Department of Management and International Business

Reframing strategic corporate responsibility

From economic instrumentalism and stakeholder thinking to awareness and sustainable development

Pasi Heikkurinen

Aalto University

DOCTORAL DISSERTATIONS

Aalto University publication series
DOCTORAL DISSERTATIONS 156/2013

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Corporate Responsibility Research Group

Aalto University publication series
DOCTORAL DISSERTATIONS 156/2013

ISBN 978-952-60-5363-9
ISBN 978-952-60-5364-6 (pdf)
ISSN-L 1799-4934
ISSN 1799-4934 (printed)
ISSN 1799-4942 (pdf)

Images: Night sight (cover painting), Ville Räty (2010)

Unigrafia Oy
Helsinki 2013

Finland

NORDIC ECOLABEL
441 697
Printed matter

Aalto University

Aalto University, P.O. Box 11000, FI-00076 Aalto www.aalto.fi

Abstract

Author
Pasi Heikkurinen

Name of the doctoral dissertation
Reframing strategic corporate responsibility: From economic instrumentalism and stakeholder thinking to awareness and sustainable development

Publisher School of Business

Unit Department of Management and International Business

Series Aalto University publication series DOCTORAL DISSERTATIONS 156/2013

Field of research Organization and Management

Abstract

This thesis attempts to reframe the field of strategic corporate responsibility by examining the responsibility of corporations in terms of their strategic means and ends. The focus is on the research problem of how responsibility and strategy should be connected in a business organization in order for it to become a responsible corporation and contribute to sustainable development.

The thesis comprises four research articles, two of which are empirical and two conceptual extensions to the empirical research. The methods employed were single and multiple qualitative case studies rooted in the constructivist tradition of science. Four case companies were selected from the food industry and one case company from the hospitality industry. Altogether, 23 managers in the Finnish and Swedish business context were interviewed.

In business organizations there is a need to reframe the theorizing and practicing of strategic corporate responsibility, as the conventional market-capability perspective was found inadequate. The market-capability perspective is characterized by (a) an extrinsic responsibility orientation through the logic of economic instrumentalism, and (b) an external and internal strategy orientation through stakeholder thinking. This conventional perspective is inadequate for an organization to become responsible, firstly because it leads to multiple and competing corporate identities that do not reflect a coherent image. Secondly, the conventional perspective assumes weak sustainability that does not lead to sustainable development in both space and time.

To address the shortcomings of the conventional perspective, inclusion of the awareness-sustainability perspective is suggested. This alternative posits that firstly an organization should insource its ethical considerations in order to develop a responsible identity and thus become perceived as a responsible entity, and secondly, an organization should assume strong sustainability in order to reach sustainable development over both space and time. Therefore, in order become a responsible corporation and contribute to sustainable development, responsibility and strategy should be connected in a business organization from the awareness-sustainability perspective.

Keywords corporate responsibility, strategic, strategy, instrumentalism, stakeholder, sustainable development, sustainability, awareness, identity, image

ISBN (printed) 978-952-60-5363-9 **ISBN (pdf)** 978-952-60-5364-6

ISSN-L 1799-4934 **ISSN (printed)** 1799-4934 **ISSN (pdf)** 1799-4942

Location of publisher Helsinki **Location of printing** Helsinki **Year** 2013

Pages 173

A? Aalto-yliopisto

Aalto-yliopisto, PL 11000, 00076 Aalto www.aalto.fi

Tiivistelmä

Tekijä
Pasi Heikkurinen

Väitöskirjan nimi
Strategisen yritysvastuun uudelleenkehystäminen: Taloudellisesta välineellisyydestä ja sidosryhmäajattelusta tietoisuuteen ja kestävään kehitykseen

Julkaisija Kauppakorkeakoulu

Yksikkö Johtamisen ja kansainvälisen liiketoiminnan laitos

Sarja Aalto University publication series DOCTORAL DISSERTATIONS 156/2013

Tutkimusala Organisaatiot ja johtaminen

Tiivistelmä

Tämä tutkimus pyrkii uudelleenkehystämään strategisen yritysvastuun kenttää tarkastelemalla yritysten vastuun strategisia keinoja ja päämääriä. Työssä keskitytään seuraavaan tutkimusongelmaan: kuinka vastuullisuus ja strategia tulisi yhdistää liiketoimintaorganisaatiossa, jotta yrityksestä tulisi vastuullinen toimija ja jotta se voisi kontribuoida kestävään kehitykseen.

Väitöskirja koostuu kahdesta empiirisestä ja kahdesta käsitteellisestä artikkelista. Tutkimusmenetelmänä käytettiin sekä yksittäisen että usean tapauksen laadullista tapaustutkimusta, joka perustuu konstruktivistiseen tieteenperinteeseen. Neljä tapausyritystä valittiin elintarviketeollisuudesta ja yksi hotelli- ja ravintola-alalta. Tutkimusta varten haastateltiin yhteensä 23 yrityksen johtohenkilöä suomalaisessa ja ruotsalaisessa yrityskontekstissa.

Liiketoimintaorganisaatioissa on tarpeellista uudelleenkehystää strategisen yritysvastuun teoretisointi ja käytäntö, sillä konventionaalinen markkina-kyvykkyysnäkökulma osoitetaan puutteelliseksi. Markkina-kyvykkyysnäkökulmalle on ominaista (a) ulkoinen vastuuorientaatio taloudellisen välinelogiikan kautta sekä (b) ulkoinen ja sisäinen strategiaorientaatio sidosryhmäajattelun kautta. Tämä konventionaalinen näkökulma on riittämätön, koska ensiksikin se johtaa useisiin ja kilpaileviin yritysidentiteetteihin, jotka eivät heijasta koherenttia imagoa. Toiseksi, konventionaalinen näkökulma perustuu heikon kestävyyden olettamalle, jossa kestävä kehitys ei toteudu sekä paikassa että ajassa.

Konventionaalisen näkökulman puutteiden huomioimiseksi tässä tutkimuksessa ehdotetaan tietoisuus-kestävyysnäkökulman sisällyttämistä strategiseen yritysvastuuseen. Tämän vaihtoehtoisen näkökulman mukaan organisaation tulisi sisäistää eettinen harkintansa kehittääkseen vastuullisen identiteetin ja tullakseen mielletyksi vastuullisena toimijana. Lisäksi kestävän kehityksen tavoittaminen sekä paikassa että ajassa vaatii organisaatiossa vahvan kestävyyden mukaista olettamaa. Näin ollen vastuulliseksi toimijaksi tuleminen ja kestävään kehitykseen kontribuoiminen edellyttää liiketoimintaorganisaatioilta vastuullisuuden ja strategian yhdistämistä tietoisuus-kestävyysnäkökulmasta.

Avainsanat yritysvastuu, vastuullisuus, strateginen, strategia, välineellisyys, sidosryhmä, kestävä kehitys, kestävyys, tietoisuus, identiteetti, imago

ISBN (painettu) 978-952-60-5363-9 **ISBN (pdf)** 978-952-60-5364-6

ISSN-L 1799-4934 **ISSN (painettu)** 1799-4934 **ISSN (pdf)** 1799-4942

Julkaisupaikka Helsinki **Painopaikka** Helsinki **Vuosi** 2013

Sivumäärä 173

I dedicate this thesis to future generations and non-human beings

Acknowledgements

This journey has been highly valuable to me. The greatest value of the dissertation phase in my life has been the personal development that writing, reading and discussing have enabled. These practices have very much contributed to my understanding of not only the world surrounding me but importantly my part within the world. In other words, this has been a huge learning experience. I truly hope that the value of this dissertation will not only be limited to my personal gains, but that other researchers, managers and policy makers could find something valuable in it.

Overall, I feel extremely privileged and grateful to everyone and everything that has supported the journey. I am tremendously indebted to all the authors that I have read, all discussants that I have talked with, and most importantly, all colleagues that I have so far had a chance to write together with. *Tarja Ketola*, *Raimo Lovio*, *Karl Johan Bonnedahl* and *Sari Forsman-Hugg* deserve the highest commendations for this academic exercise. Thank you for trusting in me and teaching me how to conduct research. I also wish to express my humblest gratitude to *Richard Welford* and *György Pataki* for agreeing to pre-examine this dissertation and for their insightful comments, well-founded critique, and encouragement in future research.

The positive influence of several communities that I have had a chance to be part of cannot be overestimated. These consist of close scholars, colleagues and friends from: the research project *Developing food chain responsibility into business opportunities* (joint effort of MTT Agrifood Research Finland, University of Jyväskylä, National Consumer Research Centre, University of Vaasa, and the Finnish Funding Agency for Technology); the conference *Corporate Responsibility Research* (CRR); the research group *Corporate Environmental and Social Responsibility* (CESR at Aalto University); the *Corporate Responsibility Team of Industrial Management* (at the University of Vaasa); *the Department of Management and International Business* (at Aalto University); *the Research Institute for Sustainability and Ethics in Business* (RiseB at Umeå University), and many miscellaneous parties and thinkers. Without your support, this thesis would have never seen daylight. Lastly, I also wish to express my gratitude to my family, and friends who have helped me to relax and enjoy activities outside academia. Thank you all.

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List of articles and author contributions

Article I	Heikkurinen, Pasi (2010). Image differentiation with corporate environmental responsibility. *Corporate Social Responsibility and Environmental Management*. Vol. 17, No. 3, pp. 142–152. DOI: 10.1002/csr.225. First author's contribution: 100%
Article II	Heikkurinen, Pasi and Ketola, Tarja (2012). Corporate responsibility and identity: from a stakeholder to an awareness approach. *Business Strategy and the Environment*. Vol. 21, No. 5, pp. 326–337. DOI: 10.1002/bse.744. First author's contribution: 70–80%
Article III	Heikkurinen, Pasi and Forsman-Hugg, Sari (2011). Strategic corporate responsibility in the food chain. *Corporate Social Responsibility and Environmental Management*. Vol. 18, No. 5, pp. 306–316. DOI: 10.1002/csr.257. First author's contribution: 80–90%
Article IV	Heikkurinen, Pasi and Bonnedahl, Karl Johan (2013). Corporate responsibility for sustainable development: A review and conceptual comparison of market- and stakeholder-oriented strategies. *Journal of Cleaner Production*. Vol. 43, No. n/a, pp. 191-198. DOI: 10.1016/j.jclepro.2012.12.021. First author's contribution 60–70%

Preface

In times of environmental, sociocultural and economic turmoil, sitting in front of a computer screen and drumming on a keyboard seems quite absurd. My contribution to sustainable development through research could be argued, but the fact is that the connection is, and will remain distant. Why, then, did I write this dissertation?

Academic work might currently seem to be about publishing. This is also an article-based dissertation, supporting the contemporary article rat race that mainly aims at increasing the quantity of high quality peer-reviewed international journal articles. For a young scholar, the publishing frenzy might be difficult to escape, as the surrounding institutions only support the craze. Moreover, the focus on only publishing in certain highly competitive outlets might confuse a newbie researcher about the ends of her or his research. As a consequence, it is quite easy to drift into a mindset where research becomes more about increasing one's personal competitiveness and fame and less about discovering one's identity and maintaining the internal motivation. Every now and then I have to remind myself about the meaningful ends of academic work.

This dissertation process has not merely been about writing, but also reading and discussing peculiar problems with others. Without certain books and discussions, my internal motivation would already have been lost a long time ago. And without these texts and debates, my writing would not have been possible. Throughout the process, I have also tried to be as active as possible outside the office (just not too far from the office). For a researcher interested in responsible actors and sustainable development, it is important to not only focus on teaching and research but also bear in mind the interaction related to having societal relevance. In practice, this has meant changing ideas on a topic as much as possible, for instance by engaging in civil movements, participating in public seminars, taking a stance on political issues, consulting with companies, and taking the initiative in one-on-one debates. Problematically, however, these actions do not have The Thomson Reuters Impact Factor – nevertheless, I feel that I could have been more active outside the academic circles.

Importantly (for me), writing this thesis has influenced my personal identity. It has even turned me into a tree hugger or a green city hippy, at least in the eyes of most economists. So, to partly answer the question posed at the beginning of the present text, I have not only written a dissertation; I have not only been sitting in front of a computer screen, while unsustainable development has prevailed.

These, and the following pages, will hopefully provoke conversation and ideas that become reflected in the development of practice and theory. At best, this thesis might help some unsustainable and irresponsible business organizations to change their practices and become responsible, and begin contributing to sustainable development. This transition first and foremost necessitates realization of the seriousness of environmental, sociocultural and economic turmoil, as well admitting the structural, deep-rooted unsustainability of the present socioeconomic systems.

Try to enjoy reading, and afterwards remember to recycle the paper or alternatively, turn off your device in case you are drumming on a keyboard.

1. Introduction

When the animals come to us,
asking for our help,
will we know what they are saying?
When the plants speak to us,
in their delicate, beautiful language,
will we be able to answer them?
When the planet herself
sings to us in our dreams,
will we be able to wake ourselves,
and act?

Gary Lawless

We humans have a major problem. This problem is an undesired outcome of what we have called *development* and caused by human action. Our actions are pushing the Earth's ecosystem outside its boundaries with detrimental and catastrophic consequences (MA, 2005; IPCC, 2007; UNEP, 2007; Rockström et al., 2009; Barnosky et al., 2012). While some parts of the world and species are currently being hit harder than others, ecological damage will eventually affect most beings (Díaz et al., 2006; Wake and Vredenburg, 2008; Brown, 2011). A surely moral reason to preserve the natural environment is nature for its own sake (Naess, 1989; Vilkka, 1993), but we should also be concerned about the planet's condition because its health is critical to human well-being (Lovelock, 2006), as the worst scenario is the sixth mass extinction (Barnosky et al., 2011) and the collapse of civilization (Morgan, 2009).

1.1 Background

In order to avoid a sort of a *nemesis naturalis*, where nature strikes back because man has destabilized the delicate balance of the ecosystem (von Wright, 1978), we need development that does not endanger but endures human existence. Given our dependency on highly complex ecological processes outside current scientific knowledge (Carpenter et al., 2006), such as biodiversity (Díaz et al., 2006) and (so-called) ecosystem services (MA, 2005; Fisher et al., 2009), we ought to embrace the plurality of life forms – their existence and beauty. This means that the development of humanity must be aligned with nature, and proceed with care and precaution in order to avoid irreversible damage (Myers, 1993) and critical transitions in the biosphere (Barnosky et al., 2012). In this quest for desired development, the United Nations' Brundtland Commission report (WCED, 1987) made famous the concept of *sustainable development*. They wrote: "Sustainable development is development that meets the needs of the present without comprising the ability of future generations to meet their own needs."

Concerning the conditions determining what is sustainable, a broad scientific consensus (MA, 2005; IPCC, 2007; UNEP, 2007) has recently emerged to support the pioneering arguments of Meadows et al. (1972) and Daly (1973, 1979) that there are limits to growth. To put it simply, this means that in order to achieve sustainable development we must "adapt the nature of our activities and the number of our species to the carrying capacity of our planet" (Hueting, 1990, 115).

In addition to our major environmental problem, consisting of issues such as ecosystem degradation, resource scarcity, biodiversity loss and climate change (Rockström et al., 2009; Brown, 2011), we humans also have other problems, or challenges. These challenges are related to socio-cultural and economic well-being, which are arguably conditions that make life more worth sustaining. Specific goals related to well-being include eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, and developing a global partnership for development (UNDP, 2012). Achieving these goals is of course a value in itself, but also a prerequisite for attaining environmental sustainability, as the slowing of population growth and enabling the poor to invest in long-term decisions have been found to ease environmental stress (Sachs and Reid, 2006).

Listing global, unsolved anthropogenic problems and challenges that most of us are responsible for not only sounds cynical and pessimistic to some, but also quite critical and even quite apocalyptic (at least in the field of business and economics). There is still light at the end of the tunnel, however. We humans have a choice concerning how to deal with the challenges and explore solutions to these highly complex problems (Lopes et al., 2009). And while we begin to acknowledge the scale and scope of the environmental crisis and socio-cultural and economic challenges, we are already moving towards identifying the conditions for development that is truly sustainable.

It is evident that this quest for sustainable development puts pressure on every actor between the global and local levels of states, markets and civil societies. Finger pointing and blaming some actors at this point may not lead us very far in our search for a sustainable and better future. Identifying the underlying causes of the sustainability problem, nevertheless, may hold key relevance in unravelling it (Barnosky et al., 2012), bit by bit.

It is broadly acknowledged in natural sciences that the root causes for the sustainability problem are the growth in the global population, which has already passed 7 billion, but more importantly, continuously increasing human consumption. These, particularly the latter, have led to growing material and energy flows from states of low to high entropy, and to pressure on land, water and other resources. Natural resources are again necessary for economic processes, but are quantitatively and qualitatively constrained due to the biophysical limits of the planet (Steffen et al., 2011, Rockström et al., 2009).

In meeting the increasing demand, market mechanisms are, within the dominant liberal paradigm, considered to be the most effective response. For example, in comparison to market actors, state and civil society actors are often claimed to be too inefficient and regrettably static in their responses to new demand situations (Vining and Boardman, 1992). This notion, whether it really is the case or not (see e.g. Sarkar et al., 1998), could be one of the explanations for emphasising the superior role of the market and private actors, at least in the more industrialized parts of the world.

Despite the desired ability of privatization and market mechanisms to boost (at least in the short term) efficiency, issues of socioeconomic and environmental justice have remained unresolved (e.g. UNEP, 2007). Moreover, the replacement of state and civil society actors with market actors has had implications for the power structures within and between societies (Ketola, 2011a). Within societies, large corporations are able to lobby their interests in politics, while between societies, in the international arena, the largest multinational companies are even able to shop around with different nation states and continents in order to obtain the best offer (Fuchs and Clapp, 2009), if they wish to do so. This means that the state must compete with other nation states, which leads to shifts in power relations, and consequently to an alteration of the roles for market, state and civil society actors.

Arguably, actors in every sector (from state to market and civil society) have effectively contributed to the sustainability problem and can therefore be held accountable for becoming part of the solution, or can at least stop contributing to the problem that has life on Earth at stake. This includes the corporation, which used to be argued to have only legal accountability and responsibilities for itself and its shareholders (Friedman, 1970). Furthermore, because the power of the corporation is stronger than ever (Anderson and Cavanagh, 2000; Coghlan and MacKenzie, 2011), new questions concerning its role and responsibility for a prosperous planet have arisen.

Overall, the environmental problems and socio-cultural challenges range from the global (macro) down to the local (micro) level. The consequent changes are likely to influence the operating space of the market actors and their strategies, making the responsibility of corporations an acute and interesting research phenomenon.

1.2 Purpose of the study

In business organizations, means and ends with high priority are often termed *strategic* and translated into the strategy of the firm (Carter et al., 2008). The converging discourses of strategic management and the responsibility of the organization form a field of study (Brooks, 2005) that can be labelled as strategic corporate responsibility[1] (see e.g. Bowman and Haire, 1975; Burke and Logsdon, 1996; Lantos, 2001; Werther and Chandler, 2005; Porter and Kramer, 2006; Ketola, 2007; Ramachandran, 2010; Orlitzky et al., 2011; Li, 2012). This study was positioned in this theoretical intersection of corporate responsibility and strategy:

> The purpose of the thesis is to attempt to reframe the field of strategic corporate responsibility by examining the responsibility of corporations in terms of their strategic means and ends.

A motivation for studying *strategic* corporate responsibility derives from the notion that considering responsibility issues in an imprudent and *ad hoc* manner, such as spontaneous charity towards miscellaneous groups or recycling of outputs, is reported to be inadequate from all economic,

[1] The terms ‘strategic corporate social responsibility’ and ‘strategic CSR’ are also commonly used to describe the intersection of these fields. The present study uses the shorter notion, ‘strategic corporate responsibility’, as it directly corresponds with the Finnish concept of ‘strateginen yritysvastuu’, which is the general term in the main empirical context of the study.

societal and environmental perspectives. Studies have suggested a shift towards more holistic (Starik, 1995; Stormer, 2003; van Marrewijk, 2003; Brooks, 2005; Ketola, 2008a), analytical (Wilson, 1974; Sethi, 1975, 1979; Lahti-Nuuttila, 2000; Martin, 2002; Porter and Kramer, 2002), integrated (Kourula and Halme, 2009) and well-designed societal, as well as environmental contributions.

This type of shift from the remedial and corrective side of actions towards preventive and precautionary ones means that responsibility must become embedded in the core functions of the organization and integrated in the strategy of the corporation (Wilson, 1974; Porter and Kramer, 2006; Heikkurinen and Forsman-Hugg, 2011). As a welcomed consequence, firms that undertake these strategic activities are likely to be viewed more positively by their stakeholders than firms that have only used responsibility tactically and piecemeal (Polonsky and Jevons, 2009). Accordingly, a well-connected strategy and responsibility can hold opportunities for the organization itself, for instance through corporate identity and image, but can also contribute to the sociocultural well-being of stakeholders and environmental sustainability.

1.3 Main problem and research questions

As the main research problem, this study aimed at understanding the following:

> How should responsibility and strategy be connected in a business organization in order for it to become a responsible corporation and contribute to sustainable development?

In order to solve the main problem, three research questions were addressed and aimed to be answered. The first research question asked: (1) what is strategic corporate responsibility? For a still rather inchoate field of study, such a stripped-down task nevertheless entailing a thorough examination was needed. This also enabled the inquiry to proceed to further examining the relationship between responsibility and strategy in relation to different means and ends. The second and third research questions dissected this relationship in detail. (2) How can corporate responsibility and strategy be connected? (3) What is the role of stakeholders in these connections? Each of the three questions is discussed in the light of both theoretical and empirical findings.

1.4 Methods in brief

The empirical research of this thesis was conducted in the Finnish and Swedish business contexts, where case organizations were chosen from the food and hospitality industries. The hospitality case was selected based on critical case sampling, whereas the food case sampling was more practically based (Miles and Huberman, 1994; Patton, 2002), i.e. easy access to good information.

This study employed both single and multiple qualitative case study methods (Yin, 1989; Stake, 1978) with a theory building approach (Eisenhardt, 1989; Dyer and Wilkins, 1991; Dooley, 2002; Eisenhardt and Graebner, 2007). The primary data were mainly collected via semi-structured interviews and complemented with company-related secondary data. Altogether, 23 managers were interviewed from four food companies (n = 20) and one hotel company (n = 3). The material was dissected with qualitative content analysis (Mayring, 2000; Kohlbacher, 2005).

1.5 Expected limitations

As with any research method, theory building from case studies (Yin, 1984; Eisenhardt, 1989; Stake, 1978) leads to empirical limitations. One of the debated issues is the generalisability of the results. Stake (1995, 7) stated that “case study seems a poor basis for generalization,” but suggested that the method can challenge generalized theories. In this task, case studies were considered ideal for the kind of Popperian falsification that is needed in challenging existing theories (Flyvbjerk, 2006). Furthermore, according to Yin (1984), statistical generalization must be separated from analytical generalizations, which case studies are suited for. In statistical generalization, reasoning is based on sampling that is representative of a population, whereas analytic generalization involves inferences from a particular set of data to some broader theory (Yin, 1989). This study was limited to making only analytical generalizations on the posed research problem and questions.

In addition to empirical limitations, this study had theoretical limitations. The research purpose and problem enabled a wide range of theories to be applied. The strategic management literature, for instance, has already evolved for at least six decades (see e.g. Drucker, 1955; Selznick, 1957; Chandler, 1962; Ansoff, 1965) and developed into detailed descriptions on how firms strategize, and prescriptions on how firms should strategize (see e.g. Mintzberg et al., 1998; Carter et al., 2008). This maturity points towards an in-depth analysis using a specific, predetermined school of thought in its strategy, thus contributing to advancements in theory. The present study, however, experimented with an alternative route to generating new knowledge.

The earliest studies on responsibility in business emerged at around the same time as the rise of strategic management (see e.g. Bowen, 1953; Heald, 1957; Davis, 1960; Frederick, 1960). In contrast to strategic management, responsible management did not enjoy the same amount of attention. Somewhat later (see e.g. Goodpaster, 1983), however, corporate responsibility started developing on a fast track into a diverse body of literature (see e.g. Garriga and Melé, 2004; Windsor, 2008). Instead of selecting a single theoretical construct under the umbrella concept of corporate responsibility (Goodpaster, 1983; Ketola, 2008b), this study attempted to work with the umbrella construct of corporate responsibility.

The rationale for not adopting a specific school of thought for studying strategy and responsibility derives from the problem setting. In order to solve the research problem, a more holistic approach to understanding the phenomenon is necessary. On the one hand, this theoretical inclusiveness rather than exclusiveness can be considered a theoretical limitation, as it enables neither in-depth elaboration on the applied theories nor blow-by-blow descriptions of the empirics. Thus, a pitfall with an overarching focus is that of remaining on too abstract a level, from where practical implications are almost impossible to make. On the other hand, the openness to plurality might be a sound way to gain a better holistic understanding of a specific phenomenon.

1.6 Design and structure of the research

The design of the research presented in this thesis can be elaborated with Kalleberg's (1995) distinction between constative, critical and constructive research. While the three research questions were more constative (as they conceptualized and described the phenomenon) and critical (as they identified the underlying value bases), the main research problem was related to more constructive research (as it argued for a feasible and desirable alternative) (Kalleberg, 1995; Räsänen, 2013). According to Räsänen and Mäntylä (2001, 311), "Constative knowledge is necessary for critique, proper. We have to know the practices well before we can discuss how 'good' or 'bad' they are (or deconstruct them). And, further, only after sufficient success in the constative and critical tasks can we start constructive work."

As the present thesis has an article-based format, the articles are presented at the end, in the appendixes. The first article is an empirical study, while the second article is a theoretical extension to the first article. The third article is another empirical study, while the fourth article theoretically extends these findings. The empirical articles are more descriptive, whereas the theoretical work in the other two articles extends to the normative side of argumentation. This thesis thus includes both descriptive and normative elements.

