

Stockholm School of Economics

Master Thesis in Management

15 ECTS, spring 2009

Corporate social responsibility in SMEs

A case study of the prerequisites for a small company to create value through the implementation of a code of conduct

Abstract

The concept of corporate social responsibility (CSR) has been widely acknowledged in the present academic literature and the implementation of a code of conduct is today a popular instrument to integrate social responsibility into a company's activities. However, the subject of CSR has mainly been focused on multinational corporations and more research is needed regarding small and medium-sized companies (SMEs). Thus, the purpose of this thesis is to contribute to the research on the prerequisites for smaller companies to create value through implementing a code of conduct. The empirical findings suggest that, through being proactive and implementing a code of conduct, the company can differentiate itself and achieve a comparative advantage. We find the small company examined, able to achieve legitimacy through adhering to its largest customers' requirements. We have also found that the company is lacking resources and an implementation of a code can be facilitated through translating the code's content and by using a dialogue strategy. The smaller company's flexibility and informal culture demonstrates an ability to enable communication between the employees and the board of directors, as well as between the company and its stakeholders.

Keywords: CSR, SMEs, code of conduct, institutional theory, resources, structure, dialogue strategy, translation

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Venue: Stockholm School of Economics, B 621, 2009-06-03, 9.15-11.00

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ACKNOWLEDGEMENTS

We would like to thank our tutor, Karin Svedberg Helgesson, for her expertise, valuable insights and recommendations throughout the writing process.

Moreover, we would like to thank Flexenclosure's employees and the Chairman of the board for devoting their limited time engaging in interviews and in other ways contributing with useful information. We would also like to thank Jörgen Karlsson, Lars-Olle Larsson and Jonas Högström for contributing with a practical view and hence broadening our understanding for the researched subject.

Stockholm, 19th of May 2009

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Table of contents

- 1. Introduction..... 4**
 - 1.1 Background 4
 - 1.2 Problem discussion 5
 - 1.3 Purpose and research questions 6
 - 1.4 Model for analysis..... 8
 - 1.5 Disposition 9
- 2. Theoretical framework 10**
 - 2. 1 Theory introduction..... 10
 - 2.2 Prerequisite definitions..... 10
 - 2.3 Institutional view on implementing a code of conduct..... 12
 - 2.4 The structure and resources of SMEs..... 14
 - 2.5 An employee view on implementing a code of conduct 16
- 3. Methodology 18**
 - 3.1 Research approaches 18
 - 3.2 Case selection..... 19
 - 3.3 Data collection 19
 - 3.4 Research quality 22
- 4. Empirical Findings..... 23**
 - 4.1 Flexenclosure and its objectives..... 23
 - 4.2 Flexenclosure and its stakeholders 25
 - 4.3 The structure and resources of Flexenclosure 28
 - 4.4 The employees’ view on implementing a code of conduct 32
- 5. Analysis 37**
 - 5. 1 Analysis part 1 37
 - 5. 2 Analysis part 2 40
 - 5. 3 Analysis part 3 44
- 6. Conclusions and discussion 49**
 - 6.1 Conclusions..... 49
 - 6. 2 Summing up the main conclusions..... 51
 - 6.3 Discussion 52
 - 6.4 Further research..... 53
- 7. References..... 55**
 - 7.1 Interviews..... 55
 - 7.2 Literature..... 55
 - 7.3 Online sources..... 57
 - 7.4 Internal documents 58
- 8. Appendix 1 59**

1. Introduction

This chapter aims to present and clarify the subject of the thesis. The reader will at first be presented with a background to the subject, leading into the problem discussion. Secondly, the purpose and delimitations of the thesis will be presented followed by research questions, a model for analysis and finally an overall disposition will be provided.

1.1 Background

Due to the society's interest in companies' responsible behavior, the concept of corporate social responsibility (CSR) has become widely spread around the world. Business ethics has now become an important strategic management issue to integrate in the organizational structure of the firm. Implementing a code of conduct is today a popular instrument to enable an integration of ethics in the firm. (Graafland, et al, 2003)

Our interest of the subject evolved through studies in corporate social responsibility. We noticed that the discussions mainly focused on multinational corporations and how they could implement and relate to CSR. However, as the UN clearly states below, corporate social responsibility is no longer only concerning larger companies.

“The concept of corporate social responsibility is strongly affecting small and medium-sized enterprises (SMEs). Supply chain relationships, implementation problems, the development of legislation and international standardization and certification, and notably, the extension of the United Nations Global Compact initiative, has brought the debate to the local level.”

- UN Global Compact, 2007

During a project involving CSR-related questions, in June last year, we got in contact with Lars-Olle Larsson, a partner at the department of sustainable business solutions at Öhrlings Price Water House Coopers. When discussing the concept of CSR and more specifically codes of conduct he explained that a code of conduct is a good starting point for a company to commence the work on implementing CSR. He also mentioned that little research has been performed concerning small- and medium-sized enterprises (SMEs) and their work with CSR

and codes of conduct. More than 20 million European companies can be classified as small- and medium-sized enterprises, which constitute a number of more than 99% of all European companies (Avram and Kühne, 2008), and the pressure to live up to multinational corporations' requirements is increasing for these smaller companies. It is therefore rather surprising, that until recently, only limited research has focused on SMEs and their implementation of CSR. (Fassin, 2008) Much more work is hence needed in order to understand how corporate social responsibility can create value for SMEs.

1.2 Problem discussion

Today, many definitions and perspectives of CSR exist. The literature demonstrates there is controversy whether CSR is considered to enhance the value for a firm or not. We have chosen a *strategic* perspective on CSR, which takes the external environment into account and focuses on the firm's relationship to its stakeholders. Therefore, a strategic perspective views CSR as a source of value for the firm by incorporating the concerns of stakeholder groups, and thus minimizing the risk of losing societal legitimacy. CSR is an important element of the business strategy and can be seen as a resource for achieving a sustainable competitive advantage. (Werther and Chandler, 2006)

Viewed from this perspective, CSR creates value by taking its stakeholders' concerns into account. However, it is also widely recognized that the activities connected to CSR needs to be *implemented* into the firms' cultures and processes in order to be considered as a source of value for the firm. A code of conduct is often used as guidance- and strategic tool in the process of implementing CSR in an organization. Compliance to the code is, however, not established until the process of implementation is completed. As stated in the introduction, implementing a code of conduct and a CSR strategy has until today mainly been associated with larger companies. Naturally, smaller companies differ in its characteristics and have fewer resources than larger companies. Therefore, what becomes interesting is to investigate the opportunities to integrate a CSR strategy into a smaller company. Seen from the perspective of smaller firms, what might be the prerequisites to create value from an implementation of a code of conduct?

1.3 Purpose and research questions

1.3.1 Purpose and delimitations

The purpose of this thesis is to investigate the prerequisites for a small company to create value through the implementation of a code of conduct.

The concept of CSR is very broad and there are probably numerous ways of commencing an active work regarding CSR. In order to answer our purpose and due to limitations regarding time and resources, it has been necessary to perform certain delimitations. The first delimitation concerns a need to narrow-down the field of CSR. Hence, due to the reasons described in the background and in the problem discussion, we have chosen to limit our study and solely look at the prerequisites enabling an implementation of a code of conduct. The second delimitation considers the number of chosen companies. As our aim is to obtain a broad picture of how a code of conduct can create value within all parts of the company, the time limitation has restricted us to only focus on one company.

The third delimitation concerns the areas examined in relation to value creation for a small company. A code of conduct may create value for a company in many different ways, why we found it necessary to limit the thesis and focus on specific areas. We will therefore explain the areas chosen and why we consider them being of interest. Firstly, we found it interesting to start looking at value creation of a code of conduct from an institutional perspective. The reason for this is that institutionalism has been widely recognized in the academic literature, pointing out the fact that a company does not exist in a vacuum. External actors exert pressure on the company and through taking an institutional perspective, we aim to research which external factors might be of importance when looking to implement a code of conduct in a small company. After this, we are further interested in examining the company itself, leading into our second area of investigation.

The literature has mainly focused around larger companies and their use of CSR. Therefore, we found it interesting to see if the size of the company might affect whether value is created or not, through the use of CSR activities. Hence, the second area of investigation concerns the structure and resources of the company. This area aims to highlight the company's internal

factors, i.e. how the characteristics of a small firm might matter in the implementation of a code of conduct.

Finally, our interest in this thesis is to get a better understanding of the overall prerequisites for a small company to implement a code of conduct. The management literature highlights the importance of the employees' perceptions and values, when implementing a new idea in an organization. Therefore, we see a need to focus also on the individuals within the company in order to receive a more complete understanding of the prerequisites enabling value creation. Thus, our third area of investigation will be to examine whether the employees' values and perceptions enable or disable an implementation of a code of conduct.

1.3.2 Research questions

To fulfill the purpose we will focus on the three different areas discussed previously, resulting in the following three research questions:

- *How can the implementation of a code of conduct create value for a small company seen from an institutional perspective?*
- *How can the implementation of a code of conduct create value for a small company with respect taken to its size and structure?*
- *How can the implementation of a code of conduct create value for a small company with respect taken to the employees' perspectives?*

1.4 Model for analysis

The overall outline of the thesis is demonstrated in figure 1.1. On the basis of our purpose, delimitations, and research questions, we have chosen to examine three perspectives: an external-, internal- and individual perspective. To create a logical approach we will start exploring our purpose by taking an external perspective, giving a broad understanding for the context within which the company operates. We will then narrow down the perspective by focusing on the internal factors and then continue to the depth of the company's prerequisites, examining the employees' perspectives. Thereafter, we will analyze our empirical data with regards taken to theory, looking for opportunities and obstacles. Through these perspectives the analysis will finalize the thesis's purpose: examining the prerequisites for a small enterprise to create value through the implementation of a code of conduct.

