which by itself is also a well-known idea but alas not that well defined since different parties have their own interpretations on the subject. United Nation has nevertheless a Charter or Declaration on Human Rights that could act as a common starting ground for people to refer to. Therefore it could be said that CSR is merely a concept or a way of thinking that encompasses a large mix of human behaviours, beliefs, principles and standards which might require further narrowing down and defining depending on the situations, in order for the ordinary man to understand it more deeply. I will set out the main areas of interests with concepts of modern CSR, comparing theoretical writings with some findings from the major practising players in the realm of CSR to see if there are any inconsistencies and if so, why? The mantra of this piece will be “CSR, is it for real?” which

should then offer me at least a couple of concise queries to elucidate, namely why this seemingly colossal attention is being spent on CSR issues by firms as well as whether the practising of CSR is related to the well being of a firm. Well being here will be measured in profits, as this is a measure that can be calculated relatively easily. So in short does CSR means profits? I will endeavour to look at the largest Swedish listed companies to see if this is the case.

#### **4. Purpose of the Thesis & formulation of issues to be investigated**

The purpose of this thesis is to study how prevalent is CSR being practised by the large-cap firms on the Stockholm Stock Exchange. Sweden could well be a country where domestic and EU legislations have taken care of most of the issues that could be relevant in modern CSR considerations (Buhmann 2006). How does the CSR activity of the firms studied in this piece measure up to that phenomenon? Would they invest more in CSR activities even though society at large has already been involved in quite a few of the main CSR issues? Furthermore, is there any correlation between the profitability of firms in Sweden and their CSR practices? This thesis will endeavour to answer these *questions*, understanding more about the present state of CSR in Sweden in the process. The main issue that is going to be treated here by a linear bivariate regression model is thus: There is a positive correlation between CSR activities and profitability. Yes or no? So the hypotheses for the regression model that is going to be used are:

Null Hypothesis,  $H_0: \beta = 0$

Alternate Hypothesis,  $H_1: \beta > 0$

Where  $\beta$  is the coefficient of the x variable in our regression equation (see section 6.5 below). X stands here for the amount of CSR activities engaged by the companies. If  $\beta$  is greater than zero, then it would be reasonable to infer that there is a positive link between CSR activities and the

profits of the companies. More will be explained about the regression model further down in this piece.

## **5. The Reach of this Study**

This study will limit itself to the large-cap companies listed on the Stockholm Stock Exchange. The pool of data will be from 66 firms, which represent a good cross section of the different kinds of industries, and businesses that are active now in Sweden.

## **6. Theories and Past Research**

### **6.1 Ethics**

Ethics although not at first apparent to have any kind of tangible connection with the profitability of a firm is nonetheless worth looking into as it could have a bearing on the CSR practices of various companies. Bhattacharya and Sankar (2004) put forth CSR as a process where companies are judged by “achieving commercial success in ways that honour *ethical values* and respect people, communities, and the natural environment.” Alfred Marshall (1842–1924) who is considered by some to be the founder of neoclassical economics had also said economic behaviour is *not* independent of morality and ethics (Marshall 1920). Jones and Wicks (1999) proposed "converging" the social science (instrumental) and *ethics* (normative) components of stakeholder theory described below at section 6.2, to arrive at a new normative "theory" that illustrates "how managers can create *morally (ethically)* sound approaches to business and make them work" (Jones and Wicks 1999). So there are thinkers who have been arguing for using ethics to arrive at business decisions for quite a while now.

It could then be conducive to understand ethics a tad in order for us to delve into the realm of CSR, as ethics could be influential in the establishing of CSR and its activities. It could also

provide the rationale and basis as to understand why in this day and age when there is rampant globalisation and the unabashed pursuit of profits and financial gratification, that a significant number of stakeholders are expecting commerce and business to be conducted within certain moral standards and expectations. It could further be argued that decision makers within companies need to be ethically minded in order to devise sound CSR policies. Ethical thinking could be what motivates decision makers to follow through with their CSR policies. It might also act as a reminder that CSR is a dynamic and on-going process that needs constant attention in order to make it successful.

The word Ethics originates from the Greek word *ethos*, meaning "moral" or "showing moral character". Simply put, Ethics is a set of principles of right conduct or a theory or a system of moral values. It could be viewed as the study of the general nature of morals and the specific moral choices to be made by a person or it might be a set of rules and standards governing the actions and thinking of a professional group or organisation. International Encyclopedia of Ethics (1995) states Ethics as a philosophical science that deals with the rightness and wrongness of human actions. Ethics is relevant in understanding CSR because it can be argued that without an ethical starting point CSR might not be able to be satisfactorily or genuinely practised. In short, one needs to believe in doing good before one can truly do any good. The websites of nearly all of the large-cap companies on the Stockholm Stock Exchange address CSR issues and ethics related issues like Codes of Ethics are often mentioned. This fits well with the research of Murray and Vogel, which says there is "a pervasive belief among business leaders that in today's marketplace CSR is not only an economic one but it has ethical/ideological imperative as well. In other words, companies today are increasingly aware of both the normative and business case for

engaging in CSR. Not only is “doing good” “the right thing to do,” but it also leads to “doing better” through its positive effects on key stakeholder groups” (Murray and Vogel 2002).

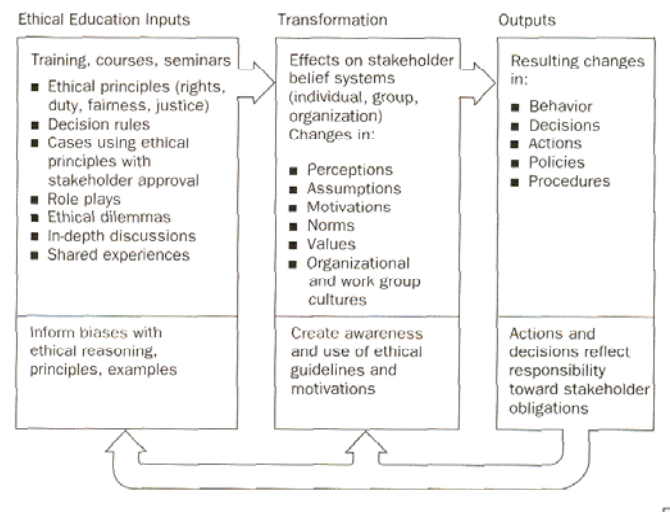
Joseph Weiss (2006) in his book Business Ethics points out that Ethics Codes are value statement that *defines* an organisation. Codes of Ethics are mentioned in just about all the companies that I looked at for this study. It serves the purpose of assuring the out of the firm stakeholders that there are some standards and guidelines which the company follow, as well as making sure to the staff that there are rules that they should not break in their business dealings with their clients and suppliers.

Codes here involve the formulating of ethical thinking into a set of rules, which are accepted as general principles, or as a set of written rules, which state how people in a particular organisation or country should behave. The codifying of ethics principles have in many instances nowadays resulted in actual laws being enacted to uphold these particular ethics principles so that the playing field is levelled for all the concerned stakeholders. Adler (2001) listed some of the reasons why ethic codes are important in the modern business world. They are:

1. To state corporate leaders’ dominant values and beliefs, which are the foundations of the corporate culture. This is who we are. This is what we believe in and this is what we do.
2. To define the moral identity of the firm both to its own staff as well to the outside interlocutors.
3. To set the moral tone and criteria of the workspace.
4. To outline in no uncertain terms as to what are acceptable and unacceptable behaviours at the work place.



5. To mitigate irresponsible power play and behaviours of employees.
6. To keep stakeholders who might damage the firm's business interests from interfering.  
Breaking of ethics codes might invite attention from the law and NGOs, which invariably would divert attention and resources from the firm in order to deal with these interested parties.
7. As a tool to show to the employees that the firm does indeed care deeply about business and CSR. The codes would act as basis to inform and educate the employee motivating them to follow the ethics guidelines of the firm.
8. A proper set of ethics codes could also serve to act as a support for the staff and other professionals when decisions have to be made when ethics and CSR could be involved.
9. The codes can act as a basis to adjudicate disputes and conflicts among the employees as well as with outside stakeholders.
10. Helping the staff and other professionals to internalise the values and standards of the firm so that everyone would act in a united and consistent fashion when it comes to issues that involve CSR and company ethics.