The academic dissertation follows a rather typical format, comprising an introduction, the background theory, methodology, findings, discussion and conclusions. The theory section begins by reviewing the concepts of sustainable development, corporate responsibility and strategy, and ends by reviewing and framing the field of strategic corporate responsibility and its research gaps. The methodology section briefly discusses the philosophical underpinnings of the research presented in the thesis and presents the methods in detail, including data collection and analysis. This is followed by the results section, which presents the main findings from the four individual articles. These findings are merged in the discussion section before the concluding words and summary of the thesis. The thesis ends by suggesting further research avenues in the field.

2. Theory

This chapter presents the relevant concepts and theory for the research purpose and problem. The literature on sustainable development (mainly planetary level), corporate responsibility and strategy (organization level) is reviewed and combined in the theoretical framework of the study.

2.1 Sustainable development

Humanity is on the edge (Brown, 2011), as current development has pushed, and continues pushing us over the safe operation space for humans (Rockström et al., 2009). According to Rockström et al. (2009), the transgression of planetary boundaries (which has already occurred for climate change, the rate of biodiversity loss and changes in the global nitrogen cycle) may trigger non-linear, abrupt environmental change with catastrophic consequences. The international scientific consensus has never been as unanimous as it is today: human action is destroying life on this planet and endangering human well-being, and even the existence of human civilization (MA, 2005; Díaz et al., 2006; IPCC, 2007; UNEP, 2007; Wake and Vredenburg, 2008; Rockström et al., 2009; Brown, 2011, Barnosky et al., 2011).

While there are strong moral reasons for preserving the natural environment for its own sake (Naess, 1989; Vilkka, 1993), we should also be concerned about the planet's condition, as it is critical to human well-being (Lovelock, 2006). Our dependence on ecological processes is acknowledged through studies on biodiversity (Díaz et al., 2006) and ecosystem services (MA, 2005; Fisher et al., 2009), but we lack a thorough understanding of how these ecological processes really function (Carpenter et al., 2006), as they are non-linear (Rockström et al., 2009). This knowledge gap means that a mere belief in human superiority and competence through technology is quite irrational and even dangerous (von Wright, 1978), and by no means an uncontested, conflict-free way towards sustainability

(Pataki, 2009) – geoengineering being an extreme example of such hubris (see Schneider, 1996; Kiehl, 2008).

Instead of relying on hubristic ideals and gambling with the needs of current and future generations, the development of the human system can be aligned with the natural system, and proceed with care and precaution in order to avoid irreversible damage (Myers, 1993) and the next mass extinction (Barnosky et al., 2011). In this quest for development that does not endanger intra- and intergenerational equity, the United Nations' Brundtland Commission report (WCED, 1987) made famous the concept of *sustainable development*.

According to the Commission, "Sustainable development is development that meets the needs of the present without comprising the ability of future generations to meet their own needs." The report succeeds in spreading awareness concerning the problems related to our common future. The definition of sustainable development, however, also comes with a notable complication, which is that it is open to all kinds of interpretation (Ketola, 2008b). Consequently, sustainable development is currently a buzzword used for many purposes (see e.g. Hopwood et al., 2005). Besides the shared "core ethic of intergenerational equity, that future generations are entitled to at least as good a quality of life as we have now," conditions for what is really sustainable are diverse (Pezzey, 1992, 48). Pezzey (1992) reviewed over 60 definitions of sustainability and found that they differed in how significant, essential or substitutable the various natural and man-made resource inputs were considered to the economy's production processes.

2.1.1 Substitutability of resources

The concepts of *weak a*nd *strong sustainability* describe the different assumptions related to which types of development are considered sustainable and which are not (Pearce and Atkinson, 1993; Beckerman, 1995; Gutes, 1996; Ayres et al., 1998; Hediger, 1999; Neumayer, 2003; Ayres, 2008). With the help of these concepts, the question of how significant, essential or substitutable the various resources or capital are can be discussed.

Weak sustainability assumes that natural capital (e.g. fossil fuels, biodiversity, ecosystem services) and human capital (e.g. infrastructure, labour, knowledge) are substitutable. With this assumption, there would not be a need to conserve any stocks of natural resources or environmental quality. Ayres et al. (1998), however, suggest that the substitution of capitals can only proceed in one direction, since once natural capital is transformed into manufactured capital there is no way to return to the status quo. Furthermore, as Daly (1996, 77) explains, “The complementarity of man-made and natural capital is made obvious at a concrete and common sense level by asking, What good is a saw-mill without a forest, a fishing boat without populations of fish, a refinery without petroleum deposits, an irrigated farm without an aquifer or river?” In contrast to weak sustainability, strong sustainability considers natural and human capital as complements, since man-made solutions have not been capable of replacing services provided by our ecosystem.

Strong sustainability thus implies the conservation of critical natural capital, i.e. stocks of natural resources. Concerning renewable resources, e.g. forests, it is critical that the harvesting rates do not exceed regeneration rates (sustained yield), and in terms of non-renewable resources, e.g. oil, it is critical that the stocks are not exploited more rapidly than the rate of creation of substitutes (Daly, 1992).

Proponents of strong sustainability, mainly in the field of ecological economics, also emphasise systemic thinking, in which the economy and society are considered as subsystems of the environment (the ecosphere or biosphere). Thinking of the economy and society as subsystems of the planet (e.g. Bey and Isenmann, 2005) is alien to weak sustainability theorizing. However, the limits of our biophysical world do constrain social and economic systems. Therefore, unless environmental harm is decoupled from the development of the economic system (e.g. gross national product), there will be a necessity for economic non-growth (Meadows et al., 1972; Daly, 1992, 1996), or, as planetary boundaries are already exceeded, de-growth (Latouche, 2007; Victor, 2008; Jackson, 2009). For this reason, sustainable development signifies qualitative improvement and not quantitative growth (Daly, 1996), or sustainable growth asserted by weak sustainability (cf. Holliday, 2001; European Commission, 2011).

2.1.2 Precautionary principle

To maintain the natural capital and further outline the conditions for sustainable development, the United Nations’ Rio Declaration on Environment and Development (UNEP, 1992) proclaimed precaution in one of the Principles: “Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”

Significantly, the statement made the important precautionary principle well known, and one that can be used to discuss what the critical natural resources are that must be conserved for humans. Problematically, however, the phrasing of the principle only covers serious or irreversible damage, and lacks a call for protective measures (Cooney, 2004; Peterson, 2006). In addition, the measures ought to be “cost-effective”, which may be used as an argument against most protective measures. Furthermore, the burden of proof is not on the proponents of potentially harmful activities, but instead on those opposing the activities, who are required to argue that they are harmful (Cooney, 2004).

The Wingspread Statement on the Precautionary Principle (Ashford et al., 1998) tackled these insufficiencies of the UNEP statement by putting forward the following definition for the precautionary principle: “When an activity raises threats of harm to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.” In contrast to the Rio Declaration, this formulation does not enable protective measures to be postponed for any reason, and is thus more suitable for sustainable development, albeit necessitating a consensus concerning what the threats and harms are.

2.1.3 Actors in the human system

The underlying causes for the sustainability problem are the growth in the global population and, importantly, in human consumption. This increasing demand is being met by increasing supply, leading to growing material and energy flows from states of low to high entropy and to pressure on land, water and other resources. The critical natural resources are again necessary for keeping the economic processes going, but are quantitatively and qualitatively constrained due to the biophysical limits of the planet (Steffen et al., 2011; Rockström et al., 2009).

Besides the state and civil society, market actors are key players in the quest for sustainable development. At least in the industrialised part of the world, markets and private actors have gained broad legitimacy in organising economic activity and being part of the political decision-making process through intense lobbying and financing. An increased presence and power of the market in the human system has led to a new situation, in which the role of the corporation is greater than before (Anderson and Cavanagh, 2000; Coghlan and MacKenzie, 2011). This means that business organizations have got themselves into a position where they are acting as significant harbingers of the future. This is not a modest responsibility.

The increased responsibility of the corporation surely does not mean that the state and civil society would be without a role. Certainly, governments and civil actors still play major parts in the development, but increasingly in cooperation with market actors (Christopoulus et al., 2012). From the corporate point of view, this interaction is a question of dynamics between the focal firm and its stakeholders. In other words, the state and civil society actors, as well as other market actors, are stakeholders of the corporation.

The conservation of natural resources and the precautionary principle are mainly constructs on the planetary level, but most corporations operate on the organizational level (even though it could be argued that large multinational enterprises operate on the global level). This macro-micro configuration might create confusion over organizational practice, particularly when the market as an entity operates on the meso-level, between the planet and the organization. For this reason, business organizations are likely to face stimuli from different levels, from micro to meso and macro to planetary. Given the importance of these stimuli for sustainable development, we shall next briefly examine whether a firm has a choice over making responsible decisions.

2.1.4 Corporate moral agency and character

While some authors deny the morality of the corporation (e.g. Friedman, 1970), others perceive the business organization as a moral agent (e.g. French, 1979) and character (e.g. Ketola, 2005). This means that "it is both meaningful and efficacious to ascribe the competency for conscious and intentional behavior to organisations" (Pruzan, 2001a, 271). As well as having values, actions and strategies, corporations can also have moral responsibilities (Goodpaster and Matthews, 2003). This implies that an organization, as a collectivity, can possess competencies normally attributed to individuals, i.e. to reflect, evaluate, learn and make considered choices (Pruzan, 2001a). Pruzan (2001a) explains further:

> It is a common experience than when individuals, each with their own values, preferences and expectations, meet to decide on matters of importance to an organization they belong to and for which they feel a sense of responsibility, a new, implicit – and shared – value can develop amongst the participants. This shared value which emerges in the group is to serve the organization – to reinforce both its identity and the sense of responsibility they have with respect to the organization as a whole – and to arrive at decisions which are acceptable for all the participants (Pruzan, 2001a, 277).

Thus, according to Moore (1999, 341), "the issue becomes whether we can speak only of the moral character of individuals within the context of organizations or whether, *in addition,* we can speak of the moral character of the organisation as a whole." In other words, the concept of moral agency denotes an organization's ability to make moral choices (cf. Baggini and Fosl, 2012). Which choices are then made and how the decisions are reached arguably depends on the organizational character at issue. Moreover, the present inquiry does not concentrate merely on the acts of the corporate character but on the character itself. By accepting the idea of organizational moral agency and character, this inquiry is able to discuss the notion of responsibility of the corporation. Being so, the unit of analysis in which responsibility is examined is the organization.

2.2 Responsibility of the corporation

The responsibility of the corporation, as well as the lack of it, is an empirical phenomenon. It has enjoyed considerable attention among business pundits and academics in the 21st century. Several studies and reports have claimed that companies are taking care of the environment and being considerate in socio-cultural matters beyond legal and regulatory requirements (for a review, see e.g. Dahlsrud, 2008), while the motives for these considerations are reported to span from hard-core profit making (McWilliams and Siegel, 2001), a political role (Scherer and Palazzo, 2011) and the oppression of others (Banerjee, 2008) to moral high grounds (Ketola, 2008c) and even spirituality (Pruzan, 2008). Due to this breadth of views, actors involved in responsible decision making find very different kinds of relevance in these practices and discourses. For instance, the centrality of responsibility for an organization can be manifested through exploring new competitive potential (Heikkurinen, 2010; Heikkurinen and Forsman-Hugg, 2011), addressing the challenges of sustainable development (Heikkurinen and Bonnedahl, 2011, 2013), and supporting identity construction and management ethics (Heikkurinen and Ketola, 2009, 2012). In order to understand this plurality, we have to peak into the context (time and place) of the concept.

2.2.1 The concept and its context

Business organizations and responsibility (incl. discourses and practices) share a long history, and are tightly interwoven into historical, institutional and socio-cultural fabrics. During the Industrial Revolution, occupational welfare schemes were already established to prevent labour problems, and business philanthropy appeared on the scene (Carroll, 2008). The early models of private actors' responsibility discussed particularly corporate giving and the social aspect of the phenomenon (Bowen, 1953; Levitt, 1958). Furthermore, diverse eras of management, such as industrial betterment, scientific management and human relations, have all had different emphases on social issues (Barley and Kunda, 1992). In addition to these alterations in *time*, the responsibility phenomenon has also varied in *place*. While philanthropy and the pursuit of free market capitalism as the basis of *social* contributions, for example, have characterized Anglo-American responsibility (e.g. Carroll, 1979; 1991), the harmful impacts of industries on *nature* have gained prominence in the more coordinated economies of Europe (e.g. Roome, 1992; Welford, 1997)[2]. Due to this diversity of outlooks, it is evident that responsibility is not something that is either everywhere or nowhere, but something that is between these two. Perceptions of the responsibility phenomenon seem at least dependent on the state of the object (e.g. an organization) and its context (time and place), as well as the state of the observer (e.g. a researcher, customer, politician or manager), in addition to the context from which the object is being observed. Since the responsibility phenomenon appears to be context-dependent (van Marrewijk, 2003; Welford, 2005; Welford et al., 2008; Dahlsrud, 2008; Halme et al., 2009) and relative (Ketola, 2010), the inclusiveness of diverse objects and observers in both time and place is needed to outline a holistic image of what responsibility is for, and what the responsibility of business organizations is.

Alongside the societal and organizational differences, new concepts have emerged to both describe and prescribe the responsibilities of businesses, one of them being corporate responsibility. The term 'corporate responsibility', probably first introduced by Goodpaster (1983), was developed at least from the concepts of environmental management, corporate social performance, corporate social responsibility, corporate citizenship, sustainable development, sustainable growth, corporate sustainability, sustainable entrepreneurship, the triple bottom line and business ethics (Ketola, 2008b). While the terms 'corporate social responsibility' and its abbreviation 'CSR' are often used in the business and academic language to describe the responsibility of the corporation, this study adopts the term 'corporate responsibility' as the umbrella concept to work with. The rationale for this decision is rooted in the primary empirical context (Finland), in which the word 'yritysvastuu' directly corresponds with the English term 'corporate responsibility".

Although the definition of this umbrella concept has varied depending on the context (time and place), there are, nevertheless, two generally accepted main characteristics for corporate responsibility. Firstly, corporate

[2] The current corporate responsibility debate comprises both of these branches.

responsibility is considered to include those organizational actions that not only comply with national and supranational laws, but go beyond legal compliance (e.g. McWilliams et al., 2006). An example of such an action today is the adoption of renewable energy sources. However, this example may become out-dated further down the road, as the level of legislation is in flux, signifying the relative nature of responsibilities. Secondly, corporate responsibility is the consideration of environmental but also socio-cultural and economic issues (e.g. Elkington, 1997). An example of economic responsibility besides profit generation could be the equal distribution of wealth within an organization and also in a broader societal community, whereas socio-cultural responsibility could involve addressing issues, such as promoting gender equality, occupational well-being, as well as the safety of products, services and processes. Whether these responsibility issues are considered as means or ends in a corporation depends on the organization.

2.2.2 Economic instrumentalism

If the question of what constitutes corporate responsibility is posed to economic instrumentalists, the answer could range from shareholder (Friedman, 1970) to enlightened shareholder value maximization (Jensen, 2001), or to business opportunity either through careful cost-benefit (McWilliams and Siegel, 2001; McWilliams et al., 2006) or/and stakeholder analyses (Freeman, 1984; Freeman et al., 2010).

According to the famous Chicago school economist Milton Friedman, the responsibility of business is to increase its profits (Friedman, 1970). This shareholder value maximization leads to a rationale where responsibilities related to promoting desirable sociocultural or environmental ends, such as eliminating discrimination or avoiding pollution, are not concerns of the corporation. Business managers are merely "to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom" (Friedman, 1970, n/a) and conform to the wishes of the owners.

The Friedmanite argument is often used to oppose the contemporary idea of corporate responsibility consisting of environmental, sociocultural and economic responsibilities beyond the legal compliance level. Recently, however, even the most neoclassic thinkers have opened up to the idea of corporate responsibility. For instance, a financial economist, Michael Jensen, has suggested a rationale of enlightened value maximization that does not necessarily exclude the consideration of others, namely other individuals and groups or the natural environment, from the business side of life. This line of argumentation posits, similarly to Friedman, that “managers should make all decisions so as to increase the total long-term market value of the firm” (Jensen, 2001, 299), but Jensen adds that this task can include environmental and sociocultural considerations, as long as profits increase in the long term.

Whether acting responsibly increases profits or shareholder value is a well-researched area in corporate responsibility. Quantitative approaches to this linkage have found no relationship (McWilliams and Siegel, 2000), a positive relationship (Lin et al., 2009; Scholtens, 2008; Waddock and Graves, 1997; Russo and Fouts, 1997; Carcía and Cruz, 2007; Toppinen et al., 2012), and a negative relationship (Wright and Ferris, 1997; Cordeiro and Sarkis, 1997), while a meta-analytic study concluded “that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off…” (Orlitzky et al., 2003). Another meta-analytic study five years later concluded along similar lines that there is a positive relationship between responsibility and economic performance (Margolis et al., 2007).

These findings, of course, have major empirical limitations, such as the reliability and validity of the data. Most of the studies rely on selected, secondary data from corporate annual reports (Bowman and Haire, 1975; Abbott and Monsen, 1979), reputation indices (Hillenbrand and Money, 2007) and the external web pages of firms (Esrock and Leichty, 1998). In addition, the question of how to quantify responsibility is highly challenging, some say almost impossible to address (Korhonen, 2003), due to its multifacetedness (Paine, 2000; Lovio and Kuisma, 2004). In other words, there are many mediating and intangible concepts in the analysis, such as risk management, trust, good will, innovation, reputation, brand, quality, service and loyalty (Paine, 2000). Despite the size of the measurement challenge, several attempts that are interesting due to their diversity can be found in the literarature (Ilinitch et al., 1998; Wood, 1991; Gauthier, 2005; Márguez and Fombrun, 2005; Hopkins, 2005; Weber, 2008; Friedman and Friedman, 2009; Gjølberg, 2009; Hubbard, 2009; Wood, 2010; Ketola; 2010; Heikkurinen et al., 2012).

The link between responsibility and economic performance has also been dissected in qualitative and conceptual studies (see Hart, 1995; McWilliams and Siegel, 2001; Baron, 2001; McWilliams et al., 2002; Waldman et al., 2006) and extended to examining the problem of *how* (and also why) economic perfomance and responsibility are connected (Schaltegger and Figge, 2000; Simpson et al., 2004; Porter and Kramer, 2006; Lankoski, 2008). These studies basically conclude that it is less about the amount of responsibility and more about the type of responsibility. In other words, success is determined by the manner in which responsible management is practised (Schaltegger and Figge, 2000) and connected to strategy (Lovio, 2006), and thus more detailed understanding would be required on what kind of management is efficient (Lankoski, 2008).

An eminent management scholar, R. Edward Freeman, introduced a stakeholder approach to managing a firm successfully, while the notion of 'stakeholder' originates from a Swedish business professor, Erik Rhenman (1968). This approach has been broadly utilized in the conceptual (e.g. Carroll, 1991) and qualitative sides of corporate responsibility studies (for a review see Garriga and Melé, 2004; Dahlsrud, 2008), in which stakeholders are defined according to Freeman (1984, 46) as "any group or individual who can affect or is affected by the achievement of the organization's objectives." Firm's stakeholders can be either primary, e.g. customers, communities, employees, financiers or suppliers, or secondary, e.g. the government, competitors, consumer advocate groups, special interest groups or the media (Freeman et al., 2007). In conducting stakeholder analysis, i.e. determining whose concerns matter, Michell et al. (1997, 896) coined the term 'salience' and proposed three relationship attributes, namely power, legitimacy and urgency, that help to distinguish salient stakeholders from other groups and individuals (see also Maltz et al., 2011). Hart and Sharma (2004) argued that the remote groups at the fringe of firms' operations, i.e. the poor, weak, isolated, non-legitimate, and even non-human stakeholders, also matter, as they possess important knowledge for the organization. Careful stakeholder analysis is considered to contribute to maximizing the shareholder value (Mitchell et al., 1997; Ogden and Watson, 1999) and competitive imagination (Hart and Sharma, 2004).

While the qualitative side of the research stream emphasises less number cruching, the quantitative side stresses econometric models. For instance, the prominent management scholars, Abagail McWilliams and Donald Siegel (2001), suggest that the ideal level of responsibility can be determined by cost-benefit analysis. They continue that a firm should provide only the exact level of responsibility for "which the increased revenue [...] equals the higher cost" (McWilliams and Siegel, 2001, 125).

A similarity in qualitatively and quantitatively oriented studies is that they both perceive corporate responsibility as a business opportunity from which organizations can economically benefit, either through cost–benefit and/or stakeholder analysis. This is the business case explanation for corporate responsibility.

2.2.3 Critical school of thought

If the same question of what constitutes corporate responsibility is posed to the critical scholars (Levitt, 1958; Bakan, 2005; Blowfield, 2005; Banerjee, 2007; Shamir, 2008; Fougère and Solitander, 2009; Hanlon and Fleming, 2009; Ketola, 2011a; Banerjee and Bonnefous, 2011), the answers will be quite different from those of economic instrumentalists. In fact, there is a high degree of scepticims that firms act responsibly (Bakan, 2005; Banerjee, 2007), and increasing empirical evidence to support this argument (Ketola, 1992; Ho and Welford, 2006; Guidolin and La Ferrara, 2007; Kambewa et al., 2008; Khan et al., 2010; Banerjee and Bonnefous, 2011).

According to a famous law professor, Joel Bakan, the modern corporation is essentially pathological in nature, and responsible behaviour does not characterize its actions, as the firm places profit above any social or environmental value (Bakan, 2005). Many companies, in fact, fulfil the psychiatric criteria for psychopaths (Brown, 1997; Ketola, 2006), making the concept of corporate responsibility appear to be an oxymoron (Cloud, 2007).

In a seminal paper, a pioneering organizational theorist, Bobby Banerjee (2008), argues that corporate responsibility is an ideological movement intended to legitimize and consolidate the power of large corporations. Corporations use different discursive strategies to gain legitimacy (Siltaoja, 2009) in the eyes of the stakeholders to enable business as usual (Banerjee and Bonnefous, 2011). Hanlon and Fleming (2009, 937) identify a neo-liberal tendency in these discourses (see also Shamir, 2008; Charkiewicz, 2005; Sadler and Lloyd, 2009) and claim that corporate responsibility "is one of a suite of practices that corporations are deploying as they seek to shift the nature of social regulation away from collective to more individual solutions." Fougère and Solitander (2009) largely agree with this critique, but are unsure whether the misleading responsibility discourses are merely a deliberate deception, or also reflect false consciousness in corporations (Fougère and Solitander, 2009).

Nevertheless, critical theorists perceive the self-regulative aspect of corporate responsibility (beyond compliance) as problematic, as it will decrease the power and role of the state over time. Through this self-regulation or governance, firms are able to push away social and political pressures for restrictive business laws and regulations (Paine, 2000). According to Levitt (1958), "Business should recognize what government's functions are and let go at that, stopping only to fight government where government directly intrudes itself into business."

Banerjee (2008) and Banerjee and Bonnefous (2011) also demonstrate how stakeholder management is used as a strategy to curtail the interests of external stakeholders, such as environmental activists. Thus, for critical theorists, corporate responsibility is mainly discourse rather than action, i.e. empty rhetoric about sustainability and responsible business (Kallio, 2007). Further critique of economic instrumentalists is argued with a moral rationale, as Paine (2000), for instance, notes that even the examination of the relationship between responsibility and economic performance is ethically doubtful. This is the critical explanation for corporate responsibility.

2.2.4 Beyond the business case

If the question of what constitutes corporate responsibility is posed again, a third group of answers goes beyond the business case and economic instrumentalism (Goodpaster, 1983; Young, 2004; Reis et al., 2004; Scherer and Palazzo, 2007; Ketola, 2008a, 2011b, 2013; Pruzan, 2008) by using critical studies as a stepping stone towards corporate responsibility as "doing the right thing." As organizations consist of human actors, the moral imperative cannot be separated from organizational behaviour, and in effect the engagement of firms in corporate responsibility is also morally guided.

"Beyond the business case" can mean a political role for firms, in terms of increased political activity (Scherer and Palazzo, 2007), as well as refraining from politics (Reich, 1998). According to a prominent political scientist, Iris Marion Young (2004, 388), an organization (agent) shares political responsibility with other organizations (agents) whose actions contribute to the structural processes that produce injustice. This new political role of the firm is rooted in the assumption that "under the conditions of globalization, the strict division of labour between private business and nation-state governance does not hold any more. Many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance" (Scherer and Palazzo, 2011, 899). Reich (1998) comments on the political role of corporations as being questionable, because firms are only able to pursue investor interests if they wish to do so through political advertising and lobbying. Importantly, Mäkinen and Kourula (2012) found that this new political responsibility of the corporation is built on a global transition of responsibilities and tasks from the state to firms, which may lead to a lack of division of moral labour.

“Beyond the business case” can also mean the new responsibility that has been evolving since the 1960s, which does not abide by the tenets of the business case but instead focuses on the questions what is morally or ethically right or wrong (Reis et al., 2004). When profit making conflicts with the interests of the planet and other people, corporations do not necessarily choose profit as their only goal (Goodpaster and Matthews, 2003). Firms can even develop a collective, inner sense of morality (Ketola, 2008d) to guide their corporate responsibility towards all stakeholders, including the future generations (Lovio, 2004), the natural environment (Stead and Stead, 1994) and other non-human entities (see Starik, 1995). While some companies still have egoistic and utilitarian value bases, others can have values based on duty, rights, justice and virtue (Ketola, 2010). Deep down, however, Ketola (2008a; 2006) explains that according to the natural law (lex naturae), organizations, which are made of groups of people and individuals, share the same sense of morality, irrespective of their religious and cultural background.

Moreover, according to Zsolnai (2010), ethics in business need spirituality as an underlying background and motivational driver (see also Zappalà, 2010). Pruzan (2008, 553) claims that “true responsibility, both by leaders and their organizations, is grounded in a perspective on leadership—spiritual-based leadership—that transcends the (self-imposed) limitations of economic rationality.” In the spiritual realm, corporate responsibility is not a means to an end but is fundamentally important in its own right and “provides a foundation for the development of identity, purpose, and success at both an individual and organizational level” (Pruzan, 2008, 553).