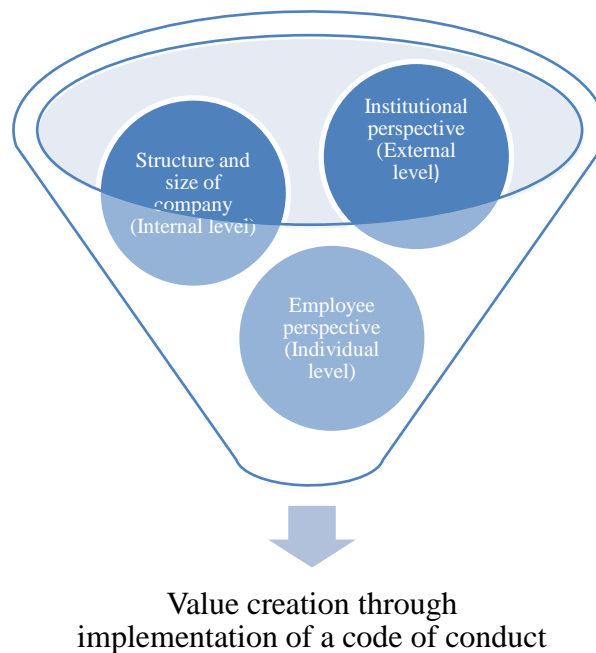
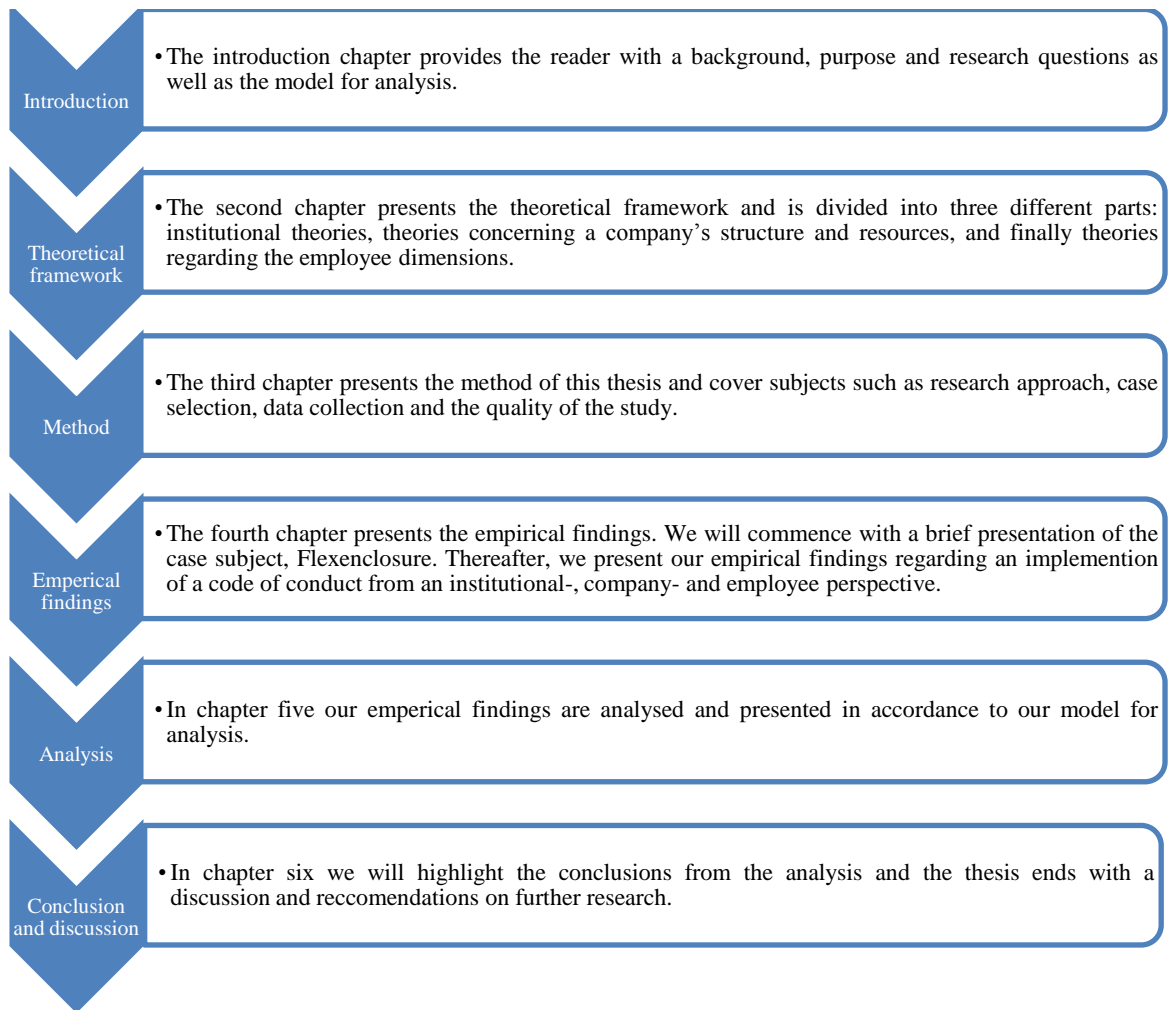


Figure 1-1

The three perspectives will now be deeper explored theoretically which will generate a greater understanding for the research questions' relevance for the purpose of the thesis.

1.5 Disposition



2. Theoretical framework

The aim of this chapter is to make the complexity of the collected empirical data more comprehensible prior to an analysis. The chapter is divided into three different parts in line with the three research questions; firstly we will present institutional theories, secondly we will present theories concerning a small company's structure and resources and finally we will present theories concerning the employees' values and perspectives.

2.1 Theory introduction

Corporate social responsibility has become an area of interest in the present academic literature which often provides different meanings of the concept. Therefore, in order to answer our purpose, we have chosen relevant theories linked to our three research questions. Institutional theory is used in order to gain a better understanding of the first research question. This implies taking a stakeholder perspective which CSR theories often are based upon. However, the mainstream literature on CSR is often written from the perspective of larger companies, why we will present specific theory connecting CSR to smaller companies. This theory is mainly useful when examining our second research question; concerning the structure and resources of a small company implementing a code of conduct. The third objective is to see if the employees' perceptions affect the process of creating value through an implementation of a code of conduct. Therefore, we have chosen organizational theory connected to the employees' values and perspectives.

2.2 Prerequisite definitions

Based on the fact that the literature of CSR is not only covering numerous aspects but also includes controversy meanings; prerequisite definitions are needed. In order to minimize confusion when reading the thesis, we will here present definitions that are consistently being used.

Corporate social responsibility (CSR)

A general definition of the concept is described as:

“The broad concept, that businesses are more than just profit seeking entities and, therefore, also have an obligation to benefit society.”

- Werther and Chandler, 2006

Strategic corporate social responsibility

This is the more precise definition that we will refer to when discussing CSR, social responsibility or solely responsibility:

“The idea that CSR should be integrated into the firm’s strategic perspective and operations because of the long-term benefit this brings to the organization”.

- Werther and Chandler, 2006

Code of conduct

A code of conduct is a document describing a company’s way of conducting its business. The code often deals with a company’s core values, obligation to employees, principles of doing business and its relationship with its stakeholders. (International Federation of Accountants, 2007) A code of conduct can be described as:

“Principles, values, standards, or rules of behavior that guide the decisions, procedures and systems of an organization in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations.”

- International Federation of Accountants, 2007

The UN Global Compact

The UN Global Compact is the largest corporate citizenship in the world and implies a voluntary opportunity for companies, independent of size or location, to actively engage in social and environmental challenges. The core of the Global Compact is ten principles that are based on internationally agreed conventions and treaties on human rights, labor standards, environmental protection and anti-corruption. Participation implies making the Global

Compact an integral part of the company's business strategy and operations and resulting in improvements in the organization and its supply chains, as well as to report on them. (UN Global Compact, 2008)

Small and medium-sized enterprises (SMEs)

According to the European Union, the definition of SMEs, refers to firms with less than 250 employees and a turnover under 50 million euro. (European Commission, 2009)

2.3 Institutional view on implementing a code of conduct

2.3.1 The institutionalized surrounding world

Furusten (2007) explains how organizations are both subject to direct requirements from their stakeholders and more indirect requirements from the legal, mental and social structures in which they are imbedded. He refers to this as the organizations' institutionalized surrounding world. This world is divided into two main parts; the direct and the indirect institutionalized surrounding world. The direct world consists of actors such as organizations and the individuals working within them as well as the information, rules and services they produce, e.g. consultants producing different fashions for management techniques or authorities producing rules. The indirect surrounding world takes a more long-term perspective and implies movements and societal trends.

Furusten (2007) also describes that these elements, like sediments, together create a significant pressure on the organization. He argues that the stakeholders' requirements can be seen as the channels through which the surrounding world's collected pressure is materialized. If the organizations violate these demands organizations are not given legitimacy to conduct business. He suggests this indicates that organizations, at a given point of time, will not be able to resist certain ideas.

2.3.2 Institutional isomorphism

DiMaggio and Powell (1983) describe the pressure to adjust towards the external world in terms of institutional isomorphism. They argue that structural change in organizations might be the result of processes trying to make organizations more homogeneous, processes that forces an organization to be like other units facing the same environmental conditions. Organizations compete for institutional legitimacy and political power and the authors

describe three mechanisms through which this institutional change occurs; 1) coercive isomorphism, 2) mimetic isomorphism, and 3) normative isomorphism.

Coercive isomorphism is expressed by other organizations on which the company is dependent. Apart from other companies exerting pressure, the company is also forced to adhere to cultural expectation expressed by the society. Mimetic isomorphism, on the other hand, implies that imitation is forced when there is uncertainty about organizational technologies, ambiguous goals, or an uncertain environment. This imitation, or modeling, is often done by imitating other organizations in their field which they see as being successful or legitimate. (DiMaggio and Powell, 1983) According to Svedberg Nilsson (1999), mimetic isomorphism does not have to be based on ambiguity or uncertainty as described by DiMaggio and Powell (1983). Instead, the imitation is due to the existence of a relevant organization to model. Therefore, the author advocates that imitation requires an awareness and knowledge of other organizations in order for mimetic isomorphism to take place.

According to DiMaggio and Powell (1983), the third way of change; normative isomorphism, is associated with professionalization and is defined as the collective struggle of members of an occupation to form conditions and definitions for their work methods. For example, when employees come from the same university or background, they often see problems, procedures and structures in a homogenous way.

This institutionalized isomorphism created by organizations makes it easier for companies to achieve legitimacy and being reputable, as well as to fit in and to interact with other organizations. The greater the dependence is upon another organization, the more similar it will turn out to be in its climate, structure and behavior. Coercive pressure is built into exchange relationships and becomes a question of legitimacy and survival. (DiMaggio and Powell, 1983)

2.3.3 SMEs and the supply chain

According to Jorgensen and Knudsen (2006), a series of rules are often used by private parties to manage SMEs entering global value chains, which make participation difficult for small corporations. Rule making is a concept described as the power of actors inside the value chain defining the rules within the chain. The rule makers are often dominant actors holding a

significant role in the firm's value chain. In terms of CSR, these actors apply standards regarding environmental protection, human rights, labor rights and anti-corruption. According to the authors, in developed countries, references to already codified, international conventions such as the UN declaration are commonly used by these rule makers.

Jorgensen and Knudsen (2006) explain there is often a gap between rule-making and rule-keeping. In their study of Danish SMEs they recognized that, in more than 70 % of the cases, SMEs did not pass on the requirements to their own suppliers. They argue this gap could be a result of the discrepancy between talk and action when it comes to sustainable supply chain management. SMEs are therefore less likely to be change agents for CSR activities, meaning they hinder, instead of contribute to responsible actions in global value chains. The existence of small companies in global value chains may therefore have a negative impact in the persuasiveness of sustainable requirements. The result is that SMEs are facing increasing barriers to enter global value chains due to the increased risk the rule makers face when using them. However, instead of using sanctions, capacity-building initiatives from the rule makers can be created, supporting the rule keepers in their improvement of CSR activities. (Jorgensen and Knudsen, 2006)

2.4 The structure and resources of SMEs

2.4.1 SMEs and CSR

There is a growing pressure for small and medium-sized enterprises (SMEs) to adapt corporate social responsibility in their practices. Due to the globalization, today SMEs often become integrated into multinational value chains. The reputational risk of a small corporation is often one of the biggest issues and thus compliance to ethical behavior in SMEs is seen as critical for staying in the business. As described before, the mainstream literature on CSR has, however, mainly been focusing on larger corporations. (Fassin, 2008) SMEs are therefore expected to combine their plans with CSR strategies in their production networks, even though they do not have the same resources as larger companies have (Jorgensen and Knudsen, 2006). It has been argued that, in relation to larger companies, CSR cannot be just cut and pasted onto the organization of SMEs (Sweeney, 2007).¹

¹ See also interview with Lars-Olle Larsson, 08-06-24

2.4.2 The characteristics of SMEs

The theory of CSR is often based on a perspective where large companies are the norm and suggests that their CSR-approach can easily be transformed into SMEs (Jenkins, 2004). However, Fassin (2008) describes that the structure of SMEs and larger corporations often differ in its characteristics. Smaller companies often have looser control systems, procedures and documentations on transactions. SMEs have in general a more informal culture and lack both the time and specialized staff to be able to create special reports and other work tasks within the field of CSR. The fact is that an implementation of a CSR strategy often requires administration which is both costly and time consuming. This is not easy to transfer into a small company with limited resources, and with little access to information or external advices. Hence, the author argues that bureaucratic procedures should be avoided since the flexibility of SMEs makes direct communication easier and allow for quicker and more informal responses.² Social responsibility in SMEs is also often a result of the manager or owner being loyal to different stakeholder groups.

