Aalto University
School of Economics

The Untapped Value of Strategic CSR in Contemporary Business to Government Relationship Marketing Case: Industrial B2G Environment in the EU

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Juhana Santalainen

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Department of Marketing
Aalto University
School of Economics

Aalto University
School of Economics

THE UNTAPPED VALUE OF STRATEGIC CSR IN CONTEMPORARY BUSINESS TO GOVERNMENT RELATIONSHIP MARKETING

Case: Industrial B2G Environment in the EU

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PURPOSE OF THE STUDY

By referring to recent academic discussion on corporate social responsibility and its communication, business to business (B2B) relationship marketing as well as public purchasing and contemporary policy development, this thesis aspires to provide an understanding about the possibilities that exist for industrial companies to enhance collaborative relationship management through strategic CSR management and communication in the business-to-government (B2G) context.

DATA

The data for the study consists of qualitative interviews. Included in the study are key executives from the case company operating in the safety and security markets in Finland and the EU (2), directors from key public organizations (3) one semi-independent public organization (1) and a competitor (1). Additional data was derived from an EU-wide marketing workshop at the case company´s premises in Germany. Secondary data from governmental publications and other relevant publicly available documents were used to complement the primary interview data. The data was analyzed using methodology derived from interpretative phenomenological analysis (IPA).
The case context provided a good venue for conducting the empirical study since many of the relationships between the case company and key governmental institutions and decision makers have existed for a long time, some spanning over many decades.

FINDINGS AND CONCLUSIONS

Firms serving public institutions have recently become to identify the growing business opportunities that increasing public outsourcing and downsizing of public activities have created. Simultaneously, public institutions have recently tried to find ways to coordinate the activities of privately held firms to better reflect the needs of the society in general. Concerns of opportunism and mismanagement have grown as more and more activities are operated under private ownership. In the conceptual framework developed for this thesis, an institutional gap related to the aforementioned issues is identified. The framework argues that strategic CSR management and its proper integration to relationship marketing strategies will aid B2G companies to enhance their competitive position in the shifting institutional environments. To do so, firms have to first understand contemporary developments, such as the Europe 2020 strategy, which aim to align societal and business goals in the EU and individual member countries.
By having the ability to create and maintain more interactive two-way communication channels with key public partners, firms are better equipped to understand and contribute to the needs and goals of individual public projects in a longer time-frame as well as identify new follow-up business opportunities. Strategic CSR management works as a mediating factor in finding a common ground for profitable public-private collaboration. Public institutions are intrinsically risk averse and value partners that are trustworthy and show interest and concern in the overall national welfare in a specific context.
In essence, integrating CSR into relationship communication and the overall business strategy in the B2G context is less about encouraging "green management" than understanding the social role of the firm and its actions in the contemporary institutional environment. Academics can be in the forefront in steering the discussion and turning managerial attention towards strategic CSR in the B2G context by highlighting the economic benefits that this strategic long-term orientation has in the changing institutional environments. Yet, it is not within the academia, but in the actions taken by political decision makers and executives in private organizations to step away from a quartile economy and embrace sustainable long-term oriented business practices.

KEYWORDS: corporate social responsibility (CSR), interactive communication, relationship marketing, business-to-government (B2G), institutional environments, public request for quotations (RFQ´s)

The Untapped Value of Strategic CSR in Contemporary Business to Government Relationship Marketing
Case: Industrial B2G Environment in the EU

TUTKIELMAN TAVOITTEET

Tämä tutkimus pyrkii parantamaan ymmärrystä niistä mahdollisuuksista joita B2G-markkinoilla toimivilla yrityksillä on vahvistaa kollaboratiivista sidosryhmäjohtamista strategisen CSR johtamisen ja kommunikaation avulla. Tämä tutkimus käsittelee yhteiskuntavastuuta ja sen kommunikoimista B2G-ympäristössä. Keskeisiä aihealueita ovat myös sidosryhmämarkkinointi ja julkinen ostaminen sekä julkisten menettelytapojen ja lainsäädännön kehitys EU- ja jäsenmaatasolla. Toteutettu empiirinen tutkimus yhdistää nämä osa-alueet ja pyrkii tuomaan uusia näkökumia B2G-kontekstista.

AINEISTO JA TUTKIMUSMENETELMÄ

Tutkimus toteutettiin kvalitatiivisia menetelmiä käyttäen. Tutkimukseen haastateltiin keskeisiä johtajia turvallisuusalalla toimivasta toimeksiantajayrityksestä, jolla on toimintaa sekä Suomessa että muualla EU:ssa (2), johtotason virkamiehiä julkisista organisaatioista (3), yhtä johtajaa osittain itsenäisestä julkisesta organisaatiosta sekä yhtä kilpailijan edustajaa. Lisäksi dataa kerääntyi EU-tasoisesta markkinointikonferenssista toimeksiantajayrityksen toimitiloissa Saksassa. Toissijaista dataa julkisten organisaatioiden julkaisuista ja muista relevanteista julkisia toimenpiteitä koskevista dokumenteista käytettiin primääridatan lisäksi. Data analysoitiin käyttäen metodologiaa joka on johdettu interpretatiivisesta fenomenologisesta analyysistä (IPA).
Toimeksiantajayrityksen ja avainsidosryhmien välillä on pitkään ollut sekä yksilö- että organisaatiotason yhteistyötä. Tästä syystä tässä ympäristössä avautui hedelmällinen mahdollisuus tutkia, miten pitkäaikaiset suhteet kehittyvät ja miten B2G-ympäristössä luodaan hyvin kohdennettuja markkinointikommunikaatiostrategioita jotka vastaavat asiakkaiden tarpeita.

TULOKSET JA JOHTOPÄÄTÖKSET

Julkisia organisaatioita palvelevat yritykset ovat nykyisin alkaneet tunnistaa kasvavia liiketoimintamahdollisuuksia joita alati kasvava julkisen sektorin toimintojen pienentäminen ja ulkoistaminen ovat mahdollistaneet. Samalla julkiset instituutiot ovat yrittäneet löytää tapoja, joilla yksityisten yritysten tekemiä ratkaisuja pystyttäisiin paremmin koordinoimaan ja sitomaan yhteiskunnan tarpeisiin. Huoli opportunismista ja huonosta toimintojen johtamisesta ovat lisäntyneet samalla kun yksityisen sektorin koko ja vaikutusvalta ovat kasvaneet. Tätä tutkimusta varten kehitetyssä konseptuaalisessa viitekehyksessä viitataan juuri kyseiseen muutokseen liittyvään ilmiöön, *institutionaaliseen kuiluun*. Viitekehyksen keskeinen sanoma on, että strategisen yhteiskuntavastuujohtamisen integrointi sidosryhmämarkkinointistrategioihin auttaa B2G-ympäristössä toimivia yrityksiä parantamaan kilpailuasemaansa muuttuvassa liiketoimintaympäristössään. Yritysten täytyy kuitenkin ymmärtää niiden uusien julkisten muutostoimenpiteiden vaikutus ja rooli, jotka pyrkivät paremmin integroimaan yhteiskunnalliset tavoitteet yritysten tavoitteiden kanssa.
B2G-markkinoilla pitkän aikavälin liiketoimintaorientaatio, johdonmukaisuus, läpinäkyvyys ja luottamus ovat avaintekijöitä pitkäkestoisten liiketoimintasuhteiden luomisessa. Strateginen yhteiskuntavastuun johtaminen auttaa löytämään molempia osapuolia tyydyttäviä elementtejä julkisen ja yksityisen sektorin väliseen yhteistyöhön ja liiketoiminnan harjoittamiseen. Julkiset organisaatiot ovat luonnostaan riskiä karttavia ja täten arvostavat yhteistyökumppaneita jotka ovat luotettavia ja jotka pystyvät eksplisiittisesti osoittamaan liiketoimintannan vaikutukset ja tavoitteet ympäröivään yhteiskuntaan keskimääräistä pidemmällä aikaperiodilla.
Tämän vuoksi yhteiskuntavastuun elementtien integrointi sidosryhmäkommunikaatioon ei tarkoita ”*vihreän johtamisen*” painottamista, vaan ymmärrystä yrityksen sosiaalisesta (vastuullisuus) roolista ja toiminnan vaikutuksista omassa institutionaalisessa ympäristössä.

KESKEISET KÄSITTEET: Yrityksen yhteiskuntavastuu, sidosryhmämarkkinointi, interaktiivinen yritysviestintä, yksityisen ja julkisen sektorin välinen liiketoimintaympäristö (B2G), institutionaaliset ympäristöt, julkiset tarjouspyynnöt (RFQ´s)

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1. Introduction – Sustainable Relationship Marketing to Government Institutions

Most corporations, big and small, are striving to increase their market share and gain a strong foothold in their target markets. Whatever the strategic direction a company takes, it has to, at some point become truly customer-centric if it is to stand the test of time. Marketing executives and managers around the world are struggling to find ways to stand out from the crowd by introducing and implementing viable marketing and customer relationship strategies that have the potential to gain and retain long-term loyalty from stakeholders. One often used, but seldom successfully implemented element to differentiate a company from its competitors at a strategic level is corporate social responsibility (CSR).

Although strategic CSR has been discussed in lots of academic strands (see for example Luo & Bhattacharya, 2006; Mc. Williams & Siegel, 2010 and Porter & Kramer, 2006), it is still often seen as a mere cosmetic tool to correct individual misbehaviors in the corporate realm, which has nothing to do with strategic decision making (see for example Albrareda et al. 2008 and Du et al., 2010). On the other hand, consumer and business to business marketers already have an abundance of academic and managerial lines of discussion providing assistance to sustainable decision making (see for example Fox & Kimberley, 2010), be it cosmetic or strategic. Yet, there is very little academic discussion on the role of CSR on business-to-government relationships and support for marketing experts servicing governmental institutions. This special form of business to business arena has many unique characteristics that occasionally differ to a great extent from "pure" business to business marketing (Ruane et al, 2010). Perhaps the greatest differences are related to the complexity of a relationship and the required lead times, as will be discussed later in the thesis.

I will begin by shortly discussing why business to government marketing differs from traditional business to business marketing. Next, I will briefly describe CSR and its history and how it has the potential to provide valuable benefits to companies´ marketing strategies. Then, I will introduce and explain the research questions and the structure of this thesis. At the end of the first chapter, I will explain all the essential definitions used in the thesis and describe the general outline of the report.

1.1 The special characteristics of business to government relationship marketing

Although marketing as a discipline is relatively new, one can hardly say it hasn´t evolved from the simple promotion campaigns of early 20th century to complex and dynamic branding and positioning strategies that marketing today is characterized by. On a broad level, marketing can be divided into consumer and business marketing. Both have special characteristics and differences that are deeply rooted in the needs of the customers. Business market customers can further be divided into commercial enterprises, institutions and governments (Hutt & Seph, 2007, p.4, 16). Håkansson and Snehota (1995, 20) state that buyer-seller relationships are far more common for business to business (B2B) situations than for business to consumer (B2C). The authors continue by arguing that B2B relationships are also more complex, balanced and last longer than B2C relationships.

Throughout the thesis, *marketing* and *relationship marketing* are used interchangeably in order to emphasize the long-term orientation within and overlapping of strategic marketing and relationship management. Relationship management and marketing to governmental organizations involves many of the same characteristics that are prevalent in other types B2B environments, but there are differences that haven´t been on the limelight of much academic discussion. Most government contracts are conceded on a competitive basis, which might lead to a "race to the bottom". Thus pricing is a central factor in selling to governmental organizations (Kotler & Keller, 2006, p.12).

Interestingly, Purchase et al. (2009) illustrate that strategic goals on privately held organizations are centered more on profit maximization, while governmental goals tend to favor fairness, democracy, equality, public accountability, efficiency, competitiveness, balancing interests and political advocacy. After the brake of the recent financial and economic crisis in 2008, CSR issues has become more relevant in many governments agenda in the EU while national efforts are undertaken in order to establish trust via deepened public-private collaboration (Knopf et al., 2011). This is yet another issue that highlights the importance of more research on the possibilities of strategic CSR in the B2G sector.

According to Walsh (1994), governmental organizations have a responsibility towards ensuring that collective principles and responsibilities are met. Thus it is surprising how little academic

discussion is evolving around the possibilities of strategic CSR management in relationship marketing and management disciplines in industries where companies are serving governmental organizations. Historically, getting the attention of governmental organizations has been challenging (Gumpert & Timmons, 1982), but during the past few decades they have become more approachable to new companies. Many governmental bodies have broadened their array of procurement procedures. The European Commission for example has special public procurement channels, which can be conveniently found via the internet (European commission, 2011).

A noteworthy remark, as Gummeson (2004) points out, is that different categorizations, such as those discussed above, ought to be viewed as vehicles for thought by providing perspective and a cognitive map. In other words, it is not uncommon that many researchers discuss the same issue using different terminology. I adopt the relationship marketing school´s view in this thesis, which sees relationship management as part of firms´ marketing activities. Further, the concepts previously discussed in business and consumer environments will be applied in the business to government (B2G) context in this study.

1.2 What is strategic corporate social responsibility?

Corporate social responsibility, or at least its fundamental elements have existed for a very long time, but it wasn't until the early 1950's that scholars started to pay more attention to the ethical and social behavior of corporations (Carroll, 1999). Since the 1950's, many multinational corporations have become such large entities that their actions (or inactions) might have profound effects on the surrounding society. The European Commission has defined corporate social responsibility as "*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (Commission of the European Communities, 2006).

Modern societies today have higher expectations for companies, which is why one might argue that all corporate social responsibility is not strictly voluntary, rather than necessary if a company wishes to avoid major public scrutiny. Another more strategic viewpoint towards CSR is to incorporate ethical and social dimensions into the business model to gain competitive advantage in a highly proliferated market (Mc Williams & Siegel 2010; Porter & Kramer 2006; Barney 1991).

In the early 21st century government actions towards CSR issues in many countries are increasingly becoming linked to the challenges brought about by economic change and globalization. (Albareda et al., 2008). Large global organizations such as the International Labor Organization (ILO), the UN Global compact, OECD as well as large multinational standards such as the ISO-standards and GRI (Global Reporting Initiative) have taken environmental and social issues under greater scrutiny in the past decades. The actions of such international organizations are influencing regional and national level legislation and governmental decision making, and vice versa. The very nature of most public institutions in a modern free-market economy is to provide products and services to the general public. Thus there are great opportunities for companies serving the B2G sector to build and rephrase their value propositions to match the need of the end-customer i.e. general public.

As there is surprisingly limited amount of academic discussion on strategic CSR in the B2G context, I will try to amalgamate these two academic discussions by developing a synthesized conceptual framework, which illustrates the possibilities of strategic CSR in developing and maintaining long-lasting business relationships in the contemporary public-private institutional environments. By being more deeply involved; and by being able to holistically analyze the needs and demands of public institutions, organizations have the opportunity to better connect their offerings with public organizations´ long-term evolution needs regarding individual nationwide projects. I will examine relationship marketing management and communication theories and models that scholars have found exploitable and analyze them from the B2G viewpoint.

1.3 Objectives and research questions

This Master´s thesis aims to increase the understanding how companies providing services and products to governmental organizations can utilize strategic CSR management and communication in their customer relationship and marketing strategies in their respective institutional environments. By referring to recent academic discussion on CSR and its communication, business to business relationship marketing as well as public purchasing and contemporary policy development, this thesis aspires to find answers to three sub-questions that are part of the main research problem.

What kind of possibilities exists for industrial companies to enhance collaborative relationship management through strategic CSR management and communication in the B2G context?

- How do social and ecological issues relate to institutionalizing long-term business relationships in B2G environments?
- How can CSR be incorporated to industrial companies´ long-term business and marketing strategy?
- What kinds of macro-level limitations exist in the contemporary institutional environment in the EU to increase long-term oriented public-private collaboration?

1.4 Important definitions and exlusion

In the following, I will discuss the definitions and concepts used throughout the thesis and pinpoint their relevance in the chosen research setting. One of the reasons to study the implications of strategic CSR in the business to government setting is the lack of prior research. Although there are many similarities between **business-to-business (B2B)** and **business-to-government environments (B2G)**, they differ in many regards. Hutt & Seph (2007, p.4) define B2B as transactions between industrial firms in business markets for products and services that are bought by other firms or for incorporation, conception, use or resale. The same set of activities are done in the B2G environments as well, but the produced goods are seldom meant for resale and often require social- on top of economic justifications for purchasing, since such goods are paid by taxpayer money (see for example Graham, 1994 and Meznar & Johnson, 2005).

There are many definitions for **corporate social responsibility (CSR),** but one of the most concrete one was defined by the Commission of the European Communities (2006) who state that "*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*". Synonyms that other scholars have used include **business ethics, corporate citizenship, sustainability, corporate environmental management, business and governance, business and globalization and stakeholder management** to name but a few (Matten & Moon, 2004).

Strategic corporate social responsibility goes beyond ethical and environmental justifications. It discusses the possibilities for firms to simultaneously pursue business goals while aiming to align such goals with the overall welfare of a local or national institutional environment. In other words, strategic CSR inclines the possibilities of investing in the surrounding society in a way that strengthens company competitiveness. Both the community and the company benefit from this kind of activity, which might lead to true competitive advantage, if managed well throughout the organization. (Porter & Kramer, 2006)

Every company operates in a unique **institutional environment** where the system of formal regulations, laws and procedures as well as informal conventions, customs and norms broaden, revise and uphold the company´s socio-economic activity and behavior (see for example Brousseau & Raynaud, 2006 and Dickson, 2004). In this environment, individual companies need to develop their marketing and relationship management strategies to match the evolutionary needs of their customers and focal partners. For the purpose of this study, I will adopt the relationship marketing school perspective, which takes a broad view on marketing activities, where it seen as a continuous process focusing in interactive two-way communication, dialogue and value creation. The relationship marketing concept dictates that activities are established and maintained to foster relational exchanges that aim to extend mutual value-adding factors in individual relationships with a long-frame orientation (see for example Grönroos, 2004 and Morgan & Hunt, 1995)

In the B2G environments, long-term orientation and consistency is very important, as will be discussed in detail later in the thesis. For this reason, the relationship marketing perspective fits the study area of understanding the possibilities of strategic CSR in collaborative relationship management and marketing in the B2G environments. More specifically, the empirical study focuses on the B2G **security industry** in the EU, where companies provide, produce, procure or use products and solutions that aim to increase and ameliorate the level of security within a nation-state or in a smaller entity, such as an individual organization. Studying strategic CSR in this institutional context provides new perspectives on existing literature, while it simultaneously creates extensive limitations for the generalization of the study findings outside the B2G arena.

As the general approach of this thesis is to increase the understanding how companies providing solutions to public organizations can utilize strategic CSR management and communication in

their customer relationship and marketing strategies, the corporations´ social obligation towards society in general will be ignored. The managerial logic and cognition behind these strategic choices and competitive actions are then discussed in a case example of industrial business to government environment in Finland and more broadly in the EU. In addition, this study will focus mainly on primary stakeholders (Clarkson, 1995) within a given institutional environment, while generally ignoring the discussion on the role of secondary and tertiary stakeholders in the firm´s business operations.

This thesis focuses on complex and potentially very expensive relationship management procedures and strategies that require lots of resources and time. As such, the managerial findings of this thesis are not intended for SME's rather than larger MNE's. The reasoning being that larger companies usually have a very different pool of resources and can allocate a considerable amount of finances in tasks that do not have an immediate effect on the business bottom line. Therefore, the study findings are not suitable for small companies because they typically do not have adequate financial capability to pursue strategic differentiation and relationship management through social and environmental focus due to lack of proper resources and the nature of their customer base. In smaller organizations, the strategic and operational focus culminates to the driving force of entrepreneurial skills and local market expertise that often determine whether small businesses succeed or fail (Gadenne, 1998). There is a growing array of studies discussing the possibilities and implications of social and ecological issues in SME's, but it is out of the scope of this study.

In addition, this thesis focuses on the implications and possibilities of strategic CSR in the business to government context, which dictates that the findings of the study are not as such applicable the B2B or B2C markets. In addition, the results of the study and the conceptual framework presented at the end of the thesis should be seen as a starting point for business practitioners and academics to understand contemporary changes and developments in the B2G institutional enviroments. The framework aims to highlight new opportunities for long-term oriented relationship management and marketing communication from the context of strategic CSR. Developing actual action plans and best-practices are not generally appropriate in an explorative study, where the attention is more on seeing the potential of combining previous academic and managerial research in a new way in new contexts.

1.5 Outline of the report

This thesis consists of six chapters. The second chapter discusses in a rather holistic manner the individual building blocks and contemporary developments in the field of strategic CSR. The main aim of this chapter is to illustrate the economic possibilities that effectively managing and incorporating social and environmental, issues as part of the overall business strategy can bring.

In the third chapter the nature of business to government markets are discussed and contrasted to business to business and business to consumer markets. Historical and recent developments related to public-private collaboration are discussed while *an institutional gap* is identified and explained to exemplify the possibilities and implications of CSR issues in establishing and fostering long-term oriented business relationships in the B2G environments. Issues related to governmental purchasing and public request for quotation´s (RFQs) are also discussed in order to give a holistic understanding on what kind of situations two-way communication and CSR enforcement might reap the greatest benefits.

In the fourth chapter methodology and the chosen research strategy are discussed in a detailed manner. This is followed by a thorough analysis of the most significant issues in the fifth chapter. The empirical discussion in this chapter is divided in to five parts while numerous quotations from the interviews are presented to create a coherent structure to the study. The most significant findings are presented in Table 4 at the end of the chapter. In the final chapter a conceptual framework is presented to provide one illustration of the possibilities of strategic CSR in developing long-lasting business relationships and enhancing mutually beneficial public-private collaboration. Finally, the framework analysis is followed by a concluding discussion that ends with implications for further research and final conclusions.

2. Corporate Social Responsibility and its Role in the Corporate Totality

The purpose of this chapter is to illustrate the multi-faceted nature of corporate social responsibility (CSR) and the possibilities it offers for profit-making organizations to develop strategies that benefit both business and society. Furthermore, the chapter illustrates how companies can approach CSR communication and identify the long-term needs and demands of focal public organizations. Understanding the peripheral benefits derived from understanding the issues that relate to social and ecological issues also contribute to understanding the broader institutional environment in a more holistic manner. This understanding aids in creating long-term oriented value to individual customer relationships. This chapter will try to identify the most important aspects of strategic CSR that are relevant for companies working in the B2G sectors.

2.1 The roots of Corporate Social Responsibility – trend or a necessity

Most for-profit organizations that operate in highly competitive global business environments can't undermine the importance of social and ethical behavior, if only to dodge off from negative public scrutiny and bad PR. The business community has been evidently aware of their responsibility towards society since the Industrial Revolution in the early 19th century (Carroll, 2008). Some scholars go as far as suggesting that the history of social responsibility is as old as trade itself (Asongu, 2007). During the past few decades there has been a renewed interest in CSR amongst practitioners and academics due to the increased political power and influence of for-profit companies (Bendell & Kearins, 2005).

2.1.1 A long journey from cosmetic to strategic

Modern CSR is more or less woven around the multi-dimensional model of CSR that was introduced in 1979 by Carroll, who divides corporations' obligations towards society into four levels, most commonly referred to as the Carroll's Pyramid (Carroll, 1979). The pyramid consists of the economic, legal, ethical and philanthropic levels. The idea pawed way for thinking of a corporations social responsibilities at a strategic level, which made the concept engrossing for managers and marketing practitioners alike. As such, referring to Carroll´s

pyramid in contemporary CSR research can be viewed almost as a sine qua non as it provides a starting point for scholars and practitioners to understand the different levels of CSR. Still, as discussed later in the thesis, the pyramid doesn´t assess CSR from a strategic viewpoint and thus is not a representation of contemporary CSR research.

Figure 1 – ***The Pyramid of Corporate Social Responsibility (Carroll, 1991)***

The 1980's saw the rise of wide-spread academic discussion on CSR. R.E Freeman, for example, introduced a now well-known stakeholder theory in his book in 1984 (Freeman, 1984), which will be discussed in more detail later in this chapter. Scholars also engaged in multi-dimensional discussion about *business ethics* in general, which finally triggered more strategic discussion on CSR and financial performance. In the past few decades, the discussion has also spread outside the academia. Due to globalization and the rise of the internet, stakeholders have started to pay attention to the transparency and accountability of profit making organizations.

There is also a growing array of social and environmental legislation and standards that, depending on the industry, affect daily business operations in varying degrees (Guzavičius & Karazijienė, 2011 and Hix, 2001). Public scrutiny has been especially lively towards multinational corporations (MNC's) because of their increased power on the surrounding society.

It is noteworthy to say that successful companies need a healthy society and healthy societies consist of successful companies (Porter & Kramer, 2006). Since companies do not operate in an isolated vacuum, it is beneficial to link CSR to marketing and other strategic corporate functions so that the company and its stakeholders can speak the same language. A growing array of CSR enforcement incentives and public-private collaboration initiatives provide lucrative possibilities for symmetric two-way communication and relationship development.