The internal motivation for taking responsibility beyond the business case and “doing the right thing” (Ditlev-Simonsen and Midttun, 2011) could be related to many explanatory models on the individual level, for instance Abraham Maslow’s hierarchy of needs (Ketola, 2013), Erik Eriksson’s stages of psychosocial development (Ketola, 2008c) and Lawrence Kohlberg’s stages of moral development (Ketola, 2013), but also to Immanuel Kant’s duty ethics and Aristotle’s virtue ethics (Heikkurinen and Ketola, 2012), or even Ken Wilber’s spirituality (van Marrewijk, 2003), i.e. to define and reach the highest organizational potential.

An organization with a secondary or tertiary interest in market share, profits and growth (Reis et al., 2004) would also go together with a shift from neoclassical economic theory to a theory that acknowledges the complexity and interdependence of systems (cf. Stormer, 2003). In the case of corporate responsibility, this signifies the dependence of the economic system on the human system, and the dependence of these systems on the ecosystem, the Earth. Related to this type of corporate responsibility is the literature on corporate sustainability (see e.g. Gladwin et al., 1995; Dyllick and Hockerts, 2002; van Marrewijk and Werre, 2003; Pataki, 2009; Ketola, 2010; Baumgartner and Korhonen, 2010).

2.2.5 Working definition for corporate responsibility

As reviewed above, three theoretical main explanations for what corporate responsibility is can be detected in the corporate responsibility literature. The first one proposes that corporate responsibility is an economic instrument and thus a business opportunity (McWilliams et al., 2001). The second one states that corporate responsibility is merely discourse (Kallio, 2007) aimed to gain power and avoid state regulation (Banerjee, 2008). The third explanation claims that corporate responsibility is a possibility to go beyond the business case and do the right thing (Ketola, 2010).

What is common to these three explanations is their focus on a corporate phenomenon, in which a business organization has a consideration for others beyond the legal compliance level. The concept of consideration of others is adopted in this study because it works as a common denominator between the three different explanations. In other words, it does not exclude any of the three explanations. This is because of the high level of abstraction that includes not only different motives but also all depths (how well the others they considered) and breadths (who are the others that are considered) at issue. With the notion of “others” is meant all stakeholders in- and outside the organization. This concept is again inclusive, as it does not exclude any individual, group or non-human stakeholders.

Thus, based on a review of the theory, this study adopted the following working definition for corporate responsibility:

> Corporate responsibility is consideration for others, both the salient (Michell et al., 1997) and fringe stakeholders (Hart and Sharma, 2004), including the natural environment (Stead and Stead, 1994) and other non-human actors (Starik, 1995), that is manifested in corporate discourses (Kallio, 2007) and/or action (Ketola, 2008a) beyond the contextual (Halme et al., 2009) legal compliance (Dahlsrud, 2008). It can be a means (McWilliams et al. 2001; Banerjee, 2008) and/or and end for an organization (Ketola, 2011b).

This working definition for corporate responsibility was adopted in this study (see Table 1). The three main explanations for corporate responsibility are not, of course, exhaustive and the boundaries between them are not strict. Other similar classifications that map the field are to be found in the literature (e.g. Garriga and Melé, 2004; Windsor, 2006; Scherer and Palazzo, 2007; Lee, 2008).

Table 1 What is corporate responsibility?

	Economic instrumentalism	*Critical school of thought*	*Beyond the business case*
What is corporate responsibility?	An instrument and a business opportunity	A discourse aimed at gaining power and avoiding regulation	An act of doing the right thing
Consideration for others	Extrinsic <---> Intrinsic		
Definition adopted in this study	Corporate responsibility (comprises corporate environmental responsibility, corporate sociocultural responsibility, and corporate economic responsibility) is consideration for others, both the salient and fringe stakeholders, including the natural environment and other non-human actors, that is manifested in corporate discourses and/or actions beyond the contextual legal compliance. It can be a means and/or an end for an organization.		

Given the scope of the thesis covering the two fields of study, namely corporate responsibility and strategy, the next section focuses on examining the question of what strategy is in business organizations.

2.3 Strategy in business organizations

All business organizations arguably have a strategy of some sort, whether it is deliberate or emergent, or something between (Mintzberg and Waters, 1985). Strategy researchers and practitioners tend to use the term ‘strategy’ rather freely, and no consensus on its definition exists (Chaffee, 1985). In this study, strategy is examined particularly in the sense of *strategic means*, in other words: strategy as theories and practices that answer the question how specific *strategic ends* are pursued.

From the earliest definitions for strategy (Selznik, 1957; Chandler, 1962; Ansoff, 1965), a plethora of definitions and concepts in the field has emerged with diverse meanings and different nuances. For this reason, it is challenging to use words such as design, plan, analyse, emerge, implant, position, or differentiate without being labelled, as they each relate to specific schools of thought (see e.g. Hoskisson et al., 1999; Mitzberg et al., 1998). One also needs to be careful with dominant and alternative strategy discourses, as they are found to influence strategy practices (Mantere and Vaara, 2008).

The history of strategy research has generated a wide range of opposing and simultaneously complementing theories, one of the main dichotomies being strategy as understanding what is outside the firm and strategy as understanding what is inside the firm (see e.g. Day, 1994; Javidan, 1998; Hoskisson et al., 1999; Porter and Kramer, 2006; Carter et al., 2008;

Baumgartner and Ebner, 2010). These two highly differing viewpoints in the strategy literature, which explain why certain firms outperform others (Makhija, 2003), are discussed next. An additional perspective in reviewing strategy is taken from practice theory (Whittington, 2007).

2.3.1 Conditions outside the firm

If the question of what constitutes strategy is posed to the first group of scholars (Caves and Porter, 1977; Hannan and Freeman, 1977; Porter, 1979, 1980, 1985; Pfeffer and Salancik, 1978), the answer could relate to understanding what is outside the firm (Carter et al., 2008). Analysing the extra-organizational conditions is the key to success.

At the dawn of the 1980s, probably the most well-known strategist, Michael E. Porter, developed the idea of different competitive forces that shape the strategy of an organization. The strategy process could be described as an analytical outside-in exercise, as Porter (1979, 1980, 1985, 1996) explained that a strategist in a firm should analyse the industry conditions in terms of their competitive forces, and accordingly choose a position that is more profitable and less vulnerable to attack. These five forces, namely competitors, customers, suppliers, potential entrants and substitute products, determine industry profitability because they influence the prices, costs and required investment of organizations (Porter, 1979, 1980).

Porter has an economic background in the field of industrial organization. His main work has been based on a large quantitative data set dating back to the mid-20th century, when the competitive environment was quite different. Today, industries and organizations are confronted with greater levels of dynamism and turbulence in terms of the number of actors in the marketplace, access to distribution and capital, the mobility of human resources, physical product differences, technology development, the number of substitute products available, fluctuating prices and buyer volumes, and information availability, among other factors. Therefore, a thoroughly conducted competitive analysis may be out of date before it even reaches the execution phase.

Besides the above-described market-based view, strategy defined by the extra-organizational conditions also has other forms. Population ecology (Hannan and Freeman, 1977) and resource dependency theorists (Pfeffer and Salancik, 1987), for instance, emphasise the extra-organizational conditions, as do institutional theorists (DiMaggio and Powell, 1983). Relational theorists are also keen on the external environment, as they analyse organizational relationships in dyads and networks (Granovetter, 1985), as well as strategic alliances (Doz, 1996) determining organizational behaviour.

2.3.2 Capabilities inside the firm

The second answer to the question of what strategy is comes from another group of scholars (Wernerfelt, 1984, 1995; Prahalad and Hamel, 1990; Barney, 1991; Peteraf, 1993; Teece et al., 1997) who emphasize that understanding of what is inside the firm is crucial (Carter et al., 2008). Instead of extra-organizational conditions, this explanation emphasizes inter-organizational resources (Wernerfelt, 1984; Barney, 1991) and capabilities (Teece et al., 1997; Prahalad and Hamel, 1990) as the foundation for an organization's strategic options and success.

In 1984, a respected scholar, Birger Wernerfelt, popularized a so-called resource-based view of the firm, in which firms are considered as broad sets of resources. The inter-organizational resources include production capacity, customer loyalty, experience and technological know-how (Wernerfelt, 1984), and they enable firms to create different types of strategies (Javidan, 1998). Strategy involves striking a balance between the exploitation of existing resources and the development of new ones (Wernerfelt, 1984, 172), while competitiveness is consequently to be found in selecting distinctive, valuable intra-organizational resources that competitors find difficult to imitate (Barney, 1991; Barney, 2002; Peteraf, 1993). Business organizations are said to have a sustained competitive advantage[3] when they are "implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy" (Barney, 1991, p. 102). "Authors in this perspective argue that advantage in the marketplace can only be sustained when it relies on resource bundles that are rare, inimitable, and for which competitors cannot find substitutes. Ultimately [...] these objective attributes come down to what is unique about an organization as a cultural system" (Mintzberg et al., 1998, p. 265). This view proposes that perceiving "firms in terms of their resources leads to different immediate insights than the traditional product [market] perspective" (Wernerfelt, 1984, 172).

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[3] It is worthwhile to also critically examine the idea of *sustained* competitive advantage, as there is very little or no empirical evidence that any competitive advantage could be sustained. Thus, instead of trying to sustain something unsustainable, firms could explore new competitive advantages – particularly in hypercompetitive environments – through market disruptions (d'Aveni, 1995).

The theory was soon complemented with the concept of dynamic capabilities, which emphasises the development and renewal of these valuable, rare and hard to imitate resources (Teece and Pisano, 1994; Eisenhardt and Martin, 2000; Winter, 2003; Teece, 2007). Teece et al. (1997, 516) defined dynamic capabilities as the "firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." Similarly, Prahalad and Hamel (1990) developed the concept of core competencies bringing systemic advantage that competitors are unable to copy. They argued that first identifying and then enhancing a firm's core competencies creates unique, integrated systems that reinforce the fit among the firm's diverse production and technology skills.

Overall, this view on strategy was a significant advancement of theory, even though it did not replace the formerly established view of industrial economics.

2.3.3 From contradictory to complementary and practice

While the above-presented scholars argue that it is not the conditions outside the firm but capabilities inside the firm that are key to crafting a strategy, or vice versa (see e.g. Carter et al., 2008), there have also been attempts to combine these partly opposing schools of thoughts into complementary ones (as they viewpoints are not absolute in any sense). Stakeholder theory (Freeman, 1984; Freeman et al., 2010), for instance, argues that an organization's strategy should be guided by its internal and external stakeholders, while the natural-resource-based view (Hart, 1995) builds on the intra-organization perspective, but adds the constraints imposed by the biophysical (natural) environment[4]. Fiegenbaum et al. (1996) also posited that both internal and external factors are important in strategizing.

In marketing studies, a similar dichotomy can be detected, namely market driven and market driving (e.g. Kumar 1997; Kumar et al., 2000; Jaworski et al., 2000; Tuominen et al., 2004), while in the technology, innovation and supply chain management literature, the concepts that are used to describe the outside-in and inside-out contradiction are market or demand pull and technology or product push (e.g. Walsh, 1984; Nemet, 2009). These dichotomies also acknowledge the differences between the two

[4] Laine (2010) develops this type of stakeholder theorising through alternative visualisation. In his proposed stakeholder map, he embeds all stakeholders in the natural environment (see Laine 2010, 77).

opposing ends, but are developing towards perceiving them as complementary perspectives in studying organizational innovation and technology (Chidamber and Kon, 1994; Brem and Voigt, 2009), marketing (Day, 1999) and supply chain strategy (Abrahamsson, 2008, Gold et al., 2010).

Building on the shoulders of Henry Mintzberg's emergent strategy that criticises strategy as an analytical process (Mintzberg, 1994), a recent turn in organizational strategy comes from sociology (Anthony Giddens and Pierre Bourdieu), particularly from practice theory (Gherardi, 2000; Whittington, 1996, 2006, 2007; Vaara and Whittington, 2012). If the question of what constitutes strategy or strategizing is posed to practice theorists, they would state that strategy is more than a property of organizations and consists of strategy practice, practitioners and praxis.

Strategy practices refer to routines, procedures and cultures that influence the way of strategizing. In this respect, Porter's five forces framework and other strategy techniques would be examples of a strategy practice, as they define societal and global legitimate routines for strategizing. These strategy practices are often translated into a document to guide organizational action and stored to enable the document to be returned to, revised and distributed.

Traditionally, the development and implementation of strategy has been limited to the top management. Practice scholars, however, break this restriction by considering not only the narrow top managers as *strategy practitioners*, but also including mid-management, consultants and academic scholars as strategists (Whittington, 2006). *Strategy praxis*, in turn, is the activity itself, for example the work required in identifying, formulating, communicating and implementing a strategy. Such praxis would, for instance, refer to team briefings, board meetings, presentations and talks. Thereby, praxis comprehends both routine and non-routine work, and formal and informal actions, and may be carried out both at the corporate centre and periphery (Whittington, 2006). The concept of praxis denies the idea of 'best practice' but instead leads to identifying different forms of praxes, highlighting the benefits and drawbacks of each praxis in a specific context (Wakefield, 2007).

2.3.4 Working definition for strategy

As shown above, three main explanations for what strategy is in a business organization can be identified in the strategy literature. The first explanation claims that strategy is an analytical outside-in process, and understanding the extra-organizational conditions is therefore the key to success (Porter, 1979). The second explanation opposes the first one by proposing that strategy is an inside-out process, and that understanding the intra-organizational capabilities is the key to success (Wernerfelt, 1984; Barney, 1991). These two perspectives both describe and prescribe partly opposing ends of organizational behaviour, but can also be combined (Freeman, 1984; Hart, 1995). Despite their position on the internal–external continuum, these explanations perceive strategy mainly as a deliberate process (Mintzberg, 1994; Carter et al., 2008). The third explanation is different, as it sees strategy as an emergent phenomenon (Mintzberg, 1994) and as practice (Whittington, 2006). Naturally, one strategy "does not fit all" organizations, but the success of the strategy process is found to depend on the type of organization and its context (Miller and Friesen, 1978).

For the purpose of this study, there was a need for a basic definition that is somewhat broader than proposed by any specific strategy scholar. Thus, strategy was defined in this study as follows:

> Strategy is both a deliberate and an emergent (Mintzberg and Waters, 1985; Mintzberg, 1994) process comprising strategy practice, practitioners and praxis (Whittington, 2006) to reach specific organizational ends. Depending on the organization (Miller and Friesen, 1978), either the conditions outside the firm (Porter, 1979) or capabilities inside the firm (Wernerfelt, 1984) are emphasized in strategizing (Carter et al., 2008), while both perspectives are important for a successful strategy (Freeman, 1984; Hart, 1995).

This working definition for strategy was adopted in this study (Table 2). The three main explanations for strategy are not, of course, exhaustive and the boundaries between them are not strict.

Table 2 What is strategy?

	Extra-firm conditions	*Practice school of thought*	*Inter-firm capabilities*
What is strategy?	An outside-in process	A practice (that people do)	An inside-out process
Deliberate and emergent process	External <---> Internal		
Definition adopted in this study	Strategy is both a deliberate and an emergent process comprising strategy practice, practitioners and praxis to reach specific organizational ends. Depending on the organization, either the conditions outside the firm or capabilities inside the firm are emphasized in strategizing, while both perspectives are important for a successful strategy.		

Given the scope of the thesis covering the connection of two fields of study, namely corporate responsibility and strategy, the next section focuses on examining the question of what strategic corporate responsibility is in business organizations.

2.4 Strategic corporate responsibility as a field of study

Both corporate responsibility and strategy have now been individually defined for the purpose of this study: strategy as both a deliberate and an emergent process (both inside-out and outside-in) comprising strategy practice, practitioners and praxis to reach specific organizational ends, and responsibility as consideration for others (both as means and ends), comprising environmental, sociocultural and economic dimensions. These working definitions enabled the study to proceed to reviewing and framing the intersection of corporate responsibility and strategy, strategic corporate responsibility.

The consideration of responsibility issues in an imprudent and *ad hoc* manner, such as spontaneous charity to miscellaneous groups or the recycling of some outputs, has been reported as inadequate from all economic, societal and environmental points of view. Studies have suggested a shift to more holistic (Starik, 1995; Stormer, 2003; van Marrewijk, 2003; Brooks, 2005; Ketola, 2008a), analytical (Wilson, 1974; Sethi, 1975, 1979; Martin, 2002; Porter and Kramer, 2002) and well-designed societal, as well as environmental contributions. This is where strategy research comes in.

The shift from the remedial and corrective side of actions towards preventive and precautionary ones means that responsibility must become embedded in the core functions of the organization and integrated in the strategy of the corporation (Wilson, 1974; Porter and Kramer, 2006; Heikkurinen and Forsman-Hugg, 2011). As a welcomed consequence, firms that undertake these strategic activities will be viewed more positively by their stakeholders than those that have only used responsibility tactically and piecemeal (Polonsky and Jevons, 2009). Accordingly, a well-connected strategy and responsibility can hold opportunities for the organization itself, but also contribute to environmental and sociocultural well-being at large. Studies that attempt to connect responsibility and strategy are part of a field referred to as strategic corporate responsibility (see e.g. Burke and Logsdon, 1996; Brooks, 2005; Werther and Chandler, 2006; Porter and Kramer, 2006; Orlitzky et al., 2011).

In previous studies on strategic corporate responsibility, a quite commonly held notion has been that responsibility becomes strategic in an organization when high priority is given to issues of responsibility, and when deliberate and/or emergent means for responsible behaviour are practiced. Furthermore, what is meant with strategic corporate responsibility varies depending on how *strategy* and *responsibility* are defined. Thus, the next sections of this thesis review studies (that explicitly mention “strategy” or “strategic” and “corporate responsibility”, “corporate social responsibility”, “corporate environmental responsibility” or “corporate economic responsibility”) in terms of their strategy and responsibility orientations.

2.4.1 External and internal strategy

At least three different points of departure for reviewing studies on strategic corporate responsibility can be taken.

The seminal articles of Wilson (1974) and Bowman and Haire (1975) can be considered as the first point of departure. The following argument of Wilson (1974) could also be thought of as an opening shot for the still inchoate theory of strategic corporate responsibility: “If ever social responsibility factors and ‘traditional’ business needs are to be considered on anything like an equal footing, they must be integrated at that stage of corporate planning that determines strategies, policies and resource allocation.” Bowman and Haire (1975) furthered this idea of *corporate planning* by attaching their findings to Pfeffer and Salancik’s emerging ideas of *resource dependency*, concluding that “to understand the behavior of firms it is necessary to analyze the nature of the relationship between the organization and its environment.”

In 1984, Edward R. Freeman introduced the *stakeholder approach* to strategic management, which has been used to both describe and prescribe the strategic use of corporate responsibility (Roberts, 1992; Burke and Logsdon, 1996; Werther and Chandler, 2005; Vélaz et al., 2007). The basic idea of the stakeholder approach originating from the works of Erik Rhenman (1968) was to introduce a broader set of individuals and groups to be considered in the decision making of a firm than merely the shareholders (Clarkson, 1995; see also Carroll, 1991). It was proposed that an organization’s success is determined by the extent to which the organization manages to consider the interests of its stakeholders. The stakeholder approach was soon labelled a theory, and applied together with other strategy theories, namely the *market-based view* (Ranchhod and Park, 2004; van de Ven and Jeurissen, 2005), *emergent strategy* (Vilanova et al., 2009) and *global branding strategy* (Polonsky and Jevons, 2009), *public-private partnerships* (Rotter et al., 2012).

For a multinational company, Muller (2006) examined from the perspective of *international strategy* whether an organization should develop local or global responsibility strategies, and found that decentralized decision making may be associated with higher responsibility performance. To address these stakeholder claims and consolidate their trust, Lamberti and Lettieri (2009) provided a framework connected to the theories of *quality management* and *global branding strategy*, whereas Lantos (2001) stressed that in any case the lead role in strategic responsibility activities and decision making should be guided by the principles of *consumer marketing*.

What these studies have in common is their **external strategy orientation.** This orientation to strategic corporate responsibility considers strategizing as an outside-in process. In the process, the external business context is emphasized as the basis of decision making, because customers and consumers, competitors, partners, and other external stakeholders such as NGOs, industrial structures and institutions are considered to guide a firm's responsible practices and discourses.

The second point of departure for reviewing studies on strategy and corporate responsibility can be taken, for example, from the path-breaking papers written by Litz (1996) and Russo and Fouts (1997), who introduced the *resource-based view* to the field. Following in the footsteps of Birger Wernerfelt, Jay Barney and David Teece, they argued that a firm's internal resources are crucial in recognizing the potential of responsibility in facilitating the development of necessary and enduring sources of strategic advantage. Litz (1996) theorized that adaptive behaviour integrating stakeholder interdependency, ethical reflection and issues management forms the key resources, while *inter alia* Russo and Fouts (1997) were busy testing hypotheses on the link between environmental and economic performance, concluding that "it pays to be green." In parallel, meta-analyses of Orlitzky et al. (2003) and Margolis et al. (2007) suggest that responsibility has a positive influence on corporate economic performance.

In the 21st century, the resource-based view has been actively applied in the field of strategic corporate responsibility. Branco and Rodrigues (2006) claimed that in addition to reputational advantage, "responsible activities may have internal benefits by helping a firm to develop new resources and capabilities which are related namely to know-how and corporate culture" (Branco and Rodrigues, 2006, 111). A few years later, the resource perspective was combined with *dynamic capabilities* (Fang et al., 2010, Ramachandran, 2010; Gelbmann, 2010), Mintzberg's *emergent strategy* (Husted and Allen, 2000; Husted and Allen, 2007a), *strategic groups*

(Toppinen et al., 2012), and *stakeholder theory* (Heikkurinen and Forsman-Hugg, 2011; Li, 2012).

What is shared by these articles is their **internal strategy orientation**. As opposed to an external strategy orientation, an internal orientation perceives strategy mainly as an inside-out process in which intra-organizational resources and capabilities are emphasized as the basis of decision making.

For conceptual purists, internal and external strategy orientations represent fully distinct philosophies, but they do overlap in theory and arguably in practice as well. Due to this overlap, the third point of departure for reviewing studies on strategy and corporate responsibility is identified to be the thought-provoking research conducted by Robin and Reidenbach (1987, 1988), who took a more integrated, *cultural approach* in making responsibility part of a firm's strategic thinking. They argued that: "Part of the environmental input is the traditional threats and opportunities to the organization *from* the environmental. Further, part of the corporate input is the traditional analysis of organizational strengths and weaknesses for attaining business objectives" (Robin and Reidenbach, 1988, 31).

Baron (2001), who comes from more of an economist tradition than Robin and Reidenbach (1987, 1988), has also used the concept of *integrated strategy* to highlight the interplay between a firm's external context and internal abilities. He, as well as Miles et al. (2006), Katsoulakos and Katsoulacos (2007), Heslin and Ochoa (2008), and Heikkurinen (2010), has rendered this by utilizing the *stakeholder theory* (Freeman, 1984) in facilitating the theoretical discussion. Other scholars have used *market and resource-based views* together (Dentchev, 2004; McManus, 2008; Avram and Kühne, 2008), *international strategy and institutional theory* (Husted and Allen, 2006), *corporate strategy* (Galbreath, 2006), *strategic fit* (Smith, 2007), *resource dependency theory* (Husted and Allen, 2007b), the *theory of the firm* (Siegel and Vitalino, 2007), the *externalities-based view* (Maltz et al., 2011) and *sensemaking* (Hanke and Stark, 2009) in a manner that is more integrated than internally or externally oriented strategizing. Porter and Kramer (2006, 2011) have also considered strategic corporate responsibility from both inside-out and outside-in points of view in their popular articles, indicating a step towards a more integrated perspective on strategizing. A similar move can be detected in the recent work of McWilliams and Siegel (2011).

This mixed middle way, **integrated strategy orientation**, can be considered as an attempt to combine the two orientations of internal and external into a more integrative strategizing, where both inside-out and outside-in views are equally weighed. If examined in detail, however, most studies claiming to be "integrated" still lean towards either the external or the internal orientation. This distinction between external and internal could also be thought of as marketing versus management points of view (Ketola, 2011b), and thus as complementary understandings of what happens *both* outside *and* inside the firm.

2.4.2 Extrinsic and intrinsic responsibility

Based on the literature review, it can be noted that defining strategic corporate responsibility is not a clear-cut classification exercise but a slippery slope where boundaries are difficult to draw. The two main strategy orientations of internal and external, however, lay out a steady and not too complex basis for further analysis of the field. And as mentioned earlier in this thesis, insights into what strategic corporate responsibility is can be derived by looking at the concepts of strategy *and* responsibility in detail. The responsibility orientations in the field are discussed in turn below.

In most of these strategic corporate responsibility studies, the responsibility of the firm has been perceived to originate from external pressures (i.a. Wilson, 1974; Husted and Allen, 2006; Lamberti and Lettieri, 2009), and particularly from the customers (Vélaz et al., 2007; Miles et al., 2006). By studying the success of Spanish banks (before their credit crisis), Vélaz et al. (2007) suggested that customers should be the main stakeholders and source of decision-making criteria, while other scholars in the field have argued for a broader inclusion of stakeholders in guiding responsibility practices and discourses. According to Roberts (1992, 610), "Stakeholder theory forms a theoretical foundation in which to analyze the impact of prior economic performance, strategic posture toward social responsibility activities, and the intensity of stakeholder power on levels of corporate social disclosure." Following the logic of stakeholder guidance that ought to translate into customer value, responsibility becomes discussed in terms of its instrumental economic value (Dentchev, 2004; Porter and Kramer, 2006; Husted and Allen, 2007b; Heslin and Ochoa, 2008; Polonsky and Jevons, 2009; Ramachandran, 2010; McWilliams and Siegel, 2011) and considered inseparable from profit maximization (Werther and Chandler, 2005). In other words: "What benefits accrue, and at what rate if one goes beyond the point of doing what is required?" (Bowman and Haire, 1975, 49).