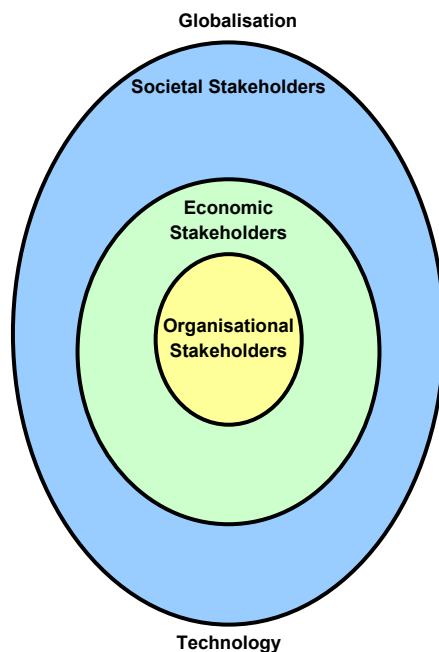


Source: Copyright Joseph W. Weiss, Bentley College, Waltham, MA, 2005.

The figure above is a schematic diagram of how Ethics act as an input or one of the determinants of our actions. We reason with ethical values in order to make decisions that we “think” we could live with. Our actions and decisions will cause reactions, which in turn is evaluated to affect the forming of the different criteria, which form our ethical thinking. This will then be externalised again through a transformation process where principles and rules are turned into norms and values upon which we will again base our decision making process. This circuit of action and reaction happens continuously. The biggest unknown variable is the time factor. How long will it take for us to change our ethical principles so that they will affect our actions? I contend it is not a short process as it normally takes years or some major historical events to change the way we consider what is proper or not. All the participants in a society have to agree on these new principles and ethical starting points before the process of using these benchmarks to make day to day decisions could be made. Here we are talking about the state, the clergy, the seats of learning, industries and laymen. All of them must agree on these “values” before they could have any long lasting effects on the society. In the book “Inledning till Etik” by Collste (2002), nine steps are given as a decision process if Ethics are to be used as a method of solving a problem. They are identifying a problem, gathering of information, looking at alternative ways of action, the weighing of consequences of these actions, what are the chances of these consequences happening, evaluating all the alternatives from an ethical standpoint, decision and action and the evaluation of the results. So we can see doing things from an Ethics point of view is not a trivial matter. It involves a considerable deal of contemplation and judgement. Of course after years of practice, some of these decisions are made now more or less instantaneously with the decision maker realising hardly at all that he or she has just made a decision based on logic , the norms of our surroundings and personal backgrounds.

## 6.2 The Stakeholder Theory

The most relevant model that one could think of when analysing CSR is the well-known and accepted Stakeholder Theory. In essence it proposes that a company needs to take into account the interests and views of all if not most of its stakeholders in order to be accepted and be successful in the market place. Obviously, a small corner shop might not in the first instant need to consider in detail the interests of all its stakeholders, as its scale of business is so much smaller than a huge multinational. However, the principle still applies. The corner shop should still take into consideration the views of its customers that they consider to be important in order to be perceived to be providing the kind of service that its customers will appreciate. The model itself can be simply illustrated by the diagram below. A company in general has a number of “layers” of stakeholders that it needs to have a good working relationship with. There are three main groups that one has to be cognizant with (Werther and Chandler 2006).



Stakeholders Classification

Source: Werther and Chandler (2006)

### 6.2.1 Organisation-Stakeholders

These can be people who exist within an organisation. They have more or less a direct interest that the company should be doing well. In an ideal situation these stakeholders should actively seek to ensure that the company is robust and healthy which in turn could translate into advantages and benefits for these particular stakeholders. The main players in this field for the large-cap companies that I looked at for this piece could well be the staff and employees. It is a common trait among most of these companies studied that they profess to spend a fair amount of resources for the well being of their employees. This means companies need to be appealing to the values and norms of the staff in order to work smoothly. People are not only looking at employment, as an avenue to satisfy their immediate physical needs like food and shelter. They are also looking for meaning, pride and satisfaction through their professional life. Other organisational stakeholders are the stockholders and the managers. All these people are directly linked to the smooth running of a company, which a well-structured CSR policy could augment.

**Maximising Shareholders' Value** → is also an important dimension within the sphere of organisation stakeholders that one has to understand. This is a powerful force which in most cases will work against the implementation of any comprehensive CSR policy. The main objection is cost. A fair number of shareholders and pundits will argue that CSR policies are dubious in their benefits and they distract companies from their core activities of making money. CSR is then a waste of resources as according to Milton Friedman and his form of capitalism — a firm's task is to make money for its stockholders and that is it. The firm should not indulge in activities that do not have a direct and tangible impact on the return to its shareholders. This is very similar to the views that are espoused in the doctrine of Utilitarianism. This doctrine says the maximisation of utility is a moral criterion for the organisation of a society. Utility could be

understood as pleasure, happiness, the satisfaction of preferences and so on. Utilitarians, such as John Stuart Mill (1806-1876) and Jeremy Bentham (1748-1832) called for societies to aim for the maximisation of utility for individuals. The mantra was the all encompassing "the greatest happiness for the greatest number". Utilitarianism has also been compared to as a form of Consequentialism. The definition here is that the moral value of an action is determined by its outcome — the ends justify the means. Utilitarianism is generally frowned upon by scholars of deontological ethics. Deontological ethics disregards the consequences of performing an act, when judging its moral worth. Virtue ethics which focuses on character also can be contrasted against Utilitarianism. These various schools of ethics have taken issues with Utilitarianism as too simplistic and immoral since taken to the extreme the pursue of mammon is justified and the cowing of the weak to achieve one's end could also be contemplated. David Henderson (2005) from the Westminster Business School in the the UK espouses in his article a similar view to Utilitarianism. He insists that a company's task is to generate profits. The activities of importance here are competition and access to the capital of production. These economic activities will not be helped by the "goodwill" of the company directors. Sustainability is not important and staff can be used and discarded then. A company needs only to follow the law of the land and any CSR activity is unnecessary.

### **6.2.2 Economic Stakeholders**

In this category the customers are the most vital stakeholders. Bankers, creditors and suppliers can also be included here. These parties serve as the important interface between the company and the larger societal environment. Customers are considered to be vital as without their loyal customs a firm might as well not exist. Modern business theories have proposed that to cultivate loyal and long term relationships with one's customers should be the main task of the firm. The

final transaction through the purchase of goods and services is but a validation of this relationship. Companies need to differentiate its offerings from the competition. This is especially true for old mature industries where the so called USP or unique selling point has long been competed away by their peers. Different technologies can be employed to harvest more value through the changing of methods of productions. BPO or business process outsourcing and platform production strategies could also be utilised here primarily to reduce costs in order to retain profitability. Alas, the barrier to entry for these remedies to increase one's profitability is also relatively low. The differentiation effect is then compromised. CSR policy aimed to satisfy the customers could be the answer here. Morsing and Schultz (2006) was referred to by Tommy Borglund of Hallvarsson & Halvarsson (2008) arguing that CSR is a form of branding and done correctly, a good CSR policy can cultivate customers' loyalty as well as differentiating oneself from the crowd. Customers, especially those in the mass-consumer field need to identify with the values and positions a firm takes in a society. This makes the purchase decision phase smoother and less trying. Once convinced, the customer will come back for more because apart from the actual physical quality of the offering, the CSR policy of the company is also an unique selling point which the customer treasures.

### **6.2.3 Societal Stakeholders**

These stakeholders determine the business environment under which the companies operate. The most common players here are various governmental agencies, Non-governmental Organisations (NGOs), regulators, communities and the environment itself. A firm needs to follow the laws of the land, as well as follow or at least respect the various issues which the society is engaged in. A good relationship with these stakeholders could act as a kind of "insurance" policy for the firm if something should go wrong according to Werther and Chandler (2006). For example, a firm

which has been having a good relationship with a NGO such as Amnesty or Greenpeace can leverage that “friendship” in times of industrial accidents or other forms of crises. In this sense a CSR presence within one’s societal stakeholders could reduce risks. As risks are potentially cost items, profitability could very well be enhanced by reducing these said risks. The dialog between the societal stakeholders and the firm is also a way for the firm to communicate with its surroundings. It could be a useful avenue to convey “goodwill” and “company values” to the outside world.