Although Friedman stated in the early 1970's that "*the business of business is business*", there has been lots of discussion whether merely increasing shareholders' profits will safeguard long-term survival of a company (Gugler & Shi, 2009). As noted earlier, companies are themselves a vital part of society and therefore need to bear the consequences of their actions in a broader, societal level. That said, there has been a tendency for marketing managers to adopt a defensive frame towards CSR where paying attention to societal and sustainability issues are necessary only to avoid negative publicity (Sen & Bhattacharya, 2001). The result of this line of thinking is that possible CSR commitments and actions are disconnected from core marketing and overall business processes. This on the other hand leads to communicating ones´ commitment to CSR at a very a generic level, which is isolated from the core corporate strategies and serves a rather shallow cause that speaks to very few stakeholders.

If CSR was merely viewed as a burden to the core competencies of a company, then CSR might have been doomed to be a cosmetic tool to please the marginally small ethically conscious customer segments. Scholars have lately paid more attention to CSR as a tool for increasing profits and gaining a competitive advantage (see for example Bhattacharya & Sen, 2003). Although objective proof is far from conclusive, linking CSR to firm´s marketing and relationship management strategies might reap benefits for the company in the long term. This is at the heart of the topic area that this thesis aims to clarify.

2.1.2 Stakeholders expectations towards corporations

Most companies have a multitude of stakeholders whose expectations and demands vary from one another. Traditionally the focus has been on one stakeholder group, the shareholders. As discussed above, corporations are a key part in society and thus need to contribute to its wellbeing by taking other primary and secondary stakeholders into consideration (Porter &

Kramer, 2006). As managers make decisions and resolve conflicts of interest between all relevant stakeholder groups, they must deal directly with ethics and moral principles and understand that shareholders should not be the only ones with a say in strategic corporate actions (Clarkson, 1995). The better a company has identified and knows its relevant stakeholders, the better it can fulfill their needs and gain a strong ground in its respective business environment. Stakeholder management is a broad issue and in the following pages it will be discussed merely from a marketing management and communications perspective by focusing on end customers and governmental organizations.

In traditional stakeholder discussion, customers are frequently viewed as a unified group although the reality is often quite the opposite. The establishment of two-way communication with consumers and the company may result in a more mutually beneficial outcome for both parties (Rolland & Bazzoni, 2009). By communicating with different segments about CSR related issues, customer expectations can be better identified and CSR practices aligned with individual customer segments' expectations (see for example Jones et al., 2009 and Poolthong & Mandhachitara, 2009). It is perhaps beneficial to note here that consumers today are multidimensional in a sense that they are the potential members of multiple various stakeholder groups that are relevant to a company (Daub & Ergenzinger, 2005). Thus marketers who are planning to communicate about CSR issues must understand that their customers and stakeholders also belong to other stakeholder groups, which creates challenges to CSR communication.

When forming opinions on companies, the most important factors have traditionally been product quality and value for money. In the 21st century, the most commonly mentioned factors are related to CSR, according to a world-wide sample of consumers (Dawkins & Lewis, 2003). Although an opposing remark is that on average only about 15% of the population in the EU are intentionally open to CSR communication and practices, which suggests that people only pay attention to CSR issues when prompted (Dawkins, 2004). In conclusion, it might be safe to state that consumers have become more socially aware and expect more from companies in terms of social and environmental performance. As will be discussed more thoroughly later, a major challenge is to get the CSR message through to both private and industrial customers (Dawkins,

2004). Thus there is a possibility that company performance and stakeholder expectations are in line, but the latter are not aware of that fact.

2.1.3 Why partake in CSR activities?

Depending on the chosen viewpoint, there is a multitude of ways to provide a sound reasoning for corporations´ interests or obligations towards society. Based on Carroll's (1979) seminal research on corporations' role in society, Wartick & Cochran (1985) categorized four distinctive processes of corporations' social responsiveness. According to the authors, a company's strategic and tactical processes towards society are either reactive, defensive, accommodative or proactive. This typology illustrates that there are more than one side in a coin and the chosen process depends on the corporations overall strategic goals. In order to benefit from CSR, companies need to understand that business and society are deeply interdependent (Porter & Kramer, 2006). Additionally, companies can reduce the risk of being accused of not operating according to their responsibilities by engaging in CSR (Morsing & Schultz, 2006). In other words, companies can enhance their legitimacy within a broader social fabric by acknowledging their responsibilities. These societal and environmental responsibilities also bring about benefits that can be used to gain a competitive advantage.

Companies have many different options to practice CSR while the appropriate action depends on the stakeholder group to whom these practices are intended for. When companies communicate their CSR efforts to consumers, they usually want to differentiate their products in the eyes of their target segments. Examples of common CSR practices for customers include industry-leading quality programs, truthful promotion, minimal packaging, fast responses to customer concerns and safe and environmentally responsible products to name but a few (Lamberti & Lettieri, 2009).

A good example of communicating about companies´ environmental responsibilities can be found in the automotive industry, where many manufacturers try to differentiate their product by communicating the minimal effects that their car models have on the environment. A plethora of firms have also paid attention to reducing the use of packaging materials on their products, which is appealing to many customer segments as well as other stakeholders. Due to the rapid growth

of telecommunications technology, very few actions can be hidden from the public, which ought to encourage companies to communicate truthfully and embrace transparency.

CSR is a powerful tool in daily business operations as it can be used to reduce costs and risks (Noked, 2011). There is evidence that being environmentally proactive; businesses can lower their operating costs (Berman et al, 1999). Paying attention to employee welfare and diversity as well as product quality related attributes, companies can better differentiate themselves from competitors while improving financial performance (ibid.) Marketers especially have the possibility to use a variety of CSR communication methods to pursue brand awareness and product differentiation goals in various marketing campaigns. As stated before, these communication tools need to be linked to overall corporate strategy in order to pursue a long-term sustainable competitive advantage.

There is also evidence that CSR can result in increased investor preference and identifying new business opportunities through proactive stakeholder analysis (see for example Hockerts & Moir, 2004 and Kotler & Lee, 2005, pp.10). In addition, Luo & Bhattacharya (2006) in their research have found a positive link between company innovativeness and CSR. This will be elaborated in greater detail later in this chapter.

Finally, governments and other public organizations have become to prefer companies that are committed to CSR, partly due to shifting political tendencies and legislation related to the recent financial crises and ambiguous results from the Lisbon Strategy, as will be discussed later. For companies engaging actively in CSR issues, this trend can lead to favorable public procurement procedures as well as reduced taxation and joint-regulation.

2.2 The importance of managing value-adding CSR communication

In this section, I will illustrate the importance of communication in effectively managing CSR in companies´ marketing and corporate strategies. Communication is important since getting the message through is amongst the most important ways to get the required results from CSR. On the other hand, CSR communication is challenging as it can easily backslash if stakeholders become suspicious and see only extrinsic motives in the social initiatives of a company (Du et al., 2010). An additional unique characteristic that makes CSR communication challenging is

that it has a very wide audience ranging from legislators and investors to consumers and NGO´s (Dawkins, 2004).

In general, there are two ways for stakeholders to perceive a company´s CSR motives; extrinsic and intrinsic. Extrinsic is where a company strives to increase its profits and intrinsic relates to acting in an ethical manner out of a genuine concern and interest (Graafland & Ven, 2006). Incorporating intrinsic motives into companies CSR activities is a long-term solution to minimizing stakeholder skepticism (Du et al., 2010). Extrinsic interest as such is not necessarily negative, but stakeholders tend to react negatively to marketing strategies that seem sanctimonious and manipulative (Forehand & Grier, 2003). Therefore there are but a few examples of extrinsic CSR communication motivations that in fact enhance a company's credibility when it is viewed as honest behavior (ibid.). In sum, via well-planned CSR communication, companies can potentially enhance their corporate reputation and legitimacy as well as avoid negative publicity.

Du et al. (2010) have developed a framework for marketing and PR managers to systematically manage CSR communication. The framework helps in designing an effective CSR communication strategy that is linked to overall corporate strategy as well as help reduce skepticism and convey positive CSR motives. As stated above, CSR communication is a complex and multifaceted matter, which explains the nature of the framework. Proper message content is as important as its communication. The importance and relevance of a CSR issue needs to be explained to embrace transparency. Emphasizing CSR commitment and impact both aid in designing an effective communication strategy. In addition, firm´s motives and organizational fit ought to be communicated to enhance reliability. By organizational fit the authors mean the congruence between a social issue and the company´s business. (Du et al. 2010)

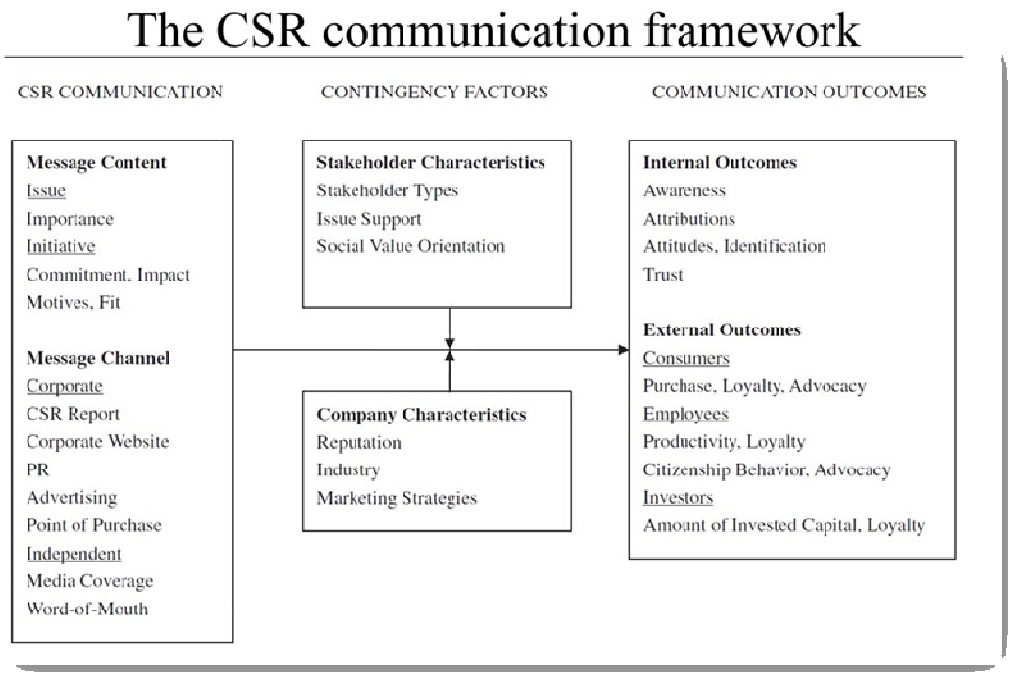

Figure 2 – ***CSR communication framework (Du et al, 2010)***

As a general rule in marketing, choosing the correct message channels is paramount. In rough, there are two channel categories: corporate and independent. Depending on the business environment and social issue, a balanced mix of the two should be pursued. Stakeholder and company characteristics are the main contingency factors, which affect the effectiveness of CSR communication. Prior corporate reputation, the industry the company is operating in and CSR positioning are internal contingency factors while the types of stakeholders, their support, motivation and orientation are external contingency factors that affect the outcomes of CSR communication. (Du et al., 2010)

In addition to external outcomes, such as investor and consumer loyalty and employee productivity, companies can internally benefit from heightened awareness, attitudes and trustworthiness due to effective CSR communication (Du et al., 2010). In relation, Morsing & Schultz (2006) state that companies can choose between stakeholder information-, response- or involvement strategy. The underlying cognition is that one way communication seldom leads to favorable outcomes. Asymmetric two-way communication is also hazardous as it highly extrinsic in nature. An intrinsic CSR communication strategy that involves all relevant stakeholders

highlights the importance of symmetric two-way communication that can lead to increased awareness and trust.

Today, CSR is not only a concern for companies operating in industrial economies. Due to its multi-faceted nature, it is a global issue, thus being an important concept for companies working in developing and underdeveloped countries as well. The importance of social behavior and corporate legitimacy has gained increased interest in developing economies in the past decades (Muthuri & Gilbert, 2006). Since the academic and managerial discussion on CSR today is global in nature, I will next discuss the challenges that culture poses on CSR, as interpretations of good social and ethical behavior are viewed differently in various cultural contexts.

2.3 Culture and Corporate Social Responsibility

The impact of national cultures and institutions play a major role in influencing what constitutes as good social and environmental behavior. Since CSR practices are susceptible to culture, communicating CSR efforts in a consistent manner creates additional hardships for marketing managers balancing between an international and local focus. There is a great possibility that managers themselves understand various CSR related concepts and terms differently due to the expectations arising from their local culture and societal manners. General leadership and demographic factors also affect manager´s perception of good CSR behavior within a prevailing cultural system (Waldman et al., 2006).

Although there is a plethora of distinctive cultures, which have their own unique social constructs, it is beneficial to group similar cultures into subgroups and asses relevant variables within these homogenous clusters. This line of logic is well suited for large MNC´s with activities in many geographical regions. In the following, I will discuss CSR in relation to the cultural dimensions initially determined by Hofstede in 1979. It is noteworthy to state here that even within the EU cultural differences create hardships for CSR communication.

2.3.1 CSR in individualistic & collectivistic cultures

There have been lots of studies focusing on the five cultural dimensions first introduced by Hofstede in 1979. Willaims & Zinkin (2008) linked these five cultural dimensions identified as power distance, masculinity and femininity, individualism and collectivism, uncertainty avoidance and long-term orientation to attitudes towards CSR in a large study including nearly 90,000 stakeholders from 28 countries. According to the study, respondents from low power distance country have a much higher probability to punish irresponsible corporate behavior than high power distance countries. Similarly, individualistic countries were more prone to punish bad behaviour than collectivistic countries (ibid.). This indicates that marketing managers from collectivistic cultures, such as China and South Korea will have to adapt their CSR strategies when attending Western markets due to lack of tolerance for bad CSR actions.

Although the concept of culture can be viewed from many perspectives, it is often the case that the prevalent national culture reflects the characteristics and perceptions of responsible CSR. Thus, it might be beneficial for companies to assess their CSR management and communication strategies through Hofstede´s model to avoid the loss of brand loyalty and host country stakeholder support. That said, the other dimensions in the model also need to be assessed, as there is evidently a great difference between U.S. and European CSR strategies although both cultural areas are generally more individualistic than for example most Asian cultures. For instance, European companies have traditionally introduced CSR as a response to pressure from stakeholders whereas U.S. firms have been more proactive in their CSR communication (Maignan & Ralston, 2002).

National history bears a strong mark on the contemporary cultures. This also reflects the differing emphasis given to CSR issues between countries. U.S. companies for example report discrimination practices that stem from slavery that did not exist in Europe. Thus, discrimination is seldom the focal point in European CSR reporting (Danko et al., 2008). Historically, the State has traditionally been the institution in charge of social issues in Europe while in Anglo countries businesses have played a major role in the welfare and development of communities (Grahl & Teague, 1997). As this has not been the case in Europe, opinions towards the true motivations of corporations and their involvement in social issues have been marked by skepticism (Maignan &

Ralston, 2002). Due to these issues, marketing managers in Europe may have a hesitative stance to communicating their CSR efforts in fear of bad public scrutiny (ibid.).

To further illustrate the role of culture on CSR management and communication, North-American firms are more likely to implement short-term CSR programs to gain a competitive advantage and financial benefits while European firms are more likely to utilize strategies, which satisfy multiple stakeholders and ultimately might lead to increased shareholder value and ethical behavior in the long term (Hartman et al., 2007). In similar vein, U.S companies justify CSR using bottom-line arguments in CSR communication while European firms rely on theories of citizenship, language, moral commitment and accountability (ibid.). Interestingly, the business systems in Japan, Taiwan and Korea are close to their European counterparts, which ought to be noted by organizations expanding to the more developed Asian markets (Matten & Moon, 2008).

In many collectivistic cultures, such as China, consumers give more emphasis to the actual consequences and outcomes of CSR efforts, rather than to the underlying motivations and reasoning behind firms´ moral stand (Tian et al., 2011). In conclusion, the above academic research illustrates the importance and hardships that national cultures pose on effective CSR management and communication and how it affects social marketing even within the EU.

2.3.2 Balancing between a local and a global focus on CSR management

As noted above, MNC´s can benefit from creating a competitive sustainable marketing strategy by balancing between a local and a global focus. Consequently, the now famous saying "*think globally, act locally*" by David Brower, the founder of Friends of the Earth, (The Telegraph, 2000) applies to developing a viable CSR strategy. For companies operating the B2G sector, understanding the needs of the end customer or in other words, the general public, sensitivity to local moral conditions is paramount. In support for this argument, Ringov & Zollo (2007) state that the most appropriate way for firms to advance in their CSR activities is to develop both a global position as well as a delicate sensitivity towards local idiosyncrasies.

The discussion between centrally coordinated and decentralized CSR strategies has been characterized by a dichotomy of perspectives. While centralization may be more effective, it can lead to reduced legitimacy and lack of ownership at a local level (Mullera, 2006). If these ownership challenges can be managed, MNE´s have the potential to function as harbingers of

international CSR development (Tsai & Child, 1997). On the other hand, decentralized CSR strategies may also be ad hoc and fragmented, although locally more responsive (Mullera, 2006). If MNC´s value endogenous development of CSR strategies through local stakeholder and institutional dialogue, the firm could potentially create a truly responsive and viable CSR strategy (Meyer, 2004). Mullera (2006) adds that multiple local strategies between different country organizations or subsidiaries are subject to internal tensions that can be criticized to have lack of consistency at an international level.

Consistent external communication is important in securing the loyalty of relevant stakeholders as it conveys a trustworthy and professional image of the company. As most organizations tend to start paying attention to their CSR management and marketing due to external pressures from the institutional environment, adding a "CSR layer" on existing communication strategies and projects can lead to incompatibility issues. Since lack of integration between departments within an organization can be a major obstacle to management of CSR issues (Hoffman, 2001), it is perhaps beneficial for MNC´s to initially approach with the above mentioned centrally coordinated strategy. This way top management support and overall strategic coordination can be achieved, as individual country managers do not interpret the need for CSR communication through their personal preferences.

If central guidelines to integrate CSR into corporate strategy have been created, culture-specific modifications can be built upon such foundation. In practical terms, this requires that CSR strategies are to be devised and implemented at two levels. This can only be achieved in an ambidextrous organization where controlled and loose tying can exist simultaneously (Watson & Weaver, 2003; Mullera, 2006). In conclusion, a balance between local and global CSR management and communication needs to exist, as central coordination provides unity while local adaptation gives a trustworthy and credible image within a given institutional environment.

2.4 Return on relationships – the importance of stakeholders' loyalty

As already discussed in some detail, understanding and responding to the needs and expectations of various audiences is paramount in effective CSR communication. To be able to quantify the benefits of CSR and how it fits to the overall marketing- and corporate-level strategy, evaluating the return on stakeholder management is important. In other words, understanding how

marketing managers can manage the demands of their stakeholders and evaluate these individual relationships is important in integrating CSR to corporate strategies (Morsing & Schultz, 2006). Stakeholder management in essence means that to be successful in daily business activities now and in the future, multiple stakeholders need to be accounted for (Fuller, 2010).

Closely linked to stakeholder management is a concept called return-on-relationships (ROR). Gummeson (2004) defines ROR as follows: "*it is the long-term net financial outcome caused by the establishment and maintenance of an organization´s network of relationships*". Stakeholder management can be costly, if it is not linked to any value generating drivers and goals. Thus the emphasis and focus today is more on the interactions that companies can establish with their stakeholders rather than passive stakeholder management (Morsing & Schultz, 2006). The fundamental point in assessing ROR is to understand stakeholder relationships as exchange. A company will try to offer something valuable to an individual stakeholder and in return it will ideally receive support and approval from that stakeholder (O´Riordan & Fairbrass, 2008).

To understand how CSR can be linked to generating customer loyalty, a company has to identify its value proposition and pinpoint the strategies and tactics used to communicate CSR initiatives in a meaningful way. It is increasingly difficult to build competitive distinction on "traditional" product innovation, due to industrial mimicking practices aided by technology. Therefore, adding a social dimension to one´s value proposition offers a new opportunity to build consumer loyalty and trust (Porter & Kramer, 2006). Innovations that link stakeholder knowhow and collaboration efforts to technological innovations are harder to copy since they are deeply rooted in to the local institutional environment and stakeholder networks.

As there is practical evidence that consumer trust and loyalty can reduce the perceived risk that stakeholders experience in a company´s offerings (Stanland et al., 2011), indicative numerical returns on CSR investments can be calculated. The line of logic here is that as CSR communication is strongly linked to reputation management, more transparent and trustworthy stakeholder relationships can be developed by pursuing social initiatives that are linked to the bottom line. Thus increased customer loyalty due to effective CSR communication can through mediating factors such as brand preference and increase in sales affect the cumulative return on individual relationships.

2.5 Strategic CSR – building a competitive advantage through legitimacy

The business case for CSR

CSR business benefits	Author(s)
Risk management; cost reduction; differentation; positive influence on shareholder value; improved reputation & brand value; maintaining the licence to operate	Schaltegger & Buritt (2005)
Efficiency gains; differentation; tax advantages; financing advantages; risk reduction	Schaltegger & Fiagge (2000)
Risk management; efficiency gains; improved relations to regulators; improved brand value; improved employee productivity; reduced capital costs	Heal (2005)
Market & product development; increased recruitment potential; risk management; image improvement	Nielinger (2003)
Increased competitiveness through process and product benefits e.g., more efficient resource use, waste reduction	Porter & van der Linde (1998)
Market development; cost reduction; market share protection; long-term survival	Kong et al. (2002)
Efficiency gains & cost reduction; improved competitiveness; resource preservation; image improvement; product development	Rondinelli & London (2002)
Reputation improvement with positive influence on customer acquisition & retention, employee attraction/ movitvation/ retention; access to capital; licence to operate; risk management; positive influence on stock price; return & revenues; cost decrease	Hansen (2004)
Employee motivation; improved reputation; meeting shareholder expect-ations; customer development	Bertelsmann Stifung (2005)
Avoidance of negative press; consumer boycotts & negative market influences; employee motviation; improved image & reputation; positive relations to regulators & stakeholders; efficiency gains & cost reductions; better capital acccess; increased market share	Epstein & Roy (2001)
Increased company attractiveness for potential employees	Turban & Greening (1997)

Table 1 – Business benefits of CSR, adapted from Weber (2008)

Strategic CSR evinces fulfilling ethical and philanthropic responsibility while benefiting the company in terms of positive publicity and goodwill as the core driver (Vaaland et al., 2008). Strategic CSR is highly relevant in the marketing context since its focus is on company benefits in relation to stakeholders such as customers (Vaaland et al., 2008). Customers identify with companies whose identity and self-concept are similar to their own (Bhattacharya & Sen, 2003). Due to highly diverse supply, customers have a wide array of brands to choose from, although with a lesser degree in the B2B and B2G markets. This creates opportunities for companies to differentiate themselves by reaching the ever-increasing ethically aware segments. In Table 1, selected studies discussing the business benefits of strategic CSR management are introduced (Weber, 2008).

The table illustrates that CSR issues are related to many corporate activities, such as risk management and employee motivation. It is essential to design CSR strategies to match the core capabilities of the company; otherwise such actions will appear fragmented and illogical in the buyer's eyes. Still, no matter the chosen approach, one might argue that CSR has become an element within corporate strategy due to increasing customer affluence, changing social expectations, globalization, the free flow of information and ecological sustainability (Werther et al., 2005).

In addition, there is evidence that EU-level regulation legislation and policies on social and environmental issues are becoming more comprehensive (see for example Kelemen, 2010 and Teague, 2001), which also affects the possibilities and hardships involved in creating mutually beneficial two-way communication between public and private institutions, as will be discussed in the next chapter.

To further illustrate the strategic nature of CSR, I will briefly describe a CSR framework developed by Luo & Bhattacharya (2006), which demonstrates that the relationship between CSR and corporate market value is better understood by the mediating link of customer / stakeholder satisfaction (H1 in the model). The framework is rooted in substantial research which confirms the positive relationship between market value and customer satisfaction (see for example Fornell et al, 2006). The framework also suggests that CSR can help in creating customer satisfaction and that CSR will increase corporations´ long term financial performance due to customer satisfaction (H2) and relationship development. In addition, the model highlights that corporate abilities (innovativeness & product quality for example) moderate the relationship between market value and CSR (H3). Customer satisfaction in turn mediates these moderated relationships (H4). As noted by the authors, this was the first study to explore the relationship between CSR and market value, which is paramount in establishing value adding collaborative public-private social and environmental business activity (Luo & Bhattacharya, 2006).