As above, when corporate responsibility is considered as the means of a profit-maximization strategy motivated by self-interest and not by a conception of moral responsibility (Baron, 2001; Lantos, 2001), an organization can be described to have an **extrinsic responsibility orientation**. The term extrinsic is used to communicate that other beings (other than the corporate itself) hold extrinsic value for the corporation. In other words, the extrinsic responsibility orientation assumes responsibility and consideration for others as a means in business-related decision making. In this sense, the word 'strategic' only reflects economic instrumentalism. To demonstrate this, for instance, Burke and Logsdon (1996) suggested that responsibility is strategic "when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission." Thus, the ultimate measure of strategic benefits from responsible activities is the value they create for the firm: "Value creation refers to the readily measurable stream of economic benefits that the firm expects to receive" (Burke and Logsdon, 1996, 499). This commonly deployed theoretical orientation can be ascribed as extrinsic. In practice, however, the reasons behind strategic responsibility are often mixed (Husted and Allen, 2000; Muller, 2006).

Thus, while most studies take the extrinsic responsibility orientation as given, some studies do not specify what they mean by responsibility but treat it synonymously with other related (at least as vague) concepts such as sustainability, corporate citizenship and corporate social opportunity (see e.g. McManus, 2008). A few, however, have an **intrinsic responsibility orientation.** Considering intrinsic value is quite sensible, as Robin and Reidenbach (1987), for instance, explicate that as business is a human activity it is also evaluated from a moral point of view. The term 'intrinsic' is here used as the counterpart for 'extrinsic'. The distinction is that others (other than the corporation) have intrinsic value, whether belonging to the human or to the non-human kingdom. "This claim is to taken to distinguish 'deep' or 'biocentric' ethical theory from their more traditional 'shallow' and 'anthropocentric' counterparts" (O'Neill et al., 2008, 114). Thus, an intrinsic responsibility orientation challenges the instrumental economic rationale and functional nature of being responsible, which are the central characteristics of an extrinsic orientation.

Moreover, as opposed to an extrinsic orientation, an intrinsic responsibility orientation is characterized in terms of the value that the consideration of others holds in itself and/or for its own sake. There may be, for instance, moral, spiritual, symbolic, aesthetic or cultural groundings connected to the idea of intrinsic value in objects (DesJardins, 2001). A case in point is that "if one thing derives its goodness from some other thing, which derives its goodness from yet a third thing, and so on, there must come a point at which you reach something whose goodness is not derivative in this way, something that "just is" good in its own right, something whose goodness is the source of, and thus explains, the goodness to be found in all the other things that precede it on the list" (Zimmerman, 2010, n/a). For Ghalib et al. (2009), eradicating poverty by creating opportunities for the poor seems to hold such intrinsic value. They developed their ideas based on Prahalad and Hamel's theorizing known as the *base of the pyramid*. Heikkurinen and Bonnedahl (2011, 2013) again considered sustainable development and the natural environment as ends in themselves and suggested a *sustainable development orientation* to strategic decision making. Furthermore, in the so-called *awareness approach*, the intrinsic orientation is taken to a transcendental level and there is no functional purpose at all for being responsible (Heikkurinen and Ketola, 2009; 2012). According to Heikkurinen and Ketola (2012), responsibility is endogenous and its own final product that organizes meaning in the corporation. In the context of strategic corporate responsibility, an intrinsic responsibility orientation means that consideration for others is emphasized as the basis for being responsible.

Between the intrinsic and extrinsic orientations, there are also border cases in the field. Van de Ven and Jeurissen (2005, 315), for example, attempted to combine both orientations and ended up reflecting as follows:

> "Are we not prioritizing the self-interest of the firm above all other stakeholders interests, and hence, above moral duties that override self-interest? In a way we are, but only in so far as we want to acknowledge that every functioning system has to reproduce itself in order to be able to comply with whatever duty is imposed on it ('ought implies be'). Only if morality is best served by the immediate termination of business activities does this prioritization lose its validity."

As illustrated by the quotation, it surely is a challenge for anyone to accomplish these twin objectives in designing strategic responsibility initiatives (Bhattacharyya, 2010). However, it is argued that the intrinsic and extrinsic responsibility orientation can co-exist. In some decision-making situations, however, a business manager must choose either one of the orientations to follow. For example, a firm may have to decide whether to enhance sociocultural well-being and reduce environmental harm, *even if* it does not result in increased economic returns or competitive potential.

2.4.3 Framing the field

Due to the dominant position of some early scholars (e.g. Friedman, 1970; Freeman, 1984; Russo and Fouts, 1997; Jensen, 2001; McWilliams and

Siegel, 2001) and famous strategy theorists (e.g. Porter and Kramer, 2006; 2011), the field of strategic corporate responsibility has developed towards a rather monotheistic view on how strategy and corporate responsibility can and should be connected. On one hand, the unity and consistency of these studies have fostered continuity in the field, which in turn has enabled strategic corporate responsibility literature to gain prominence among mainstream business scholars. Thus, the prevailing homogeneity could be considered as a necessary step in the establishment process of the field. On the other hand (and paradoxically), strategic corporate responsibility scholars share the same theoretical groundings with the mainstream business scholars that they have eagerly tried to escape. Both bodies of literature derive from the legacy of Friedman's (1970) shareholder theory and Jensen's (2001) enlightened self-interest. Why might this "consideration for others as a means" be problematic? It arguably becomes problematic if the equivocal understanding of strategic corporate responsibility has insidiously led to blind spots that hinder advancements in theory and practice.

In defining *strategy,* for instance, previous studies have mainly focused on a perspective that emphasizes the role of markets and industry (Porter, 1979; Porter, 1980; Porter, 1985) and stakeholders (Freeman, 1984; Savage et al., 1991; Freeman et al., 2010; Clarkson, 1995), i.e. the external pressures and contingencies on the empirical context in which the organization operates. Concerning the definition of *responsibility*, on the other hand, the majority of studies in the field discuss corporate responsibility in terms of its instrumental economic value and competitive potential (cf. Baron, 2001; McWilliams and Siegel, 2001; Porter and Kramer, 2006). For example, according to McWilliams and Siegel (2001), the ideal level of responsibility can be determined by a cost–benefit analysis, suggesting that companies should act responsibly in the case of increased economic returns.

This take on strategy and responsibility could be labelled as the *conventional perspective*, meaning the usual, popular and prevalent way of seeing strategic corporate responsibility. Moreover, the term 'conventional' denotes that there is a group of studies and scholars sharing a set of characteristics that can be considered ordinary rather than original or creative due to their similarity in a specific sense. Based on the conducted literature review, the conventional perspective on strategic corporate responsibility holds that a firm does, and should, engage in business activities that enhance sociocultural well-being and reduce environmental harm, *if* it results in increased economic returns or competitive potential. Or, in practice, it should be involved in economic activities that do not harm the environment "too much". This economic instrumentality prevails in most studies in the field and is therefore reasoned as conventional. In other words, responsibility is considered to have extrinsic value and is perceived as a means for something else, a utility that is translated into the economic utility of the firm. In conclusion, the extrinsic responsibility orientation can be seen to characterize the conventional perspective.

In terms of the strategy orientation, the conventional perspective is found to be less pellucid, since both external and internal strategy orientations are strongly present in the articles reviewed for the theoretical framework. For this reason, the conventional strategy orientation could best be described as integrated. However, a lean towards the external school of thought is discerned. But what is important (and peculiar) here is that there are several reference points to the stakeholder theory (Freeman, 1984; Freeman et al., 2010) in the field of strategic corporate responsibility. Accordingly, stakeholder thinking is considered to be part of the conventional way of seeing, despite its ability to also include the responses of third parties in the firm's commercial activity (that other even more traditional strategy scholars are incapable of, as they are merely concerned with the sources of competitive advantage and commercial success).

It could even be contended that the field of strategic corporate responsibility suffers from the conventional perspective. Its powerful foothold might have constrained the development of alternative theorizing, and after all, the conventional perspective does support the mainstream economic and business goals and ends (Friedman, 1970; Jensen, 2001), while the means have merely become more sophisticated. To avoid further development towards an equivocal understanding of strategic corporate responsibility, this study arrived at a theoretical framework that represents a more inclusive and holistic view to connecting corporate responsibility and strategy. This framework is depicted in Figure 1.

The framing of the field of strategic corporate responsibility presented in the figure is derived from the opposing strategy and responsibility orientations explained earlier. Consequently, four opposing perspectives that create the holistic perspective were identified, namely extrinsic-internal (EI) and extrinsic-external (EE) on the left side of the figure and intrinsic-internal (II) and intrinsic-external (IE) on the right side.

On the one hand, the EI and II perspectives (on the top) emphasize *inter-firm capabilities* as the basis of decision making, whereas EE and IE perspectives (below) emphasize *extra-organizational conditions* as the basis of decision making. On the other hand, EI and II perspectives assume *consideration for others as a means* in decision making, whereas EE and IE perspectives assume *consideration for others an end* itself.

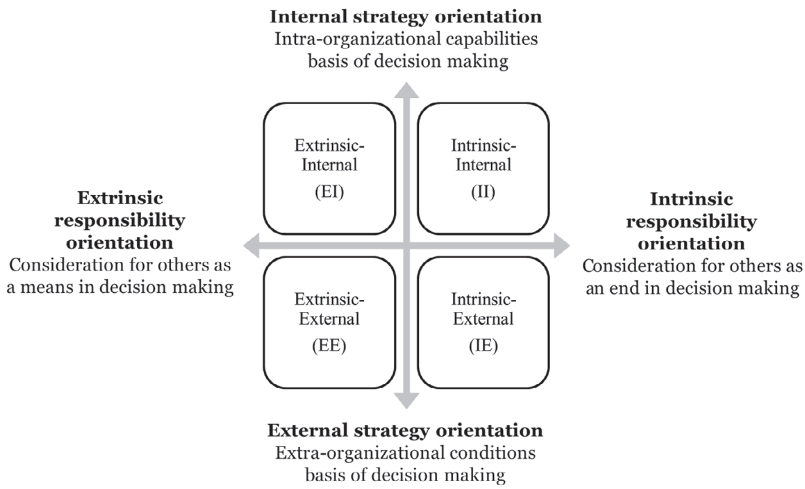

Figure 1 Theoretical framework

Framing strategic corporate responsibility to cover all the four perspectives enables the vital multifilament understanding and examination of the phenomenon. Furthermore, the framework necessitates a reflection on fundamental premises that underlie the practices and discourses of managers and academics, as well as embracing the diversity of views that are needed for contextual phenomena such as strategic corporate responsibility. And significantly, if a more holistic outlook is adopted, the pitfall of deduction also becomes more distant. In other words, theory does not limit the understanding of practice to the same extent as before when only a single (the conventional) perspective has been employed in empirical studies. As bad management theories can be argued to destroy good management practices (Ghoshal, 2005), it is not very far-fetched that the conventional perspective may have hindered the development of intrinsic responsibility practices. Addressing issues of responsibility with deliberate means and giving responsibility a high priority in an organization can also hold intrinsic value. This signifies the importance of reconsidering the conventional perspective.

2.4.4 Research lacunae and gaps

As a general observation from the theory (and final remarks before entering the methodology chapter of the thesis), scholars in the field tend to use the terms ‘strategy’ and ‘responsibility’ rather loosely. There are studies that claim to take a strategic approach to the phenomenon but define neither how they conceive strategy nor what they mean by corporate responsibility. In addition, the majority of the reviewed studies view strategic corporate responsibility through the same lens, resulting in a rather monotheistic view on how strategy and corporate responsibility can and should be connected. This so-called conventional perspective is characterized by:

- an extrinsic responsibility orientation through the logic of economic instrumentalism, and
- an external and internal strategy orientation through stakeholder thinking.

Consequently, the research lacunae (broad fields of research gaps) are located outside the body of knowledge attained through the conventional perspective (see Figure 2).

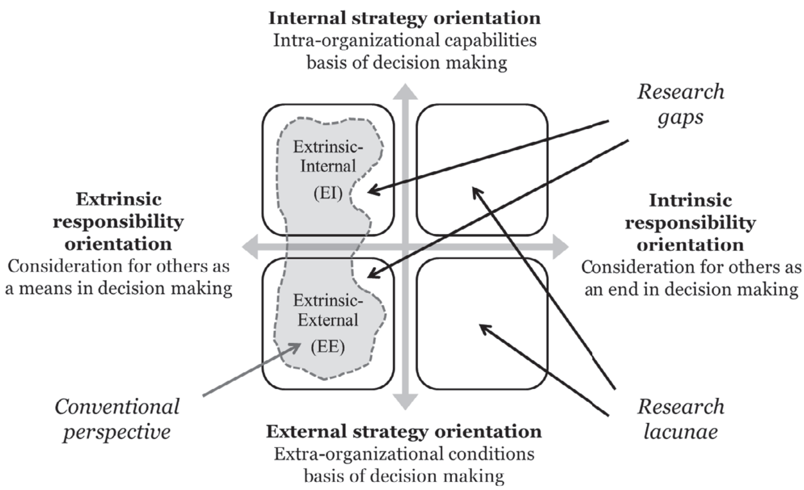

Figure 2 Research lacunae and gaps

Nevertheless, several research gaps can also be found through the conventional perspective, e.g. related to contextual differences (i.e. how the phenomenon appears when time and place are altered). Furthermore, a lack of knowledge exists on the perimeter of the conventional perspective concerning the reasons why, how and when organizations change their orientations, particularly outside the conventional perspective. In order to perceive more of the gaps related to knowledge and objects of knowledge, a non-conventional perspective was included in research presented in this thesis.

3. Methodology

This chapter discusses the methodology of the thesis and related traditions and paradigms, as well as the case study method of articles I and III in detail. Articles II and IV are conceptual extensions to the empirical work conducted in the case studies.

3.1 Paradigms and traditions

The concept of a paradigm in the philosophy of science was first introduced by Thomas Kuhn in 1962, and has evolved since then. In his landmark book, Structure of Scientific Revolutions, Kuhn (1962) defined a scientific paradigm as *what* is to be observed and scrutinized, the types of *questions* that are supposed to be asked and probed for answers in relation to this subject, *how* these questions are to be structured, and *how* the results of scientific investigations should be interpreted. In effect, academics from different traditions give different meanings to these issues.

According to a famous Finnish philosopher, Georg Henrik von Wright (1971), there are two main traditions in science and in the philosophy of the scientific method, namely the aristotelian and the galilean. “The galilean tradition in science runs parallel with the advance of the causal-mechanistic point of view in man’s efforts to explain and predict phenomena, the aristotelian tradition with his efforts to make facts teleologically or finalistically understandable” (von Wright, 1971, 3). The intentionality in the latter tradition describes the paradigm of the present study, as illustrated by the selected phenomenon under scrutiny (responsibility and strategy) and the posed problem (how the responsibility and strategy of a business organization should be connected in order to achieve the desired organizational ends). Thus, instead of attempting to explain causality, this inquiry seeks to understand the phenomenon mainly through teleological explanation and problem setting.

It is commonly held that teleological research explanations link to hermeneutics that interpret the research phenomenon with a hermeneutical logic (von Wright, 1971; Guba and Lincoln, 2005).

Interestingly, Kakkuri-Knuuttila (2012) has recently shown that causal explanations also are possible within social sciences. While hermeneutics does not exclude the personal values and emotions of the observer from the scientific method, paradigms are not value-free and neutral (Arndt, 1985). “Rather, paradigms may be viewed as social constructions reflecting the values and interests of the dominant researchers in a science and their reference groups” (Arndt, 1985, 11). When discussing epistemological subjectivity together with hermeneutical methodology, Guba and Lincoln (2005) refer to the constructivist paradigm. This paradigm arising from the aristotelian tradition largely describes the epistemology and methodology adopted for the purposes of this thesis.

“Methodologies are concerned with how we come to know of the world, but they are more practical in nature than epistemologies” (Eriksson and Kovalainen, 2008, 15). A characteristic of hermeneutic methodology (cf. Gadamer 1986/2004) is the so-called hermeneutical circle or progressive spiral (Brady, 2005), which describes understanding as an incremental and iterative dialogic process. Iteration between theory and practice, as well as incrementally increasing understanding, is visible in the research process of this thesis. The researcher already had previous knowledge of the phenomenon before beginning to conduct the study. After the first empirical study and its interpretation (Article I), the researcher increased understanding of the research phenomenon, which was further analysed theoretically (Article II). This step was followed by another empirical study and interpretation of the phenomenon (Article III), as well as a further conceptual extension of the fieldwork (Article VI). Accordingly, the individual parts of study formed a spiral or a circle that enabled the research to proceed towards a greater understanding of the phenomenon in its contextual context.

3.2 Case study as a research method

As the selected methodology and data are considered to be subordinates to the research problem (Uusitalo, 1991) (which is interpretative), a qualitative case study method (Yin, 1984; Stake, 1978) was employed. “In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and then the focus is on a contemporary phenomenon within some real-life context” (Yin, 1994, 1). This all applies to the present study. Furthermore, a *qualitative* case study seeks to gain understanding of the phenomenon by appreciating its uniqueness and embeddedness in the context (Stake, 1995, 16). This aspect of the qualitative inquiry matches well with the epistemological and methodological choices explained earlier (see Guba and Lincoln, 2005), even though a case study does not imply the use of only qualitative evidence (Yin, 1981).

The two variants of the case study (Yin, 1994, 14), namely the (1) single and (2) multiple (or comparative) qualitative case study methods (Yin, 1984; Stake, 1978) with a theory building approach (Eisenhardt, 1989; Dyer and Wilkins, 1991; Dooley, 2002; Eisenhardt and Graebner, 2007) were utilized. As theory development from case study research is "[...] most appropriate in the early stages of research on a topic [...]" (Eisenhardt, 1989, 548), it was well suited to advancements in the still very inchoate theory of strategic corporate responsibility. In addition, the chosen method supported the research problem setting through its "important strengths like novelty, testability, and empirical validity, which arise from the intimate linkage with empirical evidence" (Eisenhardt, 1989, 548).

The empirical research of this thesis was conducted in the Finnish and Swedish business contexts, where the cases were selected from the food and hospitality industries. A *case* was defined as an account of an activity (Dooley, 2002) and/or phenomenon of some sort (Huberman and Miles, 1998) within a bounded system of interest (Stake, 1978), which in this study was the convergence of two sub-phenomena, namely responsibility and strategy in a business organization. The case translates to the unit of analysis (Huberman and Miles, 1998), which in this study was the *organization*.

The process of data collection from the organizations was split into two parts: (1) a single case study and (2) a multiple case study (see Table 3). These processes are described in detail in the next section.

Table 3 Key information on the methods

Article	*Research method of the study*	*n*	*Industry, country*	*Data collection method*	*n*	*Duration (min)*	*Data analysis method*
I	Single case study	1	Hospitality, Sweden and Finland	Semi- and unstructured interviews	3	70–140	Qualitative content analysis
II	Conceptual						
III	Multiple case study	4	Food, Finland	Semi-structured interviews	20	55–105	Qualitative content analysis
IV	Conceptual						

3.2.1 Single case study in the hospitality industry

The data collection for the single case study took place during spring 2009 in the hospitality industry. The case company was a Nordic hotel chain, Scandic. Currently, the company has 161 hotels in nine countries (mainly in northern Europe) and employs about 10,000 persons (Scandic, 2012). The data were collected in Sweden, where the headquarters of the company are located, and in the neighbouring country, Finland. Two business contexts enabled comparative measures to be taken, which was critical for addressing the research problem.

In addition to the researcher's personal interest in the hospitality industry, the case was selected based on critical case sampling. This sampling strategy selects cases that are critical (i.e. unusual or special) to solving the research problem due to their richness in information (Yin, 1994; Miles and Huberman, 1994; Fletcher and Plakoyiannaki, 2011). In relation to other Nordic hotel chains, Scandic was considered to be a critical case because of its extensive responsibility programme, which was advertised on the company web pages. Importantly, Bohdanowicz and Zientara (2008) report that Scandic is a hotel chain that has embedded responsibility into its business models. Moreover, the researcher's perception was that the case organization has a rather responsible corporate image. Finally, the sampling was meaningful, as no previous studies were found to have examined strategic corporate responsibility in the hospitality industry.

The empirical data were collected from both primary and secondary sources by the author. The *primary data* consisted of altogether three interviews, two semi-structured and one unstructured. These data collection methods were selected due to their flexibility and capability to allow new questions and clarifications to be brought up during the interviews. Interviews can also be used to uncover underlying practices and attitudes of key informants in the case organization. The key informants for the interviews were selected based on their knowledge and knowhow concerning corporate responsibility. The first key informant was the CEO (a Finnish person interviewed in Finnish) of Scandic Finland, the second was Scandic's former Vice President of Sustainable Business (Swedish), and the third the organization's Sustainability Controller (Swedish) (Swedish persons interviewed in English). All interviews were conducted on a one-to-one basis and took from 70 up to 140 minutes each.

The *secondary data* collection consisted of selecting the most essential documents and archival records on the case company and the Nordic hospitality industry. The purpose of the secondary data was to prime and support the collection of the primary data, and prevent the collection of the same primary data twice.

3.2.2 Multiple cases in the food industry

The number of cases is often a question of resources, but also a research technical question. One or a few cases may offer richer and more in-depth analysis than a multiple case study selection. Dubois and Araujo (2007, p. 177) stated that "…some care is required to move from single to multiple case study designs without falling into the trap of equating multiple cases with quasi-statistical research designs." With this in mind, four leading Finnish food chains were selected as cases. The criteria for the sampling were both practical and purposeful (Miles and Huberman, 1994; Patton, 2002). The cases were selected based on easy access to good information, the appropriateness of the information, the power of the companies in terms of market share, and comparability, as they all operate in the business-to-consumer interface. The focal firms requested concealment of their identities, market shares and ownerships.

The data collection for the multiple case study took place during autumn 2009 and spring 2010 in the food industry. The empirical data were collected from both primary and secondary sources by the author and his colleague, Inkeri Riipi (née Pesonen). The *primary data* were collected with semi-structured personal interviews. The structure of the interviews consisted of seven themes in accordance with the contextual definition for responsibility in the food sector (Forsman-Hugg et al., 2009; 2013). In order to enable new ideas and issues to be brought to light, the interviews were not unconditionally fixed to the predefined themes. Altogether, 20 managers were interviewed from the four focal food-chain companies.

The following informants were selected to cover the main activities in the firms (cf. Porter, 1985): (i) the Director or a Member of the Board, (ii) the Chief Executive Officer, (iii) the Marketing Manager, (iv) the Supply Chain Manager and (v) the Manager of Research Development and Innovations. The interviewees discussed the relationship between strategy and corporate responsibility in their organizations. The length of the interviews varied from 55 to 105 minutes. The interviews were audio-recorded and full transcripts were written and validated. The outputs were qualitatively analysed with content analysis. A synthesis was conducted by taking into consideration all of the respondents' opinions. The interview data were supported with observations and discussions at company meetings. *Secondary data* were collected from newspapers and company documents such as fact sheets, annual reports and advertisements. These data were also used in conducting the synthesis of the results. Multiple researchers involved in the project evaluated the results.

3.2.3 Qualitative content analysis

Qualitative content analysis (Mayring, 2000) in case study research (Kohlbacher, 2005) probably best describes the chosen data analysis method of the present study. This is because the conducted case studies were characterized by a rather theory-guided analysis, while at the same time attempting to respect the importance of openness through only partly structured interviews (see Mayring, 2000; Kohlbacker, 2005). The focus of the analysis was on the content of the qualitative data (rather than the narratives, discourses or semiotics).

The qualitative analysis followed a process of (a) data reduction, (b) data display and (c) conclusion drawing and verification (Miles and Huberman, 1984, 1994). According to Huberman and Miles (1998, 180), "These processes occur *before* data collection, during study design and planning; *during* data collection as interim and early analyses are carried out; and *after* data collection as final products are approach and complemented."

The collected and transcribed interview data were first reduced to a simpler form of text by selecting and highlighting the most relevant parts in the interview from the perspective of the research questions. After this summarizing, the material was further abstracted and transformed into thematic groups or categories. The data were displayed in bullet points, lists, categories, summaries and mind maps to enable the author to identify the key issues arising from the data. All types of data display and visualization were found helpful in identifying the foci and drawing conclusions. The initial conclusions were drawn after the first round of the reduction-display-conclusion process. This phase involved the researcher in interpretation: "drawing meaning from displayed data" (Huberman and Miles (1998, 181). The means that were used in the interpretation of the reduced and displayed data content included comparing and contrasting, as well as identifying patterns and exceptions. Before drawing the final conclusions and reaching the verification phase, the process was iterated with the reduction and display phases. Finally, verification was conducted by checking the results with the respondents and using triangulation in order to increase the trustworthiness of the study.

3.2.4 Validity and reliability or trustworthiness

There is no generally accepted set of guidelines to evaluate theory-building research using qualitative case studies (Eisenhardt, 1989). The concepts of reliability and validity of scientific inquiry are rooted in positivism (Golafshani, 2003) or the galilean tradition (cf. von Wright, 1971) and were not therefore well suited for evaluating the present study. To address this challenge, Guba and Lincoln (1982) suggest that reliability and validity are substituted with another concept, namely trustworthiness. Trustworthiness consists of four aspects that can be used to evaluate a research study: credibility, confirmability, dependability and transferability (Guba and Lincoln, 1982). These often-used criteria among constructivists (Denzin and Lincoln, 1998), relativist ontology and subjective epistemology (Eriksson and Kovalainen, 2008), were utilized in evaluating the data of this study.

To address *credibility*, the study was designed to proceed according to a logical research process from a study plan to an in-depth theory review and then further to data collection and analyses. The findings were discussed with the interviewees, colleagues, co-authors, anonymous reviewers of academic journals and the thesis supervisor. Due to the careful research process, researcher triangulation and checking of the results with the respondents, it could be argued that another researcher with the same data and method could come close to the same conclusions that were reached in this study.