#### **6.2.4 Globalisation and Technology**

Companies in this world of instant communication cannot afford to ignore the intricacies of globalisation and technology. They need to respect and act upon the various fast changing issues, challenges, norms, values and standards that are coming up in the world. This is also an exercise for firms to strive for extra legitimacy in the eyes of global organisations like Amnesty, the United Nation, 24/7 Cable TV Channels and so on where the pros and cons of globalisation is an issue of major debate. Globalisation affects all the other stakeholders mentioned above as well which in turn affect the company. Basically, communication is a lot faster than what it used to be and people can find common points of references like the environment a lot quicker than before. Companies need to be aware of that and their CSR policies have to reflect the urgencies put upon various issues that globalisation and technology can create.

### 6.3 Duties and Responsibilities for a Company → The Archie Carroll Model



Carroll's CSR-pyramid with four kinds of duties or responsibilities for a company. Source: Carroll 1991.

When it comes to duties and responsibilities we can take a look at the Archie B. Carroll's CSR-pyramid (see figure above). Carroll (1995) differentiates CSR into four levels: "economic (required), legal (required), ethical (expected), and discretionary (philanthropy)". While Carroll views making a profit as required, he does not advocate profit maximisation for firms. Carroll also argues that all four levels should be imbued with morality/ethics. "True" CSR cannot be achieved in the derth of moral management, hence my explaining of the nuances of ethics in previous section(s) of this piece.

Duties for humans have their origin in cultures, religions, norms, ethics, laws as well as expectations from others (Collste 2002). They convey a sense of moral commitment to someone or something. It involves the voluntary performing of a certain task. One is either willing to perform the said duty or not which is normally based on some form of moral/social construct. Duty is more attuned to the actual action rather than the consequences of the action. The latter



can be viewed as utilitarianism where the consequences of one's action is more important than the action itself. Immanuel Kant is a known proponent of the so called Duty Theory. Taken one step further in a business setting, Duty Theory stipulates that a company should be aware of its "duties" and these duties might not be congruent with the so called main task of the company of generating profits. According to Oxford scholar W. D Ross (1998), there are so called factual or actual duties which are actions that are important within a certain situation. Saving the injured in an accident could be classed as a duty under this description. Kant was of the opinion that a duty is more or less holy. It has to be performed no matter what. If one should not lie then there will be no situations where even a white lie is permissible. This could create a fair amount of dilemma in the business world where if one's duty is to provide employment then one should not downsize no matter how critical the situation could be. Ross thus brought forward the terminology of *prima facie* duties if a company is to choose among duties which one(s) it has to perform first. All duties are judged firstly by its face value or *prima facie* and then the company could decide by intuition perhaps which "actual" duties one should perform first. It then follows as was proposed by Archie Carroll (1991) that a company has a so called CSR Pyramid of duties to pay attention to. At the base level is the economic responsibility or duty of a firm. A company needs to survive and perform well economically first so that stakeholders like employees, shareholders and suppliers can be satisfied. A company on the next level needs to follow the legal requirements of its business environment in order to survive. This involves the paying of taxes and not breaking any laws and regulations of the land. The next step will be the ethical responsibility. The company should perform its activities "ethically". These ethics could change from time to time. It could also vary according to cultures and some unique happenings or situations. Here it is expected that the company will follow the norms and values that are

applicable at that particular time and at that particular place. The duty theory mentioned earlier plays a more prominent part here especially when it concerns the so called voluntary actions that a firm can take in its business undertakings. Finally, we come to the discretionary responsibility that a firm can participate in. Here it is mostly charitable activities which are being discussed. On this pyramid it is the final two steps of ethics and discretionary actions that CSR policies could play more of an influential part. It should be remembered that the activities here will affect stakeholders attitude toward a firm. A favourable view could increase profitability by increasing support from the customers and productivity from the employees. It could lessen the risks involved in running the business when sick-leaves and staff rotations are minimised. Good reputations in society could then also be obtained by having various NGOs consider the firm in a favourable light which in turn can increase the value of the brand of the company. All in all profitability should be enhanced as a result.

#### **6.4 CSR Communication → Too much of a Good Thing?**

It could be helpful here to say a tad about the power of influential stakeholders and how best to communicate CSR. Some firms have said their CSR policies compare well with the guidelines and standards of some major reputable international organisations. Organisations like Global Impact set up by the United Nation and NGOs like Amnesty Business do have an influence when it comes to the benchmarking and the positioning of CSR practices of these large companies. It is an act of legitimisation by these companies to be accepted by these NGOs, somewhat akin to the absorption of guilt that the companies might crave from their immediate environment in order to make their relationships with other stakeholders possible. The vital stakeholders here are of course the customers although it is wise to take into account the feelings of employees when a CSR regime is set up. From a lecture by Tommy Borglund of Hallvarsson & Halvarsson (2008)

it was suggested that a sound CSR policy communicated properly could decrease staff turnover and companies should also find it easier to recruit good staff, as have been mentioned before in this piece. This last point though subtle is nonetheless vital for the progress and growth of a firm. In Amnesty Business (2008) latest survey on the business practices in the Swedish Business scene, it has been deduced that employees in Sweden will demand more from their employers in the field of an acceptable CSR policy as well as some form of Human Rights Declaration. Filippa Bergin (2008) called this “co-workers power” which will become more prominent going forward here in Sweden. Companies which are active within different CSR issues, can increase the sense of well being among their staff. These companies are also more attractive in the labour market. Easier recruitment means higher quality in one’s employees, which should translate into better profitability.

In this part of the world, the economy is also rapidly being altered from a manufacturing based set-up to a situation where most of the economic activities are going to be based upon the service sector. Manufacturing companies that are left have to adapt and think more in terms of providing “services” rather than just hard tangible products. This in turn could create new skills and challenges, which the employees should master in order to get the job done. These so called newer skills do not work in isolation and they have to be combined and improved upon constantly in order to create any value. It then follows that these multi-skilled employees will be better educated and qualified than the workers of old. They will demand more from their work environment not just in terms of remunerations but also other so called “softer” values as well. It is in this realm that CSR can play a crucial part in enticing applicants to apply to and work for a certain firm and not the next one. It is the values and standards that a sound CSR policy supports which will motivate these employees to perform and invest their future with a certain company.

Integrity and a sense of responsibility are qualities that employees are looking for in firms, which if provided and communicated could also make it easier for a firm to recruit, as well as lowering the turnover rate of the staff.

Ordinary consumers can also obtain information a lot easier and quicker after the advent of the internet. The interaction/communication between consumers and NGOs can be made more frequently, giving the consumer a rather direct avenue to influence the agenda of the day of the NGOs. The reverse is of course also true where the NGOs and other interested bodies can and do contact a large number of people, informing and advising them of the shortcomings of various corporate practices. Consumer advocacy is a powerful tool nowadays especially in the field of certain consumer goods where there is high competition. The fear of losing one's branding together with consumers' discretion have forced most companies to seriously pay heed to CSR.

However, it is wise to note that just piling on resources on CSR activities does not necessarily cause a firm's stakeholders to think of the firm positively. Research by Morsing och Beckmann (2006) has suggested that too much CSR communicated too aggressively could be too much of a good thing. Stakeholders might be skeptical about the intention of companies that are too conspicuous in their CSR endeavours. They might think that a certain amount of hypocrisy or decoupling could be at play here. CSR will then be taken as some sort of public relationship manipulation and the positive effect of CSR will then be lost. In addition CSR is always more effective when there is two way communication between the firm and its stakeholders. Together, the firm and its stakeholders can communicate and "make sense" of certain CSR issue(s) together. The firm can then take on board the views of these stakeholders more readily and the result will be better CSR practices in the eyes of the interested parties.