The CSR → customer satisfaction → market value causal chain introduced above probably has its limitations due to differences in individual companies and their existing relationships towards their customer's and also due to industry related differences. This causal chain does on the other hand provide proof that fostering socially or environmentally viable corporate practices can

increase economic value. It also brings direct concurring evidence to the second sub-research question, which examines how loyalty relates to companies´ long-term business strategies.

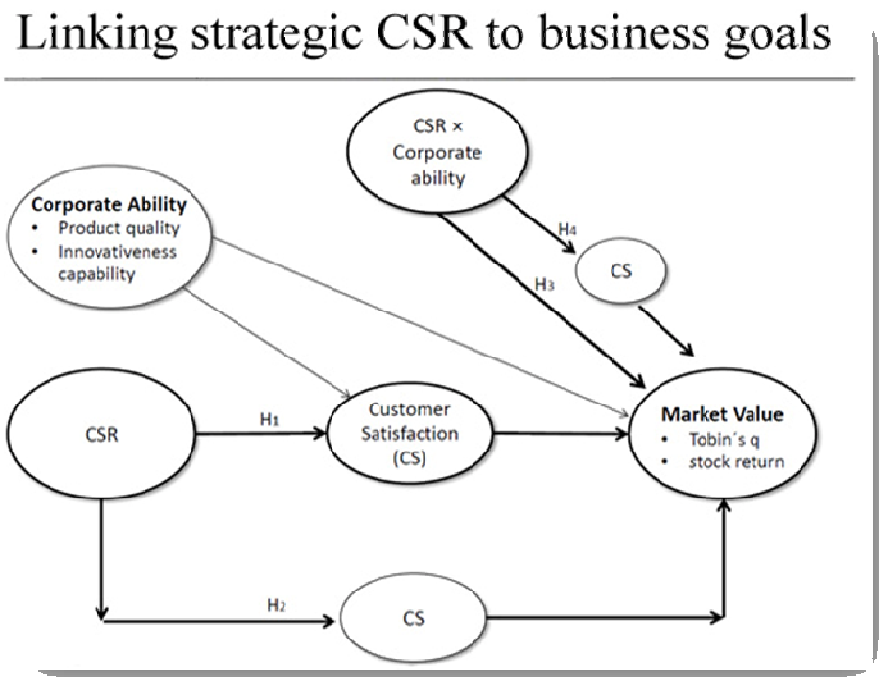

Figure 3 – ***Linking strategic CSR to business goals, adapted from Luo & Bhattacharya (2006)***

Additionally, when thinking of governmental organizations as a marketing target, it is not straightforwardly evident how customer satisfaction ought to be understood, as depending on the viewpoint, the customer can be the governmental organization or citizens. There is a lack of studies focusing on the complex dual nature of governmental organizations as business entities and social institutions and how this affects building trust and long-lasting relationships in an environment where social welfare rather than profit maximization is pursued.

Next, the strategic implications of corporate social responsibility from the buyer's perspective and the supply chain in aggregate are discussed to understand the purchaser´s motivations for CSR collaboration.

2.5.1 The buyer and supply chain perspective on CSR

Strategic corporate social responsibility isn´t just about linking CSR to the strategic business goals from the marketing organization´s point of view, it has to create benefits for the other side of the relationship dyad as well. In addition, as companies´ actions reflect to the wider stakeholder network, especially the supply chain, the implications of specific CSR-related actions have to be assessed also in a wider strategic context. Yet, there is a limited amount of academic research of CSR from the purchaser organizations point of view.

Carter & Jennings (2004) coined the term purchasing social responsibility (PSR) in their seminal study about the activities included in purchasing in socially and environmentally responsible manner. They found out that similar factors that affect CSR fall under PSR, but understanding the interrelatedness of these two concepts is paramount. This interrelatedness is strongly mediated by top management orientation and support (ibid.). Salam (2008) replicated the PSR framework in a different industrial context and highlighted the role that government regulation and external stakeholder pressure have on the purchaser´s decision making processes in the CSR context.

A study by Carter (2005) reported a link between PSR and improved financial performance. The author illustrated that a firm´s organizational learning capabilities, related to constant monitoring and analysis of supply chain activities, work as a mediating link. Improved financial performance in the PSR context in essence means various cost reductions (such as materials use) within the supply chain. Ultimately, according to Carter (2005), this strategic monitoring and analysis enhances organizational learning capabilities that themselves improve the competitiveness of the organization and enhance its capability to foster collaborative relationships. This kind of logic is also more prevalently visible in contemporary governmental CSR enforcement agendas that strongly affect public procurement practices, as will be illustrated in the next chapter.

CSR legislation and enforcing practices in the member states have become more widespread after the initiation of the EU. Governmental organizations have traditionally been the main actors in setting and nurturing CSR related directives, laws and enforcement practices that have implications in their motivation towards PSR. Additionally, as the internet has made it easier to

gather information on the bidding procedures of various governmental organizations, companies serving the B2G sector have increasingly lucrative opportunities to identify channels and stages where CSR related marketing communication is appropriate. To illustrate, the UK government set up a Sustainable Procurement Task Force in 2007 that provides recommendations to improve public buying (DEFRA 2006). Similar actions are being implemented in other EU member countries as well.

Proactively probing the local environment and engaging in the activities of such organizations as a stakeholder, marketers and sales managers can contribute to building valuable relationships in the B2G context via effective two-way communication. In the next chapter, public sector procurement will be touched again after linking the discussion to contemporary developments in the governmental actions in the field of strategic CSR collaboration. Next, I will discuss how CSR performance metrics can aid in linking CSR activities to the business bottom line. Gaining top management support towards socially and environmentally oriented public-private collaboration will be easier by creating a proper business case that incorporates tangible justifications.

2.5.2 CSR performance metrics – a tool or hindrance for strategic CSR & collaborative innovation?

Measuring CSR performance is getting increasing attention in many business´ CSR reporting agenda (Barnes, 2011). Historically, CSR measuring has been reactive in nature with the aim to follow and comply with certain social and environmental reporting standards, such as the Global Reporting Initiative (GRI). Although the GRI has 40 social performance indicators that help firm´s to assess their CSR performance, they are rather generic and might not serve the overall business and social goals and their integration in a corporate level. There are also various industry level CSR guidelines and measurement tools, such as the International Council of Metals and Mining (Barnes, 2011) that might help in developing a firm´s CSR-related marketing efforts to better reflect the needs and nature of key customer organizations. Yet, one might argue that even industry level key performance indicators (KPI) might not reflect the company-level nuances and characteristics present in customized marketing communications, especially in the B2B and B2G context.

Still as Weber (2008) points out, there is lack of systematic and company-level methods to evaluate the performance and value of individual CSR activities. This lack of proper KPI´s and measurement at the company-level has been an inhibiting factor for systematic CSR development in many contemporary business environments (Weber, 2008). Measuring how much energy is saved if employees switch off the lights from unused meeting rooms and other similar measures that provide little extrinsic business benefits and which are hard to see from a strategic business and marketing management perspective, provide little incentive to enhance CSR performance. Although the cumulative effect of such actions and their quantitative measurement do have a minor effect on operating costs, measures that actually contribute to building a solid business case for top management help in executing a CSR KPI tool bank that potentially is in unison with the company´s overall business and marketing strategy.

One way to create CSR measures and KPI´s that contribute and appeal to managerial decision making is to understand how CSR links to firms´ innovativeness, as discussed above in the framework by Luo & Bhattacharya (2006). By not finding a way to create internal benchmarks for continual improvements, innovativeness, proactive stakeholder expectation management and communication become more arduous (Meyer, 2010). Accelerating organizational value can be done by setting value adding priorities, benchmarking for continuous improvement, encouraging bottom up innovation processes and strengthening goal setting processes via a "CSR lens" (Meyer, 2010). To aid in this process there are a growing array of companies providing detailed CSR measurement systems, such as the Sustainability Dashboard (Sustainability Dashboard Tools LLC, 2011), that help in creating CSR KPI´s that are in line with business strategy and aid in developing symmetric bilateral communication channels to improve CSR innovation.

Intelligent companies serving governmental organizations can benefit from various weak signals related to future CSR legislation via systematic stakeholder communication and relationship content probing. These weak signals and other content that potentially impact the future business environment can help in focusing a firm´s innovative capacity towards relevant goals with the aid of appropriate CSR measures. Meyer (2010) posits a valid question:

> "*Why let regulatory agencies drive the key performance metrics which in turn drive business performance*?"

Creating metrics that add value and help in proactive product and service development can result in innovations that provide first mover advantages. Related to Meyer´s (2010) question, there is an additional notion in the B2G context, as companies can be the leading force, or at least proactive players, in future CSR enforcement and regulation development.

The discussion above on CSR metrics creation and management all heavily affect the building of viable CSR marketing strategies as these KPI´s and outcomes provide true content and business drivers behind marketing and external communication campaigns. Marketing managers should have a holistic understanding about individual KPI´s and their effects and outcome on relations towards internal as well as external stakeholder audiences. Formulating the linkages between social / environmental and economic factors into tangible messages and reports help in communicating the "business case" behind different CSR actions to audiences that might not intrinsically value social causes (i.e. doing good for the sake of doing good for society).

Throughout the chapter, factors that distinguish shallow CSR actions from strategic CSR management from the marketer's and sales manager´s point of view have been discussed in detail. In the final part of the chapter, the key task of integrating CSR into overall business processes will be synthesized.

2.5.3 Integrating CSR with business operations

Increased stakeholder loyalty, satisfaction and the creation of competitive advantage in various levels of a firm´s supply chain are the main building drivers and components behind strategic CSR (see for example Luo & Bhattacharya, 2006 and Porter & Kramer, 2006). In the end, there are no universal best practices and guidelines for conducting strategic CSR management and how to market it to external audiences. Creating a competitive advantage with CSR is very different depending on the company´s financial resources and industry. Industrial companies can perhaps see more possibilities in new product innovations that use less material and affect supply chain costs and sales prices while service companies need to focus on more intangible factors. For pure marketing purposes, there are more commonly accepted methods that help in increasing stakeholder involvement and loyalty, such as cause-related marketing for example (see Brønn & Vrioni, 2001). Still, it is paramount that the content behind CSR communication is based on real CSR actions that are in line with overall business strategy. For marketing managers, choosing the

correct channels and message formulation is important in order to benefit from CSR in terms of in loyalty and stakeholder awareness.

As mentioned before in this thesis, getting top management support for incorporating CSR into the business strategy is the first step in developing a CSR management strategy that can create true value for the company. Providing a plausible and comprehensive business case on possible causalities between economic and social / environmental issues helps in getting the resources to develop strategic CSR within different business functions (Mc.Williams & Siegel, 2010). Marketing managers might benefit from using the above mentioned reasoning to get internal support for strategic CSR within the organizations and coin the message appropriately for such external audiences that do not value intrinsic CSR. This way symmetric two-way stakeholder communication can be developed since internal processes and external communication that work as a mediating factor are in line. Creating a CSR marketing strategy that is based on long-term business objectives reduces inconsistencies in marketing communications while it simultaneously aids in building brand images that truly reflect the values and actions taken within the company (see for example Vaaland et al., 2008 and Du et al., 2010).

Additionally, marketers ought to understand CSR from a brand learning perspective, which means the meaningful adaptation and development of relationships to improve collaborative productivity in order to achieve as shared vision with key stakeholders (Kitchin, 2003). Thus by engaging in symmetric two-way communication with relevant stakeholders, a company can ensure that its CSR actions benefit both business and society also in the future, since institutional environments and changes are constantly being communicated internally and evaluated upon. As discussed throughout the chapter, businesses serving governmental organizations have a greater possibility to play a role in future changes in the institutional environment, such as regulation and legislation development. These can potentially work to benefit the company in the long term through first mover advantages and enhanced B2G relations that affect wider stakeholder perceptions as well.

This chapter has discussed in detail the nature of strategic corporate social responsibility in the relationship marketing and communication context, while simultaneously assessing the wider institutional, industry and supply-chain level implications for formulating a comprehensive CSR strategy that is in line with the corporate strategy. Strategic CSR marketing communications

require many actions, such as cultural adaptation, value-adding two-way communication medium selection and proactive internal and external engagement methods to name but a few. Short illustrative remarks and examples of the role of CSR in the business to government context can be found throughout this chapter, but in the next chapter a more detailed analysis of the special characteristics of business to government relations and relationship marketing are discussed.

3. Business Marketing to Governmental Organizations

In this chapter, recent academic discussion on business-to-business relationship marketing and management is being assessed while giving a special focus on governmental organizations. As Gummeson (2004) states, categorizing different business relationships ought to be viewed as vehicles for thought to provide a cognitive map for decision makers. As there is a limited amount of direct research on business-to-government relationships, the discussion will emphasize the importance of first understanding the surrounding institutional environment and the needs of relevant public organizations in order to formulate long-lasting relationships in the broader B2G domain.

Firstly, I will adopt Gummeson´s (2004) line of logic where B2G relationship management can be pinned under the B2B domain. Still, there are many major differences, as will be discussed below. Then I will assess how social and environmental legislation and enforcement affect business relationship development in the B2G context. Deriving from the discussion on the previous chapter, a more detailed analysis on developing value adding business relationships and symmetric two-way communication with governmental organizations on CSR issues are pursued.

The overall aim is to amalgamate academic research from strategic CSR in the B2G relationship management and marketing context. As there is very little academic research focusing on CSR marketing and communications towards governmental organizations, this thesis tries to form a preliminary understanding on the opportunities of creating synergies between public and private organizations on social and environmental business practices. Following this, the empirical part of the thesis sets to study if true potential already exist in various companies to formulate their relationship management and marketing efforts to better reflect their value propositions towards governmental organizations.

In comparison, Walsh (1994) states that the development of market-based approaches in governmental organizations is in a comparable position to private companies. Thus as there are signals that the organizational cognitions of public and private organizations have become more alike, finding a common ground and meaningful two-way communication on social and

environmental related business is attainable. This on the other hand has multi-faceted implications for marketers serving various B2G segments.

Although the actions needed to re-assess different organizational functions to gain a competitive edge in the battle for public budgets are out of the scope of marketing, sales and strategy practitioners, they are in a prime position to establish proper two-way communication channels for attaining mutual goals with various stakeholders. Therefore, while legislative and enforcement practices and public procurement budgets do not directly fall under relationship management and marketing functions, they are key dimensions affecting the formulation of long-lasting business relationships in the B2G domain.

Next, the main characteristics of business-to-business marketing are discussed while paying special attention towards the key components involved in building business relationships with governmental organizations. For the scope and nature of the study, the overall sales and marketing environment within EU is also discussed to give a better understanding about concurrent obstacles and possibilities in this broad institutional environment.

3.1. The characteristics of industrial relationship marketing in entering the public domain

Kotler et al. (2008, p.7) define marketing as the process to determine what offerings may interest customers via proper sales, communication and overall business development strategies and techniques that aim to build strong customer relationships as well as generate mutual value. Customer oriented marketing, although a surprisingly recent phenomenon, has its roots in the late 1950´s as Keith (1959) and a handful of other scholars understood the value of shifting attention from product- and company-centric orientations to marketing- and customer-centric. Marketing as a discipline has become more complex during the past decades to answer the demands set by increasing variety and proliferation of different markets and customer segments.

Since marketing today spans across the organization, involving strategic, sales and R&D activities when formulating relationship management strategies, the best way to term strategic marketing activities is *relationship marketing*. In short, marketing as a discipline has evolved towards dynamic and complex positioning and branding strategies that in the B2B and B2G

context often focus on strategic relationship management. In general, a rough categorization can be distinguished between consumer markets and business to business markets. Further, Hutt & Seph (2007, p.4, 16) divide business-to-business markets into commercial enterprises, institutions and governmental organizations.

As mentioned in the previous chapter, most research on strategic CSR has focused on companies that serve consumer markets. As customer needs and the cognition behind purchase decisions differ greatly in complex organizational purchase decisions when compared to individual consumer purchases, it is perhaps detrimental for marketing managers to adopt managerial implications from consumer oriented empirical research. Håkansson and Senhota (1995, 20) state that business relationships tend to last longer and become more complex in business markets than in B2C markets.

The fact that business relationships in the B2B and especially B2G context tend to be longer have implications for companies that pursue to create mutual benefits (i.e. societal / environmental and economic) through strategic CSR management and marketing. Building corporate reputation and brand perceptions are important for all companies, but for B2B and B2G companies, strengthening relationships with a rather limited customer pool is essential for the continuity of business activities. Additionally, overall stakeholder engagement and multi-faceted two-way communication is harder to achieve for industrial companies that are not well known outside their business area.

Developing emotional commitment towards B2B offerings is harder, especially in short-time frames, since industrial offerings tend to be bought due to business-, rather than emotional reasons (see for example Chlebišov et al., 2011). With the aid of symmetric two-way communication and a mutual goal working as an intermediate factor, individual decision makers in business organizations can eventually become emotionally and affectively engaged in a business relationship. This on the other hand requires profound trust that is more akin to trust in a friendship than trust towards a product´s quality from a known brand.

The very nature of committing to individual CSR causes, such as making a product line´s supply chain less material consuming, works as a trust building factor towards organizations that have intrinsic or extrinsic motivations and values towards social and environmental issues. In addition

to the extensive discussion in the previous chapter, the above reasoning further illustrates the possibilities of understanding the mutually beneficial nature of engaging in socially and environmentally responsible business opportunities in the fight for public sector contracts.

Comparing B2C,B2B and B2G markets

	B2C Commerce	B2B Commerce	B2G Commerce
Customer acquisition methods	Mass communication; advertising affiliate programs	Personal selling: direct salesforce, trade shows	Winning public RFQ´s, B2B offering adaptation, analyzing public needs & highly customized relationship management
Entry barriers for competitors	Low: audience size, logistics capability, experience quality	High: domain expertise, buyer/supplier relationships	High: domain expertise, binding contracts, buyer/supplier relationships, understanding the contemporary institutional environment
Relationship types	Browsing of catalogues, placement of orders, payment execution, status tracking	MRO procurement, direct procurement, payment execution, status tracking, catalog information management, promotions management, returns management, design collaboration, work-in-process tracking, collaborative planning management	Collaborative solutions adaptation, long-term evolution planning, analyzing differences in stakeholder needs and demands, changes in legislation and regullations, future needs assesment, public budget allocation analysis
Selling	Small buyers	Large buyers	Usually large buyers (sometimes very large)
Market size	Consumer markets are measured in the "millions"	B2B firms have customer bases over "thousands"	Individual B2G markets have customer bases in "a handful, tens or hundreds"

Table 2 – *Comparison between B2C, B2B and B2G markets, adapted from Kaplan & Olson (2000) and Noori & Salimi (2005)*

The above table summarizes some of the differences found in academic research on the nature of B2B and B2C marketing. An additional categorization remark for companies serving governmental markets is that their customer bases tend to be even smaller than in traditional B2B, thus countable in tens or hundreds. Thus substantial hardships exist for companies on the verge of expanding their business landscape towards governmental markets.

Directing the discussion towards B2G relationship marketing, it is difficult to identify potential customers in the B2G context; and this confusion over customer identification creates

tremendous problems for the implementation of customer-oriented marketing strategies (Graham, 1994). By incorporating a CSR orientation in customer probing in the B2G context, companies are perhaps better positioned to find relevant information and build appropriate marketing communication messages to governmental organizations and institutions due to their social-oriented managerial cognitions that complement economic objectives.

As stated before, the monetary value of public spending that is directed towards B2G companies is so large that the identified differences, no matter how subtle, need more rigorous research. Interestingly, there are even less academic and managerial resources given to understanding the possibilities of strategic CSR actions in the B2G context. CSR issues can be even more relevant in the B2G than B2B environments since in essence public organizations try to increase the (social) well-being in their respective institutional environments. One key distinction is that pricing is a central factor in governmental organization´s spending (Kotler & Keller, 2006, p.12).

Part of the reasoning can be traced to the fact that most government contracts are conceded on a competitive basis, which might lead to a "race to the bottom", basically meaning that a firm that answers specific RFQ (request for quotation) demands with the lowest price, wins the deal. To further illustrate (limited) findings from contemporary research, the strategic goals of private firms are centered more on profit maximization, while governmental goals tend to favor fairness, democracy, equality, public accountability, efficiency, competitiveness, balancing interests and political advocacy (Purchase et al., 2009)

Firms´ socially oriented marketing efforts towards governmental organizations need to evaluate the way their offerings affect the end customers, which often tends to be the citizens. In this regard, Walsh (1994) raises and interesting point that there is tremendous understanding on the psychology of individual customers, but very little is known about the psychology of the citizen. Thus the demands of citizens can vary greatly from the demands of individual customers. Understanding this issue from the governmental organization´s viewpoint helps in avoiding certain pitfalls when formulating marketing messages and value propositions. Still in the contemporary B2G environments, users of public services are customers with comprehensive rights (Walsh, 1994). The UK government has been a forerunner in identifying this issue, which is explicitly communicated in the Citizen´s charter from 1991 as follows

> *"The Charter* [a public document] *is based upon the recognition that all public services are paid for by individual citizens, either directly or through their taxes. Citizens are entitled to expect high quality services, responsive to their needs, provided efficiently at minimum costs"* (Seely & Jenkins, 1995)

Similar charters have been adopted and reflected in modern EU-level regulations, which are seen in the overall increase of socially-oriented regulations and national level legislation. An interesting remark in the charter is that it highlights providing public services efficiently at minimum costs. The line of logic here has implications in the B2G markets as most public projects are paid by taxpayer money, as will be discussed later. Effective use of public money can be seen to contribute to social welfare. As the nature of most public RFQ´s create very homogenous requirements for competing firms, interactive two-way marketing communication plays a key role in creating differentiation factors for a firm and its services and products.

Graham (1994) points out that it is easier to approach governmental organizations that themselves have a high degree of contact with the public as "end customers" and who eventually affect the organization´s performance than with governmental organizations that are focused on supporting and preparing public policy. This mutual customer orientation combined with focusing on other mutual goals, such as advance social issues; create lucrative opportunities for symmetric two-way communication. In addition, Roberto (1991) concludes that a growing array of managers in public organizations see the potential of marketing their own products and outputs when it is properly and adaptively applied to public requirements. This makes approaching governmental organizations with established B2B marketing strategies and methods more attractive, since today there are other options to win governmental contracts than merely fulfilling a list of request for quotation (RFQ) demands.

In brief, historically marketing to public organizations have been difficult due to different working environments, mission and ethos, but as governmental organizations are beginning to identify the efficiency benefits of market-oriented business logic, marketing to governmental organizations have become more appealing (see for example, Graham, 1994, Gumpert & Timmons, 1982 and Robert, 1991). Or as Walsh (1991) puts it "*the language of business planning, commercialism and competition is commonplace*".

It is not surprising in this atmosphere that marketing, both as concept and metaphor, has attracted increasing attention from public sector managers and politicians (Walsh 1991). In addition, many governmental organizations have broadened their array of procurement procedures in the past decade, much of it traceable to the development of the internet and web 2.0. For example, the European Commission has special public procurement channels and RFQ pools, which can be conveniently found via the internet (European commission, 2011)

Next, the discussion turns to contemporary developments in the perceptions and actions of governments in developing, fostering and promoting CSR practices. The emphasis is on elaborating on issues that affect firms´ possibilities to incorporate strategic CSR initiatives in their corporate and marketing strategy development, as well as possible focus areas that might affect the development and institutionalization of long-term relationships with governmental organizations.

3.2 Perceptions on the role of government as a driver of CSR initiatives

For companies aiming to develop their CSR marketing strategies to become more effective and match the underlying motivations and perceptions of various governmental organizations, they first need to understand the underlying developments, advancements and achievements set forth in the local and wider governmental institutional environments. As discussed before, the basis of symmetric two-way communication is to understand the cognitions and needs of the other party in the dyad (Du et al., 2010). Rather surprisingly, as there is very little academic research of CSR in the B2G sector, there is also a limited amount of academic activity evolving around governmental organization´s perspectives on CSR in modern-day institutional environment and society (Moon, 2004).

Yet, there is an increasing interest towards CSR issues regarding governmental actions and decision making due to challenges brought about by recent economic changes and fluctuations as well as globalization and increasing interconnections between the triple bottom line elements (Albareda et al., 2008). In addition, other scholars have argued that in modern European economies there is a switch from *Westphalian* states where the role of state was dominant due to imperative regulation and companies´ dependence on the state to *post-Westphalian* settings where the situation is coined (Crane & Matten, 2004; 482-483). There is also evidence that

governments have become to see the potential of CSR in creating innovative mechanisms for governance and collaboration (Albareda et al, 2008).

Also, in market-based economies the role of public organizations and governmental intervention has been on the decline while simultaneously multinational organizations´ role in the global economy has been on the increase. Rhodes (1996) refers to this trend as the "*hollowing out*" of the government by stating that autonomous inter-organizational networks with their ontological resistance towards central guidance pose a threat to governmental authority.