2.4.3 Differences in implementation

A study of small and large firms in the Netherlands found that small companies tend to prefer a dialogue strategy with its stakeholders when implementing a code of conduct, whilst larger firms often use an integrity strategy stimulating the use of clear standards. Thus, the dialogue with the stakeholders often used by small companies, indicates a need for learning which aspects of corporate responsibility are the most important to realize. In contrast to large firms, small firms often make more use of the members of the board as a way of communicating its values and norms. Smaller firms have an informal culture, which facilitates direct communication between the board and the company. The personal ties between the board of directors and its stakeholders are often more important in small firms than a formal code to facilitate trustworthiness. Thus, the simplicity of the stakeholder dialogue might be an advantage for small firms. (Graafland, et al, 2003)

It has also been argued that SMEs' organizational structures are often being flatter than those of large companies; therefore, SMEs may have an advantage in greater flexibility to change according to the altering needs in society (Sweeney, 2007). Small firms are less likely to use formal instruments like a code of conduct, when implementing a strategy of CSR, than large

² See also interview Jonas Högström, 09-04-21 and Lars-Olle Larsson, 08-06-24

firms. There are several explanations for this. Large firms are more publicly visible in the market place and hence instruments supporting ethical behavior become more important in terms of reducing risk. (Graafland, et al, 2003 and Pedersen, 2009) Larger companies are also likely to have more human, financial and technological resources which can be devoted to CSR activities (Pedersen, 2009). Due to the size of larger companies, they have a bigger need to have instruments facilitating that there exists a common value ground. Also, a larger firm's scale of operations may enable to develop specialized competences within the field of CSR (Graafland, et al, 2003 and Pedersen, 2009) Many small firms also indicate that they are not familiar with ethical instruments like a code of conduct or that the instruments are known, but rejected (Graafland, et al, 2003). Also, many SMEs may have a social approach in their business, even if they do not know or talk about the term CSR (Fassin, 2008).

Different priorities of SMEs

According to Pedersen most SMEs seem to focus on the internal operations prior to an expansion of their CSR activities into the supply chain. (Pedersen, 2009) Instead, their main priority is the survival of the firm. Specific barriers to CSR in SMEs are the lack of time and resources available. Therefore, since there tends to be a focus on short-term objectives, long-term investments in CSR are often not of immediate concern. (Sweeney, 2007) SMEs are also less likely to pass on the CSR requirements to their own suppliers. One explanation to this is that some requirements may be viewed as common decency instead of actual necessities. Companies with suppliers in low-wage countries also tend to apply more requirements compared to companies with suppliers in high-wage countries. (Jorgensen and Knudsen, 2006)

2.5 An employee view on implementing a code of conduct

2.5.1 Travel of ideas

Røvik (2000) describes immaterial ideas in terms of institutionalized prescriptions. In order for these institutionalized prescriptions to travel he argues that they have to satisfy numerous requirements, e.g. be applicable on numerous organizations independent of size, industry or localization. According to the author, this is why prescriptions often become very general. When these general, often globally spread, prescriptions are then being implemented into an organization, he argues they meet and brake with the local and often more specific ideas, traditions and routines.

Czarniawska and Joerges (1996) advocate that change is an adaption to the institutional requirements of the environment and they point out that this process is far from passive. On the contrary, it activates the intentional process of the creation of meaning and contingency is made meaningful by interpretation. The authors argue that objects and facts are as much socially constructed as symbols and that all human knowledge is social. Therefore, they argue that translation is a key concept for understanding organizational change. An idea has to, when it has been objectified, be filled with content. The authors describe it as being a process of reformulating the original idea to local circumstances, understanding and pre-requisites.

Sahlin-Andersson (2006) also argues that the adopting culture is no passive receiver through introducing the concept of an editing process. The author argues that the editors' translation may be affected and restricted by local tradition or decoupled and thus remains decontextualized. According to Brunsson and Olsen (1993), original intentions are often deteriorated and it is not at all certain that organizational members will achieve the management's intentions.

2.5.2 Implementing a code of conduct

According to Nijhof et al (2003), a code of conduct is not seen as enough to influence the behavior of the people in the firm. It is highly important that the code is embedded in the culture and the processes of the company. This implies that responsible entrepreneurship must not only be a part of the business strategy and policy; it also has to be a part of the daily matters in the firm. It is important to understand if there is congruence between the employees' values and the code to make sure the employees act accordingly. Therefore, it is also important to investigate the perceptions between the employees and the manager regarding the code. The authors also advocate that it is essential to be aware of customs, processes and attitudes (barriers) which can get in the way for an implementation of certain values and norms.

3. Methodology

The aim with this chapter is to explain and motivate the chosen research approach and methods used during the research process. We will present the collection of empirical data as well as how it has been used. This chapter will hence provide the reader with a clarification of how the thesis has been conducted.

3.1 Research approaches

3.1.1 A Case Study

We have chosen to conduct a case study since our aim is to find out *how* the prerequisites for an implementation code of conduct can create value for our case subject. This method is selected since it is useful when the question *how* or *why* is going to be answered. It also gives us an opportunity to deepen our knowledge about the implementation of a code of conduct and how the employees are interpreting the subject. A case study implies that the research is conducted only within the specific case subject. (Yin, 2003) However, we have had a need to take the study one step further in order to answer the three research questions described in the introduction. The first question concerns an institutional perspective and hence implies a need to go outside the company and also attain knowledge from external actors. Thus, in order to do this we have not used the case study in the narrow meaning described in methods literature. We have used it in order to examine the specific context within the company, but, we have also found a need to take on an external perspective.

3.1.2 A qualitative method

In order to attain a deep understanding of our research questions we have chosen to use a qualitative research method (Alvesson and Sköldbberg, 1994). The aim with our study is not to examine the frequency and dispersion of a certain character or look for measurable data in order to perform generalizations, as in the case of using a quantitative research method (Jacobsen, 2002). Our purpose is rather, through an exploratory case study, discover the subject of CSR as well as its relationship to SMEs and contribute to a new understanding of how a small company can create value through implementing a code of conduct. (Merriam, 1994)

3.1.3 An abductive approach

Our study implied a need for an abductive research approach since we had a need to adjust both the empirical findings, and the theoretical framework during the process. We have continuously looked for relevant theories for our research questions, and at the same time collected the empirical data, which have both affected our initial research questions as well as given birth to new theoretical starting points. (Alvesson and Sköldbberg, 1994)

3.2 Case selection

The company examined in this study was chosen in accordance with the delimitations presented before. When we first initiated this study we were looking for a small company that had commenced an active approach towards CSR and notably an implementation of a code of conduct. We found that the telecom industry is today especially exposed to CSR-related issues, mainly within their extensive value chains. Telecom companies are being thoroughly examined by primarily the media and non-governmental organizations (NGOs) and are thus experiencing a significant pressure. Based on this, we found it interesting to focus our research on a small company within the telecom industry.

After some research, we were given the opportunity to work with a company operating within the telecom industry. The company chosen constitutes a part of the telecom industry's value chain and has commenced its active work concerning CSR through a decision to implement a code of conduct. The firm gave us the opportunity to perform multiple interviews which also contributed to our selection of the case subject.

3.3 Data collection

The collection of primary data was made by interviews and complemented with secondary data consisting of internal documents, such as the company's business plan. The secondary data is primarily aimed to enable a better understanding of the case subject from an institutional perspective. Primary data, in the form of interviews, was necessary to create a thoroughly understanding of our case subject's structure and resources. Interviews did also function as the main source for understanding the employees' perspective of the implementation of a code of conduct.

3.3.1 Selection

The selection of interviewees is critical to get sufficient information when using a qualitative research method (Jacobsen, 2002). We decided to interview people from all different divisions in the company since the employees' perspective often differs across roles and across different hierarchical levels (Dent, 1991). A full understanding of the employee's values was necessary in order for us to answer the purpose from an employee perspective. Interviews within the case subject were therefore made with the CEO, the Chairman of the board, the Chief financial officer, the Product development technician, the Sales manager, the Purchasing manager and the Production manager. Our interviewed objects were all from a management level; however, being a small company the managers also have the responsibility for operative duties. Thus, no rigid hierarchy exists since a manager in this company does not necessarily imply having responsibility for other employees, making the organization very flat. Due to the lack of a strict hierarchy we found it sufficient to only interview managers and still get an understanding of the employees' different perspectives.

According to the institutional theory presented above, stakeholders can exert pressure on a company. Many forms of institutional pressure may exist but due to limited time and resources, we decided to focus on the source exerting the largest pressure on our case subject. After a discussion with the CEO and the Chairman of the board, the largest and most important customer of our case company was identified as being this source. This customer was then interviewed to get a better understanding of the stakeholders' requirements. We are well aware of the fact that it probably exist other customers which exert pressure on the company; however they do not have as large impact on our case object as the customer interviewed.

Since there is not much theory written concerning SMEs and CSR we found it important to enhance our data collection and complement and support the theory with views from relevant practitioners. Experts, such as consultants, are today also important contributors to the formation of rules and standards (Hallström, 2005). We have therefore also chosen to interview an expert within the field of CSR, as well as an expert working within the telecom industry with a good knowledge of the markets where the case subject is present, or plans to become present. With this, we aim to enhance the understanding for the case subject's situation in association to our three research questions.

3.3.2 First interaction with interviewees

The first contact was made with the interviewees by telephone or e-mail. The company's employees were not being aware of the decision to implement a code of conduct in the company. Hence, we tried not to explain too much about the interview's content or questions beforehand in order to make sure we got as open and honest answers as possible.

3.3.3 The structure of the interviews

The primary empirical data was gathered through personal interviews visiting the people interviewed. Visiting the interviewees made it easier to get more comprehensive answers to the questions, which is important since the empirical findings are vital for the subject of this thesis. A personal interview also makes it easier to build trust between the interviewee and the interviewer. (Jacobsen, 2003) The interviews lasted between 40 minutes and one hour, some of the dialogues were recorded and thereafter transcribed. Recording the interviews is recommended since it will provide a complete material for the analysis. However, it may also enhance the respondent's insecurity and an unwillingness to be completely honest. (Merriam 1994) We have taken this into account by, beforehand, asking the respondents if they prefer not to be recorded. Another method to register empirical data is to take notes during the interview. This method is recommended when it is impossible to use recording (Merriam, 1994). Thus, in our case, when the respondents preferred to be interviewed without being recorded, notes were taken which we complemented after finishing the interview to make sure that we got a complete picture of the respondent. In order to respect the privacy of the interviewees within the company, we have chosen to refer to them by their position instead of their name.