## **6.5 The Technique of Regression Analysis in Econometrics**

Regression as is widely practiced within Econometrics will be used in this piece to find out if there is any correlation between the amount of CSR activities pursued by a firm and its profitability. According to Gujarati (2003), although regression analysis deals with the dependence of one variable on other variables, it does not necessarily imply causation. That is to say even if the regression analysis should show that company profits and CSR activities are positively correlated, it does not automatically mean that CSR activities causes profits. This is an important point to remember when one reads the analysis part of this piece. Kendall and Stuart (1961) says “A statistical relationship, however strong and however suggestive, can never establish casual connection: our ideas of causation must come from outside statistics, ultimately from some theory or other”. Regression analysis is a technique used for the modeling and analysis of numerical data. The data consist of values of a dependent variable (in this case profitability) and of one or more independent variables (in this case CSR activities). In this study there will be only one independent variable considered. Thus, this study can be termed as a bivariate regression analysis. Bivariate here meaning two variables. The independent x variable for CSR activities and the dependent variable y representing profitability. A regression equation will then be formed. The variable y (profitability) is modeled as a function of the independent x variable (CSR activities) and a constant term. There is also an error term which is treated as a random variable. It represents unexplained variation in the dependent variable y. So with one given value of x there should an corresponding y. A set of readings will be provided by the study of the large-cap firms on the Stockholm Stock Exchange resulting in some kind of scatter plot of the various dependent and independent variables. A linear regression analysis is then used here, meaning a trend line is drawn on the scatter plot to represent the so called “best fit” scenario. The

method of ordinary least square will be used for this endeavour. A linear straight line will provide us with a straight line equation like, for example,

$$\text{Straight line: } y = \beta x + c$$

Where  $y$  is profit,  $x$  is CSR activities,  $\beta$  is the  $x$  coefficient and  $c$  is the constant term. In theory  $c$  could be viewed as the value of  $y$  when  $x$  is zero which is the intercept of the straight line on the  $y$  axis. The random error term has not been included for the generic straight line equation above. As mentioned above the null hypothesis  $H_0$  is  $\beta = 0$ , and the alternative hypothesis  $H_1$  is  $\beta > 0$ .  $H_0$  will be discarded if the  $t$  statistics computed is greater than the  $t$  value given by the  $t$ -statistics table, at a degree of freedom of (66 minus 1) or 65 and a significance level of 0,05. This will be a upper one-tail test. The  $t$ -statistics obtained from the table for this test is about 1,67. So if the  $t$ -statistic computed from the results of our regression model is higher than 1,67, then the null hypothesis will be discarded and  $\beta$  would be inferred to be greater than zero. That in turn would support the correlation and positive linkage between CSR activities and profitability. The result will then be termed as statistically significant.

It is fair to assume that readers of this piece would have a basic understanding of regression analysis already and the section above serves merely to refresh some memory as well as bringing forth the crux of the regression analysis model used in this piece.

## **7. Approach and Methodology**

In order to find out if CSR activities have any bearings on the profitability of various firms, a regression analysis approach is used. The data set are obtained by studying the annual reports and other published materials of the large-cap companies on the Stockholm Stock Exchange. This is a sound approach as annual reports are main methods of communication between firms

and their stakeholders when it comes to CSR. This study involves 66 companies. Large-cap stocks are chosen because of their size, availability of company information and wide reach of their markets. Nearly all of the firms with the exception of perhaps real estate companies have business dealings abroad. This will bring them in touch with the various issues associated with globalisation as well as satisfying the demand of their foreign stakeholders from a CSR point of view. The latest reports from 2007 are used where it is possible. 2007 is the probably the last year of the present business cycle. The problems of the sub-prime debacle have not affected the figures yet so one can assume that most firm should operate on a level playing field.

Profitability is measured in this study by recording the total return on assets (ROA). For banks where the assets under management can be so large, the measure of return on equity (ROE) is used to give a more reasonable set of readings for this study. ROA will be defined as result after financial entries plus interests expenses divided by total asset. ROE is defined as net income divided by equity. Both measures are stated in percent.

CSR activities are judged by the prevalence of five criteria. The criteria are employees, environment/sustainability, the third/developing world, charity/donations and code of ethics. The idea is to see how much emphasizes the various companies place on these five areas when it comes to CSR activities and spending. It is assumed that companies will declare all its CSR activities and commitments truthfully and there is no decoupling going on. It is further assumed that it is in the interest of transparency that companies will declare their CSR undertakings and thus there is no "secret" practitioner of CSR. That is to say if no mention is done on an annual report about CSR, it is then assumed that the company in question does not have any CSR activity at all.

The five main areas of interest mentioned above are then numerically coded by giving a number from 1 to 5 to denote how intensive CSR activity is present in each area. So a company that has a

value of 5 in the field of employee CSR means it has spent a lot of resources for its staff and it attaches great importance to the welfare of its employees. A score of 1 will mean minimum importance is given to its employees' welfare in the realm of CSR. The score is given according to the following standards.

- 1 point → The CSR measure in question is mentioned in passing. It exists but there are hardly any details for one to deduce how engaged the firm is in this CSR area.
- 2 points → More details of the CSR area in question are given. The company normally will say it is following some kind of best practice or benchmark but not that much description is given. Comes across more as a labelling exercise rather than an in depth attempt to practise CSR.
- 3 points → Middle of the road. Passing grade given to this CSR area. Information given is convincing enough for one to believe the sincerity and scale of the said CSR practice.
- 4 points → Availability of some form of well recognised certification like ISO. Engagement with UN Global Compact. Inclusion of the company share in some well-respected CSR or sustainability stock index like Dow Jones Sustainability Index or the FTSE 4Good Index. Good description of the width and depth of the CSR activity in the area in question. Ample charts and graphs to support the companies' own assertions.
- 5 points → Very comprehensive description of CSR undertakings in the relevant area. A separate CSR report on sustainability. Independent views and assessment from third party players on the robustness of the company's CSR endeavours. Can be held up as a best practice example for the industry. Solid evidence of long-term engagement in CSR with favourable results to be expected. A truly well thought out and implemented CSR policy in the particular area of interest.



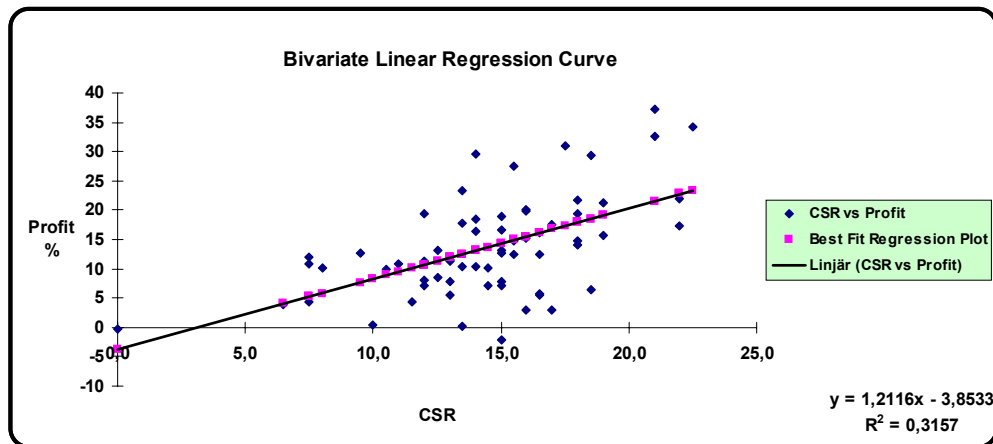
From the aforementioned five areas of interest and the score that is given to each, a total tally of points can be obtained for each company in the study. This total score will represent the effort the company has been spending in its CSR activity. One can then compare the scores between the firms to see who is most active and diligent in practising CSR. The individual CSR score is then compared with the profitability measure such as ROA. Each comparison will appear as a dot on the scatter plot diagram. There should then be 66 dots as there are 66 companies and with this spread of dots on a two dimensional area framed by the x and y axes a regression trend line can be obtained. This trend line and its bivariate linear equation should give us an answer as to the relationship between CSR and profitability for the firms in this study.

It can be said that this study will involve both a qualitative as well as a quantitative approach to answer the queries that I have set out to investigate. It is quantitative, as numbers will have to be used to satisfy the inputs for a sound bivariate linear regression analysis. However, the data input for the quantitative analysis is arrived upon using a qualitative approach as judgement of the author is involved. To decrease subjectivity the scores of the CSR activities for the firms being studies are obtained first. Only after that is accomplished will the profitability readings be obtained. This is to prevent any bias that knowing the profitability first could have on the scoring of the various CSR activities.

## **8. Outcome and Analysis**

I have discovered that a large majority of Swedish companies have well declared CSR policies in the fields of employees, the environment, developing world involvement, charity work and a functioning Code of Ethics or Conduct. Of all the 66 firms studied only one company Vostok Gas Ltd. did not appear to have any interest in declaring an open CSR policy. It can hence be said from this brief study that all large Swedish companies are aware of CSR and are spending

considerable resources in establishing and upholding a certain standard of CSR, which their stakeholders can feel comfortable with. In this model a firm could achieve a maximum point of 25 for a perfect score of its CSR policy. The average score is 14,3 with a standard deviation of 4,26. The maximum value is 22,5 while the minimum is 2,00. Interestingly, the maximum and minimum values are both scored by firms engaged in the energy extraction and mining business. The list of results and scores can be seen in Appendix 1 and the regression diagram is shown below.