3.2.1 Assessing generic reporting standards and CSR initiatives to identify the need for strategic CSR collaboration in the contemporary public-private environment

A growing public interest in CSR issues and developments can be seen at a local, national, regional and global level. At the international level, there are a growing array of norms, guidelines, principles and legislative documents such as the Universal Declaration of Human Rights, ILO MNE Declaration, OECD MNE Guidelines, UN Global Compact Principles and various public-private co-operative principles such as the ISO standards (ISO 26000 is straightforwardly related to CSR) and GRI Sustainability Reporting Guidelines. Such global efforts to highlight CSR issues in the contemporary business environment have affected directly and indirectly, through coercive pressure, the development of regional and national level legislation development as well as created transparency to firms´ operations worldwide. Still, without undermining their importance; and understanding their aforementioned impact on the global awareness of CSR, such efforts have had counter-productive implications in the past decades.

Reports such as the GRI that many firms today follow are a major step towards extrinsic acknowledgement of CSR, which has had positive implications for the environment and society. Yet, such extrinsic behavior is a major barrier to understanding the strategic potential of CSR impacting the economic bottom line of business operations. Such extrinsic actions have also played a role in "*doing good for the society*" a notorious phrase, which is seen as something that must be stated in the firm´s mission statement and website with reasoning being as profound as "*not being left out the bandwagon*", without linking the statement to real business and strategy development and goals (see for example Porter & Kramer, 2006, Sen & Bhattacharya, 2001 and

Vaaland et al., 2008). On a less perverted level, there are countless of initiatives taken related to GRI and other standards, which are in no way linked to core business operations, but work as disconnected promotion campaigns (an example in point would be that a mining company plants 1000 trees in the Amazon forest).

The aforementioned issues have been subject to a snowball effect, where competitors and supply chain partners in various industries follow and echo such actions taken by their own competitors and partners. Such critique is given at this point of the thesis merely to help direct attention towards more specific and context-laden CSR strategy development that is linked to core strategy and provides a basis for unique operational-, R&D- and communications development. In order to target firms´ CSR communication efforts in the B2G sector, the focus should be in assessing governmental developments in more tangible (i.e. regional, national and local) scale. Thus, public organizations have identified new ways for collective action to tackle social demands and requirements that cannot be met by generic international guidelines or untargeted and broad regional or country-level enforcement.

According to Albareda et al. (2008), a new challenge for governments is to develop and implement public policy, which will aid in generating leadership and partnership-based innovation. Creating CSR based partnership clusters that constitute of a broader pool of public and private organizations in appropriate contexts provide a good framework for further understanding, designing and implementation of public policies related to CSR (ibid.) New emphasis is given to soft regulation and other diffused tools that help to shape voluntary CSR behavior with a rooted economic-based focus (see for example European Commission 2002 and Fox et al. 2002). CSR related public policies can be classified into three categories: public policies aimed for promoting CSR formalization, -transparency or encouraging scrutiny (Benbeniste et al., 2005 – Translated by Albareda et al., 2008). Others argue with a different stance stating that there are three main drivers for government´s encouragement of CSR issues: it can work as a substitute for government´s efforts; it can be complementary to governmental efforts or it may work to legitimize policies set forth by governments (Moon, 2002).

In addition, scholars have also proposed a framework where the role of governments in CSR agenda can be of a mandating, facilitating, partnering or endorsing nature (Fox et al., 2002). In sum, the school of scholars studying the contemporary developments of governmental stance

towards CSR seems to agree that governments want to be centered in a role of a mediator, facilitator and a partner (Albareda et al., 2008). This development sets new avenues for fostering long-term relationships in the B2G context as the government´s role switches from pure market economies or hard-law enforced central coordination models to collaborative forms due to local and international challenges and demands faced by modern post-industrial economies in Europe.

Especially the partnership perspective has been growing during the past decade (Albareda et al. 2008), which highlights a gradual switch in perspective towards consistent and long-term oriented public-private collaboration. This is a key finding regarding the research undertaken in this thesis, which aims to find contemporary developments and signals aiding in creating and fostering long-term relationships in the B2G sector via meaningful and symmetric two-way communication. In addition, recent research has emphasized that the boundaries between the roles of business and society have become more blurred, which has encouraged governments to involve private sector organizations in areas where public services are lacking (see for example Albrareda et al., 2008 and Porter & Kramer, 2006).

The emergence of renewed interest in designing public policy on CSR with a collaborative approach opens new venues for meaningful two-way discourse, which aids in developing new relational models between public and private actors. Figure 4 illustrates how Midttun (2005) summarizes the recent governmental developments towards corporate governance and CSR highlighting the switch of "*governmental cognition*" towards de-centralized societal initiatives, transparency and increased soft-regulation and public sector incentive setting towards CSR issues. In essence, Figure 4 illustrates the deeply rooted interconnections between the civil society, government and industries. Through strategic CSR management, firms can get better involved into political, regulatory and policy exchange to supplement the requirements of commercial exchange (i.e. business goals).

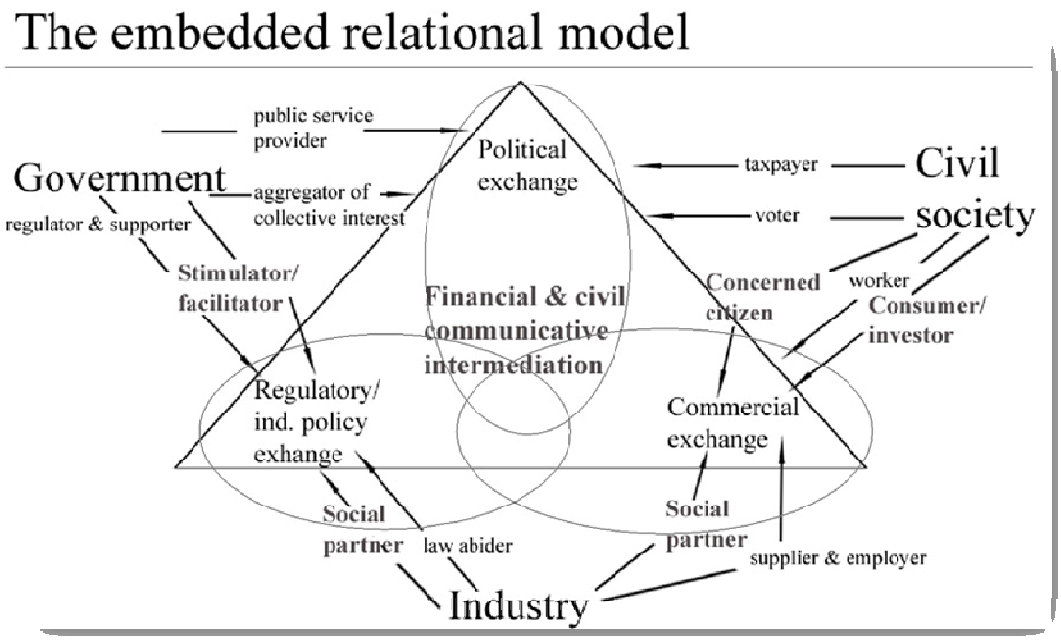

Figure 4 - The embedded relational model (Midttun, 2005)

The embedded-relational model emphasizes the role of governments as participants and facilitators, where civil society agencies (i.e. the sum of individuals within society and social / ethical zeitgeist, including such entities as NGO´s and pressure groups) stimulate and enable companies to engage in partnering and innovation as well as soft-regulation development with public institutions. Initial motivations from the corporate sectors come from increasing reputation and establishing long-lasting relationships with institutional players. Re-introducing and embedding the economy with governments as a strategic partner emphasizes collaborative, rather than coercive and hard-regulative pressures towards corporate CSR.

To some extent, the embedded relational model is already visible in practice in Norway for example (Albareda et al., 2008), where CSR is promoted and developed as a win-win strategic concept to foster social and economic well-being. The emphasis is still more on central government coordination although the model proposes overall attitude switch towards balanced co-operation between public and private institutions. The mediating effect of civil society (in many cases entities such as NGO´s) also has major implications for marketing managers aiming to develop and strengthen long-lasting relationships with governmental organizations.

In addition, to bridge the discussion on culture and CSR mentioned in the second chapter of this thesis, scholars have found that the European business environment is more open to public-private co-operation and soft-legislation than their U.S. counterparts (Aaronson & Reeves, 2002; 50). This has additional implications for creating marketing communication strategies within multinational corporations serving governmental organizations in scattered geographical areas.

In relation to the model, Albareda et al. (2008) state that governments ought to have a map of the overall perceptions and challenges faced by individual stakeholders towards expectations created by public CSR policy. If individual companies, especially in the B2G sector, can work to align their innovative capacity with collaborative soft-regulation development and strategically find touch points to tap in the incentive schemes set forth by governmental organizations, they are in a good position to enhance their institutional legitimacy and public-private relationship development. And as discussed above, governments are switching to endorsing- rather than mandating focus, which means there is room for inclusive joint-policy development associated with public procurement development, standards creation and supply chain developments (Fox et al., 2002).

Businesses and academia ought to pay attention to the institutional legitimacy of governments and other public organizations while the focus in contemporary research and reporting has been on justifying the actions and outcomes of private organizations. The discussion in this chapter has worked to clearly indicate that in modern welfare states, governments have had to reassess their stance within the social fabric, giving more room for mutual collaboration between public and private institutions. It is perhaps beneficial for individual firm´s working in the B2G sector to see that in addition to pure business transactions, governmental organizations are looking for strategic partners, where trust, mutual respect and goal-setting as well as joint-development plays a greater role.

In today´s changing institutional environments in the B2G markets, fundamental changes for increasing public-private collaboration are underway, ultimately providing lucrative avenues for proactive CSR communication. In this regard, it can be perceived that stronger knots are made in the public-private domain to foster mutual policy setting and endorsement practices. A good remark towards this direction, from already over twenty years ago, is a statement from a speech given by the Secretary of State for the Environment in UK, *Michael Heseltine* (Moon, 2004);

> *"We (the government) don´t have the money. We don´t have the expertise. We need the private sector again to play a role which, in Britain, it played more conspicuously a century ago than it does now"*

It can be stated that there are major challenges in fostering long-term relationships with some governmental organizations, as the general tendency is still very much focused on answering the pre-set demands in individual RFQ´s. Yet, in the light of this discussion, the overall environment seems to be switching towards more collaborative public-private avenues.

3.2.2 Making the case for strategic CSR collaboration and partnerships in the fight for global competitiveness and innovativeness in the EU

Since the initiation of the EU and fortified during the culmination point in March 2000 when the *Lisbon Strategy* was signed by most member states, there have been continuous developments to nurture CSR in pan-European public policy, regulation and guidelines to aid national level legislation setting. The European Commission has been actively promoting CSR across EU Member States and helping to find a common understanding about CSR in the European public and business environment (Knopf et al., 2011). The CSR communications report from 2002 and revised in 2006 by the European Commission has eight priority areas towards CSR: raising awareness of CSR, exchange of good practices, supporting multi-stakeholder initiatives, member state co-operation, consumer information and transparency development, research, education, SME issues and international CSR issues (ibid.)

Still, many of the CSR promotion and implementation initiatives taken at the EU-level were initially rather generic with a lack of real public-private co-operative goals aimed at creating true financial incentives and innovation-fostering climate for companies. A clear implication of this is a statement by the Swedish prime minister Frederik Reinfeldt in 2009 when he commented how well the Lisbon strategy, which was to be implemented during 2000 and 2010, reached the initial CSR goals that were to be met:

> *"Even if progress has been made, it must be said that the Lisbon Agenda, with only a year remaining before it is to be evaluated, has been a failure" (Euractiv, 2009)*

Only very recently, has the focus changed to more context-laden partnering initiatives between public & private organizations. In 2009, a European multi-stakeholder forum on CSR was held due to European Commission encouragement. A series of discussions that dealt with developing more strategic CSR initiatives within the European business environment have been held after this initial forum; and a communication report is set for late 2011 to early 2012 (Knopf et al., 2011). Today there is a growing interest and ongoing discussions in and between EU member states to draft a policy framework that sees the complementary role of CSR in the contemporary business environment and the role of private sector incentive creation to help tackle and pursue public goals (ibid.). In other words, creating a "business case" for the public benefits of CSR is more rigorously being tied to the economic motivations of firms to pursue CSR, creating an environment and venue for innovative public-private collaboration, which has long-term strategic partnership implications.

Various CSR action plans and strategies have been recently developed in many EU member countries. These documents define the governments´ approach to CSR and set priorities for actions as well as coordinate existing and new policy development (Knopf et al, 2011). Such action plans work as a good strategic collaboration framework for countries with a limited amount of CSR history and are a good unifying complement for countries with a longer CSR enforcement tradition (such as the UK for example). Even advanced economies such as Finland, drafted a comprehensive background paper covering CSR issues as a public initiative only in 2010. Led by the Finnish Ministry of Employment and the Economy (MEE) and the Finnish National Contact Point (NCP), the paper was sent to a wider stakeholder commenting.

On 14th of April, 2011 a decision of principle was made on CSR by the Finnish Council of State to drastically increase official endorsement of CSR development and collaboration between business and society (Finnish Ministry of Employment & Economy, 2011). Similar developments are ongoing in many other member states, which highlight the increased attention CSR collaboration is receiving in many governments´ agenda (Knopf et al, 2011). Proactive companies should thus assess the opportunities to engage in systematic and symmetric two-way communication with governmental organizations in the collaborative context of CSR endorsements, as the very nature of these initiatives includes innovation and economic viability related aspects.

A comprehensive study by the UN Global Compact and the Bertelsmann Foundation identified six steps for EU governments to assess strategic CSR development and endorsement: 1. understanding the country-specific context of CSR 2. defining CSR 3. defining a public policy rationale for CSR 4. how to situate CSR in governmental institutions 5. selecting appropriate CSR policies and 6. monitoring the outcomes. (Peters & Röß, 2010). These steps are intended for national level CSR development in member countries that haven´t yet established proper action plans and endorsement practices. Figure 5 illustrates the move towards explicit public policy development in the EU member countries (Knopf et al., 2011).

By moving governmental orientations to the explicit side, the nature of CSR enforcement becomes more inclusive, giving larger opportunities for individual firms to find synergies with governmental organizations in mutual strategic collaboration. The role of meaningful two-way communication in this regard cannot be undermined, which goes to highlight the role of proper marketing and communication strategies in the public-private collaborative agenda.

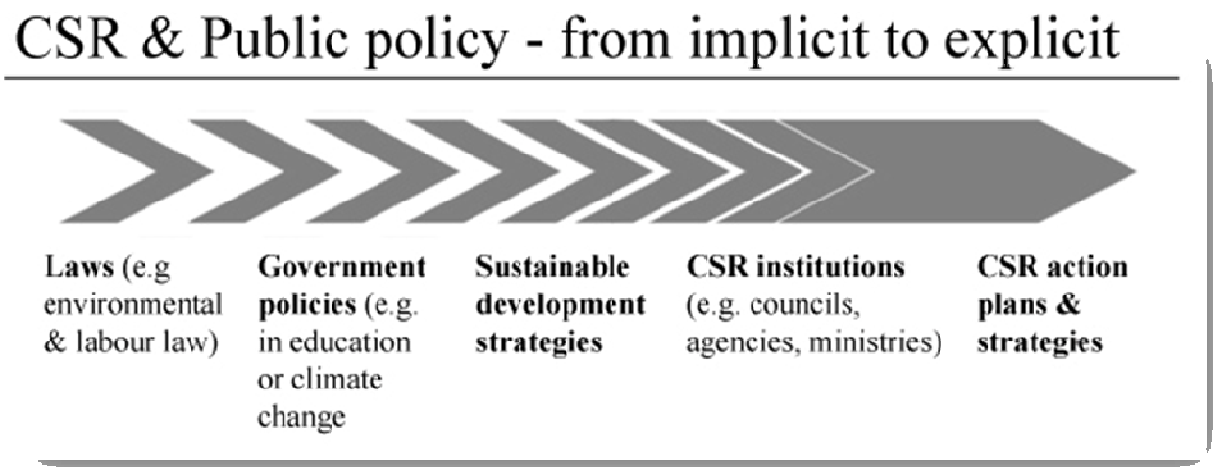

Figure 5 – ***From an implicit to an explicit public policy framework on CSR (Knopf et al., 2011)***

For companies working in multiple geographical areas, it could be beneficial to assess the nature of the overall governmental tendencies and current situation towards CSR enforcement locally and design marketing communication strategies accordingly. In other words, the level of strategic collaboration possibilities and public incentive promotion affect the business possibilities in various CSR related factors when bidding for public RFQ contracts. Context-

bound and proactive marketing communication is an integral part in benefiting from the collaborative CSR tendencies that are becoming more prevalent in governments´ strategic agenda in contemporary institutional environments in the EU.

Due to factors related to the failure of the Lisbon Strategy with its limited strategic collaboration emphasis and a need to enhance national and regional level competition in the global business environment in relation to innovativeness, sustainability and changing demographics in the EU, a new strategy has been on the agenda for EU-level economic growth development. In addition, as stated before, the financial and economic crisis that began in 2008 has had a major effect on national level competitiveness and social factors that contributed to the need for new strategic EU-level CSR targets (Balkytė & Tvaronavičienė, 2010).

The European Commission proposed and established the *Europe 2020*- strategy to focus on five key drivers for EU-level growth: a) increasing employment b) increasing R&D efforts and innovative collaboration c) sustainable growth related to energy efficiency d) increasing education levels and social development and e) reducing poverty and social exclusion (European Commission, 2011). The emphasis is on fostering strategies that tie resource productivity and the natural environment to competitiveness innovation, as already outlined in the seminal study by Porter & Linden (1995) almost two decades ago. Throughout the chapter, explicit developments and weak signals towards the growing presence of collaborative strategic CSR elements in governmental agendas have been identified and discussed. The novelty of such issues is perhaps surprising in the light of the long history of CSR. CSR issues have been partially included in the global business and governmental agendas for decades but with limited strategic and economic viewpoints to actually become a tool to enhancing business profitability, institutional collaboration and innovation.

3.3 Tapping on the public budget through CSR

Since academic research on business-to-government marketing is limited, this thesis has covered alternative routes to gain a stronger understanding of the contemporary environment in the B2G sector within EU. In order to benefit from collaborative two-way communication strategies, marketing and sales functions within individual companies need to collaborate closely to assess the needs, demands and possibilities in individual markets. The thorough discussion on novel

developments and changes in managerial cognitions towards CSR in the governmental sector is intended to help in the development of effective CSR marketing and communications strategies. Understanding the surrounding institutional environment in the light of regulative, legislative and enforcing dimensions of public-private collaboration, marketing and sales professionals are better equipped to improve existing B2G relationships as well as develop new business growth in the field of strategic CSR innovation and development (Fox et al., 2002).

In addition to the covered topic areas, the architecture of relevant public procurement channels as well as finding correct communication channels to integrate the needs of the company and governmental partners need to be understood to create a holistic picture of the opportunities of incorporating CSR into the strategic agenda of individual companies. Although public budgets are shrinking, the emphasis of individual public budgets is under constant metamorphosis. This thesis has been building a rationale on cognitive changes in the desire for strategic collaboration between public and private institutions.

The role of trust cannot be emphasized enough in the recent fluctuations and opportunistic behavior of individual companies and nations. In other words, companies need to focus on long-term value creation and engage in collaborative dialogue with relevant stakeholders to increase trust. Integrating social, environmental and governance issues into corporate strategy and marketing strategies help in strengthening institutional legitimacy, which has special implications in the B2G sector (Peters & Röß, 2010). On top of such wide-spread developments, governmental RFQ´s often tend to be rather inclusive, leaving little room for differentiation aspects in the initial phase, creating undesired homogeneousity. Below, recent developments in governmental procurement practices in the EU will be discussed to create a better framework for proactive and efficient marketing and communication strategies.

3.3.1 Understanding public procurement procedures and channels

Public procurement accounts for around 17% of the total GDP in the EU (European Commission, 2011), which opens major growth venues for companies providing solutions for governmental organizations. The monetary value of public procurement in the EU in 2009 was over 2 trillion euro (European Commission, 2011). To give contrast, even in small economies such as Finland, annual public spending exceeds 22 billion euro (Kess, 2011). Public

procurement practices can be developed to work as an endorsing tool for sustainable business practices and fostering a collaborative environment as well as work as a substitute for coercive regulations and legislation. In addition, the general attitude change in public procurement practices acknowledges that well regulated and open procurement markets, which embrace transparency, will contribute to a better use of public resources (European Commission, 2011).

The EU public procurement Directives work as a guideline to foster demand for socially and environmentally responsible goods on top of legal aspects. Most member countries have individual National Action Plans for green public procurement. Austria, Denmark, Finland, Germany, Netherlands, Sweden and the UK are most actively implementing green public procurement (GPP) practices (Bouwer et al., 2005). An interesting remark is that the geographical distance between buyers and sellers in the B2G sector tend to be very small, thus showing a strong focus on local level purchasing (European Commission, 2011). This creates additional hardships for MNE´s participating in public bidding situations in foreign markets.

The growing use of e-procurement channels is also prominent in different procurement levels within the EU. According to a 2010 e-Government benchmark research, there are over 230 active e-procurement platforms and portals (European Commission, 2011). The development of IT-technology has enabled the establishment of different dynamic purchasing systems in public procurement channels. The combination factors of modern technology and new directives have enabled greater transparency in public procurement, which works as a trigger for increased RFQ competition and lower prices. Additionally, e-procurement technology can aid in real-time monitoring of public expenditure.

Assessing the publicly available documents of EU- and national level purchasing reveals that although CSR issues and collaborative practices are gaining increasing momentum, price factors are still at the core of public procurement goals. Still, as mentioned before, academic literature and the empirical results of this study indicate that price can work as a form of social responsibility.

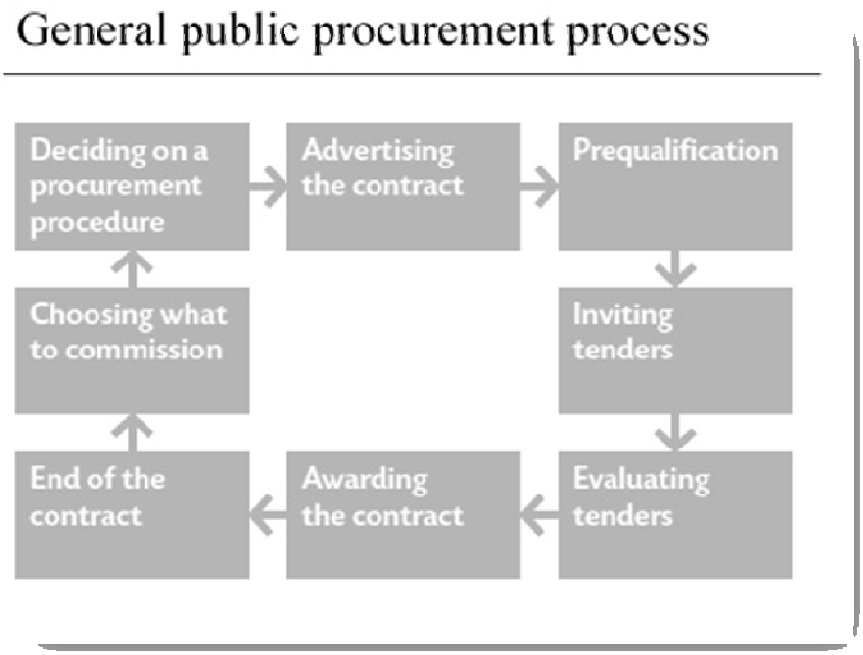

Figure 6 – ***General public procurement process in the EU, adapted from Cook & Monk (2009)***

Figure 6 demonstrates a general public procurement process in the EU. For firms operating in the B2G markets, it is essential to identify the appropriate competitive bid procedure as well as identify that in which individual step(s) proactive CSR communication should be designed and initiated. In general, public organizations use four main competitive procedures in the EU: 1. an open procedure 2. competitive dialogue procedure 3. restricted procedure and 4. negotiated procedure with prior advertisement, as set in Directive 2004/18/EC by the European Parliament and Council (Eur-Lex, 2004). Identifying the style of an individual RFQ process a company is entering and understanding the steps in which the cognition and motivation for collaborative and innovation –related CSR take form, help individual firms to assess and target their own CSR communication efforts throughout the bidding process. Today different e-procurement processes create additional possibilities and hardships in analyzing the nature of CSR-related touch points in individual RFQ´s.

In addition, it is noteworthy to state that although national level motivations and understanding of socially and ethically oriented RFQ management and implementation are on the rise, public sector bodies sense a lack of guidance and leadership from the European Commission (ECCJ,

2007). Thus it can be tentatively stated that although socially and environmentally oriented RFQ practices in the EU are accelerating, a gap still exists between desired motivations and actual results, creating ambiguity towards CSR related issues regarding public-private collaboration opportunities.