Interviews are important sources to gather information for a case study (Yin, 2003). It is always a risk of not achieving objectivity when the empirical findings are primarily based on interviews. We are aware of the risk that our experiences and perceptions might affect the outcome of the interviews, why we have chosen to not ask directed questions. A semi-structured form of interview was used, conducting the interviews by the help of an interview guide (see appendix 1). This method was used to make sure that we got a sufficient picture of the interviewees' opinions about specific issues. Using a guide made it easier to keep some structure over the interview's subject, however still leaving room for the formation of new

ideas and subjects to ask questions about. (Merriam, 1994) The questions from the interview guide were not asked in a sequential order, since we wanted the conversations to be as fluid and natural as possible. (Andersen, 1998)

3.4 Research quality

Our case study is an exploratory case study since our focus is mainly on discovery rather than proving (Merriam, 1994). Hence, the quality is not based on examining many units and achieving generalizability. Instead, we have focused on one research unit and aimed to achieve relevant data. Through going deep into the phenomena we were able to receive new information about how small companies can create value by implementing a code of conduct. (Jacobsen, 2002) The quality of this thesis is that it can inspire and contribute to the knowledge of an implementation of a code of conduct for other small companies, in a similar situation as our case subject.

4. Empirical Findings

This chapter will provide the reader with the empirical findings. We will commence with a brief presentation of the case subject, Flexenclosure, and its objectives. Thereafter, we will present our empirical findings concerning the implementation of a code of conduct seen from a stakeholder-, a company- and an employee perspective.

4.1 Flexenclosure and its objectives

4.1.1 Flexenclosure in short

Flexenclosure was founded in 1989 and was at that time a part of Pharmadule Emtunga, a company delivering mobile hospitals and modules for accommodation platforms to the offshore industry. Flexenclosure has, since 2001, primarily been an equipment manufacturer towards the original equipment manufacturers (OEMs), e.g. Ericsson and the Nokia Siemens Network. In 2006, the company became independent and was established as Flexenclosure AB. (Flexenclosure AB, 2009)

Today Flexenclosure develops, manufactures and delivers turn-key³ shelters for the telecom industry. The company's solutions are designed in cooperation with its customers, i.e. leading telecom companies such as Ericsson, Nokia, TeliaSonera and Vodafone. Flexenclosure is headquartered in Lidköping where it has its production facilities nearby, and the company also has branch offices in Stockholm and Gothenburg. (Flexenclosure's homepage, 2009) The company had a turnover of ~SEK 90 million in 2008, employs 33 people and its markets are primarily located in developing countries. (Interview with the Chairman of the board, 09-05-07)

4.1.2 The transformation process

The company is now in a transformation- and growth phase, going from equipment manufacturer towards the OEMs central factory flow, to becoming a system integrator of energy efficient site solutions addressing the mobile network operators' requirements. Flexenclosure has developed a renewable energy site solution, the "E-site", that offers innovative energy efficiency by using wind and solar power, and thus reducing the need of

³ Turn-key is to something that is made ready for immediate use, often used in the sale or supply of goods or services.

diesel. The company will therefore be focusing on winning trial sales contracts and eventually hand-over roll out sales to OEMs. The plan is also to increase local sales efforts through partnerships and build up local competences on its key markets in developing countries. (Flexenclosure AB, 2009)

4.1.3 International expansion

Flexenclosure's ambition is to become the world-leading provider of wireless telephone network, which is a web of base transceiver stations. The CEO advocates that this implies a significant growth within the forthcoming five years. The company's aim is to do this with a focus on a low life-cycle cost through optimizing energy efficiency, and using combinations of renewable resources. The business strategy is to differentiate itself by being specialized in, and focused on site solutions in general and on green power site solutions in particular. (Flexenclosure AB, 2009)

In order to sustain the competitive industry, Flexenclosure will have to locate parts of its production abroad, most likely in developing countries where the company's key markets are situated. Flexenclosure now has a large focus on markets in Africa, but is also interested in the markets in the Middle East, South- and Latin America as well as in South-East Asia. Discussion has already taken place with potential partners. (Interview with CEO, 09-01-22)

4.1.4 The “green” company

Flexenclosure's board of directors has decided to implement a code of conduct in line with the UN Global Compact⁴. The board of directors believes that Flexenclosure could position itself by becoming a specialist at sustainability and turn it into a competitive advantage. Flexenclosure's aim is to be perceived as being a reliable and trustworthy supplier amongst its customers, and a company that does not cause them any problems or put them into trouble. The Chairman of the board explains that the company's offer is today, as well as in the future, somewhat “green”. The decision to implement a code of conduct is therefore a part of Flexenclosure's positioning to become a more progressive and proactive company within the field of sustainability. The company has also noticed that renewable energy is very attractive amongst job applicants since it adds a feel-good factor to work within a company having an interesting sustainability program. The Chairman of the board points out that an

⁴ The decision has not yet been communicated throughout the company and its employees.

implementation of a code of conduct has to be built on a commercial thinking and that it has to be able to empower the company's competitive advantages. Therefore, it is important that the implementation of a code of conduct is based on a business strategy that creates value. (Interview with Chairman of the board, 09-03-12)

4.2 Flexenclosure and its stakeholders

In this part we will present the empirical findings concerning the company's relations to its stakeholders. Firstly, we will describe the requirements from Flexenclosure's largest customer, Ericsson. We will thereafter present Flexenclosure's work on controlling its suppliers as well as provide with an expert's view on the stakeholder pressure.

4.2.1 How the question of CSR was evoked

Ericsson is Flexenclosure's largest customer and plays an important role in its value chain. In June 2008, *Uppdrag granskning*, a Swedish television program of investigative journalism, made a discovery of insufficient business conduct when examining one of Ericsson's suppliers in Bangladesh. Due to its massive impact in media, Ericsson increased its number of audits, one that included Flexenclosure. This, in combination with thoughts of locating parts of the production abroad, has contributed to Flexenclosure's decision to implement a code of conduct. (Interview with CEO, 09-01-22)

The reason for evoking the question of implementing a code of conduct, apart from Ericsson's enhanced requirements, is concerned with the business within which Flexenclosure operates. The company has a need to be locally presented on the markets where it is operating and in many of these countries there exists doubtful conditions, especially according to the UN's norms. (Interview with the Chairman of the board, 090507)

4.2.2 The requirements of the largest customer

The requirements

Ericsson's code of conduct is based on the UN Global Compact and the company looks at it as both an internal and external guidance tool. Ericsson's requirements regarding CSR differ depending on the supplier's character. The company at least demands that its suppliers follow the legislation in the countries in which they operate, e.g. concerning working conditions, ethical behavior and the environment. Apart from this, Ericsson also always refers to its code

of conduct in the supplier contracts. The company advocates that its suppliers must in turn also inform their suppliers. Furthermore, Ericsson requires its suppliers to report on their active steps concerning CSR in the world, as well as they should help its own suppliers understand the requirements and making them live up to the demands.

Ericsson also experiences requirements from its own customers e.g. Vodafone, who is one of its largest customer. 10 % of Vodafone's supplier scorecard concerns CSR-related activities and according to Ericsson, this can be seen as business critical why it has applied a similar strategy. Hence, the 10 % quota devoted to CSR in Vodafone's scorecard can be seen as analogue with the CSR quota used in Ericsson's supplier scorecard⁵. (Interview with Jörgen Karlsson, 09-04-24)

The Supplier Audit Program

Ericsson also has a supplier audit program to check its suppliers' status. Firstly, the employees perform a risk analysis of the supplier base in each market unit, in each country. They thereafter examine its suppliers in terms of experience, industry and risk area (e.g. if the business includes risks regarding chemicals or heights). After that, there is a screening process to decide where to focus in order to make the most out of the resources available. This process is executed both before Ericsson takes on a new supplier as well as continuously. (Interview with Jörgen Karlsson, 09-04-24)

Ericsson's homepage will soon also assist with a web-based education for its suppliers. After taking the education, the supplier will get an overview of Ericsson's requirements linked to its code of conduct as well as how improvements can be made within the company. (Interview with Jörgen Karlsson, 09-04-24)

How control is performed

The number of audits Ericsson is conducting has increased dramatically over the past years. In 2007, the company performed 110 audits which have increased to 250 in 2008. If a manufacturer is considered as a high-risk partner, it becomes subjected to a risk assessment, followed by an audit plan, an overall analysis of critical areas, and finally physical audits are

⁵ A supplier scorecard is usually a mean to specify requirements placed on the suppliers, for more detailed information about Ericsson's supplier scorecard visit www.ericsson.com/corporate_responsibility/supply_chain/audits_reporting.shtml

performed through interviews and visits. Ericsson's role is to inform and help its suppliers in order for them to be able to manage by themselves. Therefore, the company's controls and inspections should not be seen as being coupled with sanctions, since its aim is to keep its suppliers. Hence, Ericsson is looking for proofs of compliance when examining its suppliers, not for errors. (Interview with Jörgen Karlsson, 09-04-24)

4.2.3 Control of Flexenclosure's suppliers

Flexenclosure has to be able to control its sub suppliers' compliance with Ericsson's requirements concerning CSR. The company has already signed Ericsson's code of conduct and thus stated it conducts its business in a socially responsible manner. Hence, Ericsson presupposes Flexenclosure already takes adequate responsibility. Since Ericsson is the main customer, the CEO of Flexenclosure advocates that the company's code of conduct has to at least achieve Ericsson's requirements in line with the UN Global Compact. He also believes that a lot can be learnt from Ericsson, especially since it has extensive resources and increased its number of inspectors. If Flexenclosure would like, for example, to organize an information day for its key suppliers, Ericsson would help explaining its requirements on business conduct. (Interview with CEO, 09-04-17)

4.2.4 An expert's view on stakeholder pressure

Lars-Olle Larsson is a partner at Örhlings Price Water House Coopers and has experience from working with corporate social responsibility issues in Swedish companies since 1977⁶. When interviewed, he explains that he is mainly working with multinational corporations, since they, according to him, to a greater extent have a brand to defend. He argues that they are the first to be exposed to media and to realize that their license to operate has expanded with additional requirements. Larsson clarifies that the requirements are not solely coming from nongovernmental organizations, but also with force from the financial sector, e.g. investors and analytics.

When discussing the UN Global Compact, Larsson stresses the importance of not just attesting the document, but to tailor a useful code of conduct aimed for the specific company.

⁶ Larsson is a member of the Management Committee of the European Sustainability Reporting Association and also a member of the Sustainability Experts Advisory Panel. He is also active in the Swedish Financial Analysts Corporate Responsibility Group and is the Swedish representative for the ICC Commission on Business in Society. Moreover he chairs the Globe Sustainability Awards and the Swedish Institutes' Sustainability Reporting Awards.

He argues that, in order for a small company to be pioneers and implement a code of conduct, it has to do it very thoroughly. The company has to be concrete and produce an attempt of a process description. (Interview with Lars-Olle Larsson, 08-06-24)

4.3 The structure and resources of Flexenclosure

In this part we will describe the empirical findings concerning the structure and the resources of the company. We will commence by giving a background to the CSR-related work Flexenclosure performs today. We will then present the company's financial-, human- and time resources as well as describe the resources devoted to its suppliers. Finally, we will provide with the views from two experts explaining their opinion on resources and CSR concerning SMEs.