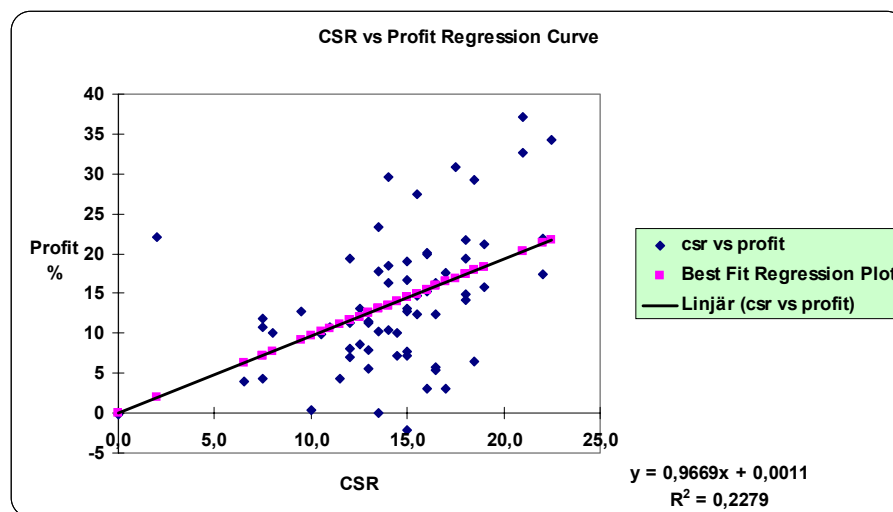
The regression result as shown in the diagram above supports the hypothesis that CSR activity is positively correlated to the profitability of a firm. A linear regression equation is also obtained.

The equation is:

$$y = 1,2116x - 3,8533$$

With  $R^2 = 0,3157$ , where  $R^2$  is the so called “goodness of fit” that is used to describe the accuracy of the correlation between x and y. The positive slope or gradient of the regression line means x and y are positively correlated. The higher the value of x (that is CSR activity), the

higher is y (that is profitability). The x coefficient of 1,2116 means for any 1 unit increase of x, y will increase by 1,2116% units. The constant  $-3,8533$  is the value of y when x is zero, or what the profitability could be when CSR activity is zero. It has to be pointed out here that since there is virtually no CSR activity reported by Vostok Gas Ltd., its CSR score has not been included in the analysis. And for the hypothesis testing mentioned earlier, we can see that the t-statistics computed is obtained by dividing 1,2116 by the standard error of the x-coefficient  $\beta$ . The SE is 0,2247 (see appendix 2), so the t-statistics computed is about 5,392 which is greater than our table t-statistics of 1,67 (see section 6.5). Hence we can discard the null hypothesis  $H_0: \beta = 0$ . This in turn means the alternative hypothesis  $H_1: \beta > 0$  could be more valid. That is, a positive x coefficient for our regression equation giving the push for us to say there is a positive link between CSR activities and profitability.



Above is the alternative regression line obtained using all the input data with the outlier remaining. Outliers have a tendency to affect the regression line disproportionally. One can also see that the numbers of plots above the regression line are roughly the same as the number of plots underneath. The regression line equation is then:

$$y = 0,9669x + 0,0011$$

$$\text{with } R^2 = 0,2279$$

This means for every 1 unit increase in CSR activity, profitability could increase by 0,9669% units. The y intercept is virtually at zero and  $R^2$  is at 0,2279. The slope of the regression line is positive meaning CSR and profitability is expected to be positively correlated. The higher the CSR activity value, the higher the profitability value should be. Similarly, using hypothesis testing as mentioned on the page before, the null hypothesis of  $H_0: \beta = 0$  can also be discarded in favour for  $H_1: \beta > 0$  meaning once again CSR activities and profitability are positively linked.

Company	CSR Activities						Total (x)
	ROA (y) (%)	Staff	Environment	3rd World	Charity	Code of Ethics	
<b>Avg</b>	<b>13,8</b>	<b>4,0</b>	<b>4,0</b>	<b>1,9</b>	<b>1,7</b>	<b>2,8</b>	<b>14,3</b>

Another point of interest is to see how important the different CSR criteria are? That is, how does employee CSR compared with charity CSR for example? For all the samples we have the following:

We can see that the CSR activities that have the most attention placed on them are employee welfare and the environment / sustainability. They both have an average score of 4 out of a maximum of 5. This is interesting as Sweden is one of the developed countries in the world

where labour law is already well entrenched and conflicts between employers and employees are relatively rare (Annika Berg 2003). Employees are accorded long summer holidays and sick/maternal leaves are common. It can therefore be natural to assume that companies would not spend too much extra voluntarily on staff welfare, as a lot of it is already legislated by law and common practices. My study shows however that despite this, large-cap companies nonetheless still strive to do more for the staff than the ordinary mandatory items that are required by law. Here it is employee development, two-way communications with management, ability to influence decision making for the firm, empowerment possibilities and safety issues that are being appreciated. Companies will be wise to take heed of this and try to cultivate long term and mutually benefiting relationships with their staff for the sake of the sustaining of profitability. The result of not paying attention to employee CSR issues will be debilitating when turnover rate will rise and recruitment will become more difficult as well. The next item of interest is that environment and sustainable development are also important issues for a company to get right. Not much surprise here as in most of the developed world environmental concerns are driving a lot of debates and serious attention is given to the subject by most governments. It would appear that most Swedish large companies do have strategies to address environmental and sustainability issues. This is both altruistic as well as calculating, since major stakeholders like customers and employees expect companies to be environmentally responsible. Sustainability in the using of important resources like manpower and energy is demanded more or less from all these large-cap companies. Recycling is also an area that resources need to be focused upon. Companies that are performing recycling properly are signaling to the world that they care and they share the concerns with their stakeholders. Moving along we can also see that the resources spent on third world, charity CSR endeavours are relatively little as compared with the areas of

employees and the environment. Again, this is not that surprising as Sweden needs for charity work itself is not as large as some other countries. Needs of her needy citizens are more or less maintained at reasonable standards by the state through taxation (Economists 2006). The state sees to it that abject poverty is by and large eradicated. One does not need to turn to charitable organisations for help if one does not wish to. In my study it can be noted that the charitable donations from these large-cap firms are also relatively small when compared with the sizes of their revenues. This might increase when the tax code is changed to make charitable donations tax deductible. Nonetheless, it is fair to say that most companies are in some ways involved with their communities both here and abroad. The issue is the question of scale and depth of involvement. Obviously, companies with a larger footprint in the developing world have higher visibilities when it comes to local engagement with charitable work. Examples are ABB, Atlas Copco, Boliden and so on. Pharmaceutical companies like Astra Zeneca and Nobel Biocare are also more active than most in charity work. This might be due to the criticism that large pharmaceutical firms are often accused to be uncaring and too profit oriented. The prices of their drugs are frequently considered to be too exorbitant for the sick in the third world. By engaging in charity work, it can be argued that these companies strive to mitigate some of the negative public relation that might have accumulated through the years. H & M one of the high fliers on the bourse is also spending on charitable work. Here the issues is the sourcing of politically correct raw material like cotton and the occurrence of child/exploitative labour further down the outsourced chain of production. This can be related to the “insurance” policy thinking mentioned earlier in this piece whereby companies engage in well thought of philanthropic exercises to mitigate potential negative publicity. Here it is difficult for H & M to make sure to a hundred percent of certainty that its cotton is not sourced from some quasi dictatorship like Uzbekistan

where child labour is endemic. So to invest in charitable CSR activity might alleviate some of the potential criticism that could be directed at H & M.

It could then be said that Swedish firms though generous in putting resources into their employees and the environment have a bit of catching up when it comes to charity work and involvement in the third world. Should not an “ethical” company be ethical in all fields and not pick and choose, putting more emphasis in one area than another? Could it be that the two dimensions of employees and environment are the most profitable when it comes to the investment of CSR activities? It might also be argued that the two way communications between the firms and their stakeholders have resulted in the knowledge that for the time being at least the dimensions of employees and the environment are the most relevant and urgent.