3.3.2 Integrating a social agenda into relationship marketing to match a firm´s strategy with public institutions´ needs and demands

Ultimately, the goal of most businesses is to increase profits and gain a strong position in their institutional environment in the long term. This thesis tries to illustrate that social responsibility-related issues provide a lucrative opportunity to integrate business goals with public needs and concerns. Ultimately such topics and their management help to maintain and increase regional and national welfare. This kind of proactive two-way communication will simultaneously with relationship management and marketing implications increase the perceived responsibility of the company if a social context can be integrated into the firm´s actions and mutual caring for public needs.

Applying a social dimension to relationship management and communication is more about reformulating how firms´ offerings are related to the overall welfare and individual social dimension rather than artificially creating a "social cause" to supplement existing communication. As will be discussed later, price is seen as a form of social responsibility in the B2G context. The rationale is that using taxpayer money as cost effectively as possible in a given context has a straightforward link to socially responsible public-private collaboration. By understanding the motivations and reasoning behind individual public procurement processes and the surrounding institutional environment, firms are better equipped to formulate targeted CSR communication messages, which aid in strategically linking social and environmental issues to business objectives.

Yet, prior to this, internal understanding about the strategic implications of CSR, especially social issues in the B2G context, need to be understood. Ultimately, in today´s institutional environments where governmental organizations are identifying the need for more strategic and engaging collaboration between public and private institutions (see for example Bouwer et al.,

2005, Knopf et al., 2011 and Peters & Röß, 2010), proactive firms are in a good position to improve their strategic position via social orientated proactive relationship management.

The extensive discussion on strategic CSR and relationship marketing in the B2G institutional environment will now be followed by a methodological section and an empirical study. This is then followed by a conceptual framework and final conclusions that amalgamate these two theoretical strands to a managerial context in the B2G environment.

4. Research methodology

In this chapter, the reasoning and background settings for the conducted empirical study from a case context perspective are described to give a point of reference for the empirical results derived from the interviews. Afterwards, methodology in qualitative research is discussed and appropriate methodological tools are selected. This is then followed in the next chapter by thorough data dissemination and analysis.

4.1 Case description

The background and context for the empirical part of this research is linked to the security and safety industry in the business to government context. Four out of the seven interviewees chosen for this study have been involved in the design and implementation of a large nation-wide security network in Finland either as a governmental decision maker and one as a key executive from the supplier organization. Others (a competitor and two directors from the Ministry of Social Affairs and Health and the Ministry of the Environment) were chosen to attain a more holistic understanding on the overall B2G environment in one EU member country. The two directors also have a very thorough understanding about CSR from a public organization´s point of view.

The nationwide professional mobile radio network is used by such organizations as the police, paramedics, ambulance, rescue and the fire department as well as a pool of smaller organizations. Similar nationwide networks have been built and managed by the focal case company in a number of other EU countries as well. The initial governmental decision in late 1990´s to purchase an expensive nationwide network in Finland was backed up by the need to ensure nationwide security and safety, ultimately affecting the wellbeing and safety of individual citizens.

The company (from now on referred to as *Case Company* or simply *CC*) that was chosen to build the infrastructure for the network as well as provide the professional radio terminals and accessories was at the time a business unit within a large Finnish telecommunications company. The focal case company is now part of a large European group operating in aerospace, security

and defense industries in the EU and beyond. For such restructural reasons, the name of the focal company has changed three times during the past ten years while the core activity and people have stayed roughly the same.

Still, long organizational and personal level relationship between the company representatives and key governmental institutions and decision makers have been established and maintained, some spanning over many decades. Under this setting, a lucrative possibility to study the development of long-lasting relationships and well positioned marketing communication in the B2G context is established. The nature of the security communications network has intrinsic social responsibility implications as well, which provides a good context for analyzing the level of strategic CSR communication management and the interviewees´ understanding about the possibilities of CSR in developing long lasting relationships in the B2G context.

In large public RFQ´s, there are many governmental bodies that either directly or indirectly influence the size, scope and nature of the final RFQ request. Such was the case when bidding for contractors for the Finnish nationwide security communications network. Due to the privatization of many previously public agencies, some organizations have remained under public funding while becoming semi-independent entities with their own governance and management structure. Such organizations are also present in this case study, which provided additional hardships for the rival supplier organizations to identify the appropriate target audience and position their marketing and communications strategies accordingly. For this reason, an executive from such an organization, which has during the course of the security network project become a key strategic partner and ally, was also interviewed to get a better understanding of the different factors affecting a complex public-private collaboration environment.

4.2 Methodology in qualitative research

Conducting empirical research can be broadly divided into quantitative and qualitative studies. In essence, qualitative research is exploratory in nature, while quantitative research is confirmatory (Chochran & Dolan, 1984). Qualitative research is used to tackle with the meanings and post-modernist possibilities and likelihood for issues to exists rather than positivist confirmations or disconfirmations of things.

As there is a limited amount of empirical research on how CSR strategies and marketing communication should be designed and implemented in the business-to-government context, the nature of this study is qualitative. The rationale for conducting a qualitative study lies in the epistemological nature of collecting information from an emerging or abstract subject. In other words, when there is limited knowledge on a phenomenon, or when it is ambiguous in nature, conducting a qualitative research is appropriate (Uusitalo, 1991, 79). To further illustrate the feasibility of qualitative research in this context, it is best suited to deal with the meanings of things by making an association between the study subjects and interpreting them to generate preliminary hypothesis and conclusions (Chochran & Dolan, 1984).Thus using statistical and mathematical instruments, which is paramount in quantitative studies, is not feasible in qualitative research as there are no evident variables to be measured in absolute terms. On the contrary, in qualitative research, the instrument being used for data gathering and analysis is the researcher himself (Patton, 2001, 14).

4.2.1 The rationale behind a case study

As stated above, the research is done under a case context, focusing on the B2G environment in one EU member country from a systematically chosen pool of key decision makers from various public organizations as well as from one focal supplying company and its competitor. According to Yin (1994, 20), the research design in a case study ought to follow a five-step process , which is paramount to conducting good case studies.

a) the questions of the study

b) the study´s propositions (if any)

c) the unit of analysis

d) the logic behind linking data to possible propositions

e) the criteria that are needed to interpret the findings (Yin, 1994, 20)

To a varying extent, this study follows a similar five-step process. The rationale for the study first evolved within the focal case company where I work in a global marketing unit. In numerous discussions with the company´s head of marketing in Finland as well as sales executives and engineers, a lack of understanding and possibilities of strategic CSR in the

company´s marketing communications strategy as well as various sales processes was identified. In general, the level of awareness about social and environmental issues were scattered in the organization and there were no systematic processes for understanding socially and environmentally oriented weak signals and other related issues. As described above, the Finnish organization of the case company has had long lasting relationships with various governmental organizations, mostly forming around nationwide security network projects.

From early spring 2011 onwards, I gathered material and analyzed the level of CSR actions and communication practices conducted by the case company´s key competitors. Mostly I assessed publicly available marketing and financial documentation as well as overall strategic orientation switches provided by the case company´s business intelligence unit. A noteworthy remark is that generic CSR reports that clearly didn´t seem to be strategically linked to the core business of various competitors were not thought to affect the competitive landscape from the case company´s point-of-view. In addition, by thoroughly assessing recent academic discussion on strategic CSR and contrasting and analyzing the difference between B2B and B2G business environments and contemporary developments in public procurement orientations in the EU, a research gap was identified (see chapters 1, 2 and 3).

It was soon evident that the topic area has managerial implications for the case company. The B2G markets generate a large portion of the case company´s annual turnover. Thus an assessment of the possibilities to establish and further develop existing relationships with governmental organizations was linked to the need to incorporate strategic CSR to the overall business and marketing strategies.

After a thorough study process focusing around recent academic research on strategic CSR, a preliminary proposition was given to the case company´s executives of the various possibilities of strategic CSR management in the B2G markets. The rationale for this proposition was that there are already various public-private collaboration activities as well as other examples where the company acts in a socially and environmentally efficient way. The initial proposition and preliminary results and competitor intelligence interpretations were presented in a marketing workshop at the case company´s premises in Germany on mid-October, 2011 by the author. The discussion and commentaries from this workshop were used to aid in the formulation of an

appropriate interview outline for the one-to-one semi-structured interviews held during November to December, 2011.

Issues that have had an impact on the social or environmental factors in operational performance of the focal case company have historically been formulated and communicated via highly technological arguments and perspectives. This is rooted in the organizational culture within the company, which has traditionally favoured and embraced the technological know-how of the engineer-dominated organization to build competitive advantage. Recently the need for more CSR oriented marketing and sales processes have been identified by top sales and marketing management.

As stated above, the very nature of many governmental procurement projects have a social responsibility orientation, as they are funded by public tax revenues. In very simplified terms, a preliminary proposition can be made that including CSR elements in the value proposition and relationship communication processes, marketing and sales management can potentially improve the company´s position in contemporary B2G markets.

The unit of analysis for this thesis, as discussed above, focuses on a single B2G institutional environment in one EU-member country, although an EU-wide perspective is presented to give contrast to the main empirical study results. The study questions, as well as the empirical research aims to assess the possibilities, contemporary developments and hindrances to efficient CSR communication, public-private relationship management and collaboration focusing on complex public decision making organizations and single companies operating in the B2G environment. Data was gathered in individual face-to-face interview settings, which work as the source for the empirical findings of this study. In addition, findings from an EU-level marketing workshop on strategic CSR and various EU- and national level documents identified in the theoretical part of the thesis were used to provide context and frame during the interviews. Additional support and depth to the empirical study is provided via internal discussions within the case company with engineers and colleagues about the implications and possibilities of strategically managing and communicating CSR to develop existing governmental relationships.

4.2.2 Assessing validity and reliability in qualitative research

Both qualitative and quantitative research needs to be tested for their validity and reliability. Yet, the validity and reliability in qualitative research are viewed and used in unison, as opposed to quantitative research. To ensure the construct validity of this study, the interviewees were selected from diverse positions and levels from both public and private organizations. In addition, selecting contemporary public organization documents (Chapter 3) and holding a workshop on strategic CSR in a multinational marketing management conference at the case company´s premises in Germany were used in this study to provide variety and depth to the data pool. By using several sources of data in the analysis process, or in other words, by conducting partial triangulation, the validity and reliability of the research can be improved (Guba & Lincoln, 1994; 110).

Yin (1994) stated that case studies can be exploratory, explanatory and descriptive in nature in his seminal book on qualitative research. An exploratory case study can be conducted before the formulation of research questions although an initial framework on the issues that will be discussed has to be created in advance. On the other hand, descriptive studies require a descriptive theory or a general understating of prior theoretical discussion. Preliminary understanding about the phenomena is deepened by getting multiple viewpoints through interviews (ibid.).

Finally, explanatory case studies are feasible for generating a deep understanding about a previously researched issue (Routio, 2007). A major drawback in case studies is that external validity is hard to establish, as the results within a single case study cannot be generalized to other case contexts without modifications (Yin, 1994; 34-37). Reasoning for the chosen empirical methods to enhancing external validation for the concurrent study within other EU member country contexts has been explained above in more detail. Also the reliability of this study would be enhanced if it were conducted again under the same settings. Such replication is usually out of the scope of case studies, such being the situation in this thesis as well.

Carrying a single case study is a good option for assessing a pilot case in a new contextual field, which can be further tackled and clarified in later research (Yin, 1994, 49). When the context and its boundaries are not self-evident, a pilot case can give a more solid contextual understanding of

a phenomenon in a natural environment. This research is explanatory in nature, as it will try to explain "*how*" questions. Still, as there is limited research and literature on strategic CSR in this specific context, this study can be classified as exploratory.

As Smith & Osborn (2008) state, the researcher tries to learn something of the respondent's personal world view and how she understands issues related to a given thus topic providing some structure without specific constrains. In addition, the interviews were held in surroundings that were familiar to the interviewee for the sake of gathering the individual viewpoints in a more natural setting, ultimately affecting the validity and reliability of the data (Guba & Lincoln, 1994; 110).

4.2.3 Interviewee profiles

All together seven semi-structured interviews were held for this study. The participants were carefully selected from appropriate public and private organizations to enhance data richness and construct validity. The interviewees consisted of the account director in the focal case company, in charge of the nationwide security network project, the head of strategy from the focal case company and a communications specialist from a large competitor whose revenues are also to a great extent generated in the B2G markets. The communication specialist is the only interviewee in a lower, non-decision making position within her respective organization. From public organizations, a director from the Ministry of the Interior was chosen as he was in a key role when deciding on the purchase and implementation of the large nationwide security network.

Two directors, one from the Ministry of the Environment and the other from the Ministry of Social Affairs and Health, while not directly involved with the security network project nor the focal case company, were chosen on the basis of getting a deeper understanding on the public rationale between social (Ministry of Social Affairs and Health) and environmental (Ministry of the Environment) decision making, budget allocation and relationship development. In addition, one key decision influencer from a semi-independent public organization directly operating in the nationwide security network domain taking care of its operational management was selected for the study. As stated above, such peripheral organizations, which at the beginning of individual public RFQ processes are not visible but ultimately influence governmental purchase decisions to a great extent are important to identify from the bidding firms´ point of view.

Valuable input from a senior executive from this organization, called from now on as *Semi-independent governmental organization*, was gathered to understand the complex settings that evolve around large governmental RFQ´s.

Some of the interview participants were identified via recommendations and connections from the focal case company while others were contacted via publicly available professional profile contact details. The sampling followed a heterogeneous sampling procedure to maximize the reliability and validity of the study. Every interviewee was firs contacted by phone. Then a general explanation of the thesis outline and the interview question pool was sent to the candidate interviewees. Finally, the dates and location of the interviews were settled. Only one of the contacted persons refused to participate in the interview.

Some of the participants needed more than one reminder call and rescheduling to find a slot for the 1-2 hour interviews. Collaboration during and after the interviews was good. Every interviewee accepted that the interview was recorded. Some skepticism existed initially to the amount of contribution the interviewee could make to my study questions, but mostly that skepticism faded during the fluent interview processes. Every interviewee was interested in receiving a copy of the final thesis while two of them even proactively insisted on receiving a copy.

I also used secondary data from governmental publications and other publicly available documents. The Europe 2020 targets documents by the European Commission (2011) provided valuable additional data that could be contrasted to the interview findings. Various documents related to EU directives and national regulations on CSR or public-private collaboration (European Commission 2002, Eur-Lex, 2004, ECCJ, 2007 and the Finnish Ministry of Employment & Economy, 2011) were also used to deepen the analysis and understanding of the institutional setting related to the selected case environment. The chosen secondary data helped to develop a deeper contextual understanding of the results of the empirical study.

4.2.4 Linking interpretative phenomenological analysis to post-positivist assumptions

I used the interpretative phenomenological analysis (IPA) to document and analyze the data. With this data analysis method, various nuances and (dis)similarities can be identified and linked to the theoretical discussion. By using IPA, the line of logic behind the data gathering method, data analysis and existing theoretical discussion can be linked together in a coherent way, thus affecting the validity and reliability of the study. In addition, the interviewees were encouraged to give illustrative examples and demonstrations behind their reasoning, giving more depth and contact point for linking the research with existing theory. The criteria for interpreting the research findings are rooted in the IPA process as well as the epistemological and phenonemonological stance taken in the study, as discussed below. By contrasting individual interview and workshop data and finding concurring as well as contradicting patterns, the required iteration between the research question outline and actual data is maximized, ultimately creating a coherent set of criteria for data interpretation.

In qualitative research, analysis and interpretation are often done at the same time. I performed preliminary mental analysis during the interviews to help in the transcription analysis process. A very important remark is that although IPA has its epistemological and ontological roots in constructivism (Larkin et al., 2011), the emerging data and interpretations of the findings was done from a post-modern perspective, which acknowledges that some degree of objective truth can be found through empirical research. The IPA process was thus strictly used as a methodological frame while ignoring its ontological roots. On a theoretical level, IPA combines psychological, idiographic and interpretative approaches (Smith, 2007). The interviewee selection consisted of purposive sampling, where I aimed to extract personal interpretations and meanings from people who I assumed to have the right work- and managerial experience to provide valuable insights.

A set of questions were given to the interviewees in advance from which I then selected the most appropriate questions that I thought would provide richer content for the issues I wanted to discuss. The interviewee responses were categorized under five main themes:

i. the interviewee's personal value system and perceived role of CSR in corporate activates

ii. the degree of understanding about relationship marketing and perceived elements in building trust in long-term business relationships

iii. the interviewee's perceptions on the differences between B2B and B2G markets and the role of social and environmental issues in the B2G context

iv. the importance and content related to the strategic role of CSR in establishing public-private collaboration & expected changes in the near future in the B2G landscape

v. contradictory statements, vagueness and illogical or incomprehensible elements depicted from the interviewee´s answers (a critical component to assess the reliability and validity of the data)

The interview questions were designed in such a way that each five categories included four to ten different questions from which I selected the appropriate one's depending on which question I thought would provide the most comprehensive answer under each category from an individual interviewee. I believe that the aforementioned categories include a comprehensive set of issues that aid in finding answer to the possibilities that exist for industrial companies to enhance collaborative relationship marketing through strategic CSR management and communication in the B2G context. More specifically, the strategic role of CSR in establishing long-term relationships and enhancing interactive two-way communication to deepen public-private collaboration were at the focus in the interviews. These themes provided the necessary empirical data for answering the sub-research questions outlined in the beginning of the thesis. The B2G context was a natural part in all of the interview questions and as stated above, the whole theme focused on the B2G markets in Finland and the EU.

Following the IPA methodological process, the transcriptions were read through a few times in order to get an overall picture of what was said and how the interviewees responded to the question outline and emerging discussions. As Smith & Osborn (2008) state, each reading can provide new insights. Overall, the IPA process helped to find a rich array of (meta) information. The aim was to find emergent themes and patterns from the interviews. The next step was to identify emerging patterns from purposive coding of the interview answers. I made comments on each transcript on the right margin to help the coding process. Coding consisted of linking

findings with similar structure and logic as well as making justifying and amplifying remarks. This allowed me to get a deeper understanding what the interviewee was saying and what were her underlying assumptions and line of logic.

By categorizing the interviewee answers into the five topic areas, I was able to pinpoint and analyze the most important issues via inter-interview comparisons. The output from this process was a consistent, although long, document including such data that helped me to create and select the elements presented in the conceptual framework. The most interesting findings concerned the role of risk in the B2G environments and how it affects perceived corporate image, reputation and trustworthiness. In addition, the interviewee profiles were such that they were able to give lucrative illustrations on the importance of long-term orientation and consistency in fostering public-private collaboration that incorporates social issues as part of mutual value creation activities. Interesting remarks were also given on the most important issues that affect the contemporary B2G institutional environments in the near future. In accordance to the theoretical discussion on chapter three, recent multinational developments such as outburst of the economic crisis in 2008 and new developments in the EU- and national level were present in the interviewee´s answers.

Yet, as the issues discussed during the interviews are rather complex and seldom are taken into account in day to day business activities, the interviewees occasionally seemed to provide illogical or feeling-based answers. As stated above, this issue was noted during the analysis process in accordance with the IPA guidelines to enhance the reliability and validity of the empirical data and provide a critical perspective for the study. The interviewees also identified major pitfalls and hardships that still exist in the contemporary B2G environments to foster long-lasting public-private relationships. Much of the discussion in this regard discussed the role of EU-level regulations that are detrimental to national level public-private collaboration as well as the vagueness and lack of proper social legislation and enforcement practices. Interestingly, ecological issues are more strongly present in concrete terms in today´s public RFQ processes due to their presence in national legislation. Such is not the case for social issues, as has been discussed also in the third chapter.

I conducted the first interview at the competitor’s premises. Respecting the interviewee’s wishes, personal and company names mentioned in the interview will not be disclosed. This also applies

to the other interviews. The person chosen for this interview was a younger communications professional in a multinational company that has major operations in Finland as well. I had had previous discussions with the interviewee on related topics, which is why it could be made certain that she can contribute to this study. As she was in a junior position in her respective organization unlike the other interviewees, a good opportunity arose to test the maturity and appropriateness of the interview question outline.

Thus I got to learn and adapt my interview questions and process made during the first interview to aid in deeper data gathering in subsequent interviews. From the mistakes I made during this interview I got to fine-tune my interview strategy and perform better data gathering when interviewing senior decision makers. The first interview took about 45 minutes. On the contrary, as I conducted semi-structured interviews, some of the interviews lasted almost two hours as the interviewee was encouraged to focus and emphasize individual sub-areas addressing my research questions. All in all, a high level of variance in structure and length was identified after the interview process.

Inter-interview comparisons were then made to find similarities and frequencies of emerging issues. Contradicting remarks were also coded to bring more value to the interpretation process. Afterwards, the emerging themes and titles were clustered on a rather theoretical level. Finally, a table of the clustered themes was made to contrast and compare most important patterns and themes. In the end, I assessed each cluster in order to find appropriate answers to my research questions.

In other words, I performed eidetic reduction when analyzing the data, which can be described as the process of extracting content form conscious experiences (Sanders, 1982). These findings were then contrasted on the extensive theoretical discussion. By applying the findings in the B2G context, a conceptual framework was created.

Table 3 illustrates the categorization of one selected interview where I clustered coded data under five main categories by using proper sentences following the IPA process. Similar tables, with more maturity and depth, were conducted after consecutive interviews as well. Next, a detailed dissemination and analysis of the study results will be conducted followed by a summary of the most significant findings.

Interpretative phenomenological analysis (IPA) categorization

1. Personal value system / role of CSR in corporate activities

a. CSR should be a self-standing issue in business strategy. Multiple acknowledging factors in the transcription.
b. CSR should create some benefits in order to "appear real"
c. Competitive advantage through solutions that incorporate CSR elements
d. Importance of guidelines, legislation and formal CSR strategy not acknowledged
e. Not proactively accepting the role of CSR unit to help in external communications
f. States that CSR should have more explicit role in governmental decision making, but is currently very hard to achieve (Why is this?)
g. Social and environmental dimensions are equally important

2. Elements of trust-building in long-term business relationships

a. Online communication
b. Trust through experience. Prior to experience are references

3. Contradictory statements & vagueness of answers

a. Strategic CSR intentions at STY1 highlighted, then partial dismissal of their effectiveness due to emphasis on price (in B2G)
b. Often a reasoning based on "I believe that…" without deeper meta-analysis
c. No need for CSR documentation & written case studies. Assumptions that company STY1´s business is "automatically perceived" to include CSR elements?

4. How the interviewee understands the difference between public and private organizations and inter-organizational communication

a. CSR legislation not seen to affect company STY 1´s external CSR communication
b. Still, special attention given to B2G communication. Long-lasting nature
c. B2G relationships have a long time-frame & bidding procedures for the lowest prices
d. B2G activities are resource-binding
e. CSR not high on governmental agenda according to the interviewee. Contradicts with previous academic research. (is personal ignorance / lack of interest a reason for this or not?)

5. Understanding CSR as a strategic component in establishing public-private collaboration & expected changes in the near future B2G landscape

a. CSR affects brand perceptions and value
b. CSR can generate ROI and "dual benefits" exists. Provides various case illustrations
c. No link between CSR and innovation found or understood
d. CSR communication affects operating income (reasoning through solution explanations)
e. For MNE´s a local stakeholders important for CSR communication. (Central global coordination limits this activity!)
f. If governmental bid requests would emphasize CSR issues, more actions from the company´s side would be taken

Table 3 – *An example of interview result categorization following the IPA process*

5. Research Findings

In this chapter the extensive theoretical discussion and findings on strategic corporate social responsibility, interactive two-way communication, relationship management, and institutional legitimacy will be discussed in relation contemporary business to government environment in EU from a case context. The aim is to provide a preliminary empirical basis for the research questions outlined in the first chapter and discussed in the theoretical part of this thesis. This is supplemented by an interview process where various governmental key decision makers and case company executives in a Finnish B2G security market context are interviewed.

The nature of this industry has implications for nation level safety, which might have affected the amount of information disclosed by those interviewees who had first-hand knowledge on such issues. Yet, the semi-structured question outline was formulated in such a fashion that the nature of the discussion assessed public-private collaboration and the B2G markets in a broad level. Replicating the study in other B2G settings and in wider geographical and cultural areas is out of the scope of this study and is left for further research.

Since governmental decision makers were encouraged to extend answers to B2G markets as a whole, generalizing the findings to fit the overall industrial B2G environment in the EU is better justified, as individual member countries are deeply rooted to and linked with EU-level organizations. For further emphasis, as there is very limited academic research on the implications and possibilities of strategic CSR in the B2G sector, the empirical findings cannot be used for managerial generalization as such, since there is no existing empirical data to back up the preliminary findings. Instead, a venue for wider discussion and more detailed research is given by introducing this perspective to existing strategic CSR discussion.

Below, the empirical results and content dissemination is categorized under five major themes relevant to the research area. By combining the empirical study results to the extensive literature review and analysis, a conceptual framework will be presented. After analyzing the transcription from the seventh interview, I saw that a satisfactory level of saturation was reached for the purposes of this study. The main findings from the study can be found at the end of this chapter.