4.3.1 Internal structure of the company

Flexenclosure is at the moment mainly focusing on strategies of growth. The company is still small and due to the shortage of human capital, the present employees cover a wide range of tasks with few strictly divided work areas. (Interview with CEO, 09-04-17) Many employees describe that they have to fill in the gaps supporting other areas due to the lack of complete functions in the company. Hence, the small size of the company makes it vital for the employees to be flexible in their work in order to make all areas function satisfactory. (Interview with CFO, 09-04-15) In order to solve this obstacle, the managers are trying to build the company in a way that makes growth possible by recruiting competent people to proper roles. (Interview with CEO, 09-04-17)

4.3.2 Today's work regarding CSR

Safety issues are, at the time being, the company's main area of focus regarding its work towards CSR. Hence, policies concerning safety and working conditions linked to the production have been developed and more are being under construction. The CEO experiences today a need of having the policies being written down and communicated in a greater extent due to the fact that the company is growing and new people are entering. More work is needed within areas such as the environment as well as to further investigate CSR issues in general, a view shared by the Purchasing manager who although expresses the lack of time available. (Interview with CEO, 09-04-17) The company does not have any certifications of its production, but is trying to follow the requirements of environmental

standards. However, since the production is located in Sweden and the company is following the national law, most employees find that the company is already taking responsibility for its operations. (Interview with the PDT, 09-04-17)

4.3.3 Financial resources

From a financial perspective, Flexenclosure has to divide and prioritize the financial resources due to the growth. Thus, the company finds it difficult to achieve all of its objectives at the same time. Today, a development of all different units in the company is the main matter. Before there are any resources available to an implementation of a code of conduct, there are other immediate areas that need attention. (Interview with CFO, 09-04-15) The cost is therefore an evident constraint in the process of implementing a code of conduct. Moreover, being a small actor, Flexenclosure sometimes needs to adhere to the requests of larger clients, even if the employees do not perceive it as being the company's responsibility. (Interview with CEO, 09-04-17) However, when it is time for the company to expand its business and start production in other countries, the employees in Flexenclosure observe a need to find resources supporting CSR activities. When that day comes, there is a perceptiveness of these issues becoming a vital part of the business strategy. (Interview with CFO, 09-04-15) Moreover, being present in developing markets, the Sales manager also expresses the risk of corruption and thus a greater need to take responsibility.

4.3.4 Resources of human capital and time

Limited size and time

The CEO explains that the company today has to deal with many immediate issues, which put CSR work secondly. The company is also too small to have a special position dedicated to corporate responsibility. This view is also shared by many employees that observe there is no time in the company available to focus on corporate responsibility. There is a general opinion that the present resources should be occupied to 100 % with supporting the day-to-day activities within the company, or else something should be changed. (Interview with Sales manager, 09-04-20) The employees also describe that Flexenclosure has recently been adopting a new computer system, which has contributed to the lack of additional time. (Interview with Purchasing manager, 09-04-17)

No promotion of CSR activities

The sales department explains that, even if the company is selling a “green product”, there are few activities aimed at marketing the company based on its CSR activities. At the sales department, the view is that there is no time, and working with CSR is mainly an issue for more mature and multinational companies, such as Ericsson. Thus, Flexenclosure today only uses its “green activities”, such as its contribution to the Millennium village⁷, if it can observe a clear benefit of it, i.e. it is no explicit strategy that the company uses. (Interview with Sales manager, 09-04-20)

Resources from the board of directors

The Chairman of the board does not identify a problem of limited resources within the company concerning an implementation of the code of conduct. He states that there will be enough resources allocated in the company when Flexenclosure is about to commence the implementation work. He also explains that he is, at the time being, devoting around 50 % of his time to work with Flexenclosure and he is also willing to act as a support for an implementation of a code. The Chairman of the board thinks that it is important that the employees have a common vision of CSR and is enthusiastic to be a part of the process of creating an understanding for the implementation of a code of conduct. (Interview with Chairman of the board, 09-03-12)

Resources and benefits

The Product development technician (PDT) believes that the pressure from its clients concerning adherence to CSR requirements is very positive for the company. It will contribute to the development of better products and since the organization is flexible it has the ability to adapt to changing requirements quickly. He describes it is possible to find a solution to the problem of not having enough resources devoted to CSR. The solution for the company is to find a common standpoint concerning corporate responsibility, and then there is a good chance that people are willing to contribute a little bit extra, apart from their daily work. Therefore, the PDT believes it is important to prove the benefits of the new agenda to make people willing to invest their time into it. (Interview with PDT, 09-04-17)

⁷ The Millennium Villages is a project that seeks to end extreme poverty in villages throughout Africa. The work is made in partnership with governments and other committed stakeholders, providing affordable and science-based solutions to help people lift themselves out of extreme poverty. (UN Millennium Project , 2009)

4.3.5 A lack of resources devoted to control its suppliers?

Controlling and having sufficient information of its suppliers is seen as vital in the company in order to make sure the quality is of high standard, even if that would imply higher costs for the company. Today, Flexenclosure is considered to have enough knowledge about its suppliers since they are positioned in its local area. Since it has a close relation to its suppliers it has not been necessary to devote resources for controlling them. (Interview with Purchasing manager, 09-04-17)

Even though the company seems to have a sufficient control of its suppliers, it has thought of devoting more resources to the issue. Flexenclosure had a plan to meet up with its suppliers last year in order to clarify the importance of them fulfilling the company's requirements regarding CSR-related issues. However, the company was and has been too busy working on its new product, the E-site, and thus a meeting has never taken place. At the moment, there are therefore no resources devoted to fully control its suppliers. There is neither time to negotiate or visit them all. (Interview with CEO, 09-04-17)

A growing need

As the company is growing, more suppliers will be contracted, and the need of further supplier control will enhance when the company enters new markets. The company has the ambition to start performing audits and to distribute questionnaires to its suppliers; however, the company is lacking people in order to start with these activities. Today, the Purchasing manager has the sole responsibility handling the contracts with 100-150 suppliers, a work task she expresses a need to be supported with, to get a better picture of all Flexenclosure's supplier relationships. Due to the company's growth as well as the fact that it is a small company, work is concentrated to short-time goals such as making sure that the production has all material needed for its daily work. Therefore, there has been too little time to think about supplier relations. (Interview with Purchasing manager, 09-04-17)

4.3.6 An expert's view on resources and CSR

Lars-Olle Larsson conducts that a small company, such as Flexenclosure, might not have the same resources, culture or competence as a larger corporation when implementing a code of conduct. Instead, a small company might have a different focus, having a more entrepreneurial spirit and being more concerned with its sales and opportunities to execute.

He further explains that, since a small company might be more sales oriented and focused on results, it also has the ability to be more flexible and innovative. Larsson does not believe that the process of implementing a code of conduct has to be something bureaucratic, resource demanding or implying an overwhelming process for a company. In fact, he finds the process of implementing a code of conduct being much easier in a small company. The process can easily be facilitated by just having a meeting with all the employees discussing the subject. According to Larsson, the important part of this is to make the process explicit for the employees. (Interview with Lars-Olle Larsson, 08-06-24)

4.3.7 An industry expert's view on Flexenclosure

Jonas Högström has a wide knowledge of the telecom industry with experience from different telecom companies with operations in Africa and other international markets. He believes that a small company, such as Flexenclosure, should be able to take on a corporate responsibility even if its resources are relatively limited. It is important for Flexenclosure, who plans to enter low-wage countries, to take its full responsibility concerning issues of adequate wages, working conditions and child labor, he announces. Högström also states the importance that national regulations are often not sufficient to follow, and that a company often has the ability to set higher standards with small means. To do things right when entering these markets is not a question of having extended resources. Moreover a small company often has a flexibility that can be valuable in these situations. Högström also believes it is important to adjust the responsibility areas depending on the conditions of the specific market. (Interview with Jonas Högström, 09-04-21)

4.4 The employees' view on implementing a code of conduct

In this part we will present the employees' perspectives of the implementation of a code of conduct. We have chosen to describe our empirical findings separated into the different positions in the company in order to highlight different as well as similar views concerning an implementation of a code of conduct. The employees' perspectives presented below are therefore based on our interviews with each person, managing a specified role.

4.4.1 The perspective of the CEO

Vision of the future

The CEO of the company explains that he and the Chairman of the board feels a need of getting the process of implementing a code of conduct started. The reason is that the company's expansion plans have to be made ready during the autumn this year, when the company is going to reconstruct its business plan.

CSR and Flexenclosure

The CEO is concerned with the company taking environmental responsibility and believes that, since the company is selling a "green product", this is a part of its business strategy. He feels a need to leave a mark as well as to contribute to actively achieving something valuable and believes that many other within the organization feel the same. The CEO explains that Flexenclosure has the ambition to have an environmental focus concerning all of its products but means there is a long way to get there. He also presumes that the divisions of purchasing and sales are the two most important parts of the organization in the process of implementing a code of conduct.

4.4.2 The perspective of the CFO

CSR and Flexenclosure

The CFO of the company has no explicit associations or feelings concerning corporate social responsibility. The subject is not an important issue in the financial work and thus the CFO has not been giving it a lot of thought. She although acknowledges that taking an environmental responsibility is a vital part of the company's future strategy and that it is important being aware of the environmental impact.

CSR as a question for future

At the moment, there have been no considerations in the company about questions concerning CSR. The CFO does not consider CSR being of importance today, but rather that it will be a question for the future. Since the company is operating in Sweden and hence adhering to Swedish regulations the question of corporate responsibility becomes a minor issue. Hence, the CFO means that the company is already taking adequate responsibility. When the company is about to locate its production in developing countries she sees a greater need of implementing a code of conduct due to the demands from its largest client.

4.4.3 The perspective of the Sales Manager

CSR and Flexenclosure

The Sales manager declares he does not find a code of conduct being entirely connected to the concept of CSR. He advocates CSR is more associated with philanthropic activities whilst a code of conduct is more connected to business ethics, such as to prevent corruption. The perspective of the Sales manager is that CSR is not a subject of interest among the employees and is neither considered to be a significant factor within the company today. The perspective is that there is little to gain by going further than the legislation as long as the production is located in Sweden.

However, the Sales manager still finds that Flexenclosure works with CSR, since it works with environmentally friendly products. Although, seen from a sales perspective, when presenting the E-site to the customer, the main focus is to describe its cost effectiveness and not primarily the eco-friendly technology. Thus, the Sales manager states that customers are not concerned with CSR unless it is motivated with a business case demonstrating its profitability. However, at the same time, he explains that Flexenclosure would not be able to exist without its environmental profile.

The transformation process

The Sales manager describes the company as being very immature. He explains that the company is now experiencing a changing process, from being a manufacturing company to becoming a company focused on system integration. His view is that many people lack an understanding of what the transformation process implies and hence underestimate the challenges it entails. The competence of the employees is mainly built around the company's manufacturing knowledge, leading to an insufficient understanding of the markets.

4.4.4 The perspective of the Purchasing Manager

CSR and Flexenclosure

The Purchasing manager finds the concept of CSR being a bit abstract and does not entirely know what it implies. Since the company is still small she advocates that CSR is not something commonly communicated within the company. Nor does she find the company's environmental work being highly communicated within the company. The Purchasing

manager believes it is more a question of an interest from each employee, but she finds it important to have an environmental thinking in the work.