It can further be seen that most if not all companies studied here have established some Codes of Ethics or Conduct. Nevertheless, this should not to be mixed up too unduly with the Code of Corporate Governance of Sweden set up by the Ministry of Finance although the Code of Corporate Governance does have its influences on various Codes of Ethics. The Code of Governance is more suitable as a yardstick to “... form part of self-regulation in the business sector. Its general aim is to help improve the governance of Swedish companies. This, in turn, will promote public confidence in the functioning of the business sector.” (Government Offices of Sweden 2008). This code is more germane to the business side of a company, that it should be genuine and honest in its business dealings. A Code of Ethics supplements that by adding on other CSR issues which are more based on ethics and morals, some of which are so called “Deontological” ethical concerns which is an approach to ethics that focuses on the rightness or wrongness of the actions themselves, as opposed to the rightness or wrongness of the consequences of those actions (Olson 1967). So it follows that certain actions within such a code

is non-negotiable, for example child labour, profiting from conflicts and wars and so on. A Code of Ethics also serve to provide guidelines and rules for the employees to know how to behave in business dealings for the companies. This is especially important for companies with huge staff pool which are spread all over the world. The staff could also comprise of people from different cultures and as such some form of co-ordination in their professional behaviours is called for. A Code of Ethics or Conduct is useful for that.

It needs to be noted once again that a positive correlation between CSR activities and profitability does not necessarily imply casual linkage between the two. To be successful in business the old adage given by the Dupont Formula still applies, where:

$$\text{Return on Assets} = \text{Capital Turnover Ratio} \times \text{Margin}$$

In short it means a company needs to sell a lot and with a good margin in order to achieve good profitability. Product quality, marketing, price, distribution and so on would determine if sales are forthcoming. One can use analyses like SWOT or Porter's 5 Forces Model to decide on strategy. One needs to keep costs down to achieve good margins. Platform manufacturing or Business Outsourcing are examples that might be of help here. CSR in itself could not turn an unsuccessful company around. It can however serve to differentiate a company from its competitors and lower the risk exposure. It could encourage brand loyalty which translates into higher revenue and makes it easier for a company to expand its product mix. One might also turn the argument around and say that only profitable firms can have the resources to indulge in a broad range of CSR endeavours. It is the already present healthy profitability picture that "causes" a certain company to spend lavishly on CSR projects. This is akin a bit to the egg first or chicken first conundrum. This can theoretically be tested in this study by changing the



dependant variable with the explanatory variable. In all likelihood, there should be a positive correlation there as well. This school of thinking is not uncommon and there is also the so-called upside down U-shaped curve CSR and profitability relationship. Here it is argued that too much CSR could have negative effects by creating false expectations, decoupling and waste of resources. Too little CSR engagement on the other hand increases risk, bad publicity and negative relationship with important stakeholders. So a “moderate” amount of CSR is recommended here and it will be up to each firm to find its own moderate level of CSR engagement.

There are however still a host of other studies that have shown the positive link of CSR to profitability as have also been shown in this study, which in turn is encouraging companies to devote greater energies and resources to CSR initiatives (Bhattacharya and Sankar 2004). The authors above said “... the lure of greater consumer profits has contributed significantly in recent years to the strengthening of the business case for CSR activity, shifting the debate about CSR from “whether” to “how” ... ”. But there are also researches, which suggest there are other factors that might affect the outcome of a regression analysis between CSR activities and profitability. I have used five factors or dimensions as mentioned above but there could be other relevant factors that might have an effect on the outcome of a firm’s CSR engagement. McWilliams and Siegel (2000) have argued that R&D is also an issue that can affect CSR. They say the amount of R&D a firm spends has a direct effect in producing the kind of CSR relevant products and service that could be attractive to the customers. So a company like Toyota for example is better poised to use its enormous R&D capabilities to design and produce environmental friendly cars, which in turn can mean better profits for the company, as these cars are well sought after by the customers. According to McWilliams and Siegel (2000), if R&D is

included in their CSR regression model against profitability, the effect of CSR on profits could very well be neutral meaning companies might not be investing enough in R&D.

It goes without saying that a lot of similar researches have been done on my topic of study with different results. This is in some cases put down to either an ideological bias or limited methodological procedure (Aupperla, Carroll, Hatfield 1985). However, in a very recent and well read study by PricewaterhouseCoopers Sweden called “CSR-från risk till värde” (PWC 2008), it is put forward by senior manager Fredrik Ljungdahl who is also lecturing at Jönköping International Business School that CSR is positively linked to profitability. He based his observation partly from an investment piece researched by Goldman Sachs called GS Sustain List, 2007-06-22. Goldman Sachs itself has put together a portfolio of stocks according to CSR principles. They beat the MSCI world index by 25% between the year 2005 to 2007 as well as outperforming their peers by 72% who are less CSR conscious. In a seminal and award winning piece by Orlitsky, Schmidt and Rynes (2003) who have done a meta-study on 52 other research pieces on CSR and profitability, they have come to the conclusion that CSR activity is indeed positively linked to CSR. Variation could arise depending on industry sectors and context but the inference is unequivocal, it pays in most cases to invest in CSR.

## **9. Conclusions**

”CSR, is it for real?” That is one of the queries here. If by for real, we mean that CSR is engaged out of a sense of duty and virtue, or out of the goodness of one’s heart, then the evidence supporting that approach is not that robust or at least tenuous at best. The main hurdle to establish if CSR as a practice is done altruistically for the companies who declare to have serious CSR policies is that it is virtually impossible to establish the depth of their sincerity. Talking to a CSR or Information Officer of a company could only tell us so much. They are in most cases just

conveying a standard message from their companies. It is difficult to know if the boards have signed off on these said messages, or are CSR issues discussed out of their own convictions, or are CSR activities done to pre-empt some punitive actions from the buyers of their goods or the regulatory authority. Nevertheless, the apprehension of the negative reactions from the purchasers of a company's products do seem to have a positive effects on the prevalence of CSR thinking in most companies. The legal side could have an effect on CSR as well in so much as it is better to prevent litigation and be listed in some blacklist which could further alienate a company's customer base. Therefore, in this context CSR is indeed very "real". CSR is a part of corporate activities that cannot be neglected or glossed over anymore. The failure of a convincing CSR policy is a risk factor that hardly any big company is willing to contemplate. The apt question to raise here is then if not for all the activism and legislation, at least here in the Western World, would CSR surface and has such an impact on companies as it does now? Here, we are speculating on whether mankind in their pursuit of profits and success would one day look back and re-evaluate the real costs of doing business, declaring and acting to the world that one has to be fair and considerate in one's dealings with others. Again, it is virtually impossible to answer this since we have to delve into the human psyche, which is a treacherous endeavour at the best of times. In the business and finance world we have been told often enough that the market is driven by either greed or fear. These two complex human emotions drive the movements of all the prices in the financial markets. Perhaps an analogy could be drawn here with CSR. It could be the exuberant "greed" of profit-making companies wanting to return healthy numbers, tempered by the "fear" of offending their income generating stakeholders which have created this duality of company gain and CSR.

The study has discovered that profits are correlated and linked with CSR activities. Almost all of the large-cap firms on the Stockholm Stock Exchange do have quite well presented CSR policies. The areas that have been given most attention are employees and the environment whilst most companies have a Code of Ethics or Conduct as well. The average CSR score per company in this study is 14,9 out of a maximum of 25. That is a passing rate of about 60%. Of all the five dimensions of CSR that I chose to study here it has been noted that the areas of employee relationship and the environment have so far been receiving the most attention from companies. There are efforts made in the charity field as well as helping the developing world. However, they seem to lack in breadth and magnitude. It is also worth noting that firms in the financial industry might have CSR policies that are comparatively more difficult to gauge. Furthermore, holding companies like Investor and Industrivärden could very well say their objects of investments are CSR conscious already and as such they do not feel a large need to invest in further CSR endeavours. It could also be argued that investment companies look at their business in a relatively short-term basis. They buy and sell shares of other companies. The need to engage long term with stakeholders might well be lacking there. Companies that are more active abroad tend to engage more in CSR in all fields while locally based firms like real estate players are more narrow in their approach to CSR. It could also be that the next step may be the evaluation of one's CSR policy by a third party in order to minimise bias and decoupling. Finally, I am of the view after this study that it is too simplistic to just dismiss CSR as some do, as a trend or some cynical ploy. Its visibility could only increase.