5.1 The complex nature of the B2G environment in the EU

A theme that was constantly present in the interviews was that the contemporary B2G environment in individual EU countries and the EU as a whole has grown more complex during the past decades. Large national RFQ´s involve many actors and entities that cannot be reached by firms that provide services and solutions to such governmental organizations. In fact, such organizations are not known or understood at the beginning of large governmental bidding processes. The sales director, currently in charge of the nationwide security network project in the focal case company (from now on referred as *Sales director, Company CC*) stated that it took years to understand all the actors and influencers in the formulation of the RFQ.

"New sub-organizations were formed before, during and after the implementation of the nationwide network. It took lots of resources and inter-personal communication with known business associates to increase the understanding of the needs and demands that were formulated behind the scenes." – (Sales director, Company CC)

As discussed in chapter three, governmental RFQ processes usually follow a step-wise process where transparency and lack of individual actor preference is important. According to many interviewees, individual organizations are already "too late", if they begin to formulate their marketing communication strategies when a RFQ request has already been published. For this reason, prior relationships and references are important in maintaining a presence and an organizational identity between consecutive public RFQ`s. One important finding in this context is that the role of consistent CSR communication was identified to be important in building a corporate identity and trust, ultimately affecting the institutional legitimacy and competitiveness of companies working in the B2G sector. In addition, the end-users in large governmental contracts often consist of very heterogeneous groups of people and organizations with varying needs and demands. Marketing communications can easily become scattered and unfocused in environments, where the focal interest groups are not identified and understood.

5.1.1 Customer vs. citizen – decision making and consumption are separated

In traditional B2C and B2B marketing the decision making and brand perceptions of the consumer-purchaser are influenced with consistent and relevant communication. The issue

becomes much more complex in the B2G sector as decision making and consumption are separated. In simplified terms, governmental organizations use tax payer money to provide services and infrastructural solutions to individual citizens. In the case of the nationwide security network, it is even harder to categorize the beneficiary groups as the aim of the network is to provide safety and security to individual citizens while the end-users are the police, paramedics, rescue organizations and various other organizations. Decision making bodies on the other hand are scattered within various governmental and semi-independent organizations, making relationship management and marketing very challenging.

"A long road needs to be traversed to align and understand citizen needs and demands and the rationale behind governmental organization´s decision making, making miscommunication a real threat" – (Head of strategy, Company CC)

By linking operational actions and strategic decision making to social responsibility, firms are better positioned to gain legitimacy in their respective operational environments in the B2G context as public budget spending is strongly linked to national-level welfare and wellbeing. Although citizens seldom are explicitly involved in various public-private collaborative projects, they are a focal stakeholder group as the ultimate providers of capital in public purchasing. According to the empirical research, it is evident that taking a holistic stance on stakeholder need satisfaction, firms are better positioned in the long term to answer the needs involved in public purchasing. This requires lots of resources and long timeframe strategic insight when developing marketing communication and relationship management strategies in the B2G environment. As most large corporations that have the resources to provide the necessary capacity and know-how to match the demands of large public purchasing projects have strict profit making pressures on a quartile-basis, aligning sufficient resources to marketing activities that have a long and vague payback period is challenging.

5.1.2 The effect of EU level directives and regulations in national level B2G environment

All of the interviewees acknowledged to a varying degree the effect that EU-level decision making has had in formulating RFQ´s. The constant development of national procurement laws becoming increasingly detailed make public purchasing a very complex process, requiring

profound know-how. New EU level regulations and directives, more explicitly the EU public procurement directives, have had a negative effect on Finnish public-private collaboration, since there is no longer an option to create partnerships with trusted private partners by bypassing a formal RFQ process when a new project is initiated. New levels of bureaucracy (i.e. various EU organizations) and regulation have made public purchasing slower and complex and thus increasing the gap between public and private organization market orientations and speed of decision making.

"Governmental decision making and implementation of new projects have become slower due to EU-level developments. In addition, contact and communication between individual end-user organizations and public authorities has decreased. This ultimately affects the ability for individual firms to provide solutions that actually reflect end-user needs" – (Director, Ministry of the Interior)

Strict purchasing processes and multiple levels of bureaucracy make marketing communication and relationship management a challenging issue in the B2G sector. A noteworthy remark is that while product and solution related marketing in the B2G markets are bound to individual governmental RFQ´s, CSR communication can be more freely linked to overall operational and R&D activities and pursued stakeholder management tactics. Thus, creating a consistent long term CSR communication strategy to reflect the long-term developments of national level public budget allocation, firms can increase their corporate identity and trustworthiness in terms of future business opportunities. Such activity requires proactive communication with various public partners, which makes the company more adept in identifying and understanding various weak signals, making room for proactive opportunity probing and brand identity management.

All the interviewed public organization directors mentioned that consistency and continued communication with public organizations during times when no actual business opportunities are evident is important in the B2G sector. This demand can be linked to the organizational cognition of various governmental organizations. To illustrate, public organizations need to continue their operations even when the overall economic environment is on the decline. Stability and continuity is important in public organizations, which ought to be reflected in firms´ marketing communication strategies.

"Firm´s should follow the discussion between their customer [a public organization] and the customer's stakeholders in order to gain legitimacy and create trust. The more one asks questions, the better an answer he will receive. Getting good answers aids in creating good questions that might be linked to future demands" – (Director, semi-independent governmental organization)

Although national laws and EU-level directives and regulations make public RFQ´s so detailed that very little opportunities exist for companies to differentiate themselves from their competitors, proactive communication and activity building aids in contributing the nature of future RFQ`s. In other words, via consistent two-way communication with relevant stakeholders, firms have better opportunities influence future public demand setting. In this context I refer to activity building as how an organization´s sales and marketing functions are able to create new leads and expand their core stakeholder network via effective two-way communication.

A director from a semi-independent governmental organization emphasized that due to the successful implementation, proactive communication and management of the nationwide network, his organization has been able to create a coherent business case to receive funding for a new related project. The focal case company has played an active role in this context, giving it a good position to indirectly affect the nature of this new security project. The case company has been able to use their existing contacts from public organizations to actively approach the decision makers involved in the new project, ultimately affecting their market visibility in this context.

Although the actual project, if implemented, will have to follow a standard RFQ process, the case company is for the above reasons in a better competitive position. Ultimately, this increases the likelihood for new business opportunities for the company. This proactivity in communication also helps in establishing trust, presence and legitimacy within relevant stakeholder groups, as discussed in the second chapter. Proactive communication in this regard is mostly about showing how the firm´s capabilities and history match the needs and requirements in the new security project. Social responsibility communication is important in this case, since decision makers need to be convinced of the societal benefits of such a costly project.

5.1.3 Building trust is important in developing and maintaining public-private relationships

A key theme that constantly came up during the interviews was that building trust is paramount in developing long-lasting business relationships in the B2G context. Establishing trust is important in any kind of business relationship, but special implications for trust exist in the public-private collaborative domain. As will be discussed in more detail below, governmental organizations are constantly downsizing their activities. This means that more and more previously publicly provided activities will be carried by private firms. As the nature of these services and solutions are meant to benefit the society as a whole, it must be made clear that no special attention and exploitation opportunities are given to individual organizations.

"Quite simply, the only way for firms to develop long-lasting relationships with public organizations is to do all they can to establish trust. Also, the need to communicate about issues relating to social responsibility and building good business cases around environmental benefits of their [companies] solutions in today´s environment is gaining more attention in public spheres" – (Director, semi-independent governmental organization)

As the interviewees proactively highlighted the role of trust in forming and maintaining relationships, they were encouraged to specify if personal or organizational level trust plays a more dominant role. Organizational level trust was generally seen to be paramount if true legitimacy and credibility was to be established. Still, one interviewee illustratively compared trust in B2G environment to marriage, where first impressions and emotions at the personal level set the foundation for organizational level trust to be established. The key is to effectively transfer personal level trust to organizational level trust, which is difficult in the B2G environment where there are a large amount of stakeholders that need to be addressed and convinced.

Closely linked to establishing trust is transparency. According to the interviewees, public organizations demand the same kind of transparency from private organizations as they themselves practice. Transparency is deeply rooted into public procurement laws and RFQ demands. Various CSR reports and metrics tools, as discussed in the previous chapters, aid in building content to external CSR communication. In general, transparency is seen as a sine qua

non in the B2G environment in the EU. This issue might have received over-emphasis in the current research setting, as Finland has been ranked at the very top of various global transparency indexes. In fact, two interviewees from the private sector mentioned the dramatic difference between creating relationships in developed European- and developing economies, highlighting the different notion and meaning given to transparency and ethics in general. Yet, one major finding is that CSR communication and management work as a mediating factor for establishing trust in the B2G context.

5.1.4 The importance of a "local face" in B2G relationships

An issue that frequently arose during the interviews was that although a consistent global approach to relationships and CSR management would be beneficial due to cost issues, it is not the right approach for MNE´s serving governmental institutions. The interviewees discussed a multitude of culture-bound factors that affect relationship development and the role and nature of trust and ethics. In the EU context, the interviewees mentioned the recent fluctuations and uncertainty in the economic environment, which has led to renewed interest in nationalism. This is also reflected in the actions of governmental institutions in various ways through the general political environment and national economic viability management reasons to name but a few. As mentioned above, continuity and consistency is seen as a form of social responsibility in and by governmental organizations.

"Issues related to renewed interest in nationalism affect relationship management in the B2G environment. Having a local partner is politically "easier". Being physically present and helping the customer to accomplish their organizational mission is key in managing relationships" – (Head of strategy, Company CC)

This is very demanding for MNE´s where the competencies are scattered across national borders, leaving lots of room for language and cultural barriers in formulating marketing campaigns and relationships management tactics on a situational basis. As being proactively involved in public stakeholder discussion creates opportunities for long-term oriented marketing in the B2G domain, cultural similarity can be seen as a strategic asset. When contrasting to many B2B environments, relevant stakeholders more commonly accept a neutral business language, giving

equal opportunities for each stakeholder. In the public context, there is a cognitional tendency to favour the local language.

Business activities related to national safety and security, such as the nationwide security network discussed in this thesis, are even more sensitive, affecting the competitive balance between local and foreign suppliers. In simplified terms, as public organizations tend to be risk averse and aim to use public budgets to increase the welfare of the citizens, local firms are better positioned to create a social responsibility rationale behind their service and product offerings. For MNE´s, this naturally has both positive and negative implications that relate to the overall organizational structure. The focal case company´s competitor for example has large and highly independent country organizations in each operating country, creating lucrative possibilities for local CSR management and marketing communication, while the case company is only strongly positioned in a fraction of their countries of operation. Also a strong local presence helps in understanding the political environment and budget allocation developments, giving better opportunities for coherent marketing and CSR communications.

It was also discussed during the interviews, that locality is often seen as a "taboo" in the B2G context, as transparency and fairness ought to be the basis in all public activities. Still, with consistent and proactive long-term communication, individual companies can have an influence and effect on future RFQ content development, ultimately affecting the business bottom line in the long term. In addition, by integrating CSR issues to external marketing communication, it works as a mediating factor in developing trust and legitimacy. Although consistency is important in the B2G environments, there are major limitations towards global CSR management for MNE´s in this sector for the above mentioned reasons.

5.1.5 National political environment affects relationship management and business opportunities in the B2G sector

A major hindrance to long-term public-private collaboration that came across during the study is that the political environment affects the nature and amount of budget allocation to individual governmental projects. In addition, the interviewees stated that today politicians have a bigger role in the daily activities of various agencies and ministries creating discontinuity and cyclicity to public-private collaboration.

"The government platform, which changes every four years dictates the activities of individual ministries and many other public organizations. Naturally, politicians often change as well. Top bureaucrats also have a terminable contract, which means that the nature and amount of public purchasing can change in steady intervals." – (Director, Ministry of Social Affairs and Health)

Maintaining relationships with governmental institutions is even harder in countries where nearly all of the civil servants change after the elections in addition to politicians. In Finland, only the politicians change after each election and some top bureaucrats also have terminable contracts. But in general, officials in Finland and many other EU countries have permanent jobs, making marketing communications and relationships management easier. Still, as many of the interviewees stated, the government platform changes to varying degree after every election period, ultimately affecting the allocation of public funds. This major issue affects negatively the possibilities and nature of creating and maintaining long-lasting relationships in the B2G sector.

In this situation, such public institutions that are not directly tied to government platforms and which have more autonomous agendas play an important role for individual firms operating in the B2G sector. Based on the interviewees' answers, if relationships are constantly managed even in times of little economic exchange, the likelihood for miscommunication and uncertainty will decrease. In relation to this:

"When business relationships have lasted for a long time, many core stakeholder groups are understood profoundly, and they understand you better as well. This automatically leaves less room for irresponsible behaviour and making unrealistic promises. Some key public partners understand this and recognize it as a form of socially responsible behaviour." – (Sales director, Company CC)

This comment emphasizes the importance of keeping communications channels open with public organizations. This affects the nature of the relationship, which is reflected to the perceived social responsibility and public image of the company in the B2G sectors.. In addition, the communication behaviour of individual sales and marketing managers are also influenced by this phenomenon. Yet, as each public RFQ and the business project that evolve around it are unique in nature, systematic management of business relationships and efficient CSR communication is very complex if not impossible in multi-national context in the B2G domain.

Another interesting remark that arose from the interview was that while inter-governmental discussion is generally not very active, there is a tendency for more intra-governmental collaboration and mutual target setting if the top political management are from the same party. This kind of change in activities is seldom clearly visible for individual firms serving such governmental organizations. Internal politics affect the level of intra-governmental communication, affecting such organizations´ receptivity and willingness to engage in external bilateral communication with private institutions. Based on the interviews, private sector organizations are not actively trying to influence the politically oriented factions of public organizations for the above mentioned reasons.

"The political situation affects the everyday working environment of many public organizations. In my view, there is much more collaboration between ministries where the ministers know each other and work for the same political party. Such developments usually remain unknown for individual private organizations" – (Director, Ministry of the Environment)

5.1.6 Lobbying is a viable but complex marketing tool in the B2G markets

Based on the discussions at the marketing workshop at the case company´s premises and from the interviews, lobbying was seen as a viable marketing tool in the B2G markets. Yet, it became evident that it is very challenging to manage lobbying activities within MNE´s. The EU has made lobbying ever more complex, since many formerly purely domestic public decision making bodies are now linked with new EU-level organizations. Interviewees from both the focal case company and their competitor stated that too little coordination exists between the firm´s central lobbying organization and local sales /marketing departments. It was stated that such services could be more strategically managed and bought from trustworthy outside parties. Without going deeper into the characteristics and nuances of lobbying, lobbying can be seen as a form of strategic marketing activity in the B2G domain. Still, based on the interviews, lobbying and marketing departments in large MNE´s are not intrinsically collaborating with one another. To get a better understanding on the developments of macro-level changes, lobbying organizations could be used more effectively to serve the needs of individual sub-markets in the B2G domain.

"Our country organization actually is communicating very little with the group's EU-level lobbyist. It is difficult to incorporate short-term tactical agendas to group level strategic lobbying activities, since time horizons are long. Nobody wants to take an initiative to forward collaboration that does not show clear benefits even in longer time periods" – (Head of Strategy, Company CC)

It was acknowledged that lobbying is a costly function. In addition HR management should take a more proactive stance in coordinating intra-organizational activities that ease communication between lobbying and marketing / sales functions. Perhaps this "multidisciplinarity" and lack of central management structure has affected the rather limited development and use of lobbying as a strategic marketing tool, which eventually could provide valuable information for proactive relationship management. Effective lobbying requires a proactive rather than reactive stance on various developments in the local institutional environments. For this reason, lobbying activities can create a valuable addition to meaningful two-way communication between private and public organizations.

5.1.7 Relationship management in the B2G context requires lots of organizational resources

As discussed above, continuity and stability in public-private communication even during times of limited business activity is important for public organizations. In addition, as there is usually a very complex set of stakeholders and influencing organizations, managing relationships and planning marketing and CSR communication activities in the B2G context can be very costly. In fact, it is reasonable to ask whether managing relationships is in economic terms justified or not. Related to this, most interviewees stated that firm size matters in the B2G markets. Being able to cope and have resources in reserve in fluctuating economic times is paramount in larger public purchasing projects. As public organizations are intrinsically risk averse, most public RFQ´s are designed in a way that only firms with adequate resources can answer the requests.

"The long term evolution of the nationwide network is important. We need the expertise of Company CC in this strategic planning process. We know it takes resources and money to be "involved" in this discussion, but we see how committed Company CC is and appreciate that. As

they assume lots of responsibility, we see that as a form of good social responsibility. In this business, we need partners we can trust!" – (Director, semi-independent governmental organization)

Engaging in proactive two-way communication with relevant stakeholders gives better insights about the possibilities and threats regarding future business activities evolving around individual public-private collaboration projects. Even if smaller organizations win a public RFQ, they might not have the possibility to allocate adequate resources to proactive relationship management and future-oriented marketing. This might lead to reduced levels of trust and future business opportunities. Although trust is seen to increase the perceived social responsibility and brand image of individual companies, it does not come easy and without a substantial price tag. Managing CSR communication is strongly linked to other forms of proactive communication. For this reason, there are possibilities to gain "synergy benefits" between effective CSR management, trust and brand image if overall resource allocation towards proactive stakeholder engagement is secured.

In short, B2G environments involve many actors that have an influence on the outcome and nature of public-private collaboration. Separated decision making in political environments that constitute of both national-and EU-level stakeholders; and which are constantly under metamorphosis, a very challenging atmosphere is set for the companies operating in this environment. With adequate resource allocation and strategic oversight, companies can engage in proactive two-way communication to better understand the nature and possibilities for future business activities. By simultaneously showing concern and continuity in relationship management, companies can knowingly affect the perceived trustworthiness and social responsibility of their organization.

5.2 CSR is seen as a strategic asset in managing relationships in the B2G markets

Based on the study results, it is evident that many elements of CSR, especially those related to social responsibility are seen to affect a firm’s competitiveness in the B2G domain. According to the interviews and the CSR workshop, trust is a key component in managing relationships and creating efficient marketing strategies in the B2G markets. CSR is seen to act as a mediating factor, affecting trust and company perceptions in the eyes of public organizations. In addition,

interviewees from private organizations gave examples of their competitors who entered new developing markets with the aim to strongly communicate their commitment as an employer, philanthropist and a responsible community player. Such activity has later had implications for political level preference and goodwill in environments where national and regional legislation and transparency are not as developed as in the EU. On the contrary, in the EU context creating a coherent business case that links ecological social and economic issues together is important in creating competitive advantage via CSR. Social responsibility on the other hand is more strongly linked to proactive two-way communication, long-term evolution and strategic planning as well as consistency and stability in business operations.

"Competitor xx has been actively engaging in different community activities when entering new markets in emerging economies. By being an American company, they're good in communicating their role as an employer, philanthropist and a funder of public R&D activities. This has resulted in major political goodwill, affecting their competitive position." – (Head of Strategy, Company CC)

5.2.1 CSR should be consistently linked to technology-oriented communication

It was acknowledged that today there are limited opportunities to benefit from new and unique technology indefinitely. Thus as discussed thoroughly in chapter two, adding a social and ecological dimension into the core offerings of companies they are better positioned to gain legitimacy and trust in their respective business environments. According to the study, companies are poorly exploiting the lucrative possibilities to market their products and services from the perspective of contributing to specific aspects or the overall welfare of the state. Although communicating about CSR is more common and often beneficial in B2B and B2C context, in the B2G environment where companies provide services which are paid by tax-payer money, linkages to one´s social responsibility can be formulated in more concrete terms.

"We´ve come to an understanding that we should and are able to manage and build our stakeholder relationships through social responsibility." – (Sales director, Company CC)

"Even today today, no "extra credit" is given to ecological issues in public RFQ´s. But proactive business partners, who show they care about the same communal issues as us public actors are seen to act in socially responsible way. I don´t know if everyone understands this." – (Director, semi-independent governmental organization)

When contrasting these comments to theoretical discussion on strategic CSR, especially to the framework introduced by Luo & Bhattacharya (2006) [see page 24], CSR is strongly linked to perceived corporate abilities since its management intrinsically requires deeper discussions with relevant stakeholders. This corporate ability then can potentially affect customer satisfaction, which has indirect implications for a firm´s market value. In today´s B2G environment, both public and private organizations have begun to view CSR as something that should be more profoundly linked to business activities. CSR reports that are not linked to actual business activities bear little benefits in today´s business environment. This is especially the case in the B2G domain where such reports play a very limited role in the public purchase processes.

5.2.2 A coherent business case is needed to back up CSR initiatives

An issue that frequently came up when analysing the results of the study was that in order to link the implications from new technological improvements which affect operative costs, a coherent and simple business case has to be created. Providing concrete calculations for example how a technological improvement enables a product to be smaller, become less costly to manufacture and handle in the logistics department and how its environmental burden is reduced has to be contextually linked to individual RFQ´s or on-going public-private collaboration projects. Individual companies that work hard in helping focal public partners to formulate budget allocation rationale justifications as they address various public decision making bodies have understood the value that it generates for all focal stakeholder groups. Only through consistent communication can firms further disseminate important information via their partners in the public domain to such governmental institutions that are not willing to communicate with individual firms directly.

"Companies need to provide adequate evidence that their offerings benefit the society from an ecological or social point of view. If a solid business case be created, various decision-making bodies can be convinced more easily" – (Director, Ministry of Social Affairs & Health)

"We were able to initiate and get funding to a new large security-related RFQ since the nationwide security network project showed how things could be done effectively without wasting resources. Company CC and [other partner and stakeholder] helped us to formulate the message to be bullet-proof." – (Director, semi-independent governmental organization)

It is evident from the interviews that public organizations have begun to adopt many activities commonly used in private firms. Solid business cases are today important in public decision making as well while the use of consultants are also increasing. This is a positive development as it reveals that the working logic of public and private organizations is becoming more alike. It also means that individual marketing communication initiatives need to be thoroughly linked to a firm´s value propositions, effectively leaving little room and tolerance for errors.

5.2.3 Managing CSR can affect brand perceptions and future business possibilities

As already discussed, engaging in proactive two-way communication with public organizations, firms can enhance their legitimacy. Interviewees from public institutions stated that by being proactively involved with key partners, firms have better indirect influencing opportunities and understanding of the future needs and demands of public organizations that they do business with. This proactivity is often linked to personal and organizational level caring and interest, which has positive implications towards perceived social responsibility of a firm. In traditional B2B settings, engaging in proactive two-way communication and marketing with key stakeholders is not straight-forwardly related to their social responsibility. But in the B2G context this kind of engagement and mutual problem solving attitude is ultimately linked to public organizations´ quest for using tax payer money as effectively as possible.

"Due to the downsizing of public activities, we do not have the resources to tackle all important issues related to individual publicly funded projects. Public organizations should better take advantage of the expertise of private organizations" – (Director, Ministry of the Environment)

It was also mentioned that recent developments in the global economy has made governments and other public agencies more wary on whom they accept as trustworthy stakeholders. For this reason, perceived image and associations affect the possibilities of individual stakeholders to be involved in publicly funded projects. Social end ecological responsibility, if backed by solid proof and consistent communication, is an important mediating factor leading to increased perceptions of image and trust. CSR management also requires thorough stakeholder analysis, which aids in identifying their needs and demands as well as appropriate communication channels. In addition to perceived image and perceptions, CSR management helps to identify new business opportunities through this increased proactivity in the institutional environment (see for example Kotler & Lee, 2005, pp. 10).

The increasing discussion and action evolving around the changing role of governments from a mandator and facilitator to a partner and endorser has major implications for firms working in the B2G sector. According to Albareda et al. (2008), and as discussed in the third chapter more thoroughly, the gradual switch towards partnerships and long-term public-private collaboration is gaining momentum at a macro level. On the contrary, the empirical study revealed that in individual public RFQ`s, social and environmental factors are not commonly included mainly due to the fact that formulating appropriate demands is very time consuming and demanding. For this reason, CSR management is not very strongly linked to winning individual governmental RFQ´s in the short term, but it is a "tool" for gaining an understanding about the surrounding institutional environment through proactive communicating practices in longer time periods. This has additional implications for large firms operating in small economies, where the B2G competitive arena involves only a limited amount of actors.

5.2.4 CSR should be linked to R&D activities

The more supply chain activities include elements that contribute to CSR, the easier it is to truly manage sustainability in a strategic manner. The high-level interviewees with corporate history emphasized that as R&D activities are strongly linked to firms´ innovativeness, product- and solution related CSR should be managed more actively in such internal units. Product and solution related CSR is more often linked to ecological sustainability, while social responsibility is more about inter-personal and inter-organizational communication, commitment and

understanding of the needs and demands of key governmental stakeholders. In the technology industries, competitors are quick to adapt and copy new technologies. For this reason, new product innovations that use less material resources or that contribute to developing new sustainable materials or reduced logistics costs usually provide competitive advantage in the short term.