Furthermore, concerning the descriptive parts of the study, researcher triangulation reduced the likelihood of the study being shaped by the personal motivation and/or interests of the researcher. This type of *confirmability*, together with a degree of neutrality, was aimed at by also using data and theory triangulation. In accordance with Denzin's (1978) concept of triangulation, multiple data sources were used (three or more company representatives from one case organization and company documents) and more than one theoretical scheme was dissected (see the review of the theory). The confirmability could also have been enhanced by applying more than one method to gather data besides the interviews (method triangulation). Moreover, a larger number of interviewees could have enhanced the confirmability of the study, but the current amount of data was considered to be adequate for addressing the research questions.

To ensure *dependability*, the interview data were recorded and transcribed. In the single case study, the researcher conducted all the interviews (3/3) in person and transcribed the tapes. In the multiple case study, the researcher conducted the interviews together with a colleague.

While the author interviewed 12 of the 20 key informants, his colleague (Inkeri Riipi) interviewed the other 8 (as the data were also used in another research project). The interviews were recorded by the interviewee and transcribed by a third-party service provider. The author of the study listened to all the tapes and carefully read the detailed transcripts.

Concerning *transferability,* case studies are often considered to be rather poor in producing results that could directly be transferred to other contexts (Stake, 1995). The findings of the present case study, however, might also have applicability in other contexts due to the rather high level of abstraction. Instead of aiming at detailed descriptions of context-sensitive praxes, this study attempted to bring the empirical findings to a more generic, conceptual level. Whether this was successful or not, the findings were at least able to also increase understanding of the researched phenomenon of strategic corporate responsibility outside the studied business context. And if so, some transferability through theoretical and practical relevance is likely to exist.

4. Findings

In order to solve the main problem of the study, three research questions were addressed. Here, each question is examined in the light of each of the four articles of the study, thus both empirically and theoretically. The first research question asked (1) what is strategic corporate responsibility? For a still rather inchoate field of study, such a stripped-down yet thorough examination is needed. It also enables the inquiry to proceed to examine the relationship between responsibility and strategy further in relation to different means and ends. The second and third research questions dissected this relationship: (2) How can corporate responsibility and strategy be connected? (3) What is the role of stakeholders in these connections?

The findings from two empirical and two theoretical research articles are presented in this chapter. The research questions are discussed in the light of the findings from the articles. All four articles (I to VI) are distinct from one another, but connected in the theoretical framework of the study as depicted in Figure 3.

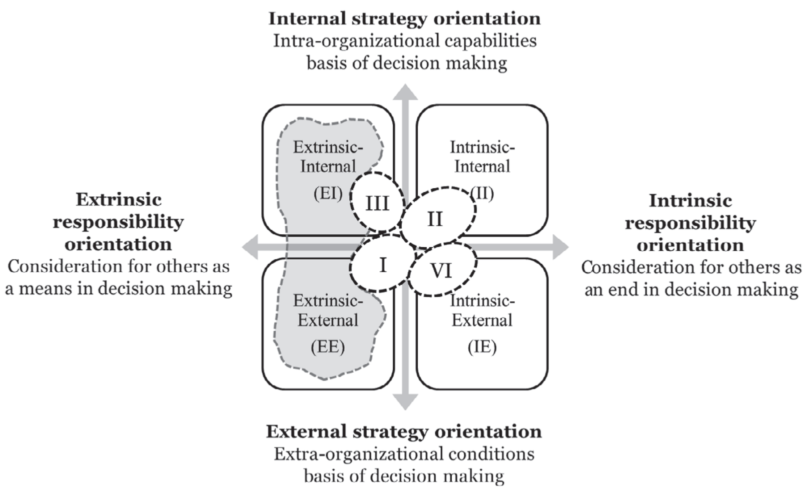

Figure 3 Positioning of the articles in the theoretical framework

4.1 Positioning with a responsible image

The first article (single authored by Pasi Heikkurinen) is entitled "Image differentiation with corporate environmental responsibility" and was published in *Corporate Social Responsibility and Environmental Management* (2010). It mainly contributes to the extrinsic-external perspective of strategic corporate responsibility through applying the market-based view (Porter, 1980, 1985, 1996) together with stakeholder theory (Freeman, 1984).

The purpose of the article was to analyse the strategic implications of corporate responsibility, and in particular the problem of how a firm can differentiate with an environmentally responsible image. The main findings were that by adopting an environmentally responsible organizational identity, a firm could project a responsible image that then leads to a desired corporate image. This image of an organization can enhance the firm's strategic position through internal and external differentiators from the competitors. The internal image differentiators are in the eyes of the organization members (employees, managers, owners), whereas external image differentiators are perceived by external stakeholders (partners, suppliers, customers). In the light of the findings of the first article, the following answers can be given to the research questions.

What is strategic corporate responsibility? Strategic corporate responsibility is considered to be both an outside-in and inside-out process that is guided by an organization's key stakeholders. An organization has internal and external key stakeholders, namely those stakeholders whose concerns matter the most in the organizational decision making. Mitchell et al. (1997, 896) used a similar notion of salience to describe the "degree to which managers give priority to competing stakeholder claims." In spite of this, it was found that the case organization also had an interest towards non-key stakeholders, but lacked the tools to integrate them into the decision-making process.

How can corporate responsibility and strategy be connected? Corporate responsibility and strategy can be connected through the organization's image, which may lead to a competitive position. This, however, necessitates responsible actions throughout the value chain. One way to ensure these actions is to adopt a responsible corporate identity via key stakeholders.

What is the role of stakeholders in these connections? Stakeholders, and particularly the key stakeholders, are considered to have an important role in the configuration the value chain and in creating a corporate identity that guides corporate action. In the case organization, the internal key stakeholders and in particular the management and employees were driving corporate responsibility into strategy, while the other stakeholders lacked interest in responsibility issues. After the initiative of the internal stakeholders, the external stakeholders (particularly the customers) became active in responsibility and started demanding it. Interestingly, the findings of the study point to the internal-intrinsic perspective, as the initiative for connecting responsibility and strategy arose from within the organization, and without a clear profit motive. Because of the lack of theorizing in the internal-intrinsic perspective, the next article attempted to start filling this research lacuna.

4.2 Identity underlying an image of responsibility

Everyone thinks of changing the world,
but no one thinks of changing himself.

Leo Tolstoy

The second article (authored by Pasi Heikkurinen and Tarja Ketola) is entitled "Corporate responsibility and identity: from a stakeholder to an awareness approach" and was published in *Business Strategy and the Environment* (2012). It mainly contributes to the internal-intrinsic perspective of strategic corporate responsibility through developing an awareness approach to address the inadequacies and shortcomings of the stakeholder approach. The purpose of the article was to review and critically discuss the stakeholder approach in striving for a responsible identity, and consequently outline an alternative theorem.

What is strategic corporate responsibility? The second article is an extension of the first study influenced by the external-extrinsic perspective, but it takes the opposite view to the phenomenon of corporate responsibility and strategy. The need for juxtaposing arose in the inability of the extrinsic-external perspective to describe and prescribe responsible organizational behaviour. Strategic corporate responsibility was considered in this study to be an inside-out process, in which the identity of an organization is emphasised.

How can corporate responsibility and strategy be connected? Similarly to the first article, this article reported that corporate responsibility and strategy can be connected through the image and identity of an organization. However, a responsible identity is not adopted through a stakeholder analysis that emphasises *the role of the stakeholders*. Contrary to previous studies (van Riel and Balmer, 1997; Gray and Balmer, 1998;

Balmer and Gray, 1999; Scott and Lane, 2000; Balmer, 2001; Balmer et al., 2007; Huemer, 2010), the path to responsible identity lies in the ethics of the organization, i.e. its management, employees and owners. This means that instead of trying to outsource ethical consideration to other stakeholders, the organization itself must think ethically in order to have a responsible identity (that reflects the image and reputation over time through responsible actions).

4.3 Responsibility as an organizational resource

The third article (authored by Pasi Heikkurinen and Sari Forsman-Hugg) is entitled "Strategic corporate responsibility in the food chain[5]" and was published in *Corporate Social Responsibility and Environmental Management* (2011). It mainly contributes to the extrinsic-internal perspective through applying the resource-based view (Wernerfelt, 1984; Barney, 1991) together with ideas from the planning school (Ansoff and McDonnell, 1990).

The purpose of the article was to study the connection of corporate responsibility and strategy in food companies by identifying what strategic responsibility is and analysing how competitiveness could be enhanced and sustained with corporate responsibility. The main findings were that the case organizations aimed at increasing their competitiveness through responsible actions. Furthermore, the intentions of the actions were categorized according to the depth and breadth they held. The depth of strategic corporate responsibility means the organization's position on the scale ranging from responsive (reactive-proactive) to beyond responsiveness (entrepreneurial-creative). This scale is relative to competition. The breadth of strategic corporate responsibility means the organization's position on the scale ranging from narrow (few responsibility "arrowheads") to broad (holistic, comprising environmental, sociocultural and economic) responsibility. Furthermore, a strategic responsibility combination that is rare, inimitable, and for which competitors cannot find substitutes, can yield a sustained competitive advantage and above-normal economic performance[6].

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[5] The term 'food chain' is a direct translation from its Finnish counterpart 'ruokaketju', which was used by the interviewees. In the Finnish language there is another word ('ravintoketju') that refers to the other 'food chain', which denotes a predator-prey relationship. Another translation, e.g. 'food supply chain' as it refers to the supply chains of the grocery retail industry, could have been applied to avoid any confusion.

[6] Even though the resource-based view (Barney 1991) discusses the notion of sustained competitive advantage, it is impossible to sustain any competitive

What is strategic corporate responsibility? Since the theoretical framework was built from a resource-based view, corporate responsibility was considered to be a strategic intra-organizational resource. Moreover, strategizing was thought of as an inside-out process whereby the sets of intra-organizational resources and capabilities enable a firm to create different types of strategies (Wernerfelt, 1984; Javidan, 1998; Hoskinsson et al., 1999). This categorising resulted in four types of combinations for strategic corporate responsibility.

How can corporate responsibility and strategy be connected? Because strategic corporate responsibility was found to vary in depth and breadth, the ways to connect them depended on the combination at issue. Four ways to connect corporate responsibility and strategy were identified: (i) beyond-responsive and holistic, (ii) beyond-responsive and arrowhead, (iii) responsive and holistic, and (vi) responsive and arrowhead.

What is the role of the stakeholders? According to this article, stakeholders have a communicative role in strategic corporate responsibility. The article posits that depending on the type of strategic responsibility (responsiveness or beyond responsiveness), the role of communication with stakeholders varies. With a responsive strategy, outside-in (from stakeholders to organization) communication is more important than inside-out (from organization to stakeholders), which is needed in beyond-responsive strategizing. Nevertheless, the role is important, as the stakeholders must either demand responsibility or positively respond to corporate initiatives concerning responsibility.

4.4 Sustainable development responsibilities

Nature is the timekeeper, but we cannot see the clock.

Lester Brown

The fourth article (authored by Pasi Heikkurinen and Karl Johan Bonnedahl) is entitled "Corporate responsibility for sustainable development: A review and conceptual comparison of market- and stakeholder-oriented strategies" and was published in the *Journal of Cleaner Production* (2013). It mainly contributes to the intrinsic-external

advantage, particularly in highly or hypercompetitive markets (d'Aveni, 1995). From this point of view, a specific strategic corporate responsibility combination could theoretically be considered as a market disruption that could create new advantage; however, the competitive combination could never offer an advantage that could be truly sustained.

perspective by connecting to the literature on sustainable development (Daly, 1996).

The purpose of the fourth article was to critically examine the economic instrumentalism characteristic in an extrinsic responsibility orientation (see Figure 3). The study reviewed and conceptually compared market and stakeholder thinking as contending bases for strategic corporate responsibility for sustainable development. As the main findings, it was deduced that these types of market and stakeholder thinking offer relatively distinct approaches to responsibility for sustainability. However, (while they are mainly tools for a specific end) they share considerable similarities in terms of (mainly implicit) sustainability assumptions and how the role of the corporation becomes perceived in the quest for sustainable development. The article concludes by suggesting that because business theory has descriptive relevance and prescriptive power, there is a need for a model that admits corporate responsibility for sustainable development, and crafts strategies that are in line with the strong sustainability assumption.

What is strategic corporate responsibility? In line with market and stakeholder thinking, strategic corporate responsibility is a relative contribution to sustainable development. Both models are based on assumptions consistent with weak sustainability, which are insufficient to achieve sustainability over space and time. Therefore, strategic corporate responsibility does not necessarily mean a contribution to sustainable development – the grand challenge of humanity. Strategic corporate responsibility can, however, aim at sustainable development. Such strategizing takes extra-organizational conditions as the basis of decision making.

How can corporate responsibility and strategy be connected? Strategy and corporate responsibility can be connected with varying relevance to sustainable development. In other words, the connection can be based on either weak or strong sustainability. A premise of this study was that natural and human capital are not substitutes, since man-made solutions have not been capable of replacing services provided by our ecosystem. Therefore, a connection between corporate responsibility and strategy that is based on weak sustainability does not contribute to sustainable development. Corporate responsibility and strategy can also be connected by strong sustainability, in which the economy and society are considered as subsystems of the environment (the ecosphere or biosphere). Strong sustainability thus implies the conservation of critical natural capital, i.e. stocks of natural resources. Concerning renewable resources, e.g. forests, it is critical that the harvesting rates do not exceed regeneration rates (sustained yield), and in terms of non-renewable resources, e.g. oil, it is critical that the stocks are not exploited faster than the rate of creation of substitutes (Daly, 1992). Thinking of the economy and society as subsystems of the planet (e.g. Bey and Isenmann, 2005) is alien to weak sustainability theorizing. However, the limits of our biophysical world do constrain social and economic systems. Therefore, unless environmental harm is decoupled from the development of the economic system (e.g. gross national product), there is a necessity for economic non-growth (Meadows et al., 1972; Daly, 1996), or, as planetary boundaries are already being exceeded, de-growth (Latouche, 2007; Victor, 2008; Jackson, 2009). For this reason, sustainable development signifies qualitative improvement and not quantitative growth (Daly, 1996), or sustainable growth asserted by weak sustainability (cf. Holliday, 2001; European Commission, 2011).

What is the role of the stakeholders? It was reasoned in the study that both market and stakeholder thinking leave responsibility to actors outside the organization. While the market model stresses the role of customers and consumers, the stakeholder model emphasises stakeholder expectations and values in corporate strategizing. A third way to think about the role of the stakeholders is only their supportive role, which is not even necessary for responsible organizational behaviour. An organization can recognize the intrinsic value of the natural environment and admit the responsibility for sustainable development, which is not based on an activity's potential in terms of delivering traditional economic utility. Furthermore, sustainable development is considered a pre-competitive and non-growth issue, in which strategies are initiated by the focal firm itself and does not require stakeholders as mediating actors. Thus, firms do not have to distribute their responsibilities outside the organization – to customers or stakeholders – but carry the responsibility for sustainable development themselves. In other words, the corporation is not dependent on the perceptions of sustainability among other actors, but aims at becoming a sustainable actor, since it values sustainability as an end in itself.

Table 4 Characteristics of the articles

Article	*Strategy orientation*	*Responsibility orientation*	*Focal concepts*
Article I	External	Extrinsic	Market, industry
Article II	Internal	Intrinsic	Awareness, identity
Article III	Internal	Extrinsic	Capability, resources
Article VI	External	Intrinsic	Strong sustainability

5. Discussion

This chapter aims to present a solution to the research problem of the thesis. In order to do this, the three preceding research question are first addressed and discussed.

5.1 Research questions

The first research question asked: (1) what is strategic corporate responsibility? For a still rather inchoate field of study, such a stripped-down task nevertheless entailing a thorough examination was considered necessary. Such an examination enabled the inquiry to proceed to further studying the relationship between responsibility and strategy in relation to different means and ends. The second and third research questions dissected this relationship: (2) how can corporate responsibility and strategy be connected and (3) what is the role of stakeholders in these connections?

5.1.1 Defining strategic corporate responsibility

Studies on strategy are influenced by war metaphors. Many dissertations in the field of strategic management contain quotes from Sun Tzu's classic, The Art of War. Tzu is thought to have been a general who lived in the 6th century BC, and who said: "Let your plans be dark and impenetrable as night, and when you move, fall like a thunderbolt" (Tzu 544–496BC/2010). In contrast to the advice of this Chinese general, organizational strategies can also be guided by a sense of responsibility, i.e. consideration for others. Thus, alternative advice for strategizing could be phrased as: Let your plans be bright and transparent as day, and when you move, shine like the sun.

Accordingly, many large companies are routinely claiming that they are not in business merely for profits but have a larger social purpose and try to make the world a better place (Karnani, 2010). These types of strategies, which include responsibility for the well-being of the surrounding world and all stakeholders of the corporation beyond mere profit, were the focus of this study. The first research question asked what strategic corporate responsibility is. Based on the review of the theory and the findings from the four research articles, the following definition is proposed:

> Strategic corporate responsibility is an empirical phenomenon, which connects responsibility to the strategy of the organization. Depending on the organization, either the conditions outside the firm (external orientation) or capabilities inside the firm (internal orientation) are emphasized in strategic corporate responsibility. Moreover, also depending on the organization, consideration for others is either a means (extrinsic orientation) or an end (intrinsic orientation) in strategic corporate responsibility.

Due to the dominant position of some early scholars, the literature on strategic corporate responsibility has so far developed towards a rather monotheistic view on how strategy and corporate responsibility can and should be connected. On the one hand, the unity and consistency of these studies have fostered continuity in the field, which in turn has enabled strategic corporate responsibility literature to gain prominence among mainstream business scholars. Thus, the still prevailing homogeneity could be considered as a necessary step in the establishment process of the field. On the other hand (and paradoxically), most strategic corporate responsibility scholars share the same theoretical groundings with the mainstream business scholars that they have eagerly tried to escape. Both bodies of literature derive from the legacy of Friedman's (1970) shareholder theory and Jensen's (2001) enlightened self-interest, which have led to considering humans and other beings outside the organization as well as the natural environment as mainly a means for profit.

Why might this "consideration for others as a means" be problematic? Firstly, from an ethical point of view, the recognition of intrinsic value in "others" (also including other species and the natural environment) is a precondition for becoming a morally responsible organization (cf. Heikkurinen and Ketola, 2012). Secondly, intrinsic value in "others" is a key to sustainable development, as it brings about a better understanding of the effects of an organization on its surroundings (e.g. ecological collapse and unfair distribution of well-being) (cf. Heikkurinen and Bonnedahl, 2013). Thirdly, "others as a means" arguably becomes problematic if the equivocal understanding of strategic corporate responsibility has insidiously led to blind spots, which hinder advancements in both theory and practice.

In defining *strategy,* for instance, previous studies have mainly focused on a perspective that emphasizes the role of markets and industry (Porter, 1979; Porter, 1980; Porter, 1985) and stakeholders (Freeman, 1984; Freeman et al., 2010), i.e. the external pressures and contingencies on the empirical context in which the organization operates (external orientation). Concerning the definition of *responsibility*, on the other hand, the majority of studies in the field discuss corporate responsibility in terms of its instrumental economic value and competitive potential (extrinsic orientation) (cf. Baron, 2001; McWilliams and Siegel, 2001; Porter and Kramer, 2006). For example, according to McWilliams and Siegel (2001), the ideal level of responsibility can be determined by a cost–benefit analysis, suggesting that companies should act responsibly in the case of increased economic returns.

This take on strategy and responsibility could be labelled as the *conventional perspective* (see Figure 2), meaning the usual, popular and prevalent way of seeing strategic corporate responsibility. In addition, the term 'conventional' here denotes that there is a group of studies and scholars sharing a set of characteristics that can be considered ordinary rather than original or creative due to their similarity in a specific sense. Based on this study, the conventional perspective on strategic corporate responsibility holds that:

> A firm does, and should, engage in business activities that enhance sociocultural well-being and reduce environmental harm, *if* it results in increased economic returns or competitive potential.

This economic instrumentality prevails in most studies in the field and is therefore labelled as conventional. In other words, responsibility is considered to have extrinsic value and perceived as a means for something else, a utility that is translated into the economic utility of the firm. This *extrinsic responsibility orientation* characterizes the conventional perspective.

In terms of the strategy orientation, the conventional perspective is found to be less pellucid, since both *external* and *internal strategy orientations* are strongly present in strategic corporate responsibility theory and practice. Thus, the conventional strategy orientation could best be described as integrated. However, a lean towards the external school of thought might be discerned in the review of the theory presented in this thesis if the number of studies is considered (see Theory). However, what is important here is that there were several reference points to stakeholders, the stakeholder approach (Freeman, 1984) and theory (Freeman et al., 2010) in the field of strategic corporate responsibility. Consequently, stakeholder thinking is considered to be part of the conventional way of seeing.

5.1.2 Connecting responsibility and strategy

Significantly, strategic corporate responsibility should not be confused with instrumental responsibility (Brooks 2005, 403) or stakeholder thinking (Freeman, 1984; Savage et al., 1991; Clarkson, 1995; Freeman et al., 2010) just because they represent the dominant, conventional perspective. In a more holistic perspective (Starik, 1995; Stormer, 2003; van Marrewijk, 2003; Brooks, 2005; Ketola, 2008a), the word ‘strategic’ indicates that responsibility “should be considered as an integrated practice across the organization and should not be thought of as the domain of any particular function” (Brooks 2005, 403). Furthermore, as defined at the beginning of this study, corporate responsibility becomes strategic in an organization when issues of responsibility are given high priority, and deliberate and/or emergent means for responsible behaviour are practiced.

In fact, it could even be contended that the field of strategic corporate responsibility suffers from the conventional perspective. Its powerful foothold might have constrained the development of alternative theorizing, and after all, the conventional perspective does support the mainstream economic and business goals and ends (Friedman, 1970; Jensen, 2001), while the plans to achieve “less bright and transparent” ends have merely become more sophisticated (cf. Banerjee, 2008; Banerjee and Bonnefous, 2011). “Stakeholder theory of the enlightened self-interest variety is only engaged when self-interest is served and is therefore expected to resist movement to an inter-systems model where self-interest of a single system is not always served” (Stormer, 2003, 288).

However, to avoid further development towards this equivocal understanding of strategic corporate responsibility, this study framed the field in a more inclusive and holistic manner as was earlier depicted in the theoretical framework (Figure 1). In the theoretical framing, the connection of corporate responsibility and strategy was described as four opposing perspectives, namely extrinsic-internal (EI), extrinsic-external (EE), intrinsic-external (IE), and intrinsic-internal (II). After further analysis and research, these four perspectives can be labelled with more descriptive terms. The labels, namely *capability perspective (previously EI)*, *market perspective (previously EE)*, *sustainability perspective (previously IE); and awareness perspective (previously II)*, are derived from the review of the theory and key concepts that were considered to characterize the content of each perspective (see Table 4 and Figure 4).

The second research question was phrased as how corporate responsibility and strategy can be connected. This study determined that there are multiple ways to connect responsibility and strategy, and the connection depends on the organization at issue. The four archetypical perspectives were deduced from the definition of strategic corporate responsibility that encompasses both *extrinsic & intrinsic responsibility orientations* and *external & internal strategy orientations* (Figure 4). Through these four perspectives, the way an organization has connected its corporate responsibility and strategy can be identified and examined.

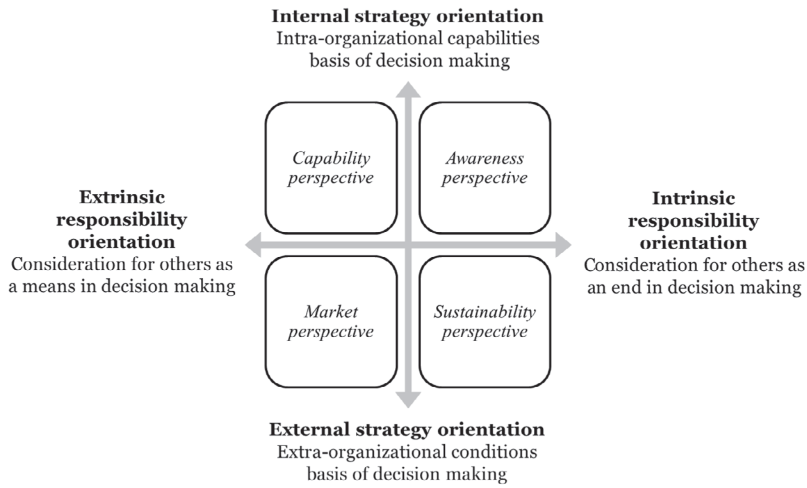

Figure 4 Four perspectives to strategic corporate responsibility

For instance, the *capability perspective* stresses the intra-organizational capabilities as the foundation of connecting responsibility and strategy (e.g. Litz, 1996; Russo and Fouts, 1997; Branco and Rodriques, 2006; Fang et al., 2010; Ramachandran, 2010; Husted and Allen, 2000; Husted and Allen, 2007b; Heikkurinen and Forsman-Hugg, 2011), and is rooted in the theories of the resource-based view and dynamic capabilities (e.g. Wernerfelt, 1984; Barney, 1991; Teece et al., 1997). The *market perspective* stresses competitive markets and the structure of industry in connecting responsibility and strategy (e.g. Wilson, 1974; Bowman and Haire, 1975; Ranchhod and Park, 2004; van de Ven and Jeurissen, 2005; Vilanova et al., 2009; Polonsky and Jevons, 2009; Muller 2006; Lamberti and Lettieri, 2009; Lantos, 2001), and has several roots. These are the literatures of industrial organizational or market-based views (e.g. Caves and Porter, 1977; Porter, 1979, 1980, 1985), organizational ecology (Hannan and Freeman, 1977), institutional theory (Pfeffer and Salancik, 1978) and the stakeholder approach (Rhenman, 1968; Freeman, 1984; Savage et al., 1991; Clarkson, 1995; Freeman et al., 2010). The stakeholder approach, however, also extends to the *capability perspective* through the inclusion of internal stakeholders in connecting responsibility and strategy (e.g. Roberts, 1992; Burke and Logsdon, 1996; Werther and Chandler, 2005; Vélaz et al., 2007). There are many studies that have utilized both *capability and market perspectives* in connecting responsibility and strategy, and thus fall between the two archetypes (e.g. Robin and Reidenbach, 1988; Baron, 2001; Miles et al., 2006; Katsoulakos and Katsoulacos, 2007; Heslin and Ochoa, 2008; Heikkurinen, 2010; Dentchev, 2004; McManus, 2008; Avram and Kühne, 2008; Husted and Allen, 2006; Galbreath, 2006; Porter and Kramer, 2006; Smith, 2007; Husted and Allen, 2007b; Siegel and Vitalino, 2007; Hanke and Stark, 2009). These studies could be labelled under a hybrid of *market-capability perspective*.