## 10a. Appendix 1

Company	ROA (y) (%)	CSR Activities					
		Staff	Environment	3rd World	Charity	Code of Ethics	Total (x)
ABB	11,54	4,0	3,0	2,0	0,0	4,0	13,0
Alfa Laval	14,86	5,0	5,0	4,0	0,0	4,0	18,0
ASSAb	7,76	5,0	4,0	2,0	0,0	4,0	15,0
AZN	21,84	4,0	5,0	5,0	4,0	4,0	22,0
ATCOa	17,43	5,0	5,0	4,0	4,0	4,0	22,0
ALIVsdb	10,38	4,0	5,0	1,0	0,0	4,0	14,0
AXFO	17,79	3,5	5,0	1,0	0,0	4,0	13,5
AXIS	32,59	5,0	5,0	5,0	1,0	5,0	21,0
BOL	34,19	5,0	4,5	4,0	4,0	5,0	22,5
CAST	11,23	3,0	5,0	1,0	0,0	4,0	13,0
CAR	3,94	3,5	2,0	0,0	0,0	1,0	6,5
ELUXb	7,09	4,0	4,0	3,0	0,0	1,0	12,0
EKTab	10,86	4,0	3,0	1,0	0,0	3,0	11,0
ENRO	9,94	3,0	4,5	1,0	0,0	2,0	10,5
ERICb	14,1	4,5	4,0	3,0	3,0	3,5	18,0
FABG	8,16	3,0	4,5	0,0	2,5	2,0	12,0
GETIb	12,76	4,5	5,0	2,0	1,0	2,5	15,0
HAKN	10,27	4,5	4,0	1,0	2,0	2,0	13,5
HMb	15,74	4,5	4,5	3,0	4,0	3,0	19,0
HEXAb	10,05	3,5	3,5	2,5	2,5	2,5	14,5
HOLMa	7,21	3,0	4,5	0,0	4,0	3,0	14,5
HUFVc	16,69	4,5	4,5	1,0	3,0	2,0	15,0
HUSQb	12,37	3,5	4,0	2,5	2,5	3,0	15,5
INDUa	20,01	3,0	4,0	3,0	3,0	3,0	16,0
INVEb	0,43	3,0	3,0	1,0	2,0	1,0	10,0
JM	23,28	4,5	5,0	1,0	1,0	2,0	13,5
KINVb	29,54	4,5	4,5	2,0	0,0	3,0	14,0
KLED	16,28	4,5	4,5	1,0	3,0	1,0	14,0
LATOb	10,03	3,0	3,0	0,0	0,0	2,0	8,0
LWSN	-0,18	0,0	0,0	0,0	0,0	0,0	0,0
LIAB	18,50	4,5	5,00	1,00	0,0	3,5	14,0
LUNDb	11,89	3,5	4,0	0,0	0,0	0,0	7,5
LUMIsdb	12,79	4,0	3,5	2,0	0,0	0,0	9,5
LUPE	14,72	4,0	4,0	1,5	3,0	3,0	15,5
MEDaA	12,39	4,0	4,0	2,5	3,0	3,0	16,5
MELK	4,40	2,5	2,0	0,0	0,0	3,0	7,5
MICsdb	16,26	4,0	3,5	3,0	3,0	3,0	16,5
MTGa	21,68	4,5	4,0	3,5	3,0	3,0	18,0
NCCb	8,59	5,0	4,5	0,0	0,0	3,0	12,5
NOBE	37,21	4,5	4,0	4,0	4,5	4,0	21,0
Nobia	15,31	4,5	4,0	1,0	3,5	3,0	16,0
NDA	19,35	4,0	4,0	1,0	0,0	3,0	12,0
OMX	10,80	3,5	1,0	0,0	0,0	3,0	7,5
ORIsdb	30,92	4,5	4,0	3,0	3,0	3,0	17,5
RATOb	13,08	3,0	3,0	3,0	3,0	3,0	15,0
SAABb	5,57	4,0	4,0	2,0	0,0	3,0	13,0
SAND	19,38	4,0	5,0	3,0	3,0	3,0	18,0
SAS	3,02	4,0	4,0	2,5	2,5	3,0	16,0
SCAb	6,46	4,0	4,0	3,5	3,5	3,5	18,5
SCANIA	11,36	4,5	4,5	2,0	0,0	1,0	12,0
SEBc	18,99	4,0	4,0	2,0	2,0	3,0	15,0
SECOb	29,30	4,5	5,0	2,0	3,0	4,0	18,5
SECUb	4,39	4,0	3,0	1,0	0,0	3,5	11,5
SHBb	19,91	4,0	4,0	2,0	3,0	3,0	16,0
SKAb	7,14	4,0	4,0	3,0	1,0	3,0	15,0
SKFb	17,55	4,5	4,5	3,0	2,0	3,0	17,0
SSABb	27,52	4,5	5,0	1,0	2,0	3,0	15,5
STEr	5,43	4,5	5,0	2,0	2,0	3,0	16,5
SWEDa	2,99	5,0	5,0	2,0	2,0	3,0	17,0
SWMA	21,21	5,0	5,0	3,0	3,0	3,0	19,0
TEL2	-2,16	4,5	3,5	2,0	2,0	3,0	15,0
TLSN	13,07	4,0	3,5	2,0	0,0	3,0	12,5
TIEN	0,10	3,5	3,0	2,0	2,0	3,0	13,5
TRELb	5,70	4,5	4,5	2,0	2,5	3,0	16,5
VOLVb	7,82	4,0	4,0	1,0	1,0	3,0	13,0
VGASsdb	22,04	1,0	1,0	0,0	0,0	0,0	2,0

## 10b. Appendix 2

### UTDATASAMMANFATTNING

Regressionsstatistik	
Multipel-R	0,477390498
R-kvadrat	<b>0,227901688</b>
Justerad R	0,215837652
Standardfe	7,643506829
Observatio	66

$$y = 0,9669x + 0,0011$$

$$R^2 = 0,2279$$

### ANOVA

	fg	KvS	Mkv	F	p-värde för F
Regressior	1	1103,672517	1103,673	18,89099845	5,05559E-05
Residual	64	3739,084586	58,4232		
Totalt	65	4842,757103			

	Koefficienter	Standardfel	t-kvot	p-värde	Nedre 95%	Övre 95%	Nedre 95,0%	Övre 95,0%
Konstant	<b>0,001080106</b>	3,318171644	0,000326	0,999741291	-6,627723798	6,629884011	-6,627723798	6,629884011
X-variabel	<b>0,966937196</b>	0,22246967	4,346378	5,05559E-05	0,52250334	1,411371052	0,52250334	1,411371052

### RESIDUALUTDATA

#### Observation Skattat Y Residualer

1	12,57126	-1,03126	33	9,186983	3,603017
2	17,40595	-2,54595	34	14,98861	-0,26861
3	14,50514	-6,74514	35	15,95554	-3,56554
4	21,2737	0,566302	36	7,253109	-2,85311
5	21,2737	-3,8437	37	15,95554	0,304456
6	13,5382	-3,1582	38	17,40595	4,27405
7	13,05473	4,735268	39	12,0878	-3,4978
8	20,30676	12,28324	40	20,30676	16,90324
9	21,75717	12,43283	41	15,47208	-0,16208
10	12,57126	-1,34126	42	11,60433	7,745674
11	6,286172	-2,34617	43	7,253109	3,546891
12	11,60433	-4,51433	44	16,92248	13,99752
13	10,63739	0,222611	45	14,50514	-1,42514
14	10,15392	-0,21392	46	12,57126	-7,00126
15	17,40595	-3,30595	47	17,40595	1,97405
16	11,60433	-3,44433	48	15,47208	-12,4521
17	14,50514	-1,74514	49	17,88942	-11,4294
18	13,05473	-2,78473	50	11,60433	-0,24433
19	18,37289	-2,63289	51	14,50514	4,484862
20	14,02167	-3,97167	52	17,88942	11,41058
21	14,02167	-6,81167	53	11,12086	-6,73086
22	14,50514	2,184862	54	15,47208	4,437925
23	14,98861	-2,61861	55	14,50514	-7,36514
24	15,47208	4,537925	56	16,43901	1,110988
25	9,670452	-9,24045	57	14,98861	12,53139
26	13,05473	10,22527	58	15,95554	-10,5255
27	13,5382	16,0018	59	16,43901	-13,449
28	13,5382	2,741799	60	18,37289	2,837113
29	7,736578	2,293422	61	14,50514	-16,6651
30	0,00108	-0,18108	62	12,0878	0,982205
31	13,5382	4,961799	63	13,05473	-12,9547
32	7,253109	4,636891	64	15,95554	-10,2555
			65	12,57126	-4,75126
			66	1,934954	20,10505