"Communicating about CSR related aspects included in many of our solutions is important in creating a consistent brand image. This activity affects our operating income for a multitude of reasons." – (Communication specialist, Competitor STY1)

Although product- and solution related sustainability improvements are rather easy to copy, thus providing only short-term business advantage, a clear continuum of CSR oriented business cases will affect perceived brand image and *consistency*, which is paramount in the B2G markets. A rich pool of sustainability related business cases work as a good point of reference and idea bank for pure marketing-related campaigns. Managed this way, product- and solution related CSR provides good content for social responsibility communication, which is viewed as a strategic element in relationships management and marketing communications.

5.2.5 An intrinsic social aspect is interwoven to the B2G security markets

It was evident in the study analysis phase that social responsibility has special implications in the B2G markets. There are also additional implications in the security markets, where the nature of governmental purchasing is to ensure the safety and wellbeing of individual citizens. Some interviewees compared the security markets to healthcare markets. Although the two are different, the end goal in such public purchase projects is to improve citizens´ safety and health. Initially, when companies placed their RFQ answers for the nationwide security communications network, nobody marketed and communicated the social responsibility-related aspect of their solutions. Even the case company which won the contract didn´t realize the potential on social responsibility communication in this context at the time of the projects initiation.

As governmental RFQ´s create homogeneousity to supplier’s offerings due to their very strict nature, differentiation factors must be linked to the way solution-related marketing communication is formulated. Once a business relationship has been established, it is important

to include the same messages in daily relationship management. Some interviewees associated with the nationwide communications network project stated that simple reformulation of solution related promises can have a major impact on certain stakeholders support or opposition. The social implications of individual public purchases are high in the agenda of some decision-making bodies whose purpose is to safeguard national well-being and safety.

"Concretizing CSR to concrete business cases and selling points is very challenging. Still, proactive CSR communication should be continuous, since the outcome is a unique discussion, which might just be the thing providing us competitive advantage" – (Sales director, Company CC)

Formulating marketing communications to match the demands set by such stakeholders is important in securing future business possibilities in follow-up RFQ projects. In addition, communicating about internal and external developments in CSR issues help in creating a more proactive two-way public-private communication dialogue that can aid in future national-level soft regulation and legislation setting. This proactivity can eventually provide strategic first-mover advantages in the future.

As a concluding remark, this subchapter has shown the main reasoning in support of the possibilities of strategic CSR in the B2G context. Interviewees from both public and private organizations highlighted various issues that make CSR a strategic issue in public-private collaboration. In the end, CSR marketing management and communication can aid in developing trust and longevity into existing relationships. Formulating concrete business cases to support economic and social / environmental benefits is paramount in gaining stakeholder support. Still, it was widely acknowledged that formulating concrete content to CSR issues is very challenging, especially in the short term. It is via long-lasting bilateral communication and mutual goal setting that aid in developing strategic CSR initiatives that go beyond mere philanthropic efforts, which aren´t linked to the organization´s core strategy.

Yet, this process is very time consuming and might not reap financial benefits for short- or mid-range business goals. Social responsibility is intrinsically included in larger governmental purchasing projects, while such might not be the case for smaller RFQ´s where resources are not

tied into single projects for extended periods of time. Next, the unnerving gap between the needs- and actual realization of lucrative public-private collaboration is discussed in more detail.

5.3 Introducing an institutional paradox – A need for more public-private communication during times of public downsizing and economic uncertainty

An interesting issue that emerged from the study is strongly linked to the downsizing of public institutions in many EU member states. Lots of services previously provided by public organizations are now being managed by private firms. This privatization poses serious institutional threats and problems for the safety and well-being of individual economies since private ownership creates more possibilities for opportunistic behaviour than publicly owned resources´ management. Interviewees from public organizations recognized the multi-faceted risks in the gradual development towards the increasing role of private business´ in national wellbeing. As already stated, this issue has major implications for economies where the role of the public sector has historically been large, such as in the Nordic countries.

All interviewees, especially from public organizations, recognized that a new way of organizing collaboration between public and private organizations ought to be developed. This was also something that was stated to fall under rigorous scrutiny in the macro level discussions in the near future. It is simply a matter of national and regional level economic viability to better coordinate public and private activities. Opportunistic behaviour and sub-optimization was seen to be something that has wide negative implications on the economic environment in the long term. Building trust and common goals can be seen as the first step to closing the gap in the identified institutional paradox. As discussed throughout the thesis, effective communication of CSR, backed with proper business case, helps in establishing trust. In the near future, this line of logic has tremendous implications for firms´ future business opportunities in the B2G markets.

5.3.1 Outsourcing public services to private organizations involves risks – CSR is a mediating factor

As public organizations are outsourcing activities, vital know-how and intellectual capacity is shifting towards the private sector. Thus there might be limited understanding available for high-tech outsourcing projects. The interviewees stated that private organizations ought to assume the

responsibility to communicate thoroughly about the positive and negative aspects of individual technologies and their implications in the short and long term. As discussed throughout the thesis, trust is the main factor in establishing lucrative public-private collaboration. In traditional B2B markets, the buyer is usually highly aware of their specific needs and demands. In large and complex public RFQ´s, potential suppliers need to thoroughly communicate about the features of their solutions in an understandable format. Related to this, public organizations have started to use outside consultants more often to aid in context-specific knowledge gathering.

"Nowadays public agencies need to rely more on the information provided by private firms, since we don´t have the resources and know-how needed in complex purchase situations. For this reason, firms that have historically acted responsibly are "gold"." – (Director, Ministry of the Environment)

Trust is easier to establish if the supplying organization has consistently communicated their efforts towards CSR. Interestingly, the interviewees stated that it is more credible if firms acknowledge that they are also seeking economic advantages through responsible behaviour. Thus the main thing for private firms is to manage their CSR communication and efforts to match the overall strategic goals of the corporation (see for example Porter & Kramer, 2006). Firm´s need to allocate resources to earn the trust of key public stakeholders in order to reach the role of a trusted advisor and partner. Here the circle closes once more on consistent CSR communication, which is maintained and managed even during times of limited profitable activity. As public organizations are intrinsically risk averse, establishing trust through CSR and consistent relationship management will aid in developing new forms of collaboration between public and private organizations.

5.3.2 A lack of intra-organizational communication between public agencies creates difficulties for public-private collaboration and B2G marketing

There is a limited amount of communication in the public sector between different agencies, which creates problems for both intra-governmental collaboration as well as inter-governmental communication. Although the main findings of this and prior research indicate that trust and consistency are very important in the B2G markets, both are very hard to achieve in a multi-party

environment that lacks proper intra-organizational communication. As there usually are only a limited number of closer organizational and personal level contacts in the public sphere for private firms, resource intensive marketing and relationships management might not reach its greatest potential if they aren´t spread across the stakeholder groups.

"There certainly isn´t nearly enough internal communication between different ministries and public organizations. It´s all about personal chemistry. This is a problem when planning new "multi-disciplinary" projects. This is troublesome for private firms as well…" – (Director, Ministry of the Interior)

Social responsibility is something that all the supplying firm´s public stakeholders can relate for various reasons. For this reason, consistently framing marketing communication messages and relationship management strategies to tackle the social implications of individual projects, a wider audience can potentially be reached. Yet, as the role of the public sector is shifting from a provider- to a coordinator role; and as activities are steadily transferred to the private sector, intra-governmental communication becomes more important than ever. In this regard, a new kind of inter-organization communication and coordination between public organizations needs to be established before the aforementioned institutional paradox could be tackled.

In addition to this, public RFQ´s are usually very thoroughly detailed, which leaves very little room for interactive two-way communication and marketing opportunities unless the new project is a continuum or derivate from previous joint collaboration projects. Although the stiffness issue has already been discussed, it is an important building block of the institutional paradox that prevents profound public-private collaboration from developing further. It was stated here that the role of various NGO´s and trade unions is currently taking place to help in coordinating public-private collaboration, but the current organizing method does not meet the demands set forth by the shifting role of public and private organizations.

As social responsibility is a universally relatable issue in the B2G markets, consistent CSR communication is the first step towards closing this *institutional gap*. More importantly for individual firms´ sake, there are new possibilities to create competitive advantage and secure future business opportunities via effective management of CSR communication. Creating new

ways of public-private collaboration could also be more strongly linked to various NGO´s, as the issue is today, but with a focus on establishing new media and discussion formations.

5.3.3 A new way for coordinating public-private collaboration is in the agenda

The interviewees also stated, in accordance with theory, that at the EU and member state level, new legislation regarding CSR issues have been developed in the past few decades with more rigor. Still, it is evident that this legislation touches more on the ecological aspects of individual products and service outputs. Very little development in social issues contributing to more rigorous collaborative approaches in public-private collaboration has been made. This is also evident in contemporary public RFQ´s. Some interviewees stated that although there would be wider possibilities today to include CSR-related requirements on the demand lists, they have been used surprisingly scarcely. One reason for this might be that in modern economies, many product-related ecological responsibility issues are already hard-coded into national legislation, thus seemingly giving little intensive for further soft-regulation enforcement.

In addition to these communication problems, it was widely acknowledged that many decision making bodies are considered to be too far from the actual supplier organization as well as the end-users. This has been indirectly discussed already, but in order to increase public-private collaboration, various decision making-making bodies ought to be brought closer instead of alienated from the suppliers and end-users. As public organizations are under metamorphosis today, more attention was said to be paid on this issue in the near future. Proactive private firms working in the B2G environment have lucrative possibilities to become involved in the planning and execution of this development in the near future.

"We ministries are very far from the end-users and suppliers to be honest. Even in general, public organizations are rather inwardly oriented… We are so focused in our core mission due to public cutbacks. Smaller economies like Finland have lost some of the robustness and creativity due to EU regulations. New forms of collaboration really are needed." - (Director, Ministry of Social Affairs & Health)

An issue that was said to increase the aforementioned *institutional gap*, especially in Finland, is that previously special types of formal partnerships existed between selected private and public

organizations. EU-level regulation and renewed national legislation has made these kind of contracts illegal, as they are seen to defy the notion of transparency and equal treatment of all stakeholders. This is the toughest question in the current *institutional gap / paradox*; how to increase public-private collaboration without creating situations for unfair preference and lack of total transparency? Trust is based on mutual commitment and credibility. Credibility in the traditional sense is threatened if confidential information cannot be kept under closed circles. Perhaps social responsibility, at least in the B2G context can help in contributing and finding new ways for such collaboration that will benefit long-term national economic viability. Relationship and marketing communications and CSR from the private firms´ point-of-view are in no minor role in seeking both a social cause as well as new business opportunities.

In the short term, the fluctuating economic environment that dominates the world´s markets in the beginning of the second decade of this millennium make it increasingly hard to focus on finding new ways of public-private collaboration. There was some contradiction on this issue. Some interviewees stated that bad economic times leave little room to develop new soft-regulation and enforcement practices. In addition, the downsizing of public organizations in combination of shrinking public budgets and uncertain economic conditions make it hard to find innovative options to increase collaboration. In short, bad economic times leave "less room" for CSR communication and strategic assessment according to some interviewees.

On the contrary, CSR and more specifically social responsibility, is seen to be a more prevalent topic during fluctuating economic times, when economic uncertainty poses real challenges to relationship management. As consistency, transparency and trustworthiness is key in B2G relationships, CSR marketing and communication is seen to help in maintaining trust in the institutional environment. This was said to have implications in the future business possibilities for individual companies. In addition, during times of economic transition and change, new forms of collaboration and the role of businesses´ in society ought to take place. In other words, when everything seems to be "*OK*" as the way they are now, no real driver for change will be sought. Since all interviewees stated that public-private collaboration has to change its nature, and as communication is said to increase in the future, this line of logic is most likely instilled at sub-conscious levels within the involved organizations.

5.4 Long-term orientation is paramount in B2G marketing and relationship building

Although it has been emphasized during the empirical analysis that long-term consistency is important in marketing campaigns and relationship management in the B2G context, a few key findings in relation to this will now be assessed. Assessing long-term oriented marketing communications and relationships management strategies brings balance to ad-hoc and quartile oriented thinking, which still today characterizes traditional B2B and B2C markets. A long-term orientation in relationship management also aids in finding new weak signals in the institutional environment that potentially affect future business opportunities. This also requires effective two-way communication with key stakeholders, which aids in finding mutual goals and mutual agenda setting.

5.4.1 Long-term evolution (LTE) and strategic oversight is seen as a form of social responsibility in the B2G context

It was emphasized during the interviews that a strategic roadmap that includes consistent continuum plans for future projects is paramount in the B2G markets. In order to properly answer the demands of large public RFQ´s, a well-made plan and roadmap ought to exist before the actual RFQ is published. This cannot be achieved in situations where existing contracts and projects are managed without constantly paying attention and focus on follow-up opportunities. In order to engage in more meaningful two-way communication, common goals and themes of interest need to be established. As discussed above, social responsibility is intrinsically relatable in the B2G context if it is formulated and explained properly.

"A coherent roadmap for the future that interlinks with customer needs is paramount in this business. A long-term strategic insight is really important and it should be communicated properly to stakeholders. We have yet to link this effectively into social responsibility communication though." – (Sales director, Company CC)

Interviewees from both public and private organizations stated that marketing in the B2G context is more about interactive personal and organizational level communication rather than ready-made ads and media push. A dialogue addressing new product innovations and development paths provide a natural setting for marketing activities to be conducted. "*Hit and miss*" type of

marketing in the B2G context is doomed to fail, while intelligently targeted messages are a step to the right direction, giving focus and consistency to relationship management. Social responsibility is seen as a viable focus point into which public demands and offerings can be linked to. A term that consistently arose during the interviews was *long term evolution* (LTE).

Long-term caring and orientation towards tax payer money allocation and public spending is paramount in public purchasing operations. Companies that understand the nature of contemporary and future public needs are in a good position to develop deeper relationships with public stakeholders. In fact, linking companies' resources and offerings to public LTE planning, companies are seen to intrinsically behave in a socially responsible way by their public partners. Thus a link between relationship management, long-term evolution planning and social responsibility can be created. The end state in this development is increased trust and potentially increased likelihood in securing future business contracts, as the building blocks of public RFQ´s can be understood thoroughly via effective two-way communication.

5.4.2 Interpersonal- & organizational chemistry is important in marketing communication in the B2G sector

As already stated in the beginning of this chapter, personal level chemistry that develops to organizational level trust is paramount in conducting effective marketing communication in the B2G sector. Some interviewees stated that organizational level trust towards certain governmental institutions can never be achieved by private firms, as it could easily lead to unlawful preference practices. For this reason, various semi-independent governmental organizations that operate in specific environments, such as those in the security business, are valuable intermediary organizations that play a major role in disseminating messages to other public stakeholders. Effective marketing in the B2G content is about relationship management and interactive communication, while other media provide rather limited opportunities for marketing and relationship management purposes.

It was also indirectly stated that firm size is linked to consistent business relationship management and risk reduction from the public organizations´ point of view. As discussed, consistency and continuity of activities is important for public organizations. Thus firms that operate in the B2G sector usually have to have the capacity to allocate resources for CSR

management during bad economic times, which requires adequate reserve resources. Consistency in two-way communication is also seen as a form of social responsibility, which aids in gaining a favourable position in the contemporary institutional environment. As oftentimes B2G environments tend to be very complex, this is no easy task. Still, managing business relationships with LTE goals in mind, a natural continuum that affects the perceived social responsibility of the company´s actions in the wider public-private stakeholder audience is created.

5.5 B2G marketing and public private collaboration in the near future

The fifth sub-part of the analysis of the study findings discusses the main findings related to possible changes in the institutional environment that affect the nature of the B2G markets in the EU in the near future. The overall theme on all of the interviews followed a pattern where public-private collaboration will grow in the near future. Reasoning for this issue has already been thoroughly discussed. How the institutional environment has to change in order to foster deeper public-private collaboration is still unclear although various weak signals related to this development were discussed. On the contrary, many of these signals tend to point to a direction where forming deeper relationships between public and private organizations is becoming more difficult in the contemporary institutional environment in the EU, as discussed above.

5.5.1 Public organizations have begun to talk the "language of business"

An issue that arose in the interview is that more and more public organizations have begun to operate under similar management practices as private firms. Yet, competitiveness and ad hoc decision making capabilities still lack in many public institutions, creating discrepancy in public-private collaboration and communication. As a growing number of public servants have worked in the private sector during their career; and as previously public activities are transferred to private firms, a general understanding of competitive environments need to be gained at a broader level in public organizations. Therefore, in the near future the organizational working logic might become more alike between the public and private sector. This issue is also visible above as I discussed the importance of creating coherent business cases that link social and / or environmental issues to economic foundations.

"Public organizations have lately adopted more elements from B2B "best practices". It is perhaps easier to understand each other´s motivations as organizational cultures become more alike. The use of business cases in various B2G projects is one good example" – (Sales director, Company CC)

Such private firms that currently manage and produce services and products that were previously under public ownership need to show that they have an intrinsic motivation towards a social cause. In other words, they need to show that they are helping their public partners to use tax payer money to benefit the society in a cost-efficient fashion. As the key function of most businesses, in a very general level, is to maximize ROI, an intrinsic motivation towards CSR in the long term is established by linking its development and management to corporate strategy. Soft-regulation and CSR enforcement echo the increasing understanding of public institutions about the needs and demands of private businesses´. A continuum from this path has to be developed in order to close the aforementioned *institutional gap*.

Additionally, although contradicting remarks were also made, it was mentioned that some public organizations will deliberately aim to work more openly and increase their appearance in various media. In other words, some public organizations are themselves increasingly interested in proactive relationship marketing. One interviewee also mentioned the possibilities of using social media in addressing other public organizations. One might argue that a greater balance can be established between the requirements that are set for private organizations serving public institutions and the latter's own external transparency, if their organizational cultures become more alike. Still, the nature of most public organizations is such that they will continue to operate in environments where they are not subject to competition, which makes marketing and relationship management hard in the B2G setting.

5.5.2 The importance of local CSR will grow in the future

Due to recent developments in the global economy, many institutions in the EU member countries have become more aware of the vulnerability of open economies and the downside of increased cross-border dependence. This reflects also to the importance of keeping maintenance and supply security at such levels that individual countries can keep major functions on-going during crisis situations. Although EU procurement laws generally forbid preferring local

suppliers, this issue can be, to a varying degree, bypassed. By housing such large private organizations within national borders that have substantial financial capability to survive over bad economic times, is a strategic asset for national economies.

For this reason, public organizations will most likely demand more in terms of social responsibility from firms that contribute to the economic welfare of nation-states. Thus interactive two-way communication about a firm´s commitments and contribution to the long-term viability of public welfare will grow in importance. The interviewees stated that it is easier to establish greater public-private collaboration in nations where the general cultural and organizational environments are flat rather than hierarchical, such as the Nordic countries for example. This accelerates the speed that a satisfactory level of trust and transparency can be attained.

"Nationalism will grow in the near future. Local CSR will be more prevalent than a globalised approach, which makes these issues even harder to manage for MNE´s" – (Head of Strategy, Company CC)

As a managerial implication, in small and non-hierarchical countries CSR communication can be very different than in larger and more hierarchical member states. This is a challenge for large corporations operating in multiple markets, as centralized CSR communication strategy cannot be interwoven to local relationship management strategies. This issue further accelerates the general trend of establishing strong position in the local institutional environment, making social responsibility an increasingly strategic aspect that contributes to firms´ corporate strategy. A general trend in the interview answers was that CSR management is seen to be very challenging in a multinational context.

Yet, this trend concerns strategic social responsibility, while ecological aspects of a firm´s solution can be more easily replicated and communicated in a generic way. One might argue that the content itself is more tangible in ecological responsibility as opposed to social responsibility. Thus ecological issues can be more easily integrated into traditional marketing media. Formulating coherent business cases, as discussed, still requires that economic justifications for ecological aspects need to be provided to fit the local institutional context.

5.5.3 New approach for profound public-private collaboration

Throughout the thesis, I have discussed contemporary academic research in order to justify the case for more profound public-private collaboration. As the focus has been on instilling social responsibility into individual firms´ relationship management and communication strategies in the B2G context, the interviewees were encouraged to provide their insights into the changing institutional environment multiple times. Naturally, if straight-forward answers could be formulated today, the aforementioned *institutional gap* would not exist. Yet, some interesting emerging topics arose from the discussion about future-public private collaboration. First of all, social responsibility, as discussed, is seen to be an integral part in creating a business case that provides intrinsic motivations for public-private collaboration.

In modern nations where the working force is shrinking due to the retirement of many large age-groups, more focus will have to be paid to maintaining current living standards using less human resources. Related to this, healthcare issues and citizen well-being was said to grow in importance in the public decision making domain. For this reason, businesses operating in the B2G industries might be able to increase their position in the institutional environment by finding ways to communicate their commitment towards long-term operational development in a given institutional field. In other words, including these kinds of perspectives in relationship communication, venues for more business opportunities can be created.

It was also stated that notions and associations play a more important role in the future, which might affect the motivations of firms to incorporate social responsibility more profoundly in their relationship management strategies. Due to the rapid expansion of the internet and social media, managing a trustworthy corporate image becomes increasingly hard for both public and private organizations. In addition, images, notions and associations could be used as a form of "*positive manipulation*" to influence the decision-making rationale of end-users and end-customers by public organizations. Here the expertise of private organizations and external consultants is paramount.

An interesting finding that might aid in closing the *institutional paradox* is that public organizations use more and more private consultants to help them tackle and manage issues, which are today only under their supervision, rather than direct control, due to public budget

cutbacks. Perhaps public-private collaboration could be increased via such intermediaries that remain neutral, but understand individual context-specific environments profoundly enough to aid in formulating new motivations and drivers for more synergistic collaboration. One interviewee even stated that "*via consultants, information can be objectively disseminated*".

Also, as favouring individual companies is generally not initially acceptable in large governmental RFQ´s, it was stated that more active collaboration on social issues ought to be initiated by a larger pool of private firms in order to gain wide-spread attention from the public domain. Today this kind of collaboration is practiced to some extent via trade unions and joint R&D activities that also include a CSR element. But actually including context-appropriate public organizations in these kinds of activities is still limited and there is room for improvement. Perhaps joint CSR communication and co-branding by private firms might help in establishing a more prevalent position in the minds of public decision making bodies and ultimately have an effect on the development of new government platforms.

To increase private organizations´ interest towards joint collaboration in social issues, soft-regulation and CSR enforcement, as discussed in chapter three, need to be designed to match the strategic long-term goals of both private firms as well as the LTE demands of public projects. Perhaps the steps towards more profound public-private collaboration will need new orientations via joint-efforts by a larger pool of private firms working in one industry. This also poses new challenges for marketing and relationships management, as the nature of many contemporary institutional environments have to change as they create too much incentives and opportunities for sub-optimization, which only benefits a handful of stakeholders in any given context.

In any case, a good starting point for individual firms to benefit from CSR management and communication in the long-term requires re-formulating communication strategies. In other words, initially the same issues can be communicated in a different way to gain a greater interest from the buyer organization. As discussed, one major implication is that price-related issues have social implications in the B2G context since providing high-quality services with the minimum use of tax-payer money is understood to be a form of social responsibility. The next step for intelligent organizations is to try to analyse their institutional environment with the general goal of increasing public-private collaboration and contributing to filling the discussed *institutional gap*.

This statement concludes the empirical analysis. A summary of the most important results of the study are presented in Table 4. The most significant findings in the table are categorized under each research question outlined for this study. The first four findings fall under the main research question while the following findings address each three sub-questions accordingly. Table 4 summarizes the chosen components presented in the conceptual framework in more detail. The main results and findings of this study (Table 4) and selected prior studies were used to formulate the conceptual framework presented in the next chapter.

Summary of the most significant findings

What kind of possibilities exists for industrial companies to enhance collaborative relationship management through strategic CSR management and communication in the B2G context?

- CSR is seen as a mediating factor for establishing trust
- CSR management is a strategic tool that helps to create an holistic under standing of the long-term developments and needs of the surrounding institutional environment
- B2G security and healthcare markets provide lucrative opportunities for strategic social responsibility communication
- The role of semi-independent public partners is very important for disseminating information and content to other "hard-to-reach" public institutions

How do social and ecological issues relate to institutionalizing long-term business relationships in B2G environments?

- Public organizations are intrinsically risk averse → this is strongly related to perceived social responsibility of the firm
- Gradual downsizing of public institutions and increased power of the private sector call for more proactive and responsible public-private collaboration
- Local social responsibility will grow in importance in the future → a need to create a national "survival buffer" for bad economic times
- LTE (long-term evolution) management of firms´ offerings is paramount in effective and responsible relationship management in the B2G context

Table 4 – Summary of the most significant findings of the study

Summary of the most significant findings

How can CSR be incorporated to industrial companies´ long-term business and marketing strategy?