The *awareness perspective* emphasises the metaphysical potential of organizations through identity and ethics in connecting responsibility and strategy (e.g. Robin and Reidenbach, 1987; Heikkurinen and Ketola, 2012; also Pruzan, 2001b; Gustavsson, 2003; Gustavsson, 2005), and is rooted in the universal theories of ethics (e.g. Aristotle, 348BC/1985; Kant, 1784/2009; von Wright, 1978) and spirituality (Wilber, 2001; Pruzan, 2001a; Zsolnai, 2010). Lastly, the *sustainability perspective* emphasises biophysical limits for economic action and organizational behaviour in connecting responsibility and strategy (e.g. Heikkurinen and Bonnedahl, 2013; also Bonnedahl and Eriksson, 2011; Málovics et al., 2008) as well as eradicating poverty (Ghalib, 2009) and securing human rights (Welford, 2002), and is rooted in the literature on sustainable development (e.g. Daly, 1996; Welford, 1997), including the global responsibility for the socio-cultural challenges (e.g. UNDP, 2012; Yunus, 2007).

The role of the organizational stakeholders is different in every perspective and shall be examined next.

5.1.3 Understanding the stakeholders' role

What the role of stakeholders is in these connections was the third research question. This research question is important because of the dominant position of stakeholder thinking in the field, as well as from the viewpoint of corporate management.

It was found that the role of stakeholders varies according to which of the four perspectives is at issue. From the market and capability perspectives, stakeholders have a significant role, as they act as the conscience of the organization, while from the awareness and sustainability perspective, the role of the stakeholders is "less significant" when the organization can act responsibly without external drivers. In other words, the firm's responsibility is dependent on neither customer demand nor stakeholder pressure.

Within stakeholder thinking, there is considerable heterogeneity in approaches to being 'stakeholder oriented', although most emphasis has been placed on normative-instrumental approaches (Steurer, 2006). While the intrinsic approaches to stakeholder theory may hold relevance in the pursuit of more responsible and environmentally friendly business practices (particularly in firms that are taking their first steps towards responsibility and sustainability), the present study examining strategic corporate responsibility found that most of the stakeholder thinking takes place within the orientation of extrinsic responsibility that is corporate centred and rooted in economic instrumentalism. Nevertheless, even this type of stakeholder thinking is an alternative line of argumentation for managing the corporation, as it typically adds a responsibility to consider a broader set of interest groups (not only the customer) in corporate strategizing (Freeman, 1984; Mitchell et al., 1997; Agle et al., 2008). The stakeholder management idea posits that in organizing business activities, a firm should consider its stakeholders, who are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, 46). According to Freeman et al. (2007), these can be either primary (customers, communities, employees, financiers, suppliers) or secondary (the government, competitors, consumer advocate groups, special interest groups, the media).

In determining the stake, the focus of the stakeholder technique has been on a stakeholder's ability to affect a business, instead of on the stakeholders who are (negatively) affected by the achievement of organizational objectives. And in order to describe the "degree to which managers give priority to competing stakeholder claims," Mitchell et al. (1997, 896) coined the term 'salience' and proposed three relationship attributes, namely power, legitimacy and urgency, that help to distinguish salient stakeholders from other groups and individuals.

Market-capability (conventional) perspective. It is quite understandable that the stakeholders who are crucial in terms of, for instance, sustainable development (e.g. the poor, future generations and non-humans) are not necessarily the most salient ones from the market-capability or conventional perspective. Surprisingly, however, some non-governmental organizations have succeeded in working as the mouthpiece for non-salient stakeholders, and have created environmental and sociocultural-related turmoil around businesses. Unfortunately, in most business contexts the external stakeholders are not as active as they are in some Western societies. Thus, these stakeholder individuals and groups might have to more or less submit to corporate actions as they lack power, legitimacy and urgency from the corporate point of view.

While examining the dynamics between internal and external stakeholders, it was found that firms can have at least two types of strategies with stakeholder thinking, namely *responsive* and *beyond responsive* approaches (Heikkurinen and Forsman-Hugg, 2011). The former approach describes the external stakeholder initiative and responsiveness to current stakeholder demands, whereas the latter stresses the internal stakeholder initiative and beyond responsive actions. For example, the responsive approach implies that renewable energy or high labour standards will be adopted in cases where there is, or can be expected to be, such demand from stakeholders, and that it could affect the achievement of the organizational goals. Beyond-responsive strategizing, on the other hand, would mean adopting renewable energy sources without market or stakeholder expectations, but in order to create demand for cleaner production and hence transform the market. Similarly, Kourula and Halme (2008) stated that firms can emphasise the development of new business models for solving social and environmental problems, and not only conduct existing business operations more responsibly (also Halme and Laurila, 2009). Such beyond-responsive firms seek new business opportunities from responsibility and find novel ways to take responsibility, such as the inclusion of 'fringe stakeholders', the poor, weak, isolated, non-legitimate and non-human stakeholders (Hart and Sharma, 2004):

> First, by reversing the logic of traditional approaches focused on managing powerful stakeholders, firms fan out to identify voices at the fringe of their networks to both preempt their concerns and generate imaginative new business ideas. Second, by creating mechanisms for complex interaction and empathy with those on the fringe, firms fan in to integrate and reconcile this knowledge with existing know-how to design and execute disruptive new business strategies (Hart and Sharma, 2004, 7).

Such inclusiveness can, on the one hand, lead to increased competitiveness, financial performance and new business opportunities by means of avoiding legal suits and consumer boycotts, while on the other hand it can enhance the corporate image and increase knowledge. If these arguments are the drivers for the consideration for others at large, the justification for stakeholder thinking (whether responsive or beyond) becomes dependent on the economic utility it is able to deliver rather than its appropriateness to the consideration of others.

From the conventional perspective, the stakeholders also have an important communicative role in strategic corporate responsibility. Depending on the type of strategic responsibility (responsiveness or beyond responsiveness), the role of communication with stakeholders varies. With a responsive strategy, outside-in (from stakeholders to organization) communication is more important than inside-out (from organization to stakeholders), which is needed in beyond-responsive strategizing. Nevertheless, the role is important, as the stakeholders must either demand responsibility or positively respond to corporate initiatives concerning responsibility.

Empirically, it was also found that stakeholders, and particularly the key, or salient, stakeholders, have an important role in the configuration of the value chain and in creating the corporate identity, which guides corporate action (Heikkurinen, 2010). In the case where external stakeholders lacked interest in issues of responsibility, the internal stakeholders and in particular the management and employees were found to be important drivers of strategic embedding of responsibility.

Awareness-sustainability perspective. Whether responsive or beyond responsive, both stakeholder approaches tend ultimately leave responsibility (that exceeds legal compliance) to actors outside the organization (Heikkurinen and Bonnedahl, 2013). This is because even though a firm itself takes responsibility for an initiative, it still in the end demands a response from the market that contributes to the traditional economic aims of the corporation. In other words, consideration for others must pay off somehow. From the conventional perspective, the stakeholders who *are only affected* have a minor role, if any role at all. Furthermore, and perhaps more importantly, the conventional perspective does not appear suitable to deal with the fact that future generations are not present on the markets, nor can they present their claims in any conventional stakeholder setting (Gardiner, 2002). Thus, concerns of the present take precedence over the legitimacy of the unborn (cf. Mitchell et al., 1997). Similarly, present-generation people with low purchasing or negotiating power, i.e. fringe stakeholders, do not have place in managerial decision making.

Furthermore, in a conceptual analysis, it was discovered that if an organization wishes to reflect a responsible corporate image (and reputation over time), it must focus on its internal stakeholders (on itself), since corporate identity underlies the image and reputation (Heikkurinen and Ketola, 2012). In other words, an organization should concentrate on being a responsible corporation rather than trying to manage its stakeholders. So, what stakeholder thinking in addition does is outsource the ethical consideration to mainly external stakeholders (bearing in mind that the juridical responsibility of legal persons cannot be outsourced anywhere or to anyone), but the path to responsible identity lies in the ethics of the internal stakeholders, as the organizational identity defines what the firm is (Bendixen and Abratt, 2007; Hatch and Schultz, 2004). Contrary to stakeholder thinking, it is concluded that the organization itself must become ethical in order to have a responsible identity (that reflects in the image and reputation over time). In this task, external stakeholders were found to have a less significant role – yet a role as parties that can give feedback upon which the firm can reflect. This notion of stakeholders' less significant role becomes a challenge if the responsibility of the corporation is interpreted in a way that the organization is able to ignore its stakeholders, which of course is not the purpose. Without the guidance of stakeholders, it surely is difficult for the owners, managers and employees to be sure that their actions have the desired, just consequences. One way to look at this problem is through the developed awareness theorem (Heikkurinen and Ketola, 2012) that follows (mainly) Kantian and Aristotelian ethics, in which the focus is on the motivations of the actor and its character.

"In the light of complex empirical realities and the new mandate for business, we must travel beyond a stakeholder model of the firm to an inter-systems model of business, redefining the purpose of the firm and taking the interrelatedness of systems and the nature of emergent properties in complex systems into account" (Stormer, 2003, 288). The awareness-sustainability perspective attempts to do this by connecting the planetary level extra-organizational conditions (sustainability perspective, see Heikkurinen and Bonnedahl, 2013) to intra-organizational capabilities (awareness perspective, see Heikkurinen and Ketola, 2012). These levels are portrayed in Figure 5.

The conventional perspective (market perspective, see Heikkurinen, 2010, + capability perspective, see Heikkurinen and Forsman-Hugg, 2011) is in a sense stuck between the crucial levels of analysis in the strategic corporate responsibility process. It is unable to reach to the planetary level phenomenon and thus ignores the global problem of sustainable development, or at best includes it in the analysis through the market and/or stakeholder mechanisms that are found inadequate. Thus, the choice of appropriate units of analysis is important in understanding human systems in terms of other complex systems (Bey and Isenmann, 2005).

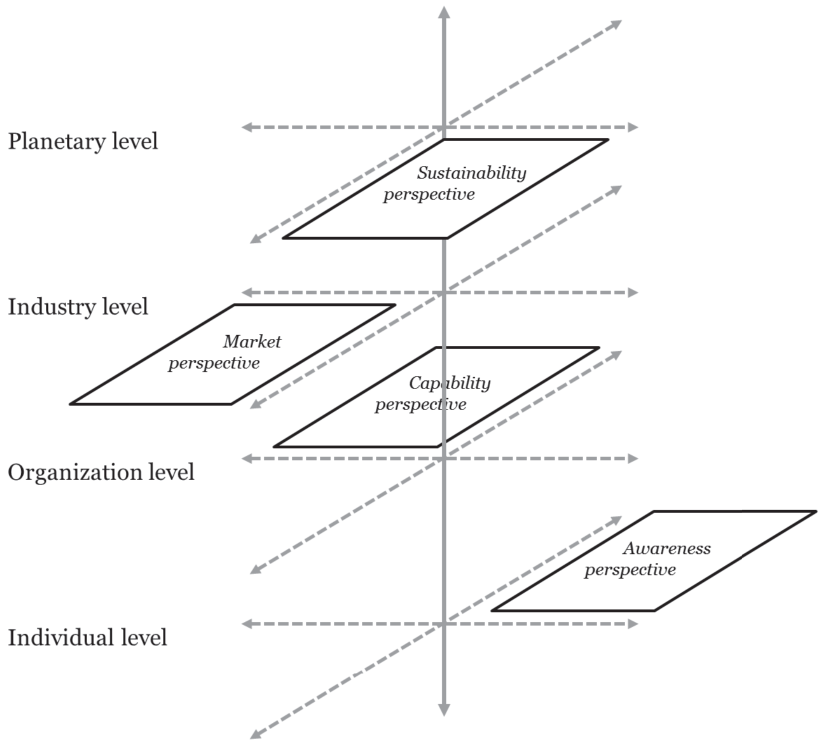

Figure 5 Different levels of the perspectives

At the grass-root level, the conventional perspective does not reach to deal with issues of responsible corporate identity because of the same contingencies on the market and/or stakeholder mechanisms. Therefore, the conventional perspective must be extended to the awareness-sustainability perspective, which travels beyond the economic instrumentalism and stakeholder thinking towards what Stormer (2003, 288) called an "inter-systems model of business". From the awareness-sustainability perspective, this means that the not only the strategic means but also the strategic ends, i.e. the purpose of the firm, must be redefined so that it embraces the ethical development of its members and operates within the boundaries of the planet.

The intrinsic responsibility orientation that characterizes the awareness-sustainability perspective must be added to the theory and practice of strategic corporate responsibility. This is mainly because if consideration for others is merely an organizational means, then it is likely to stop whenever the end (for the means) is no longer available. In the case of economic instrumentalism, environmentally and socio-culturally favourable behaviour will cease as soon as it becomes uneconomic to act in such a manner (see Stormer, 2003). In addition, the awareness-sustainability perspective should be included in strategic corporate responsibility, because the equivocal understanding of the field has insidiously led to blind spots that hinder advancements in both theory and practice. A model for strategic corporate responsibility should be able to cover all perspectives.

5.2 Main problem

As the main research problem, this study focused on understanding how responsibility and strategy should be connected in a business organization in order for it to become a responsible corporation and contribute to sustainable development.

In business organizations there is a need to reframe the theorizing and practicing of strategic corporate responsibility, as the conventional, *market-capability perspective* was found inadequate. The *market-capability perspective* is characterized by (a) an extrinsic responsibility orientation through the logic of economic instrumentalism, and (b) an external and internal strategy orientation through stakeholder thinking. This conventional perspective is inadequate for an organization to become responsible, firstly because it leads to multiple and competing corporate identities that do not reflect a coherent image. Secondly, the conventional perspective assumes weak sustainability that does not lead to sustainable development in both space and time.

To address the shortcomings of the conventional perspective, inclusion of the *awareness-sustainability perspective* is suggested. This alternative posits that firstly an organization should insource its ethical considerations in order to develop a responsible identity and thus become perceived as a responsible entity, and secondly, an organization should assume strong sustainability in order to reach sustainable development over space and time. Therefore, in order become a responsible corporation and contribute to sustainable development, responsibility and strategy should be connected in a business organization from the *awareness-sustainability perspective*.

It is not only a misconception to think that corporate responsibility and strategy can only be connected through the conventional perspective (largely consisting of stakeholder thinking), as it covers only half of the phenomenon, but it is also a drag on advancements in the theory and practice of strategic corporate responsibility. The awareness-sustainability perspective remains of the notion that not everything is or can be valued economically in organizations. Thus, a reconsideration of the conventional perspective – that rules out, or at best includes but subordinates intrinsic value in the consideration of others – is proposed.

6. Limitations

There were five main limitations in this study: (i) there was no clear anchoring to an established theory, although the study was holistic; (ii) the review of the theory was not strictly systematic, although it was extensive and longitudinal; (iii) the methodology enabled only analytical generalizations; (iv) the data were not quantitatively extensive, but were qualitatively adequate; and (v) no empirical work was conducted on the awareness-sustainability perspective, although the perspective was logically deduced from theory and conceptually analysed.

No clear anchoring to an established theory. Concerning the theoretical limitations, the research purpose and problem enabled a wide range of theories to be used. The corporate strategy literature, for instance, has already evolved for at least six decades from the early design (Selznick, 1957; Chandler, 1962) and planning schools (Ansoff, 1965) to visions (Drucker, 1970) and detailed descriptions on how firms strategize, and prescriptions on how firms should strategize (see e.g. Mintzberg et al., 1998; Carter et al., 2008). This maturity would have pointed towards an in-depth analysis using a specific, predetermined school of thought in its strategy, thereby contributing to theory. However, this study attempted another, more holistic route to generating new knowledge. The earliest studies on responsibility in business emerged around the same time as the rise of strategic management (see e.g. Bowen, 1953; Davis, 1960). In contrast to strategic management, responsible management did not enjoy the same amount of attention. Somewhat later (see e.g. Goodpaster, 1983), however, corporate responsibility started developing on the fast track into a diverse body of literature (see e.g. Garriga and Melé, 2004; Lee, 2007; Windsor, 2008). Instead of selecting a single theoretical construct under the umbrella concept of corporate responsibility (Goodpaster, 1983; Ketola, 2008b), this study attempted to work with the umbrella construct of corporate responsibility.

The rationale for not adopting a specific school of thought for studying strategy and responsibility derives from the problem setting. In order to solve the research problem, a more holistic attempt at understanding the phenomenon was necessary. However, this theoretical inclusiveness rather than exclusiveness can be considered to be a theoretical limitation, as it enables neither in-depth elaboration of the applied theories nor blow-by-blow descriptions of the empirics. Thus, a pitfall in employing an overarching focus is that the findings are rather abstract and practical implications are challenging to identify. On the other hand, openness to plurality might have been a sound way to gain a more holistic understanding of both "corporate responsibility" and "strategic management".

The review of the theory was not strictly systematic. The literature review conducted on "strategic corporate responsibility" began by outlining the phenomenon, making delimitations to it, and choosing the key words for the search. The researched phenomenon was defined as "strategic corporate responsibility" or the "connection between corporate responsibility and strategy". This selection delimited the review to journal articles that discussed this phenomenon. The papers that were chosen to represent the field of "strategic corporate responsibility" had to explicitly mention the following pairs of keywords, namely "responsibility", "corporate responsibility", "corporate social responsibility" or "corporate environmental responsibility" *and* "strategy", "strategic" or "strategizing". From the empirical point of view, these rather strict search criteria might seem artificial, but they enabled the researcher to focus and limit the theoretical phenomenon. Unfortunately, important bodies of literature and research articles might have remained outside the review. Furthermore, the search was not limited to any specific search engines, publishers or journals, but aimed at including every piece of research fulfilling the criteria. Moreover, the search was not limited to articles published in any predetermined time period. The papers were collected during the years of studies from June 2009 to June 2012.

The methodology enabled only analytical generalizations. As with any research method, theory building from case studies (Yin, 1984; Eisenhardt, 1989; Stake, 1995) led to empirical limitations. One of the debated issues is the generalisability of the results. Stake (1995, 7) stated that "case study seems a poor basis for generalization," but suggested that the method can challenge generalized theories. In this task, case studies are ideal for the kind of Popperian falsification that is needed in challenging existing theories (Flyvbjerk, 2006). Furthermore, according to Yin (1984), statistical generalization must be separated from analytical generalization, which case studies are suited for. In statistical generalization, reasoning is based on sampling that is representative of a population, whereas in analytical generalization, inferences are made from a particular set of data based on some broader theory (Yin, 1994, 37). This study was limited to making only analytical generalizations on the posed research problem and questions.

The data were not quantitatively extensive. The primary empirical data of this study consisted of 23 interviews in five case organizations. The findings of this study were thus mainly limited to the information received from the interviewed managers and directors. While additional data were used to support the primary interview data, the study could have been strengthened by a larger number of data sources, as well as by data from impartial sources. However, these measures were not considered necessary in answering the research questions and solving the main problem, and thus were not undertaken. In addition, even though the data were not quantitatively broad, the necessary depth of analysis was achieved.

No empirical work was conducted on the awareness-sustainability perspective. The collected empirical data mainly addressed the research gaps in the market and capability perspectives, instead of the research lacunae in the awareness and sustainability perspectives. Because of the rather deductive logic of the study (i.e. the theory-driven approach to the field work), the conventional understanding of the research phenomenon (i.e. stakeholder thinking and economic instrumentalism) guided the empirical work. Thus, the lack of theorizing on the awareness-sustainability perspectives did not enable meaningful data collection and analysis on the awareness-sustainability perspective. The lack of empirical work on this perspective is a limitation of the study. However, the conceptualization was objectively and critically handled and followed structural logic.

7. Conclusion and summary

As a conclusion, based on this study it can be argued that there is a need in business organizations for the inclusion of the *awareness-sustainability perspective*, as the conventional *market-capability perspective* was found inadequate for theorizing and practicing strategic corporate responsibility. The market-capability perspective is characterized by (a) an extrinsic responsibility orientation through the logic of economic instrumentalism, and (b) an external and internal strategy orientation through stakeholder thinking. This conventional perspective is inadequate, firstly because it leads to multiple and competing corporate identities that do not reflect a coherent image, as the awareness-sustainability perspective does. Stakeholder thinking in relation to identity means that each corporate identity corresponds to the expectations of a specific context, or importantly to the lack of them. Secondly, the conventional perspective assumes weak sustainability that does not reach sustainable development in space and time, as the awareness-sustainability perspective does. The awareness-sustainability perspective addresses these shortcomings by firstly suggesting that an organization should insource its ethical considerations in order to develop a responsible identity and image, and secondly, an organization should assume strong sustainability in order to reach sustainable development.

This conclusion was reached via four research articles, two of which were empirical and two conceptual in nature. The research methods of the empirical studies were a single case study in the Swedish and Finnish hospitality context, and a multiple case study in the Finnish food context. The primary data were mainly collected via semi-structured interviews and complemented with company-related secondary data. Altogether, 23 managers from four food firms (n = 20) and a hotel chain (n = 3) were interviewed. These data were subjected to qualitative content analysis.

7.1 Contribution to theory

This study contributes to the theoretical development of strategic corporate responsibility towards a more conceptually solid field of study. The main contribution to the field is the expansion of the conventional perspective to novel and significant areas of research. This thesis enables a shift from economic instrumentalism and stakeholder thinking by offering an alternative theoretical model, namely the awareness-sustainability perspective. The intrinsic responsibility orientation that characterizes the awareness-sustainability perspective had been a blind spot in strategic corporate responsibility. In addition, the new conceptual perspective also contributes to the field by showing the need for connecting the planetary-level challenges to the grass-roots level of organizational practice and practitioners.

The sustainability perspective on organizational behaviour could, however, be less novel than the awareness perspective, as studies on corporate sustainability have also discussed strong sustainability in the corporate context (see e.g. Dyllick and Hockerts, 2002; van Marrewijk and Werre, 2003; Pataki, 2009; Ketola, 2010; Baumgartner and Korhonen, 2010). However, the sustainability perspective is new to the field of strategic corporate responsibility. In addition, connecting the sustainability perspective to the awareness perspective is novel. Furthermore, as the sustainability perspective offers a planetary-level view, while the awareness perspective focuses on the groups and individuals in an organization, the perspectives of awareness and sustainability could be considered complementary. Importantly, they do not contradict each other on the foundations of responsibility, since they both view the consideration for others as an end in itself.

7.2 Contribution to organizational practice

Business organizations and practitioners have got themselves into a position where they are acting as significant harbingers of the future. This is not a modest responsibility, as challenges such as sustainable development must be on the agenda. In the light of this study, the consideration for others (whether they are employees, indigenous people, non-human stakeholders or the natural environment) as vehicles for higher profits does not lead to a responsible corporate identity and image; neither does it contribute to sustainable development. The main contribution to practice is the proposed awareness-sustainability perspective, which enables organizations to expand their understanding of the possibilities for practicing strategic corporate responsibility.

7.3 Contribution to society and the environment

Even though this study focused on examing the responsibility and strategies of private actors, the message to the public debate is not that corporations act responsibly. However, corporations consist of human beings and thus have the potential to act responsibly. This potential should be supported and embraced. The role of public actors is to continue regulating, which does not necessarily translate into more regulations, but rather to higher quality regulations. High quality in this context means regulations that ensure environmental and sociocultural justice in time and place. In other words, we need policies that support the implementation of the awareness-sustainability perspective. An example could be a tax reform that adopts "an energy tax that will place a higher tax burden on that energy use derived from fossil fuels (or from the fuel's CO_2 emissions in the case of renewable combustibles)" (Bey, 2001, 385). Similar measures could be undertaken concerning other natural resources and their consumption, as well as sanctions and incentives related to recycling.

Overall, raising the level of compliance in environmental issues is necessary in order to achieve sustainable develoment as soon as possible. While responsible organizations exceed the level of compliance, the effect of strategic corporate responsibility is to boost the desired development of humanity. Thus, even though the enforcement role of the government is increased, there is always room for corporate moral imperative.

8. Further research avenues

In future studies on corporate responsibility and strategy, it is suggested that the focus is shifted to the awareness-sustainability perspective in order to contribute to building responsible organizations and sustainable development. This work could comprise of, *inter alia*, studies that examine the relationship between the organization and the natural environment, as well as research that outlines the safe operating space of a corporation. The role of technology in the pursuit of sustainability should also be addressed more thoroughly. Moreover, these issues should extend into the heart of organizational theory and economics instead of merely being discussed within the field of strategic corporate responsibility (or other). Fellow scholars are thus encouraged to examine the awareness-sustainability perspective in other fields as well.

Following this, a research task with high managerial and policy relevance would be to study supportive and corruptive institutions from the awareness-sustainability perspective. Given the importance of the sustainability challenge for humanity (e.g. Brown, 2011), it is evident that societies cannot rely on the self-regulation of market actors. The state and civil society should themselves adopt the awareness-sustainability perspective to guide their actions.

Empirical illustrations to describe awareness-sustainability organizations might be difficult, but nevertheless possible, to find. Such international examples as the early *Ben & Jerry's* and *The Body Shop* would make highly interesting historical case studies from the awareness-sustainability point of view. Moreover, firms such as *Interface* and *Patagonia* could be investigated for the same purpose. There are also a few very peculiar local companies in Finland, including *Soya* and *Globe Hope*, that could be researched with longitudinal methods.