Written documents

The Purchasing manager finds her responsibility for the company's suppliers' standard being very natural. She does not consider it necessary to have policies or other written documents. The Purchasing manager can although see a need when the company grows, due to the difficulties achieving a common picture. The Purchasing manager also finds it important to have mutual responsibility for questions regarding CSR and believes that the CEO has got the utmost responsibility at the same time as he must trust and support his employees.

4.4.5 The perspective of the Production manager

CSR and Flexenclosure

The Production manager did not have any direct associations to the concept of CSR, however he easily refers to environmental- and safety aspects. The Production manager describes how the production does not have a time keeper, but rather that he functions like one himself through walking out on the production floor every morning saying a few words to the employees. There, he explains, he usually brings up events improving its safety work.

The importance of security work

The Production manager explains he always thinks in terms of security at the workplace and means this is due to common sense and his own knowledge, not what some text in some document tells him to do. He describes himself as being a person who is very fond of safety work and explains that no one has ever been hurt on his watch. Although, he states that the company's safety work can become even better. The Product manager explains that the company does not have any certifications, and describes that they can function as barriers and restrict the employees' time to practice the safety demands.

4.4.6 The perspective of the Product Development Technician (PDT)

Flexenclosure as a proactive company

The PDT sees Flexenclosure as being ahead as well as flexible and aiming at being a proactive company. However, because of the growth, he does not think these characteristics are being fully embedded in the company. The PDT explains that the changing process is

needed for the company in order to stay ahead. He also considers that this implies the company pursues higher standards and that there is a new focus on the customer and the global market.

CSR and the customers

The PDT explains that its customers have a low consciousness about being environmentally responsible, but he believes this is going to change. The company's ambition is to make its customers aware that its product is reducing CO2 exhausts and that the company is acting in a responsible manner. The PDT explains that, from the perspective of the consumer, having a certification or not does not matter. The value lies in the fact that the company is showing that it is actually taking responsibility, not in the certificate itself.

Implementing a code of conduct

The PDT finds it important to take on corporate responsibility but explains that it will not matter if it goes under the name of a code of conduct or not. He thinks the main issue will be to get people to adapt the content of the code. He does not believe that talking about the concept of a code of conduct with the employees at the production would be a successful way of getting people's attention. Instead, he notices the importance of not being too prestigious in the process of getting the employees to adapt the code of conduct. He also sees a need for the CEO to share the responsibility for the implementation with different people in the organization as well as to support the employees in their daily activities in order to get people to adapt the code.

5. Analysis

The following chapter aims to answer the three research questions, which in turn answers the purpose of this thesis. Every part of the analysis is constructed to answer each one of the research questions and provides the basis for the final conclusions and discussion. The analysis is built on the empirical findings as well as the theoretical framework presented.

5.1 Analysis part 1

This section of the analysis is aimed to answer the following research question:

- *How can the implementation of a code of conduct create value for a small company seen from an institutional perspective?*

5.1.1 The institutional pressure

Furusten (2007) acknowledges the institutional pressure of an organization consisting of direct and indirect pressures. In our case study, what is seen as vital is that Flexenclosure's largest customer has direct requirements on how it manages its operations. However, indirect pressure is also exerted by the fact that more attention is given to what extent companies take corporate responsibility today. The Bangladesh issue made Ericsson more exposed to negative opinions from the society, which made the demands on taking responsibility larger. The society's demands on multinational corporations, such as Ericsson, to behave in a socially responsible manner has increased, which in turn implies that the requirements on Flexenclosure are greater than before. As described by Furusten (2007), we can see how the surrounding world's pressure is materialized through Flexenclosure's stakeholders' demands. The company is today a part of multinational organizations' value chains with the result that, even if the company is a small actor, in order to maintain its legitimacy and, as Lars-Olle Larsson describes, sustain the business's license to operate, Flexenclosure experiences a need to incorporate the society's demands visualized through its stakeholders. Furusten (2007) suggests that organizations, at a certain point, will not be able to resist certain ideas. Hence, as a supplier to Ericsson, Flexenclosure may have difficulties avoiding an implementation of CSR.

5.1.2 The Coercive isomorphism

According to Ericsson, Flexenclosure has to follow the legislation in the countries in which it operates, agree with the 10 principles mediated in its code of conduct based on the UN Global compact as well as to more detailed requirements, especially concerning environmental issues. Taking an active approach towards CSR can thus be seen as a force of coercive isomorphism (DiMaggio and Powell, 1983) to the extent that taking responsibility is a vital condition for Flexenclosure in order to keep Ericsson as its customer.

Rule making

According to Jorgensen and Knudsen (2006), this phenomenon can be described as rule making, i.e. the power of actors inside the value chain to define the rules within the chain. Multinational organizations, such as Ericsson, set requirements for rule followers like Flexenclosure. Jorgensen and Knudsen (2006), suggests that SMEs are less likely to act as change agents within the value chain since they are seldom passing on the requirements to its own suppliers. The result is that SMEs are facing increasing barriers to enter global value chains due to the increased risk the rule makers face when using them. However, the empirical findings imply that within parts of Flexenclosure, there is an eager to become a change agent in the value chain by implementing a code of conduct. The fact that Flexenclosure has the ambition to act as a change agent will create value for the company by limiting the risk of exclusion. Ericsson is also willing to help Flexenclosure achieve its requirements through specialized supplier programs. As Jorgensen and Knudsen (2006) suggest, being a rule maker, Ericsson can assist its smaller suppliers to maintain their position in the value chain instead of using sanctions.

A question of legitimacy and coercive pressure

Without Flexenclosure taking responsibility, the risk of losing its legitimacy will be enhanced according to the theory of DiMaggio and Powell (1983). Since Flexenclosure still only manufactures in Sweden, where there are rigid laws regulating the four areas covered by the UN Global Conduct, it has already fulfilled many of the requirements stipulated by Ericsson. However, Flexenclosure has the objective to become a global leader within its segment, and in order for this to happen the company sooner or later will have to locate parts of its production abroad, which will extend the stakeholders' demands. Ericsson has different requirements dependent on the experience, risk and industry of its suppliers. This means that,

if Flexenclosure plans to enter new markets with a more high-risk profile, the coercive pressure from Ericsson will be enhanced. The pressure exerted from society has increased and more media attention is given to corporations locating its production in low wage countries. Because of this, Ericsson's number of audits is increasing and we suspect that, as Flexenclosure is growing, the coercive pressure it will feel to adhere to the multinational organizations' regulations will expand in the same pace as the size of the company.

Coercive isomorphism and Ericsson

Ericsson is also under the influence of coercive isomorphism and achieves legitimacy through living up to Vodafone's 10 % quota devoted to CSR. In the next tier, Flexenclosure achieves legitimacy, through living up to Ericsson's 10 % quota devoted to CSR. Ericsson is hence, in its turn, affected by its larger customers taking a social responsibility. In line with the argument of DiMaggio and Powell (1983), having an active approach towards CSR could then be seen as a standard and a must in order to survive.

5.1.3 Mimetic Isomorphism

Flexenclosure is, due to its size and position in the value chain, very dependent on Ericsson. Due to its position of dependency, Flexenclosure can achieve legitimacy by adhering to the same means that Ericsson uses to achieve legitimacy by adhering to what DiMaggio and Powell (1983) refer to as mimetic isomorphism. According to the same authors, imitations are the result of ambiguity. However, the empirical findings demonstrate that Flexenclosure do not experience an ambiguity regarding how to commence the work on implementing its code of conduct. The CEO and the Chairman of the board have a clear notion on how the code of conduct is going to be based upon Ericsson's requirements. As a result, we find that Flexenclosure is instead modeling Ericsson due to the reasons described by Svedberg Nilsson (1999). That is, its knowledge of the company and because it simply exists as an appropriate model to imitate.

Modeling is therefore enabled through the opportunity to receive help from the CSR-department at Ericsson. Flexenclosure has chosen to use the UN Global Compact as a framework for its code of conduct, the same framework as chosen by Ericsson for its code. Hence, within the field of CSR, we do see indications of them trying to imitate Ericsson in order to find a proper solution. Ericsson is not known for being a company distributing

“green” products like Flexenclosure is, however, the company has extended resources devoted to CSR and has lately noticeably improved its work within this area.

5.1.4 Normative Isomorphism

The empirical findings show no evidence of Flexenclosure being influenced by normative isomorphism. In fact, since the employees are located in different parts of Sweden the employees have different backgrounds as well as educations and no collective struggle of members was noticed.

5.1.5 Conclusion of analysis part 1

The homogenization process of coercive and mimetic isomorphism, described by DiMaggio and Powell (1983), implies that a majority of Ericsson’s customers are becoming more alike regarding their CSR approaches, meaning more and more similar to Ericsson’s. The implication could be that all suppliers, in a long-term perspective, will have implemented codes of conduct. However, Ericsson does not specifically demand its suppliers to have its own code of conduct, only that they adhere to Ericsson’s requirements. What might be of importance in order to create value for Flexenclosure could then be, as Lars-Olle Larsson pointed out, to become a pioneer. The company could achieve this by implementing the code now and not wait until the code only becomes a product of coercive isomorphism and needed to be implemented just in order to survive. In this case it might create more value through engaging in mimetic isomorphism, using Ericsson as a model, and through an implementation of a code of conduct achieve a comparative advantage.

5. 2 Analysis part 2

This section of the analysis is aimed to answer the following research question:

- *How can the implementation of a code of conduct create value for a small company with respect taken to its size and structure?*

5.2.1 Limited resources and a short-time focus

The theory suggests there is a constraint for a small company like Flexenclosure to take corporate social responsibility into account due to its limited resources (Fassin, 2008). The empirical findings seem to confirm this at a first glance. The employees in the company

believe there is a lack of resources needed in order to implement a code of conduct, which could hinder a value creation for the company. The company is small, but is growing in a rapid pace, making the employees very occupied with handling their daily tasks. Moreover, the employees cover a wide range of work tasks due to the lack of completely specialized roles in the company. The human capital is occupied to 100 %, making it difficult for the employees to see any value of devoting time to implement a code of conduct.

Our theoretical framework suggests, in line with the theory of Pedersen (2009), most SMEs seem to focus on the internal operations prior to an expansion of its CSR activities into the supply chain. Thus, what seems to be the main focus are the daily operations ensuring the survival of the firm, which is a common perspective of prioritizes in SMEs, according to Sweeney (2007). This is also true in Flexenclosure, where some of the employees find it valuable to make prioritizes focusing on short-time goals, before devoting time for areas such as CSR. Activities aimed at handling CSR-issues, such as meeting up with its suppliers, has been postponed since resources are instead being devoted to the development of new products. The sales manager confirms that CSR is mainly a question for larger companies and that there is no time for using CSR as an explicit strategy in its sales.

5.2.2 A question of common decency

Another reason for CSR-related questions being put secondly in the company is the notion that the company is already taking sufficient responsibility when acting according to Swedish regulations. The employees believe that, at the moment, the company has sufficient knowledge of its suppliers since they are located in its local area. A code of conduct, regulating the suppliers, is therefore not being associated with something enhancing the value for the company. According to Jorgensen and Knudsen, this is a common perspective within smaller companies. SMEs are less likely to apply requirements on their suppliers since these requirements may be seen as common decency instead of actual requirements (Jorgensen and Knudsen, 2006).