- Consistency in relationship management & communication affect perceived trust
- Social responsibility is strongly linked to managing relationships as it pro vides channels for increasing long-term value capture opportunities
- Consistent and transparent track record is important in today's B2G environment
- Linking relationship management resources and firm's solutions to public LTE demands and planning, companies are perceived to act in a socially responsible manner

What kinds of macro-level limitations exist in the contemporary institutional environment in the EU to increase long-term oriented public-private collaboration?

- Institutional environments have become increasingly complex
- Bad economic times leave less opportunities for effective CSR communication and strategic long-term relationship management
- Miscommunication is a threat in complex stakeholder environments

Table 4 contd. – Summary of the most significant findings of the study

6. Discussion & Conclusions - The Untapped Value of Strategic CSR in the Contemporary Institutional Environment in the EU

My main theoretical contribution is wrapped around the theoretical framework introduced in Figure 7 and discussed throughout this final chapter. The main argument in the conceptual framework is that in the contemporary B2G institutional environments, strategic CSR management can contribute to fostering a holistic long-term orientation within relationship management and marketing functions. As such, it strives to establish a link between the key elements discussed throughout the thesis, while not being able to introduce and identify detailed nuances set in individual institutional environments. For this reason, the framework provides a cognitive map for strategy, marketing and sales executives working in the B2G environments to understanding and identifying the key elements related to the possibilities and implications of strategic CSR. The different links and interconnections in the framework provide interesting venues for further research, as will be discussed later in the chapter.

In addition, the framework sets to identify and highlight developments in the contemporary institutional environments related to new business development. Integrating social and ecological issues to the overall business goals, relationship communication and marketing activities, companies are better suited to understand the needs and demands set for individual public RFQ´s and the long-term evolution continuum that evolve around individual large projects. In other words, by analyzing and understanding the contemporary institutional environment in a more holistic manner, companies are in a better position to increase long-term oriented public-private collaboration that can eventually lead to new business opportunities (see for example Knopf et al., 2011, Kotler & Lee, 2005, pp.10 and Porter & Kramer, 2006)

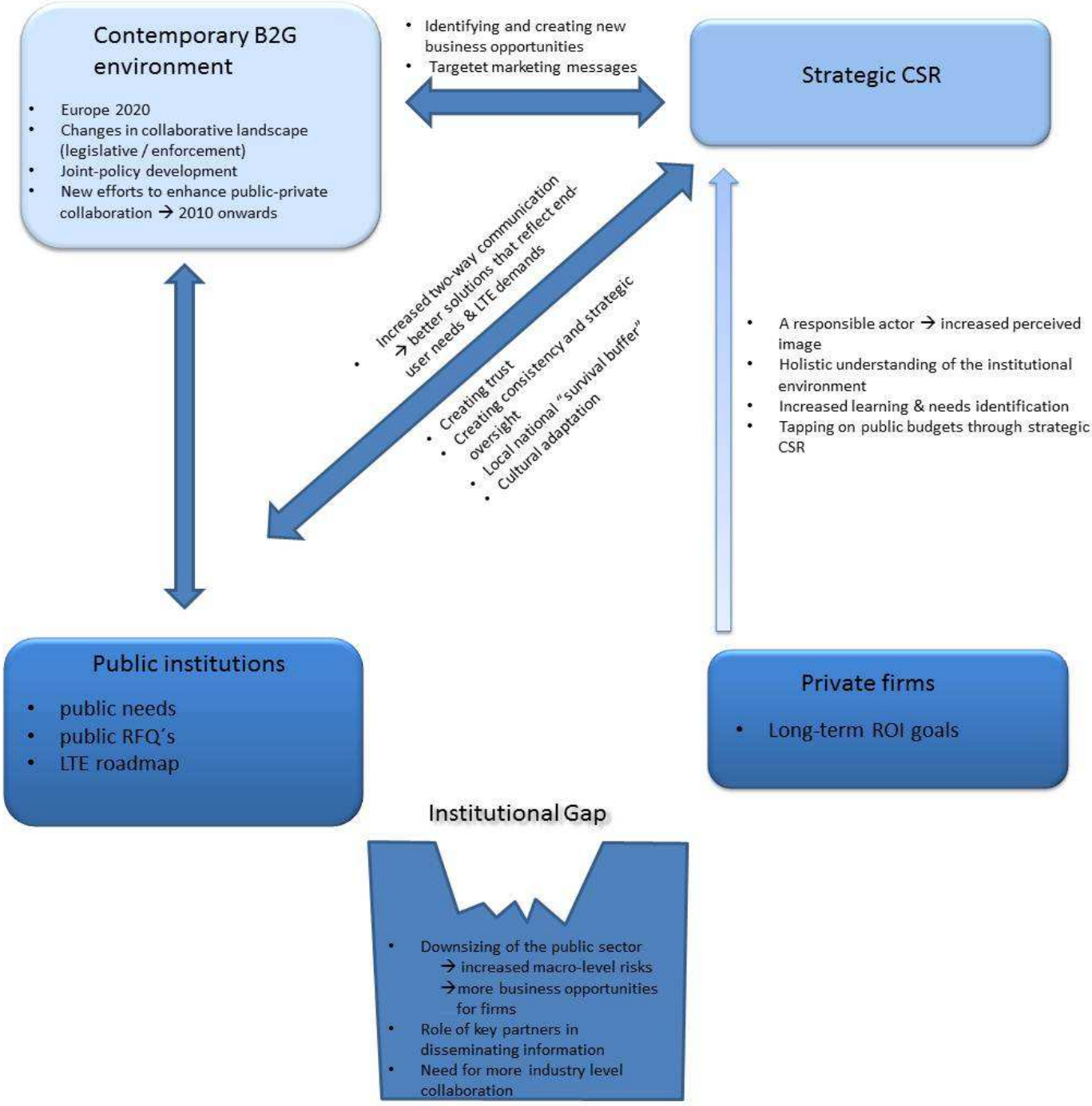

Figure 7 – ***Conceptual Framework***

6.1 An analysis on the role of strategic CSR in one B2G institutional environment

As discussed throughout the thesis, downsizing of public activities and the ever-increasing role of private organizations in national wellbeing has created more room for opportunistic behavior and economic fluctuation (see for example Albareda et al., 2008 and Moon, 2004). Although this gradual trend has created more business opportunities for private firms, public institutions have identified the problems associated with existing CSR standards, programs, guidelines and best-practices, such as the Lisbon Strategy (see for example, Euractiv, 2011, Fox et al. 2002, Knopf et al., 2011 and Peters & Röß, 2010). Based on weak signals extracted from contemporary research, managerial literature and the results of this study, public institutions in the EU are more rigorously trying to develop new forms of public-private collaboration that tie strategic and economic incentives to more sustainable and long-term oriented corporate management.

A major hindrance towards deepening public-private collaboration in today´s environment is the lack of commitment opportunities from the public organizations´ perspective, as contemporary understanding of transparency and non-preferential behavior creates discontinuity to existing business relationships. The *institutional gap* is still strongly negatively affecting the development of more rigorous public-private collaboration in contemporary B2G environments in the EU since intra-organizational communication between different public organizations is still limited. The *institutional gap* is a phenomenon that has previously been discussed in trust-building and CSR-related academic research, but which has its conceptual roots in managerial public decision making discussion and public policy development (see for example Eur-Lex, 2004, European Commission, 2011, Kess, 2011, Peters & Röß, 2010, Moon 2004, Midttun, 2005, Albareda et al., 2008 and Aaronson & Reeves, 2002; 50).

Based on the study conducted for this thesis, it was evident that much of the long-lasting and information-rich content between a firm and its closest public stakeholders are rarely disseminated to various decision making organizations in a systematic way. This is yet another issue that contributes to the strong presence of the conceptualized *institutional gap*. The aforementioned issues are major components that contribute to the third sub-research that questions macro-level limitations in contemporary institutional environments in the EU to increase long-term oriented public-private collaboration. In essence, the *institutional gap* is not a clear and easily defined concept. Instead it is built on a set of factors that are unique in each

institutional environment, although contemporary developments in the macro environment make inter-contextual comparison of the phenomenon possible. Although I was able to derive the theoretical background for the *institutional gap* -concept based on the findings from prior research, it requires more focused and elaborate scrutiny from inter-comparable case contexts to be instilled in contemporary CSR and B2G academic discussion.

Fortunately, the *Europe 2020* strategy is set to tackle these issues by setting initiatives for re-organizing public institutions to become more receptive towards the know-how and expertise of the private sector in individual institutional environments (see for example European Commission, 2011 and Knopf et al. 2011). As these legislative, regulative and administrative developments become more concrete and are disseminated to national level action plans, the role of firms´ relationships with key public or semi-independent partners ought to grow since they have a non-interest access to these developments.

Although the aforementioned *institutional gap* is still retarding strategic public-private collaboration today; and although the topic requires more systematic and detailed research as these developments take place, it does not preclude firms from developing effective CSR management strategies as part of their marketing, sales and strategy operations. In the following, the benefits and opportunities of strategic CSR management in the contemporary B2G context are discussed to provide concrete answers to the main research question and the first and second sub-research question set for this study. The purpose of this final analysis is to help the reader understand the interconnections of the most significant findings introduced in Table 4 and the conceptual framework.

Firms operating in the B2G sector are in a good position to proactively work to close the aforementioned *institutional gap* by identifying the social dimensions of their offerings and establishing new two-way communication channels with relevant stakeholders. This requires reformulating existing marketing, communication and relationship management activities to include systematic LTE- (long-term evolution) and socially oriented elements that reflect public organizations´ needs. Public institutions are intrinsically risk averse and appreciate consistency and long-term orientation in business activities. Trust is a major factor for organizations that oppose excessive risk taking. Thus CSR works as a major mediating factor in increasing trust and opening new communication channels for private firms.

Trust is strongly linked to a business partner´s historical track record and perceived corporate image as well as emotional personal level cognitions that become more affective and meaningful as the relationship progress further (see for example Chlebišov et al., 2011, Porter & Kramer, 2006 and Stanland et al., 2011). In this thesis, I have argued for giving more emphasis on the increasing importance on institutional trust and legitimacy in the contemporary B2G environments due to recent developments in the economy (see for example Balkytė & Tvaronavičienė, 2010, Bouwer et al., 2005, Chapter 3 of the thesis, ECCJ, 2007, Knopf et al., 2011, Porter & Linden, 1995 and Walsh, 1994). As discussed in chapter two and three, by managing CSR as part of corporate strategy, firms can increase the rate of organizational learning and better identify the needs of core stakeholders.

This can ultimately affect perceived corporate image and aid in finding new venues for meaningful two-way communication with public organizations. In essence, strategic CSR management helps in managing business relationships, as a strong focus on long-term ROI generation is established in multiple instances throughout the relationship life-cycle (see for example Aaronson & Reeves, 2002, Albareda et al., 2008, Fox et al., 2002, Middtun, 2005, Porter & Kramer, 2006 and Sen & Bhattacharya, 2001). Thus a direct link between a firm´s ROI goals and strategic CSR can be established by incorporating strategic CSR management in the overall business strategy. The actual design and implementation of strategic CSR ought to be left to the marketing, strategy and sales functions, as the four elements presented in the framework are all required mediating factors that call for the expertise and commitment from the aforementioned organizational functions.

In chapter three, I discussed in more detail the contemporary B2G component that is an integral component of the framework. Public institutions are a natural part of this component, but in the framework they stand as a separate component highlighting the importance of understanding the needs, requirements and strategic nature of all the core public stakeholders in this very complex, nuanced and wide-spread institutional environment. The two blue arrows that connect strategic CSR to the contemporary B2G environment and public institutions on the left side of the framework are strongly linked to the first two sub-research questions outlined in the first chapter. The bullet points in each arrow are derived from the main findings introduced in Figure 4. Additionally, the content of each bullet point in the arrows illustrate how effective CSR

management in the B2G environments can be used to differentiate one´s relationship management efforts from competitors.

Prior research, focusing on B2B and B2C markets, have discussed strategic CSR management as a mediating factor for establishing trust, reducing operational risk and enhancing relationship management design and implementation (see for example Berman et al., 1999, Brønn & Vrioni, 2001, Du et al., 2010, Kotler & Lee, 2005, Luo & Bhattacharya, 2006, Vaaland et al. 2008, Weber, 2008 and Williams & Siegel, 2010). Such mediating factors might hold true also in the B2G context, but there are certain distinguishing elements in these institutional environments that do not apply to B2B or B2C markets. Examples of such elements are risk averseness and a need for explicit long-term evolution planning, to name but a few. My aim has been to add academic and managerial understanding on the implications and possibilities of strategic CSR in the B2G context, as there has been surprisingly little research in this context.

So how do social and ecological issues relate to institutionalizing long-term business relationships in B2G context? Also, how can CSR be incorporated to industrial companies´ long-term business and marketing strategy? First of all, one major attribute related to CSR is that public organizations are intrinsically risk averse, as opposed to business organizations. In addition, public institutions need to take into account long-term evolution (LTE) requirements in larger projects; as opposed to quartile and medium-term planning that is more prevalent in business markets. Related to this, interactive two-way communication and holistic institutional environment analysis is important in improving relationship management and ultimately the business bottom line of the supplying company. For successfully increasing interactive two-way communication and effectively managing CSR as an integral part of customer relationship management, consistency and strategic oversight is paramount. It was evident from the interviews that public organizations´ memory tends to be longer than business organizations´. Interestingly, the customer´s memory cycle in the B2G markets is more akin to individual customers in the B2C markets.

As discussed, strategic CSR management requires a thorough and holistic institutional environment analysis, which aids in identifying weak signals and larger trends in the market place that affect future business opportunities. Contemporary issues that are relevant to companies working in the B2G sector in the EU include the implementation and business

opportunities evolving around the *Europe 2020* strategy as well as national regulative and legislative changes from 2010 onwards that aim to enhance public-private collaboration. The development of new forms of public-private collaboration is a an area that firms ought to analyze and pay more attention in relation to their own operations, as being proactively involved in this rapidly evolving area of public RFQ development might reveal concrete business opportunities in the near future (see for example Balkytė & Tvaronavičienė, 2010, Bouwer et al., 2005, European Commission, 2011, Fox et al., 2002, Knopf et al, 2011 and Peters & Röß, 2010,).

One approach is to analyze the long-term evolution demands and goals related to existing projects, exceeding current and future cash flow analysis´. Corporations offering solutions for large public projects usually have such technical and consultative expertise that the public institutions involved in a given project lack. Based on the study conducted for this thesis, corporations do not only appear as more socially responsible by taking responsibility in LTE planning, but also enhance their own knowledge and understanding on the strategic opportunities in longer time periods. This then affects perceived organizational consistency and enhances institutional legitimacy if effectively managed throughout and beyond individual projects. In relation to this, one of the main findings of the study is that a consistent and transparent track record is very important in today´s B2G environment where economic uncertainty, numerous examples of opportunistic behavior and increased national risks related to the downsizing of the public sector are present (see for example Albareda et al., 2008, Fox et al., 2002 and Moon, 2004).

6. 2 Limitations and implications for future research

By introducing recent developments in the B2G institutional environments into strategic CSR discussion, new opportunities and venues for understanding the role that CSR can play in deepening public-private collaboration and enhancing legitimacy and transparency in individual institutional environments are identified. As new types of public-private collaboration efforts have only now begun to gain momentum in the EU and individual nation states, the topics discussed under the identified *institutional gap* will become more concrete in the near future. Ultimately, this will enable scholars to conduct quantitative studies that can test concrete

causalities and cause-effect relations between individual components of CSR that relate to enhancing long-term ROI goals in a given institutional context in the B2G environments.

As already discussed in Chapter 4, the rationale for conducting a qualitative case study lies in the epistemological nature of collecting information from an emerging, abstract or otherwise maturing subject. Although the nature of the study was explanatory, it can be classified as an exploratory study since there is a limited amount of studies focusing on strategic CSR and relationship marketing in the B2G context. The implications and possibilities for companies to benefit from strategic CSR management is a very case-specific issue, depending on the nature, strategic orientation and size of the focal company as well as key partners and the overall surrounding institutional environment. Thus the identified academic and managerial findings are not as such applicable to other case contexts. In addition, the exploratory approach in the developed conceptual framework dictates that the identified elements and interconnections as such need further research in more focused and narrow settings.

In general, I propose two alternative approaches to further research. The first broad approach is to conduct a similar study in a very different institutional environment in the B2G sectors in another EU member country that has similarities with the Finnish economy. This would tremendously enhance the validity and reliability of the identified elements and interconnections identified in the framework as well as help refine and test the maturity of the initial study and find (dis)similarities in the consecutive studies. In other words, it would help scholars to understand what factors in the identified conceptual framework are universal for all institutional B2G environments in the EU and what factors are context-specific. This would further help academics to conduct focused and profound studies on the nature nuances of such universal factors. Additionally, such studies would contribute to understanding the importance of geographical distance in the B2G sectors in more detail (European Commission, 2011).

Alternatively, a case study in a very similar institutional environment in a different EU member country would be especially helpful in understanding the nature, role and influence of public partners and the public sector in general and how they affect the supplying organizations´ possibility to use social and environmental issues in their relationship marketing and management strategies to enhance long-term business opportunities. If the outcomes of the study were considerably different, it would be evident that EU level decisions and regulations would

not be adopted in the intended manner in the respective Member Countries, thus rendering such institutional change strategies as the Europe 2020 strategy ineffective. This would further affect how MNE´s operating in multiple EU-countries can benefit from strategic CSR management in establishing long-lasting business relationships with public organizations.

As the subject of this study is very multi-faceted, more specific proposals for further research can also be given to increase the understanding of individual elements present in this study. By studying the role of perceived trust in different long-lasting business relationships in the B2G environments, more detailed comparison could be done with existing studies on trust conducted in the B2B and B2C settings. The results of such studies would contribute to contemporary research on trust as well as provide valuable information for marketing, sales and strategy practitioners working in the B2G field. An issue that needs more research, and which would contribute to further studies on strategic CSR management in the B2G environments is identifying the difference between a customer and a citizen. As Walsh (1994) points out, there is tremendous understanding on the psychology of customers, but very little is known about the psychology of the citizen. Such a study would also contribute to understanding the role of pricing in situations where the solution is bought by using tax-payer money.

Valuable understanding would also be gained by picking key selections from contemporary EU-level documents that discuss public-private collaboration and quantify (using the Likert scale) how public decision makers, sales- and marketing executives and strategists perceive the achievability and relevance of such public policies. This would also let scholars analyze how business practitioners value and emphasize macro-level issues and how they affect the attainability of CSR-oriented customer relationship management and marketing communication in their respective institutional environments. As discussed throughout the thesis, most of the issues related to CSR, relationship marketing and corporate strategy were drawn from prior studies focusing on either B2B or B2C markets.

Thus replicating selected studies on CSR communication (see for example Dawkins, 2004, Du et al., 2010, Forehand & Grier, 2003, Maignan & Ralston, 2002 and Morsing & Schultz, 2006), the role of CSR in a firm´s strategic orientation (see for example Kitchin, 2003, Luo & Bhattacharya, 2006, Mc. Williams & Siegel, 2010, Meyer, 2010, Porter & Kramer, 2006 and Vaaland et al., 2008) and the role of CSR in relationship management and marketing (see for example

Graafland & Ven, 2006, Jones et al., 2008, Poolthong & Mandhachitara, 2009, Rolland & Bazzoni, 2009 and Sen & Bhattacharya, 2001) in the B2G context would dramatically increase academic and managerial understanding on the strategic role of CSR in these ever-growing segments. Finally, studying the issue of nationalism and growing concerns of the side effects of globalization, which were issues that emerged from this study, can potentially be linked to macro-level CSR discussion and research, thus providing new perspectives on business-oriented CSR discussion from the domain of social studies. Studying the connection between CSR and nationalism would also further increase the understanding on the role of politics in public responsibility and sustainability management. This would contribute greatly to understanding B2G institutional environments in more depth.

The case study conducted for this thesis provided evidence that social responsibility, consistency and long-term orientation in relationship marketing helps private firms to enhance their institutional legitimacy and influence in public spheres as far as long-term evolution planning of relevant public projects and agendas are concerned. The conceptual framework includes many elements that as such need to be studied in more detail in order to build the knowledge of the possibilities and implications of strategic CSR management and communication in the B2G environments.

6. 3 Managerial implications

Firms that directly provide solutions and services to public organizations are in a good position to proactively manage their relationship marketing activities in a way that reflects contemporary developments in the B2G institutional environments. The main goal of this thesis, which is to examine the possibilities for industrial companies to enhance collaborative relationship management via strategic CSR management and communication in the B2G context, is concurrent for many companies today. The core purpose and mission of many public organizations is to either directly or indirectly contribute to national wellbeing within a given geographical environment. Within such institutional environments, companies operating in the B2G sector are better equipped to answer customer needs and demands by adding a social dimension into solution- and technology-centric relationship management.

In this regard, social and ecological issues are a lucrative area to aid in institutionalizing long-term oriented relationship communication, even in times of little bilateral economic activity, in the B2G context. CSR management does not necessarily mean that firms have to create any new innovations or solutions in their existing business environments. In the security industry, a lucrative step can be taken by changing overly technology oriented relationship communication to include more "softer" elements that address a larger pool of public decision makers. In this institutional environment, firms´ offerings are intrinsically contributing to a social good, as they contribute to supplying solutions that in the end help to maintain a safe environment. Understanding the social and ecological implications and possibilities of existing solutions is a good way to establish proactive CSR management strategies within a company.

Still, the cyclicity that exist in many B2G environments due to changes in the political landscape, and the limited-time contracts in many public RFQ´s, real hardships still exist in creating long-lasting and stable relationships in the B2G environment. Achieving this requires lots of resources as well as keeping communication channels open with key public partners even in times of little economic activity. In the near future, through the *Europe 2020* strategy and a multitude of other developments taken by national public institutions, more lucrative opportunities for long-term oriented relationship management are on the horizon.

Academics can be in the forefront in steering the discussion and turning managerial attention towards strategic CSR in the B2G context by highlighting the economic benefits that this strategic long-term orientation has in the changing institutional environments. This knowledge can then be further disseminated to B2B and B2C markets, where public-private interaction is scarcer and provides less intrinsic synergy. Still, it is not within the academia, but in the actions taken by political decision makers and executives in private organizations to step away from a quartile economy and embrace sustainable long-term oriented business practices.

6.4 Final conclusions

Firms serving public institutions have recently become to identify the growing business opportunities that increasing public outsourcing and downsizing of public activities have created. Simultaneously, public institutions have recently tried to find ways to coordinate the activities of privately held firms to better reflect the needs of the society in general. Concerns of opportunism

and mismanagement have grown as more and more activities are operated under private ownership. The outburst of the economic crisis in 2008 and the failure of the *Lisbon Agenda* are examples amongst a multitude of other developments that have led to renewed concerns towards long-term national wellbeing.

By identifying the possibilities and implications of the social factors related to firms´ operations, relationship management and marketing will help in understanding the surrounding institutional environment in a more profound manner. In the B2G markets, long-term orientation, consistency, transparency and trust are the main factors that contribute to building long-lasting business relationships. By having the ability to create and maintain more interactive two-way communication channels with key public partners, firms are better equipped to understand and contribute to the LTE (long-term evolution) goals of individual public projects and identify new follow-up business opportunities.

In other words, strategic CSR will aid in finding a common ground for lucrative public-private collaboration. Public institutions are intrinsically risk averse and value partners that are trustworthy and show interest and concern in the overall national welfare in a specific context. Creating coherent business cases to back up responsible actions is equally important to gain top management´s as well as public decision maker´s support. In essence, integrating CSR into the overall business strategy in the B2G context is less about encouraging "*green management*" than understanding the social "*role*" and implications of the firm's actions in the contemporary and future business environment.

Social responsibility in the form of overall interest towards national wellbeing in a defined context is a lucrative area in business relationship management and marketing communications to create common ground and enhance interactive two-way communication. In essence, firms can demonstrate that they are fighting the same battle (and on the same side) with public institutions towards long-term economic and national wellbeing.

In this thesis, an *institutional gap* has been identified to demonstrate the current state and near-future developments related to more collaborative and long-term oriented public-private collaboration. According to the results of the empirical study and by examining the current institutional environments, one can state that very few concrete actions have been taken to close

the aforementioned *institutional gap*. Still, new efforts are gaining momentum in the contemporary institutional environments in the EU to deepen public-private collaboration. New kinds of enforcement and collaboration practices are being tested and modified in multiple EU member countries.

New EU-level developments such as the *Europe 2020* –strategy are set to show concrete results in the upcoming years towards more responsible and collaborative public-private interaction. Multiple contemporary topics and developments were discussed and studied in the thesis that aim toward the same overall goal of promoting the possibilities of strategic CSR management for relationship marketing and –management purposes in the B2G context. The nature of this study has been exploratory, as the topic, especially in the B2G context has not been under much academic discussion. I wish this study has contributed to rising more interest towards the topic and aids in conducting further studies on strategic CSR focusing in the B2G markets, as there is yet much to be studied and understood.

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