But in general, what types of organizations [e.g. in terms of size (cf. Perrini et al., 2007) and ownership (cf. Walther and Heikkurinen, 2011)] could be following the logic offered by the awareness-sustainability perspective? Social and environmental enterprises (see, e.g., Rodgers, 2010; Holt, 2011) may also be good candidates for examining the awareness-sustainability perspective in practice, particularly if they are self-financing.

Are smaller local cooperative organizations rather than large competitive multinational corporations more suitable for awareness sustainability?

In any case, more empirical work is needed on the phenomenon in order to obtain detailed descriptions for the questions of how, why, where and when awareness sustainability emerges. This information will provide state, private and civil society decision makers a deeper understanding of the organizational phenomenon that they are part of, and may contribute to finding a pattern of human development that could be sustained.

This dissertation examined the organization as a unit of analysis and departed from the premise of corporate moral agency. This raises further research questions, the most fundamental of which might be the following: What is the corporation? Who forms the corporation and how are decisions reached in the organization? Should we talk about a *single* moral position when the business practices of an organization are under scrutiny? How do different moral positions compete in organizational practices? Whose moral position dominates? Which voices are oppressed and why? Furthermore, is it meaningful to use the organization, an abstract collectivity, as the unit of analysis? How does this change the possible political and legal implications of research?

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I

Article I

Heikkurinen, Pasi (2010). Image differentiation with corporate environmental responsibility. *Corporate Social Responsibility and Environmental Management* 17(3): 142-152. DOI: 10.1002/csr.225.

Corporate Social Responsibility and Environmental Management
Corp. Soc. Responsib. Environ. Mgmt. **17**, 142–152 (2010)
Published online 16 March 2010 in Wiley InterScience
(www.interscience.wiley.com) **DOI**: 10.1002/csr.225

Image Differentiation with Corporate Environmental Responsibility

Pasi Heikkurinen*
MTT Agrifood Research Finland and University of Vaasa, Finland

ABSTRACT
This paper analyzes strategic implications of corporate responsibility (CR) and in particular how a firm can differentiate with an environmentally responsible image. A single case study was conducted in the Nordic hospitality industry with semi-structured interviews as the main data collection method.

By adopting an environmentally responsible identity through shared values with the firm's key stakeholders, the firm can reflect an environmentally responsible image. This image can enhance the firm's strategic position through internal and external differentiators from competitors – as the firm becomes a more preferred employer, partner and supplier, it results in enhanced employee motivation, cost savings, better reputation, and greater guest loyalty. The amount of CR depends on the micro/meso/macro/global-level drivers, and competitive aims of the firm. The emphasis on stakeholder communication becomes greater as the firm increases its CR-aggressiveness. Copyright © 2010 John Wiley & Sons, Ltd and ERP Environment.

Received 12 October 2009; revised 17 December 2009; accepted 18 December 2009

Keywords: image differentiation; corporate responsibility; environmental responsibility; strategic CR; hospitality industry; key stakeholder approach

Introduction

Corporate responsibility (CR) and environmental marketing/management (EM) are receiving great attention from academic scholars and practitioners. Increasingly different sectors are showing an interest in environmental concerns: firms are eco-labeling and expressing their passion for sustainable growth; governments are enacting laws concerning emissions and waste reductions; non-governmental organizations (NGOs) are demonstrating; media is spotlighting the issue; and families are recycling and have more information about the phenomenon than ever before.

While the boundaries of these sectors are blurring, it is obvious that this green trend has changed and keeps changing the competitive environment, creating new business opportunities and threats. The firms concerned about their short-term profitability are more likely to resist the upcoming costs of greening and see the proliferated environmentalism rather as a threat to their business (Richter, 2001). The long-term oriented firms seem to understand the necessity of these investments and the new opportunies they hold. These 'firms that see

*Correspondence to: Pasi Heikkurinen, Project Researcher, MTT Agrifood Research Finland, Luutnantintie 13, FIN-00410 Helsinki, Finland. E-mail: pasi.heikkurinen@mtt.fi

environmental issues as opportunities rather than threats are more likely to succeed by establishing a competitive advantage over their competition' (Friedman and Friedman, 2009).

The purpose of this research paper is to explore and analyze the strategic implications of CR. The study aims at increasing the understanding of the phenomena with a model-building approach that is based on the stakeholder theory (Freeman, 1984). The main problem is phrased as follows: *how can a firm differentiate with corporate responsibility (CR) and in particular with an environmentally responsible image?*

Because of the non-existence of antecedent models, the emphasis of the study is on theoretical reasoning; however, an empical case study is conducted to support the working propositions and theoretical framework. The selected case is a hotel chain, Scandic, and the dissected context is the Swedish-Finnish hospitality industry.

Theoretical Framework

This section presents the concepts, reviews the strategy approach and aims at developing five working propositions.

Corporate Responsibility

The concept of CR, a part of the entity of corporate sustainability, consists of economic responsibility, environmental responsibility (van Marrewijk, 2003), and socio-cultural responsibility (Ketola, 2008). CR *cannot* and *does not* equal sustainability, because responsibility is relative and sustainability is absolute (Ketola, 2005; 2007). In this study, CR is considered as a voluntary task, meaning that companies do more than laws and regulations require (Carroll, 1979).

CR impacts the organizational culture, which requires the development of new shared values, as well as strategic embedding within the organization of the three pillars: people, planet, and profit (Cramer, 2005).

Strategic CR is one way to execute corporate responsibility. The aim is to create a win-win-win situation, in which CR enables the people, planet, and profit to prosper. Moreover, CR becomes strategic when it yields substantial, business-related benefits to the firm, in particular by supporting core business activities, thus contributing to the firm's effectiveness in accomplishing its mission (Burke and Logsdon, 1996).

Differentiation Strategy

Each industry has its own characteristics and reacts uniquely to external and internal changes. Also in the case of corporate responsibility (CR), not all industries behave in a similar manner because of non-equal exposure to CR challenges. Peng (2006) argues that industries with direct and vast to the environment such as mining and chemical are more likely to interact with CR issues. However, best practises are from industries such as food, IT, and cosmetics (Kotler and Lee, 2005). Nevertheless, it seems that all industries are becoming more vulnerable, and over time no industry will have immunity from CR concerns.

The Configuration School of Strategy states that 'each school has its own time, in its own place' (Mintzberg *et al.*, 1998). In the Positioning School (Porter 1980; 1985; 1996), or Porterism (Näsi, 1996), according to the capabilities of a firm and the conditions of an industry, one of the three or a combination of the three generic strategies is chosen for a competitive strategy that can enhance a strategic position that creates barriers for competition (Porter, 1985).

Being aware of the generic strategy trap (Miller, 1992) and the pitfall of oversimplifying the analysis (Haberberg and Rieple, 2008), the differentiation strategy appears suitable for CR: in differentiation, a company seeks for ways to be unique (often beyond the physical product) that lead to a price premium (Porter, 1980; 1985); and due to environmental concerns, differentiation opportunities are growing (Winsemius and Guntram, 2002).

Reputation, Image and Identity

Corporate reputation is an intangible way to differentiate services and products from competitors. Reputation is built upon ethics and morality; history; efficiency; the product; public *image*; and human resource management

DOI: 10.1002/csr

(Siltaoja, 2006b). Therefore, a favorable image is one of the factors that, over time, creates a favorable *reputation*. However, according to Pruzan (2001), the creation of an outer image alone may not lead to desired results. In order to have an improved and a more inclusive description of the organization and its performance, the new image should rather be a reflection of an internal *identity* (Pruzan, 2001). This leads to the first working proposition (WP) that suggests that *[WP1] a reflected image is more likely to lead to desired results than a merely pragmatic image*. Heikkurinen and Ketola (2009) suggest that in order to have a more coherent and stable image and reputation, firms should focus on being their identity rather than trying to manage it.

Identity of an organization is formed by the cognitions, emotions, and aesthetic appreciations of its members (Hatch and Schultz, 2004), and functions as an umbrella term for corporate identity (Heikkurinen and Ketola, 2009). The distinction by Bendixen and Abratt (2007) between corporate identity (i.e., what the firm is) and corporate image (i.e., what the firm is perceived to be) seems to be accepted throughout business life and academia. Arguably, the internalizing of a CR identity is less complicated and requires less organizational learning if the organization has some experience of responsible behavior. And the more CR is an integral part of the culture, the easier it is to communicate the norms and values underlying the concept (Cramer, 2005).

The value theory connects reputation and CR (Siltaoja, 2006b). Since reputation is a very context-related issue (Siltaoja, 2006a), like CR (Halme *et al.*, 2009), a firm must be sure that the new image corresponds and is parallel with its stakeholders' values and needs in a specific context. But because a firm cannot meet all the expectations of all their stakeholders, it must concentrate on its key stakeholders – the stakeholders that matter the most. Therefore it can be proposed that *[WP2] a key stakeholder oriented firm forms and re-forms its values according to its key stakeholders' values*. In addition, since the amount of appreciation toward environmental responsibility depends greatly on the culture the key stakeholders identify with, it can be proposed that *[WP3] a key stakeholder oriented firm adjusts the amount of its CR activities, according to the context of its key stakeholders at issue*.

A well created (i.e., reflected), positive, image strengthens a firm's competitive position (Marconi, 1996). In a quantitative study, McWilliams and Siegel (2001) found positive impacts of CR on corporate reputation, and a lack of CR effectively ruining a corporate image.

Even though marketing communications are vital in image building, a corporate image is not created in the marketing department. The whole *value chain* (Porter, 1985; Porter and Kramer, 2006) needs to be reconfigurated in order to meet the desired image. This is because the full dedication of the whole value chain decreases the possibility for unwanted errors; as Ketola (2006a; 2006b) stresses, the importance of consistency in values, words, and actions. Hence the next proposition is that *[WP4] a responsible identity is built upon the whole value chain of the firm*.

Drivers for Environmental Marketing

Since only the received and experienced value of the stakeholder matters (Porter, 1985), marketing plays an important role in strategic CR. In EM, environmental expenditure is viewed as an investment in the firm's ability to create value for its owners, buyers, and other stakeholders (Miles and Covin, 2000).

A multiple case study of 17 Finnish small and medium enterprises (SMEs) shows that the personal interests of entrepreneurs and owners were the main motive for environmental responsibility consideration (Mäntylä *et al.*, 2001). According to Mäntylä *et al.* (2001), the other motives were the requirements of external stakeholders' (mostly customers) intentions to keep up with competition and ahead of the legislation. These CR actions are mostly done in the hope of cost savings and image benefits (Mäntylä *et al.*, 2001).

Since some of the value to stakeholders can be created through corporate image, EM tends to enhance differentiation-based competitive advantage, besides conceivable cost savings. The produced competitive advantage through differentiation-based positioning targets environmentally sensitive stakeholders, and therefore also relates to the focusing strategy. However, the form of advantage may not be receivable if the corporate strategies are contradicting the environmental strategies. Therefore, Ketola (2007) suggests that the desired results will most likely be achievable if (and when) the environmental strategy *is* the corporate strategy.

Since not all stakeholders value environmental actions in equal terms, it is important to focus on where the demand exists. Arguably, a demand for strategic CR and environmentalism must either exist or is to be created – otherwise, there will be no financial gains in sight. However, often the demand is not seen as something static;

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rather it is seen as something that can be anticipated and affected. Thus it can be proposed that *[WP5] if a demand for corporate responsibility does not exist, firms can create it by supplying corporate responsibility.*

In Aragón-Correa and Sharma (2003), proactive (refers to anticipated demand) corporate environmental strategies were actually found to be associated with improved financial performance (Klassen and McLaughlin, 1996; Judge and Douglas, 1998).

In order for 'environmental image differentiation' to be successful, stakeholders and potential buyers must be fully aware of environmental actions and values; otherwise they might as well do business with a firm without such attributes (McWilliams and Siegel, 2001). Therefore, marketing communication holds an intrinsic part in raising awareness among stakeholders, and companies shall focus on communicating the CR issues with the greatest shared value among key stakeholders. However, the intensity of actions should be more on the primary activities and less on the supportive activities of the value chain (Porter and Kramer, 2006).

Research Methodology

Since the research method and data are subordinates to the research problem (Uusitalo, 1991), the research problem and questions defined the qualitative method and data used. The case study method was chosen because the phenomenon is researched in its natural environment with different data; it does not require control over behavioral events, and it allows coverage of contextual conditions (Yin, 2003).

The Selected Case

The selected case is the Nordic countries' leading hotel chain, Scandic. The case company was chosen because of a gap in research regarding the context and the company's rather extensive environmental agenda that is critical to the research problem addressed.

Data Reduction

The term 'data reduction' refers to selecting, focusing, simplifying, abstracting, and transforming the collected data, and it starts before the actual collection of the data (Miles and Huberman, 1984).

The empirical data was collected from both primary and secondary sources. The *primary data* consisted of unstructured and semi-structured in-depth interviews in the Nordic hospitality industry. Three key informants from the case company were interviewed: two from Sweden and one from Finland. Characteristic of this data collecting method is its flexibility and capability that allows new questions to be brought up during interviews. These theme interviews were conducted on a one-to-one basis and took from 70 up to 140 minutes each. The purpose was also to uncover underlying practices and attitudes behind the case company's CR.

The first key informant was a CEO of Scandic, the second key informant was Scandic's former Vice President of Sustainable Business, and the third key informant was the case company's Sustainability Controller.

The *secondary data* collection consisted of selecting the most essential documents and archival records about the case company and the Nordic hospitality industry. The purpose of the secondary data was to prime and support the collection of the primary data, and prevent the collection of the same primary data twice.

Evaluation of the Study

Since reliability and validity are rooted in positivism, they should be redefined to fit qualitative methods (Golafshani, 2003). Guba and Lincoln substituted reliability and validity with a similar concept of 'trustworthiness', consisting of credibility, transferability, dependability, and confirmability (Guba, 1981; Guba and Lincoln, 1982).

Dependability – Since opinions of management, strategies and other codes of conducts change over time, the results are not repeatable. However, the interviewees were rather unanimous. The data triangulation also increases

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the dependability, as the company documents were compared with the interviews. Critical documents from impartial sources and a higher number of interviewees would have enhanced the dependability of the study.

Transferability – The purpose of the generic theoretical framework was to increase the transferability of the study since the theory was not context-specific. However, the empirical results are transferable only to similar competitive environments.

Creditability/confirmability – The study was conducted with transparancy. The interviews were recorded, listened to twice and transcriptions were written. The researcher conducted all of the interviews in person.

A common problem of case studies is the generalization of the results as they only aim to make theoretical or analytical generalizations (Yin, 1989). However, what is lost in the generalization can be won in the depth and richness of the content (Uusitalo, 1991). And the results of the research should be evaluated based on the pragmatic usefulness of the results – hence it becomes a question of the relevance, simplicity, and handiness of the results (Niiniluoto, 1980).

Empirical Findings

The First Working Proposition

[WP1] A reflected image is more likely to lead to desired results than a merely pragmatic image.

Often the discussions around corporate image/identity take place in the executive management and are facilitated by an external agency. It was found that in the case company the CR image building was led by the identity (what the firm is). The idea for CR came from a manager inside the company, and was thereby internalized into corporate values. These values led to responsible actions that were then communicated (reflected) to all stakeholders. When a responsible identity is built upon the responsible values of the firm, it seems to reflect as a responsible image.

A time delay of approximately three to four years was found between the first CR actions in 1993 and the stakeholder perception and reaction. 'It takes time when the image adapts', a key informant of Scandic stated. The person continued: 'Identity must result as an image. If an image does not correspond with what the firm is, then it is green-wash.' At Scandic, the reflected image is seen as the only proper way to achieve long-term success.

Hence the first working proposition receives strong support from the case company and is supported (Table 1).

The Second Working Proposition

[WP2] A key stakeholder oriented firm forms and re-forms its values according to its key stakeholders' values.

The case company built its image through shared values with its the key stakeholders – the team members and the guests of the hotels – which indicates (key) stakeholder orientation. It was found that to some extent the case company re-forms and modifies its values according to its *external* key stakeholders' (guests) values, and to a great extent according to its *internal* key stakeholder's (team members) values. These findings support the latter part of the second working proposition (*re-forms its values)*.

At first, the environmentally responsible values rose from the team members, especially from the top management. Therefore, it can be stated that the case company formed its values according to its key stakeholders' values (as the team members are a key stakeholder group and as the top management is part of the team members at Scandic). This reasoning supports the first part of the second working proposition (*forms its values*). However, the case company did not form its values in accordance with the external key stakeholder's values. Therefore, an informative revision is made: the case company as a key stakeholder oriented firm, formed its values according to its internal key stakeholders' values – and re-forms its values according to its internal and external key stakeholders' values.

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It can be deducted that *an internal key stakeholder oriented firm forms its values according to its internal key stakeholders' values, whereas an external-key-stakeholder oriented firm forms its values according to its external key stakeholders' values.*

But even though the case company did not form its values based on both internal and external key stakeholders' values, it did form its values in accordance with its key stakeholders' values. Thus also the unrevised proposition can be verified (Table 1).

The Third Working Proposition

[WP3] A key stakeholder oriented firm adjusts the amount of its CR activities according to the context of its key stakeholders.

The values of the key stakeholders vary between the different countries in which Scandic operates. It was found that this difference in values (demand) seems to affect the supply of CR. Ideally, the demand should not affect the supply of CR, a key informant from the company states. The interviewee explains that being part of the solution (supplying CR) everywhere is a prerequisite for all businesses. This refers to the **law of nature** that 'enacts' that (over time) all firms must become responsible.

In Finland and Sweden, slight differences were found in the firm's key stakeholders' values. However, if the values are dissected with a relative perspective (all countries in the world), the differences are minor. With an absolute perspective, the differences are more visible, as they affect the demand/supply for CR.

In comparing CR actions (supply) between Sweden and Finland, the case company showed higher CR standards in Sweden than in Finland. In 2007, the CO_2 emissions in Sweden were 1174 Kg/gn, when in Finland they were as high as 6375 Kg/gn (Scandic, 2009). Both figures are in kilograms per guest night, and are therefore comparable. It seems that Scandic has focused on minimizing CO_2 emission especially in Sweden. 'The closer you come to the head office, the more company like it becomes,' said an interviewee. The consumption of water and energy were also clearly lower in Sweden, as well as the amount of unsorted waste. On the other hand, in the areas of water consumption and recycling, Scandic Finland has improved faster than Sweden. This could be due to the fact that auditing for CR actions began five years later in Finland than it did in Sweden (Scandic, 2009). In addition, in the beginning of CR supply, the cut down of emissions is easier.

In Finland, the case company supplies less CR than in Sweden because of (1) the lower demand (difference in stakeholder values); and (2) partly due to technical issues (disagreements with real estate owners over changing hotels to be more 'green'). Since some countries have stricter laws and regulations than others, the level of compliance is also diverse. Therefore, the amount of CR – to meet the definition of strategic CR (over compliance) – is consequently diverse. Hence the more developed environmental **laws of society** in Sweden can partly explain the higher CR supply/actions in Sweden.

The right amount of CR is when it becomes profitable today or maybe tomorrow, because, according to one interviewee 'if you focus on the things that will become profitable 2025, you will eventually die because you will not be profitable'. This factor can be referred as the **law of market** – firms must be profitable and competitive.

These findings support the proposition, i.e., that the context of the key stakeholders has an influence on the amount of CR activities through the key stakeholder values (Table 1). In addition, three multilevel drivers besides stakeholder demand were detected: the law of nature on a global level, the law of society on a macro level, and the law of market on the meso level. The key stakeholder values functioned as a driver for CR supply on the micro level.

The Fourth Working Proposition

[WP4] A responsible identity is built upon the whole value chain of the firm.

The role of CR is substantial in the case company's identity. The identity is seen to be parallel with the key stakeholders' identity. However, guests (external key stakeholders) have little effect on the corporate identity because

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they come in some many roles. The team members (key internal stakeholder), especially the management, are the ones that are the identity of a company, and hence create the corporate values.

'Values are something that should be reflected throughout the business', a key informant stresses. Therefore identity is not something that changes over a week, or two, or not even a year. It was found that it is crucial that the whole value chain agrees with the values of the case company. At Scandic, image building and identity are seen as internal dialogue processes, in which absolutely everybody in the value chain takes part. The reasons for this are: (1) it is much more motivating for team members if they can participate and contribute to the identity building; and (2) guests meet with team members and they have to have a lingua franca, a common understanding. 'Otherwise an image from an agency says that this is the most sustainable company in the world, and then the team members saying that well we haven't heard that.'

These findings support the fourth working proposition. As well as any identity, a responsible identity is built upon the whole value chain of a firm. The key internal stakeholders create/are the identity of a firm since the reflection is based on the corporate values of the whole value chain (Table 1).

The Fifth Working Proposition

[WP5] If a demand for corporate responsibility does not exist, firms can create it by supplying corporate responsibility.

This fifth proposition seems to have some value as the case company started to supply CR without actual demand existing for it. Within a timeframe of three years or more, the demand became more active. On the other hand, there is no specific evidence that the supply of CR by the case company created the demand. Therefore this working proposition cannot be validated. However, under similar industry conditions (first mover situation) and the macro conditions (rising awareness in environmental issues) that the case company had, the proposition could be partly supported.

It was found that if the demand responds to the supply of CR, there is a time delay between action and perception of three to four years. Hence it could be deduced that *if a demand for corporate responsibility does not exist, firms can hasten its emergence by supplying corporate responsibility* (Table 1).

[P1] A reflected image is more likely to lead to desired results than a merely pragmatic image.
[P2] A key stakeholder oriented firm forms and re-forms its values according to its key stakeholders' values.
[P3] A key stakeholder oriented firm adjusts the amount of its CR activities according to the context of its key stakeholders.
[P4] A responsible identity is built upon the whole value chain of the firm.
[P5] If a demand for corporate responsibility does not exist, firms can hasten its emergence by supplying corporate responsibility.

Table 1. Revised and supported propositions

Discussion

The purpose of this research was to explore and analyze the possible strategic implications of CR with a model-building approach. The findings suggest that to a large extent CR can be a strategic issue. However, a strategically successful position requires attributes other than merely a responsible image.

CR can increase both cost efficiency by saving natural resources and increase differentiation by adding value to a firm through favorable image creation. Accordingly, it seems that a firm can enhance its competitive position with CR. However, the model is not committed to that argument even though the question is related to the research problem. Instead, the following model (Figure 1) describes how a firm can differentiate itself with CR and, in particular, with environmental responsibility.

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Environmentally Responsible Image Differentiation

It was found that treating stakeholders as one group (in case of strategic CR) is an unacceptable, loose and inaccurate viewpoint. A firm has a myriad of stakeholders with different expectations and various interests that are often (also) contradictive; a firm is incapable of catering to all of its stakeholders. Therefore this study used a modified approach to stakeholder theory (Freeman, 1984) that can be referred as the *key stakeholder approach*.

In the model (Figure 1), the key stakeholders are identified and divided into internal and external parties. In this specific case study, CR was internally driven (starting from internal stakeholders) by the team members. CR can also be driven by external stakeholders, i.e., externally driven CR. In this case study, the external key stakeholders were not driving CR – yet they did become active after the case company started to supply CR. This study proposes that [P5] if a demand for corporate responsibility does not exist, firms can hasten its emergence by supplying corporate responsibility.

In addition to internal and external key stakeholders, there exist key stakeholders that belong to both and/or neither parties, e.g., shareholders. The interest and the amount of initiative are distinctive factors between stakeholders and key stakeholders. In the case company, the shareholders lacked interest in CR.

According to the revised model, a firm can differentiate itself with an environmentally responsible image. This image is a perception of the key stakeholders (both in internal and external) and results in internal and external differentiators that can enhance the firm's strategic position. The internal differentiators and benefits of an environmental image are a more preferred employer; enchanced employee motivation; and cost savings. The external differentiators or benefits of an environmentally responsible image are a better reputation; a more preferred partner and supplier; and greater guest loyalty.

The image perception is built through communication (supply) that should be based on actual CR actions since [P1] a reflected image is more likely to lead to desired results than a merely pragmatic image. The amount of CR actions vary in different countries of operation since [P3] a key stakeholder oriented firm adjusts the amount of its CR activities according to the context of its key stakeholders. The CR actions that a firm renders are reflected by the firm's responsible identity – however, the identity may not be affected every time there is a change in corporate values, or at least there will be a time delay. The responsible identity is a result of internalized CR values

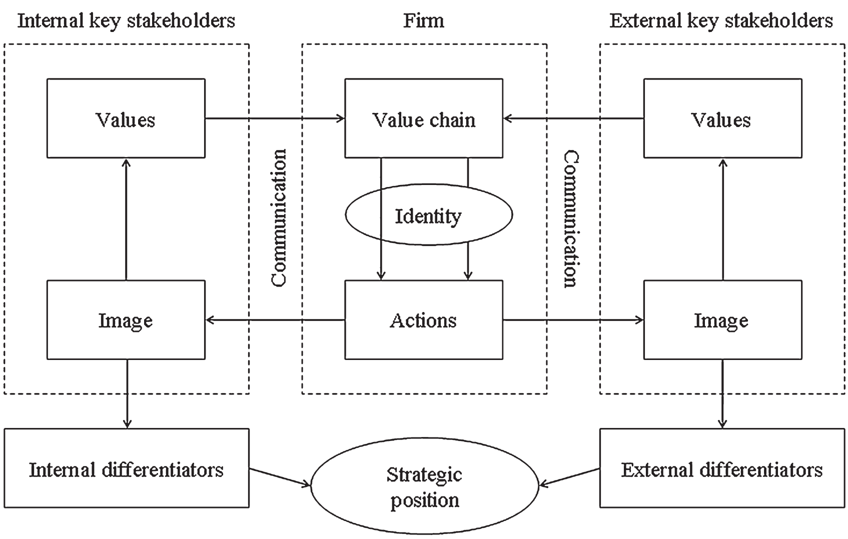

Figure 1. Key stakeholder approach to image differentiation

DOI: 10.1002/csr

throughout the whole value chain of a firm since [P4] a responsible identity is built upon the whole value chain of the firm. These transfigured values are originated from the key stakeholders' values since [P2] a key stakeholder oriented firm forms and re-forms its values according to its key stakeholders' values.