5.2.3 Growth demands greater responsibility

Even if there is a common perception of a lack of resources available in the company this is not representing the overall perspective of the company. The CEO and the Chairman of the board, together with some employees, recognize the need to take a greater responsibility

within areas such as the environment and supplier relationships. Corruption is also recognized as a risk when operating in developing countries. There is also a common perception that CSR-related issues are going to be of greater value when the company is about to locate its production and operations in low-wage countries. Some employees also notice a need for the creation of policies and guidelines when the company is becoming larger and many new people are being recruited.

5.2.4 A customized implementation of a code of conduct

The study has made it clear that there is no ability for the company to devote the same amount of resources to the process of implementing a code of conduct as larger companies do. Due to the small size and the lack of human capital, there is no opportunity to have a specialized position devoted to CSR-activities. Therefore, the empirical findings confirm the perspective of Sweeney (2007), that the CSR approach and implementation of a code of conduct in larger companies cannot be cut and pasted into a smaller organization in order to create value for the company.

Both Lars-Olle Larsson and Jonas Högström explain that implementing a code of conduct does not have to be a resource demanding and bureaucratic process, but rather that a small company has the benefit of being able to adapt its code in relation to the market where it is operating. The empirical findings demonstrate that Flexenclosure is in fact very flexible, it finds it easy to change and its employees have experience of working with a diverse set of tasks. Therefore, the implementation of a code of conduct can be facilitated by the help of the employees' flexibility. The empirical findings prove to be in line with the theory, meaning that, since SMEs are often being hierarchically flatter than larger companies, their flexibility can prove to be an advantage (Sweeney, 2007). Bureaucratic procedures should therefore be avoided since the flexibility of SMEs makes direct communication easier and allow for quicker and more informal responses. (Fassin, 2008)

Apart from the company's flexibility, there is also a great support from the Chairman of the board in collaboration with the CEO to implement a code of conduct. The Chairman of the board explains that he will devote his time and knowledge of CSR to help in the process. This implies that a valuable strategy for the implementation of a code could be the use of the dialogue strategy explained by Graafland, et al (2003). The informal culture in the company

can thus enhance the communication between the board of directors and its stakeholders, making it easier to communicate the company's values and norms. According to Graafland, et al (2003), this strategy will also make it easier for a Flexenclosure to learn which aspects of corporate responsibility are the most important to the company. Lars-Olle Larsson agrees that a small company can facilitate an implementation of a code of conduct by just having a meeting with all the employees and discussing the subject. The question is how to get the employees interested of the subject in the first place.

5.2.5 A code of conduct integrated in the business strategy?

As stated in the introduction, value is created when the code of conduct is implemented and when CSR is integrated in the business strategy. Lars-Olle Larsson suggests that the important part of this is to make the process explicit for the employees. Flexenclosure's business strategy is to provide green solutions, which implicitly mean that the company is taking a corporate social responsibility in environmental areas. The Chairman of the board explains that becoming proactive within the field of sustainability is a part of the company's business strategy. Still, the employees do not see the implementation of a code of conduct being related to the explicit business strategy.

The empirical findings seem to be in accordance with the theory, i.e. that it is common that SMEs have a social approach in their business even if they do not know or talk about the term CSR (Fassin, 2008). One employee argues that, to be able to make people interested, a common standpoint needs to be communicated in relations to CSR-issues. There is a general view that a code of conduct might be an important issue for the company's business strategy in the future, when the company is expanding into new markets, but not today. Therefore, to make people interested in devoting any of their limited time, the benefits of a code of conduct needs to be proved. This perspective is shared by the Chairman of the board who explains that the creation of value from a business perspective, e.g. the creation of a competitive advantage, must be communicated in order to successfully implement a code of conduct.

5.2.6 Benefits of a code of conduct

To be able to implement a code of conduct, which creates value for the company, emphasize needs to be on the company's position of dependency in its value chain. The CEO is well aware of the fact that Flexenclosure needs to adhere to the requests of larger clients, simply

because it is a small actor. The theory states that small firms are less likely to use instruments like a code of conduct since they are not as publically visual in the market place compared to larger companies and thus not being exposed to the same risk (Graafland, et al, 2003 and Pedersen, 2009). However, as described in the first part of the analysis, since Flexenclosure is a smaller company, it is extremely dependent upon following the requirements of its clients. Therefore, proving the benefits of acting responsible, by enlightening the requests of its clients, can function as a common standpoint for making the employees understand the value of implementing a code of conduct. Moreover, benefits must be proved concerning how a code of conduct contributes and is integrated into Flexenclosure's proactive business strategy, and how it creates competitive advantages.

5.2.7 Conclusion of analysis part 2

The analysis has demonstrated it exist difficulties for a small company under growth to see the explicit value of implementing a code of conduct. Because of the limited recourses, currently available in Flexenclosure, a focus on short-term survival put CSR activities secondly. Another reason for this is that the perception of common decency set aside the need of a code of conduct to regulate the activities within the company. However, the company's expansion plans are at the same time triggering a desire to take a greater responsibility, which could create value in the future. The findings suggest that the company, because of its size, has a flexibility to implement a code of conduct in an informal way, preferably using a dialogue strategy were the communication and support between the board of directors, the employees and the stakeholders is of importance. However, for this strategy to be successful, the benefits of having a code of conduct in connection to the business strategy needs to be proved for the employees.

5. 3 Analysis part 3

This section of the analysis is aimed to answer the following research question:

- *How can the implementation of a code of conduct create value for a small company with respect to an individual perspective?*

5.3.1 The generality of the concepts and its implications

Røvik (2000) explains that standardized ideas, such as the concept of CSR and codes of conduct, often are written in a very general manner in order to enable being spread. CSR is a very broad term including numerous different aspects and, as Ericsson describes, a code of conduct has to be formulated in a way so that almost anyone, anywhere would be able to agree with it. The empirical data demonstrates that the concept of CSR is seen as being very abstract amongst the employees, some perceived the concept as concerning something merely connected to charity and others did not have any associations to it at all. Several employees also had contradictory perceptions of CSR and the meaning of a code of conduct.

The purpose of the code of conduct is, according to the UN, to be used as a guidance tool for the whole organization on how to improve its operations as well as its stakeholder dialogue. The aim to combine the generality of a code of conduct based on the UN Global Compact, on the one hand, and the objective to use it as a guidance tool within Flexenclosure, on the other hand, may be contradictory.

When implementing the general code, based on the content of the UN Global Compact, it will meet the local context within Flexenclosure (Røvik, 2000) and as Sahlin-Andersson (1996) explains the adopting culture is no passive receiver. The empirical findings suggest there are difficulties understanding the code's link to the concept of CSR as well as how an implementation of a code of conduct would affect the employees' daily work. As the situation within the organization appears today, due to the generality of CSR, the employees do not entirely understand the code of conduct's function and thus neither do they see the potential of implementing it.

5.3.2 The importance of obtaining a common platform

To enable Flexenclosure to take an active approach towards incorporating the concept of CSR through a code of conduct, Nijhof et al (2003) suggest that it is important to have a common understanding of its meaning within the organization. Thus, it is of importance to see whether there is congruency between the employees' values as well as to see whether there is a match between the employees' values and the code, in order to ensure that the employees will act accordingly. We will thus highlight factors implying difficulties or opportunities that could affect the implementation process.

The transformation process

Historically, the company has been solely a manufacturing company and some employees express that people within the organization are still being influenced by this perception leading to a lacking understanding of the markets. Today, the company is transforming into a system integration company which implies a greater focus on the costumers and sales. The empirical findings suggest that some employees lack a sense of market proximity due to their experience of working in a manufacturing company. If the employees do not have an understanding of the company's new customer focus it might be difficult for them to understand the value of implementing a code of conduct as a mean for Flexenclosure to use in its sales activities.

The time perspective

There also exists different time perspectives concerning when CSR becomes of importance. The empirical findings demonstrate there is a discrepancy concerning the perceptions of time when comparing the view of the CEO and the Chairman of the board on the one hand, and the rest of the company's employees on the other hand. We have seen that the employees find CSR being of importance in a long-term perspective, i.e. to take it into account the day they locate parts of the production abroad. This view might also be enhanced by the fact that the employees do not feel a pressure from the costumers on taking an active approach towards CSR, since the costumers still primarily focus on cost savings. Hence, there are tendencies among the employees of adopting a more reactive approach towards the concept of CSR. The CEO and the Chairman of the board see the code as an opportunity to differentiate Flexenclosure from its competitors and thus aim at adopting a proactive approach. They see the implementation as something necessary within a one-year-period.

Beyond the names of the concepts

As described, the employees did not have clear associations regarding what CSR implies. However, when mentioning the concepts implications, i.e. that CSR includes aspects such as the environment and working conditions, they more easily linked it to the business of Flexenclosure. The empirical findings suggest that the company's focus on renewable energy makes it easier for a majority of the employees to associate the company with concerns regarding environmental issues. As mentioned earlier, there is also a common picture that,

since the company is producing locally in Sweden, it follows the national regulations and hence, complies with issues concerning working conditions and the environment.

5.3.3 The implementation process

The importance of translation

Due to the different perspectives concerning the concept of CSR, the time for implementing the code and the transformation process, it has been proven difficult for the employees to understand the code of conduct's implications for their day-to-day work. Thus, in order to obtain a common platform and for Flexenclosure's code of conduct to create value, i.e. be incorporated in its strategy and thereafter implemented within the company, we observe the importance of explaining the situation and implications for the organizational members. In order to create meaning we therefore see a need for translating and editing the code's general content as described by Czarniawska (1996) and Sahlin-Anderson (1996).

Lars-Olle Larsson takes on a similar perspective and believes that Flexenclosure needs to tailor a general code of conduct in order to create meaning for the company. Therefore, as described in the first part of the analysis, even if a mimetic approach is preferred to create a proactive strategy, i.e. imitate its larger business partners, the content of a code of conduct still needs to be customized to Flexenclosure's characteristics.

Potential obstacles

In accordance with the theoretical framework of Nijhof et al (2003), we have observed that solely introducing a code of conduct would not be enough to influence the behavior of the people in the firm. Many voices were raised to express the obstacles with having to browse through written documents, such as policies, before taking action. One employee even suggested that a focus on mediating the content would have more impact than just launching a new code.

Hence, due to this and the lack of understanding the code's function described earlier, there are tendencies of reluctance within the organization, which according to Nijhof, et al (2003) could pose internal barriers. If the CEO or the board of directors does not manage to mediate the meaning and implication of the code of conduct, these local restrictions could imply a risk for decontextualization (Sahlin-Andersson, 1996), i.e. that the code is not being implemented.

We have also observed a need from the employees to receive support related to questions concerning CSR, if there are problems arising. Hence, if the support is not given, this could also imply a risk of the code not being fully implemented due to a resistance to take on the responsibility demanded. Furthermore, in line with Brunsson's (1993) ideas, due to different meanings prior to the implementation, e.g. different time perspectives or meanings of where the company is heading, the result might not be what the CEO or the board of directors had desired. If the code is not implemented, or if the achieved result are not congruent with the intentional meaning, the sought after value might not be created. The CEO suggests that the departments of sales and purchasing would be most affected by an implementation of a code of conduct. Therefore, it is vital that these departments understand and perceive the importance of the code's content. If not, the code of conduct may not be communicated to the company's customers and suppliers, and no value will be created.