## UTDATASAMMANFATTNING

Regressionsstatistik	
Multipel-R	0,561846251
R-kvadrat	<b>0,315671209</b>
Justerad R	0,304808848
Standardfe	7,201428138
Observatio	65

$$y = 1,2116x - 3,8533$$

$$R^2 = 0,3157$$

## ANOVA

	fg	KvS	Mkv	F	p-värde för F
Regressior	1	1507,12049	1507,12	29,06101	1,11764E-06
Residual	63	3267,215735	51,86057		
Totalt	64	4774,336225			

	Koefficienter	Standardfel	t-kvot	p-värde	Nedre 95%	Övre 95%	Nedre 95,0%	Övre 95,0%
Konstant	<b>-3,85327689</b>	3,377312514	-1,14093	0,258218	-10,60230152	2,895748	-10,6023015	2,89574773
X-variabel	<b>1,211553077</b>	0,224743474	5,390827	1,12E-06	0,762438808	1,660667	0,76243881	1,66066734

## RESIDUALUTDATA

Observation	Skattat Y	Residualer		
1	11,8969131	-0,356913101	33	7,656477333 5,133522667
2	17,95467848	-3,094678484	34	14,92579579 -0,205795793
3	14,32001925	-6,560019254	35	16,13734887 -3,747348869
4	22,80089079	-0,96089079	36	5,23337118 -0,83337118
5	22,80089079	-5,37089079	37	16,13734887 0,122651131
6	13,10846618	-2,728466178	38	17,95467848 3,725321516
7	12,50268964	5,287310361	39	11,29113656 -2,701136563
8	21,58933771	11,00066229	40	21,58933771 15,62066229
9	23,40666733	10,78333267	41	15,53157233 -0,221572331
10	11,8969131	-0,666913101	42	10,68536002 8,664639975
11	4,021818103	-0,081818103	43	5,23337118 5,56662882
12	10,68536002	-3,595360025	44	17,34890195 13,57109805
13	9,473806948	1,386193052	45	14,32001925 -1,240019254
14	8,86803041	1,07196959	46	11,8969131 -6,326913101
15	17,95467848	-3,854678484	47	17,95467848 1,425321516
16	10,68536002	-2,525360025	48	15,53157233 -12,51157233
17	14,32001925	-1,560019254	49	18,56045502 -12,10045502
18	12,50268964	-2,232689639	50	10,68536002 0,674639975
19	19,16623156	-3,42623156	51	14,32001925 4,669980746
20	13,71424272	-3,664242716	52	18,56045502 10,73954498
21	13,71424272	-6,504242716	53	10,07958349 -5,689583486
22	14,32001925	2,369980746	54	15,53157233 4,378427669
23	14,92579579	-2,555795793	55	14,32001925 -7,180019254
24	15,53157233	4,478427669	56	16,74312541 0,806874593
25	8,262253871	-7,832253871	57	14,92579579 12,59420421
26	12,50268964	10,77731036	58	16,13734887 -10,70734887
27	13,10846618	16,43153382	59	16,74312541 -13,75312541
28	13,10846618	3,171533822	60	19,16623156 2,04376844
29	5,839147718	4,190852282	61	14,32001925 -16,48001925
30	-3,85327689	3,673276894	62	11,29113656 1,778863437
31	13,10846618	5,391533822	63	12,50268964 -12,40268964
32	5,23337118	6,65662882	64	16,13734887 -10,43734887
			65	11,8969131 -4,076913101

## 11. References

### Books

- Adler, H. J. (2001), *International Dimensions of Organisational Behaviour*, Cincinnati, OH: South-Western/Thomson Learning, 4<sup>th</sup> Edition.
- Collste Göran (2002), Vad är moral och etik? *Inledning till Etiken*. Studentlitteratur, Lund Sweden.
- Roth K. John (1995), *International Encyclopaedia of Ethics*, Fitzroy Dearborn Publishers. London and Chicago.
- Weiss W. Joseph (2006), *Ethics Codes, Business Ethics*, Thomson South Western, USA, 4<sup>th</sup> Edition.
- Werther William, Chandler David (2006), *Strategic Corporate Social Responsibility*, Sage Publication USA, UK and India.
- Ross William D (1998); *The Right and the Good*. Indianapolis, USA.
- Gujaratti Damodar H (2003), *Basic Econometrics*, McGraw Hill USA, 4<sup>th</sup> Edition
- Kendall M G, Stuart A (1961), *The advanced Theory of Statistics*, Charles Griffin Publishers, New York, Vol 2, Chapter 26, page 279
- Morsing Mette and Beckmann Suzanne C (2005), *Strategic CSR Communication*, DJÖF Publishing Copenhagen Denmark.
- Marshall Alfred (1920), *Principles of Economics*, Macmillan and Co. 8<sup>th</sup> Edition



## Direct Sources

- Borglund, Tommy (2008), Lecture at Stockholm School of Economics, 20<sup>th</sup> Feb., 2008.
- Bergin Filippa (2008), Speech given at the Stockholm School of Economics, 14<sup>th</sup> Feb., 2008. "*Business & Human Rights: The Evolving International Agenda*", Seminar by UN Special Representative John Ruggie.

## Electronic Sources and Articles

- Amnesty Business (2008); Amnesty Business Group, downloaded 19<sup>th</sup> March, 2008 from URL <http://www.amnestybusinessgroup.se/default.aspx>
- Henderson David (2005); "*The Role of Business in the World Today*", Presentation to the Swedish Confederation of Industry in Stockholm, 3 March 2004. Greenleaf Publishing
- Carroll Archie B (1991); "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders", *Business Horizons*, July-August 1991.
- Bhattacharya C B, Sankar Sen (2004), "Doing Better at Doing Good", *California Management Review*, Vol 47, No.1, page 9-24
- Government Offices of Sweden (2008), Swedish Code of Corporate Governance, Website of the Government Offices of Sweden, downloaded 18<sup>th</sup> April, 2008 from the URL <http://www.sweden.gov.se/download/f8334504.pdf>
- Olson, Robert G. (1967), 'Deontological Ethics', *The Encyclopedia of Philosophy*, London: Collier Macmillan page 343.

- Murray Keith B and Vogel Christine M (2002), “Using a Hierarchy of Effects Approach to Gauge the Effectiveness of CSR to Generate Goodwill Towards the Firm: Financial versus Non-financial Impacts,” *Journal of Business Research*, 38 (1997): 141-159.
- Berg Annika (2003), *Industrial conflict at low levels*, downloaded from the website of European Industrial Relationships Observatory Online, 26th April, 2008 at the URL <http://www.eurofound.europa.eu/eiro/2003/02/feature/se0302102f.htm>
- Banfield, E. C. (1985), *Here the people rule: Selected essays*. New York: Plenum.
- Carroll, A. B. (1995), Stakeholder thinking in three models of management morality. *Understanding stakeholder thinking*: 47-74. Helsinki: LSR Publications.
- Jones T and Wicks A (1999), Convergent stakeholder theory, *Academy of Management Review*, 24: 206-221.
- McWilliams A and Siegel Donald (2000), Corporate Social Responsibility and Financial Performance: CORRELATION OR MISSPECIFICATION?, *Strategic Management Journal*, Issue 21: 603-609
- Aupperla K, Carroll A, Hatfield J (1985), An Empirical Examination of the Relationship between Corporate Responsibility and Profitability, *Academy of Management Journal* 1985, Vol 28 No. 2 pg 446-463
- PWC (2008), *CSR-från risk till värde*, Studentlitteratur and PricewaterhouseCoopers Sweden.

- Orlitzsky M, Schmidt F, Rynes S (2003), *Corporate Social & Financial Performance A Meta-ananlysis*, Journal of Organisation Studies.
- Buhmann, K. (2006), "Corporate social responsibility: what role for law? Some aspects of law and CSR", *Corporate Governance*, Vol. 6 No.2, pp.188-202.