5.3.4 Conclusion of analysis part 3

We have experienced that it, within our case subject, exists differing meanings concerning the concept of CSR, a code of conduct as well as the company's transformation process and when the implementation is of importance. The empirical findings demonstrate that the CEO and the Chairman of the board adopt a proactive approach towards an implementation of a code of conduct, while the employees are adopting a reactive approach. However, even though they have problems referring to the general concept of CSR and a code of conduct, the employees are able to tie Flexenclosure to adhering to environmental and safety concerns and describes the company as being proactive and ahead of its time.

Hence, if the code is being mediated properly, through clarifying and translating its general content and being explained as a necessary mean in order to stay proactive and achieve competitive advantages, we see the potential of it becoming implemented. In accordance with the prior analysis this enhances the importance of implementing the code of conduct through a dialogue strategy.

6. Conclusions and discussion

The chapter begins with summing up the main conclusions generated from the three partial analyses. The conclusions will thereafter be further discussed and the thesis ends with recommendations for further research.

6.1 Conclusions

The thesis is based on the notion that the prerequisites for a small company might be of importance to create value by CSR-activities. The purpose of this thesis has thus been to investigate the prerequisites for a small company to create value through the implementation of a code of conduct. The analysis provides different conclusions based on the research questions, supporting the purpose.

At first, Flexenclosure is experiencing an institutional pressure exerted from its largest customer Ericsson. Because of enhanced requirements, it is vital for the company to adhere to this coercive pressure in order to keep its largest customer. Therefore, Ericsson can be seen as a rule maker, setting the requirements and the rules for a small actor such as Flexenclosure. Because of the risk of losing legitimacy, following the requirements of its largest customer becomes a question of survival for Flexenclosure. Traditionally, legitimacy has been more important for larger companies with a reputation to defend. However, our findings suggest that being a small company in an extensive value chain, responsible behavior turns into an important condition in order to not be excluded. Given this, implementing a code of conduct is valuable when the company experiences a need of acting responsible due to the larger stakeholders' requirements. Flexenclosure acting as a change agent of responsible behavior, becomes even more important since Ericsson in its turn, feels coercive pressure from its own customers, making the coercive pressure even stronger.

Flexenclosure does not only experience a coercive pressure, but is also modeling Ericsson's work on CSR. This mimetic isomorphism, along with the coercive isomorphism explained above, contributes to the homogenization of Flexenclosure and Ericsson. Today, no coercive pressure exists on Flexenclosure to have an explicit code of conduct. We therefore believe it could be valuable that Flexenclosure takes on a proactive strategy, by becoming a pioneer, enabling the company to use its code of conduct as a competitive advantage. The help from

Ericsson will also make it possible for Flexenclosure to more easily implement a code of conduct.

This leads us into the second part of the analysis where the resources are investigated in relation to value creation for a small company. The analysis describes, in line with the theoretical framework, that there is an evident lack of resources available to activities of CSR, due to the company's small size. Instead, the focus is on short-time goals ensuring the survival of the firm. However, in order to create value i.e. ensuring an implementation, the employees need to be convinced of the benefits a code of conduct has, when used as a proactive strategy. Even if CSR often is considered to be a question for larger companies, our empirical findings suggest that value is created for a small company when adhering to the requirements of the dominant actors in the value chain. These requirements will also be enhanced if Flexenclosure allocates its production abroad since the risk of its operations will increase. By demonstrating the enhanced requirements on Flexenclosure, the employees might see the benefits of the implementation.

The analysis also suggests that Flexenclosure has the opportunity to use a dialogue strategy, when implementing a code of conduct, and thus avoiding the bureaucratic procedure often used by larger companies. We believe that the usage of a dialogue strategy could be a beneficial solution for the company since it exist different perspectives of whether or not the code of conduct is integrated in the business strategy. A common understanding of CSR can be facilitated by having the board of directors, together with the employees, discussing its code of conduct, in line with the requirements of its stakeholders. Using a dialogue strategy could also make it easier for Flexenclosure to understand the specific areas of improvements it needs to focus on.

The third part of the analysis especially highlights the employees' different perspectives. We found that not only are there different perspectives regarding whether or not a code of conduct is seen as a part of the business strategy, but also concerning the meaning of general concepts such as CSR and a code of conduct. We have found that this could further hinder a local implementation due to difficulties applying the content of the code in the employees' daily work. Some employees are neither fully aware of the company's transformation process which might further complicate the implementation of a code of conduct since a lack of sensing customer proximity could lead to difficulties linking the code to the organization. The

employees also have different time perspectives concerning when an implementation might be of importance in the organization. The Chairman of the board and the CEO found it necessary in the nearest future, whilst the rest of the employees found it important in the longer term.

Due to these differences regarding values and perceptions within the organization, adopting a dialogue strategy might be a mean to achieve congruency. We have also found a need to translate the general content of the code of conduct, in order for the employees to understand the information and apply it to their daily work. Moreover, mediation will be of more importance than documentation, meaning solely presenting a code of conduct without explaining its function and content will not be an efficient mean to implement the code. The code has to be embedded in the culture and the daily processes in the firm in order for the company to utilize its responsible behavior as an explicit strategy in its sales activities.

6. 2 Summing up the main conclusions

How can the implementation of a code of conduct create value for a small company seen from an institutional perspective?

- By following the requirements of its largest customer, Flexenclosure is avoiding the risk of losing its legitimacy, and the threat of being excluded as a supplier.
- Flexenclosure acting responsible becomes even more valuable since Ericsson, in its turn, feels coercive pressure from its own customers, increasing the coercive pressure.
- Due to the coercive pressure from Ericsson's costumers, Ericsson offers an opportunity to support Flexenclosure in its implementation of a code of conduct. This is especially valuable since Flexenclosure is a small company, lacking resources.
- The mimetic isomorphism makes it easier for Flexenclosure to successfully implement a code of conduct by having a supportive point of reference (Ericsson).
- Institutional isomorphism also provides the company with an opportunity to act as a pioneer, showing that it is taking a proactive stand and acting responsible, therefore decreasing the coercive pressure. The creation of a code of conduct, through imitation, might therefore create comparative advantages.

How can the implementation of a code of conduct create value for a small company with respect taken to its size and structure?

- The company has an opportunity to use a dialogue strategy, thus avoiding any bureaucratic procedure which can hinder a small company implementing a code of conduct.
- Using a dialogue strategy enables an understanding of the content of a code of conduct, facilitating its implementation into Flexenclosure.
- The dialogue strategy can also make it easier to understand the benefits of having a code of conduct, and integrating it into its business strategy.

How can the implementation of a code of conduct create value for a small company with respect to the employees' perspectives?

- By creating congruency between the employees' perspectives, a code of conduct can successfully be implemented.
- A dialogue strategy can enable a common platform through the usage of translation and editing of the code.
- Through mediating, the content of the code becomes embedded in the culture and the daily processes in the firm which is a prerequisite for a code of conduct to create value.

6.3 Discussion

We have found that it might be possible for a small company to implement a code of conduct, even though the theory has demonstrated its difficulties. However, it is not possible to use the same implementation approach as larger companies use. This is mainly due to the fact that a small company often has a flatter organization, and a resistance to bureaucratic processes. The resistance is not related to the code of conduct's content, but rather related to the administrative procedures the document entails. Hence, we have found that the employees in

Flexenclosure prefer the content of the code of conduct to be mediated, rather than just existing as a document. Our conclusion suggests that mediation could be done by translating and editing the code's content within the organization. We suggest that, through introducing a dialogue strategy, a process of translation and editing could take place naturally. By involving the employees through the process of translation and editing, an application of the code's content into the employees' daily work might be facilitated.

This process could, to an even greater extent, enable for a common platform to be achieved and hence contribute to the creation of meaning. Even though the document itself is today seen as a merely bureaucratic obstacle, it could be valuable for the future. If the document is created through a dialogue strategy, i.e. based on the communication process between the employees and the stakeholders, the code of conduct could function as a basis for a common value system. Even if this is not seen as being valuable for Flexenclosure today, it can be of value in the future, when the company grows and new people are entering the firm.

When this study was performed, the decision to implement a code of conduct had not been presented to the employees. Therefore, we are aware of the fact that our empirical findings might have appeared differently if the employees recognized the issue as being initiated by the CEO of the firm. This can be seen as a weakness of the study, however, we believe that it also contributed to a more true perspective of the employees, since their values had not yet been affected by the perspective of the company's leader.

Finally, in the case of Flexenclosure, we have observed that its largest customer has been the most important center of authority. However, other small companies might experience different authoritarian centers exerting pressure on them in their value chain. In other industries, different stakeholders might have the role as the rule maker. The prerequisites of how an implementation of a code of conduct can create value might thus appear differently in small companies within a different context, where the character of the value chains and the risk factors differ.

6.4 Further research

Our aim with this thesis has been to inspire and contribute to the knowledge of how a small company can create value through a code of conduct. Due to the fact that there is a limited

amount of literature devoted to SMEs and CSR, we see a need for further research concerning how they can implement an active work with CSR.

In our case study, we have seen an example of a small company not having enough resources available to execute the same extensive work on CSR as larger companies do. The findings suggest that the departments of sales and purchasing seems to be the most affected areas within our case subject when implementing a code of conduct. However, the situation might appear differently in other small companies. Therefore, it would be interesting to further research which aspects of CSR are the most important to focus on for SMEs.

One mean to find out which aspects are the most important, we suggest, is through the use of a dialogue strategy. Hence, we also notice a need for further research concerning how SMEs can implement a code of conduct through alternative methods, such as mediation and the use of a dialogue strategy.

7. References

7.1 Interviews

7.1.1 Interviews within Flexenclosure

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7.1.2 External interviews

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8. Appendix 1

Intervjuguide⁸

Introduction

- Vad ingår i den roll du har på Flexenclosure?
- Varför valde du att börja arbeta för företaget?
- Vad anser du att Flexenclosure står för? Vilka värderingar har företaget?
- Hur motsvarar det dina värderingar?

Organisation

- Vad har du för tankar om den förändring som sker på Flexenclosure nu?
- Vilka är de största förändringsområdena Flexenclosure står inför nu?
- Tror du att detta motsvarar resterande företags åsikter?

CSR

- Anser du att Flexenclosure tar ett gott samhällligt ansvar?
- Finns det policies inom miljö, arbetsförhållanden, säkerhet, mänskliga rättigheter, diskriminering, jämställdhet, korruption?
- Tycker du att du tar "socialt ansvar" i ditt dagliga arbete på något sätt?
- Vad handlar CSR om för dig?
- Har du några associationer till corporate social responsibility?
- Hur tror du att resurserna ser ut för en implementering av CSR?
- Intresse i organisationen?
- Vad skulle det kunna handla om för dig?
- Skulle du ha tid att lägga till det i ditt vardagliga arbete?
- Ser ni några möjligheter eller problem med att Flexenclosure är ett mindre företag vid en implementering av CSR?
- Hur ser urval och relationerna till era leverantörer ut?
- Var anser ni att Flexenclosures ansvar slutar i värdekedjan?

⁸ For translation of the guide, please contact the authors at 21454@student.hhs.se