A firm is driven on four different levels (Figure 2) that direct the firm's aggressiveness toward CR. On the micro level, which the revised model illustrates (Figure 1), firms operate under the expectations of individuals and stakeholders. On the industry level, or meso level, firms are pushed toward CR by their partners and competitors. On the macro level, firms are required to supply CR *de jure*, i.e., in accordance with society's laws and regulations. And lastly on the highest level, the global level, firms are pushed toward CR by the fact that the present ecosystem is fragile and necessitates increased attention to protecting it.

Even though this study focused on the differentiation strategy instead of the cost leadership strategy, it can be concluded that the image differentiation with CR is inclusive of cost efficiency. These generic strategies should not be seen as entirely separate or different options, especially in the case of the environmentally responsible image. As Hollensen (2007) concluded: 'Firms have a competitive advantege in a market if they offer products ... with higher perceived value to the customers *and* lower relative costs than competing firms.' Thus CR can be a matter of both increasing the value and lowering the costs.

Managerial Implications

CR management is about guaranteeing that a firm actually survives in the long run. In order to maintain short-term profitability, firms should start with small steps toward CR but change their whole way of thinking (*values*) and apply it throughout their value chain. Companies that see CR as something that the marketing department could take care of would probably do better by not doing anything at all and putting the money toward something else.

When a company becomes environmentally responsible, it can often rip easy cost benefits by merely utilizing its resources efficiently, whereas image differentiation requires more time, commitment, and additional resources.

Deciding the amount of CR (*actions*) depends on the competitive aims. Ansoff and McDonnell (1990) identified five levels of strategic aggressiveness: stable, reactive, anticipatory, entrepreneurial, creative – and Ketola (1992; 2005; 2008) has applied these to environmental and CR strategies. The levels seem applicaple for the CR aggressiveness of a firm. Passive, reactive and proactive CR are dependent on the competitive environment, whereas entrepreneurial and creative CR are less dependent, respectively.

This study identified competitive aims for each level (Figure 3). As managerial implications, leaders/managers need to decide what their competitive aims are regarding their CR and act accordingly. As firms increase their CR aggressiveness, greater emphasis should be placed on stakeholder communication (*words*). Hereby the Holy Trinity of CR (values-actions-words) converge (Ketola, 2006b).

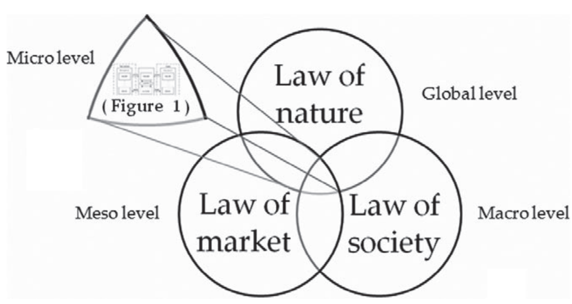

Figure 2. Micro/meso/macro/global-level drivers for CR

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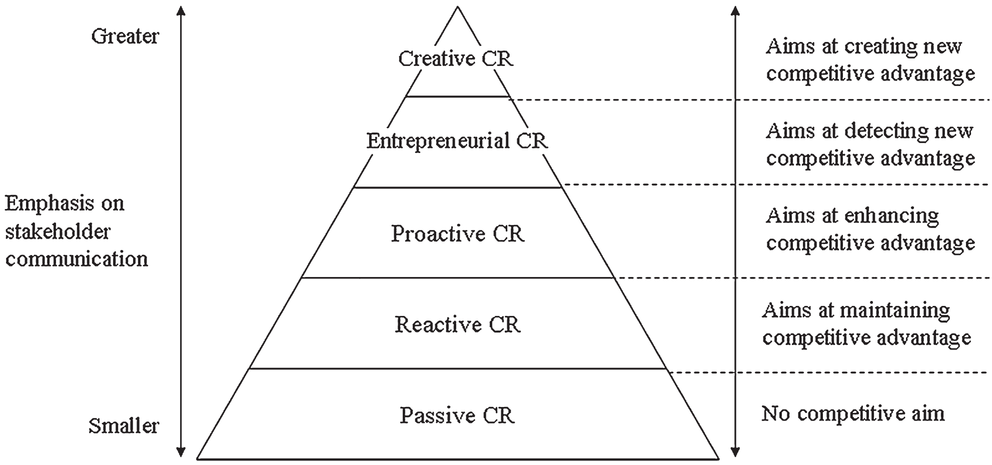

Figure 3. Five levels of CR aggressiveness and competitive aims (adapted from Ansoff and McDonnell, 1990; Ketola, 1992; 2005)

Future Research Opportunities

As a single case study, the results and conclusions cannot be generalized – therefore multiple case studies and quantitative testing are highly recommended. This study focused on just one firm. Further studies should be conducted from a supply-chain perspective.

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DOI: 10.1002/csr

Article II

Heikkurinen, Pasi and Ketola, Tarja (2012). Corporate responsibility and identity: from a stakeholder to an awareness approach. *Business Strategy and the Environment* 21(5): 326-337. DOI: 10.1002/bse.744.

II

Business Strategy and the Environment
Bus. Strat. Env. **21**, 326–337 (2012)
Published online 12 December 2011 in Wiley Online Library
(wileyonlinelibrary.com) **DOI:** 10.1002/bse.744

Corporate Responsibility and Identity: from a Stakeholder to an Awareness Approach

Pasi Heikkurinen[1]* and Tarja Ketola[2]
[1]*MTT Agrifood Research Finland / Aalto University School of Economics, Organization and Management, Finland*
[2]*Turku School of Economics, Turku, Finland*

ABSTRACT
Firms are encouraged to manage their corporate responsibility and identity in accordance with the popular stakeholder theory. Managers are, however, confronted with the complexity of the praxis and related ethical dilemmas, as the expectations of their external stakeholders may be myriad, ambiguous and self-contradictory, or even non-existent in the global and dynamic business contexts. Therefore, the purpose of this paper is to (a) review and critically discuss the stakeholder approach in striving for *a responsible identity* and (b) introduce an alternative approach that can address its inadequacies and shortcomings. The study outlines an alternative theorem, the awareness approach to responsible identity. In the conclusions, the article proposes how firms can adopt a responsible identity that leads to a desired image and reputation, and maps out further research opportunities. Copyright © 2011 John Wiley & Sons, Ltd and ERP Environment

Received 17 May 2011; revised 28 October 2011; accepted 7 November 2011

Keywords: corporate responsibility; identity; reputation; image; ethics; stakeholder; awareness; approach

Introduction

Research Gap

FIRMS WANT TO APPEAR ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE AND ETHICAL. AN INCREASING NUMBER OF FIRMS, in fact, are disclosing and communicating their good deeds under the umbrella of corporate responsibility (CR), or corporate social responsibility (CSR). Often, the aim is to build a responsible image and reputation, as these are intangible assets related to financial performance (Miles and Covin, 2000; Lankoski, 2008) and intrinsic elements of strategy and competitive success (Gray and Balmer, 1998). However, despite attempts to create a 'responsible look', many firms fail. The outcome of a failure that harms the environment and its living beings is likely to be a corporate scandal, including consumer boycotts and stakeholder protests. Such scandals have a negative impact not only on the planet and population but also on the economic value of the business. Another corporate nuisance that stands in the way of looking good is increasing consumer scepticism towards responsible corporate images (Pomering and Johnson, 2009), communication (Morsing and Schultz, 2006) and initiatives (Bendell and Kearins, 2005). So, how can these caveats be avoided?

*Correspondence to: Pasi Heikkurinen, MTT Agrifood Research Finland, Latokartanonkaari 9, FI-00790 Helsinki, Finland. E-mail: pasi.heikkurinen@mtt.fi

Corporate *identity* is what underlies the shallower concepts of corporate image and reputation. In a recent case study, it was reported that, by adopting a responsible identity, firms could project/reflect a responsible image and reputation, which in turn could then be a source of competitive advantage (Heikkurinen, 2010). However, the question of *how firms can adopt a responsible identity that leads to a desired image and reputation* has remained unaddressed. Although consumer identity and its connections with responsible behaviour have been thoroughly researched (see, e.g., Berker and Gansmo, 2010; Hay, 2010; Hurth, 2010; Niinimäki, 2010; Soron, 2010; Strannegård and Dobers, 2010), corporate identity is rarely discussed in terms of C(S)R (Balmer *et al.*, 2007) or ethics (Gustavsson, 2005). This being so, and given identity's strategic relevance, this paper focuses on this research gap.

Corporate Responsibility

Business management and CSR share a long history dating back to the Industrial Revolution (Carroll, 2008), when private enterprises started to gain prominence in organizing social activities. The academic literature that first emerged from this phenomenon was rather Anglo-American based and focused on social issues, such as workers' rights and philanthropy. Meanwhile, the European and Nordic management literature emphasized environmental issues, such as pollution. Goodpaster (1983) included business ethics in the debate and coined the term CR.

Despite the vagueness of the concept, the basic idea behind the current use of CR is that firms take responsibility beyond the level of legal compliance for environmental, sociocultural and economic concerns. Three main explanations for this behaviour are given.

First, from a neoclassical point of view, these actions are performed in straightforward efforts to enhance sales and gain competitive advantage (Branco and Rodrigues, 2006). Thus, a firm can maximize its short-term *shareholder* returns. This viewpoint is also referred to as instrumental (Garriga and Melé, 2004) and economic (Windsor, 2006).

The second viewpoint, institutional economics, emphasizes the role of human-made institutions in shaping economic behaviour (Ketola, 2011). Most businesses prefer self-regulation to institutional regulation and have started to cooperate voluntarily with powerful stakeholders (see, e.g., Prakash, 2001; Delmas and Toffel, 2004; Clemens *et al.*, 2008; Schwartz, 2009). These companies attempt to optimize their *stakeholder* value, thereby aiming to maximize their long-term shareholder value. This viewpoint is also referred to as integrative (Garriga and Melé, 2004) and corporate citizenship (Windsor, 2006).

The third point of view, developmental economics and/or ecological economics, could perhaps generally be called conscience economics (Ketola, 2010, 2011). This concept was first suggested as a basis for consumers' purchase choices (Haapala and Aavameri, 2008), but companies and the whole economic system can adopt it as a replacement for neoclassical and institutional economics. This viewpoint is also referred to as political (Garriga and Melé, 2004) and ethical (Windsor, 2006), but Windsor's ethical CR theories could be further specified as intrinsic theories through philosophy. Plato (380 BC/2004) discussed the differences between instrumental and intrinsic values, and environmental ethics made intrinsic values one of its core axioms (see, e.g., Rolston, 2003). Therefore, corporations can base their responsible behaviour on *conscience* (cf. Goodpaster, 2007).

Reputation, Image and Identity

In previous studies, responsible behaviour has been seen to have a link with corporate reputation (Branco and Rodrigues, 2006). Hillenbrand and Money (2007, p. 261) found that these concepts have considerable similarities, and even proposed 'the use of reputation models as potential measures for many of the aspects conceptualized as responsibility'.

According to the definition by Dalton and Croft (2003, p. 8), 'reputation essentially centers on what individuals think about others (and organizations), their actions, abilities and probity'. Reputation is hence in the eyes of the beholders (Gray and Balmer, 1998), making the concept largely perceptual and informational (de Quevedo-Puente *et al.*, 2007).

Pruzan (2001) presented two complementary perspectives to corporate reputation, and its relationship with success and credibility. The first, the *pragmatic* perspective, is based on financial rationality, and it focuses on traditional notions of corporate success. Branco and Rodrigues (2006) stated that a responsible reputation may have internal benefits such as attracting better employees (Greening and Turban, 2000) and increasing current employees' motivation, morale, commitment and loyalty to the firm. In addition, a responsible reputation may improve relations with

DOI: 10.1002/bse

investors and bankers and hence improve access to capital (Spicer, 1978), as well as attracting non-profit-oriented investors (Yunus, 2007). The external benefits of a responsible reputation are the (often positive) reactions among external stakeholders (Morsing and Schultz, 2006) and shareholder wealth (Orlitzky *et al.*, 2003; see also Margolis *et al.*, 2007). Furthermore, consumers react more favourably to a cause when the company has a good reputation and the cause or the non-profit is not perceived to be a natural fit for the company (Bhattacharya and Sen, 2004).

Pruzan's other perspective (2001), *reflective*, employs a broader repertoire of measures of corporate success and focuses on organizational identity rather than reputation or image. The reflective perspective is more concerned with the inherent character of the organization than the outward appearance. Supplementing the external image orientation of the pragmatic perspective *with* the internal identity perspective leads to increased corporate self-awareness, an improved capability for reflecting on corporate identity and more realistic methods for measuring, evaluating and reporting on the firm's impact on its stakeholders as a whole (Pruzan, 2001). Even though the emphasis in the reflective perspective may lead to similar benefits as that in the pragmatic perspective, these are not at the centre of attention.

According to Castells (1997, p. 6), 'identity is people's source of meaning and experience'. The identity of an organization is formed by the cognitions, emotions and aesthetic appreciations of its members (Hatch and Schultz, 2004, p. 4), and functions as an umbrella term for corporate identity. In comparison to corporate reputation and image – what the firm is perceived to be, corporate identity defines what the firm is (Bendixen and Abratt, 2007). This makes corporate identity a more profound concept than reputation or image, and refers to the unique characteristics of a firm that are embedded in the behaviour and members of the organization (van Riel and Balmer, 1997).

Managers and employees tend to act in ways that are consistent with corporate identity (Fombrun, 1996, p. 111), and identity reflects the corporate image (Pruzan, 2001), which in turn builds the corporate reputation over time (Heikkurinen, 2010).

Purpose and Structure

Because corporate identity is a source of corporate image and corporate reputation, it has high relevance for business strategy. The purpose of this paper is to (a) review and critically discuss the dominant, prevailing approach in striving for a responsible identity and (b) introduce an alternative approach that can address its inadequacies and shortcomings.

First, the following aspects of the prevailing approach are reviewed: 'theoretical foundations', 'complexity', 'ethical principles', 'context' and 'outsourcing ethics'. The same aspects are then discussed with the alternative approach to responsible identity, and in reverse order to highlight the contrariness of the approaches. Finally, the two approaches are juxtaposed in the conclusion. The paper proposes how firms can use the awareness approach to adopt a responsible identity that leads to a desired image and reputation.

Stakeholder Approach to Ir/responsible Identity

Theoretical Foundations: Stakeholder Rationale Behind the Definition of Identity

The prevailing approach to responsible identity has evolved from stakeholder thinking. It describes organizational identity as emerging from complex, dynamic and reciprocal interactions among managers, members of the organization and other stakeholders (Scott and Lane, 2000). Both the business literature and psychology have found it problematic to pinpoint a specific definition of identity due to its multiform and abstract nature. Instead of defining corporate identity, the established International Corporate Identity Group (ICIG) has issued the Strathclyde Statement, which articulates the features of the corporate identity as a concept. It states that

> . . .by effectively managing its corporate identity an organization can build understanding and commitment among its diverse stakeholders. This can be manifested in an ability to attract and retain customers and employees, achieve strategic alliances, gain the support of financial markets and generate a sense of direction and purpose. Corporate identity is a strategic issue. Corporate identity differs from traditional brand marketing since it is concerned with all of an organization's stakeholders and the multi-faceted way in which an organization communicates (van Riel and Balmer, 1997, p. 355).

DOI: 10.1002/bse

In organization studies, corporate identity is viewed as a strategic tool (Bendixen and Abratt, 2007), as the statement above highlights. In addition, the identity is perceived as something manageable, emphasizing the economic and strategic objectives of a firm. The aim of corporate identity management (CIM) is to create a favourable reputation that would result in increased sales and work as a profitable investment (van Riel and Balmer, 1997). This approach to identity can be considered instrumental and mechanical because it sees corporate identity as a cyclical process consisting of strategic steps, such as planning, implementation, controlling and analysing. Furthermore, van Riel and Balmer (1997) suggest that companies should develop audits for internal and external stakeholders; these audits could then be used to determine the branding structure and even the corporate mission or strategy.

In the light of these theoretical foundations, the rationale of this approach is built on the stakeholder theory (Freeman, 1984), and is therefore called the stakeholder approach to responsible corporate identity (hereinafter SA). The stakeholder theory to CR used to be conceived as a new way of thinking compared with Milton Friedman's (1970) idea that 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'. Friedman's (1970) and Freeman's (1984) ideas on corporate self-interest are built on the same foundations; the stakeholder theory simply makes this pursuit more acceptable to the business environment by satisfying the needs of the strongest stakeholders at the same time. The stakeholder theorists themselves also consider Friedman an early stakeholder theorist (Freeman *et al.*, 2010).

The acknowledged egoistic and utilitarian standpoints in business ethics do not necessarily inflate the positive impacts of CR. For example, '[It] is entirely possible that Mother Teresa did her good work motivated by an unstated hope for heavenly rewards, yet this would make her no less saintly for many of her admirers' (Gibson, 2010). However, the worldly possessions (maximization of shareholder value) acquired at the expense of the natural environment, sociocultural well-being and economic stability tell another story. The utilitarian stakeholder approach (SA) executes this maximization in a way that appears to be less brutal than the openly egoistic shareholder approach, as SA is concerned with upholding a responsible image and reputation. SA is based on neoclassical economics but advocates business self-regulation in order to avoid the external regulatory pressures of institutional economics.

Complexity: Management Increases

The concepts of reputation and identity are invariably more complicated at the organizational level (Balmer, 2001) (on which this paper focuses) than at the product level. This notion and the distinction between product-related and corporate-level identity considerations are salient. Hence, managing a corporate identity is a highly complex process and, like any form of managerial activity, requires resource inputs.

According to Savage *et al.* (1991, p. 63), 'Executives constantly need to assess stakeholders' interests, capabilities, and needs'. In SA, the required active engagement and auditing of stakeholders' expectations for corporate identity building demand time and capital. And the more stakeholder inclusive, and hence complex, the identity is, the more resources must be utilized in its management.

Since the necessary involvement in dialogue with external stakeholders requires informing and surveying, which are difficult to saturate (Morsing and Schultz, 2006), SA can easily become a bottomless pit for corporate resources. The stakeholders' expectations regarding business norms, standards and regulations as well as their demands for CR may vary substantially across nations, regions and lines of businesses (McWilliams *et al.*, 2006), making the management of corporate-level identity sound utopian. Nevertheless, the SA to adopting a responsible identity is based on the assumption that, when the internal and external stakeholders' expectations are met, the shareholder value is maximized in the long term (cf. Freeman *et al.*, 2010, p. 12).

Ethical Principles: Harm and Benefit

At the bottom of utilitarian ethics is the harm principle: 'The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others' (Mill, 1859, p. 22). Utilitarian ethics aim not to harm but to benefit people. The original idea was to maximize the benefit for all people, but in practice it turns out that utilitarianism maximizes the benefit for only some groups of people, as there are conflicts of interests among the stakeholders and only the most powerful ones make their voices heard (Ketola,

DOI: 10.1002/bse

2008). Hence, instead of developing into a counterforce to egoism, it has become 'civilized' egoism that benefits both the corporation and its closest stakeholders, and thereby maintains the corporation's licence to operate in its business environment.

According to Heikkurinen (2010), firms concentrate on their key stakeholders because they cannot meet the expectations of every group or individual who is affected by or can affect the achievement of an organization's objectives. The key stakeholders are identified and assessed in terms of their potential to threaten the organization and their potential to cooperate with it (Freeman, 1984), or their salience to the firm (Mitchell *et al*., 1997). In SA, this means selecting the stakeholders with the power and ability to confront the organization (Savage *et al*., 1991) from the huge mass of interested parties. Firms can choose as their key stakeholders those salient stakeholders that are educated by, and adhere to, the same doctrines of 'what constitutes responsible business' as the corporations.

In practice, this means that stakeholders who do not have power or legitimacy and who disagree and/or are not willing to cooperate with the firms are left out of decision making. Even though these stakeholders may be non-salient/secondary/tertiary to the firm, these same stakeholders may be the most salient key actors from the perspective of enduring environmental and sociocultural value. Moreover, if the firms that aim at adopting a responsible identity are still immature, they will gladly listen to what they want to hear, and base their CR on selective information. As a result, the wishes of the most powerful stakeholders are addressed (Ketola, 2008).

Even though secondary stakeholders are usually not engaged in transactions with the focal organization (Maignan *et al*., 2005), recent studies have reported that firms are increasingly also engaging with secondary and tertiary stakeholders, e.g. nongovernmental organizations (NGOs) (cf. Kourula, 2010). These external stakeholders have taken upon themselves the work of supervision, with a principal aim of safeguarding people and the natural environment against exploitation by firms. In fact, in many contexts, NGOs have gained a major influence on and legitimacy in multinational companies (hereinafter MNCs). However, their growth leads NGOs to resemble corporations and to follow the market economy and SA principles of meeting the needs of their strongest stakeholders to secure funding in the long term (Ketola, 2008).

The assumption underlying SA is that business is *amoral* (Crane, 2000): neither ethics nor CR are embedded within corporations, but are adopted only due to external stakeholder pressures.

Context: Exploiting the Differences

There are contexts, especially in the developing economies, where external stakeholders are not as active as they are in Western economies, and in the worst cases, in oppressive regimes, they do not exist. They can also lack the influence needed to be heard. The external pressure firms are facing in modern societies – e.g. customer and vendor demand for environmentally friendly products and services or NGO and media activism – is rarely present to the same extent in the developing economies. From the CR point of view, this is problematic. When the external stakeholders are not actively supervising firms, who will do the work of protecting people and the natural environment from being exploited? Kourula (2010, p. 402) found that 'a "non-existent" NGO base leads a company to engage with governmental and intergovernmental organizations'. This could ensure ethical oversight and responsible business if the laws of the societies were aligned with decent codes of conduct, e.g. compliance requirements for sufficient waste handling. Unfortunately, however, local stakeholders might be unaware of the global environmental challenges – or local representatives might have no choice but to bow to corporate interests in their efforts to save their country from financial straits (dating back to imperialism). Moreover, corruption is still widespread and part of everyday life in most developing countries (Hors, 2000). Thus, if external stakeholders are not aware of the lack of CR, do not resist, or do not even exist, firms have a licence to harm. However, as Ketola (2008, p. 420) asks, 'why should companies have any right to do harm to people and planet'?

In many contexts, local people (external stakeholders) are busy coping with everyday chores and not keen on keeping an eye on businesses. In addition, in many contexts, stakeholders can have extremely low expectations for environmentally and/or socially sound business praxis – and hence businesses are able to legitimize their less responsible behaviour with ease. Even in the most active contexts, external stakeholders have problems keeping up with firms and trying to serve as their conscience. Companies outnumber environmentally or socioculturally concerned stakeholders, or CR guardians.

DOI: 10.1002/bse

Outsourcing Ethics

SA is the theoretical grounding that enables firms to pass the baton to these third parties, to so-called CR guardians. Firms are encouraged to manage their CR with stakeholder engagement, in which the external stakeholders are expected to serve as the conscience of a firm. This strategic relocation of ethical consideration has conceptual similarities with traditional outsourcing.

Outsourcing can be defined as the transfer of activities and processes that were previously performed internally to an external party (Ellram and Billington, 2001). The motives for outsourcing are based on transaction cost theory (cf. Coase, 1937; Williamson, 1975) and on the idea of being able to focus on core competencies. A firm should never outsource its core competencies (Ellram and Billington, 2001), because they provide a long-term competitive advantage (Quinn and Hilmer, 1994). It could be deduced that, if firms outsource their ethical consideration by the means of advanced stakeholder management tools, CR may be neither a core competence nor perceived to provide a long-term competitive advantage. Yet, many firms with SA to CR report the contrary.

In outsourced ethics, the external stakeholders have taken upon themselves the work of supervising the ethicality of firms' decisions (their motives could also be studied further). However, the outsourcing of ethics to external stakeholders is again problematic from the CR point of view. This is because the desired responsible identity and solid reputation may never be achieved if managers, owners and employees themselves refuse to think about what the firm is and what would be the right thing to do. Outsourced ethics can prevent a responsible identity from maturing. Support for these arguments can be derived from philosophy. To explain the idea, a popular allegory is presented from Immanuel Kant's work on the enlightenment of man:

> Enlightenment is man's emergence from his self-incurred immaturity. Immaturity is the inability to use one's own understanding without the guidance of another. This immaturity is self-incurred if its cause is not lack of understanding, but lack of resolution and courage to use it without the guidance of another. The motto of enlightenment is therefore: Sapere aude! [dare to be wise!] Have courage to use your own understanding! (Kant, 1784/2009, p. 1).

The enlightenment of man seems equally applicable to businesses and corporate identity management. A responsible identity can be considered as a firm's emergence from its self-incurred immaturity (i.e. the lack of CR). In the business context, guidance to adopt CR is currently offered by stakeholders, which are defined as 'any group or individual who is affected by or can affect the achievement of an organization's objectives' (Freeman, 1984, p. 46).

The reason why SA has gained popularity in the field of CR is that it offers an easy solution for business managers and leaders. Managers do not need to consider the consequences of their decisions, so long as stakeholders do not resist them. With the guidance of NGOs, customers, the media, vendors and governments, internal stakeholders keep their efforts to develop CR at a bare minimum. The CR guardians who do the work of supervision have found that the vast majority of corporations consider taking steps forward in CR not only difficult but even highly dangerous. 'Having first infatuated their domestic animals, and carefully prevented the docile creatures from daring to take a single step without the leading-strings to which they are tied, they next show them the danger which threatens them if they try to walk unaided' (Kant, 1784/2009, p. 2). Hence, a great problem with being dependent on external stakeholders' expectations and supervision is that they are not always there to aid and guide firms to act responsibly. And over time, it becomes more difficult for firms to work their way out of immaturity, as it has become second nature for them.

Further in line with Kant's argumentation: if the guardians of firms in environmental and sociocultural matters are themselves immature, this is an absurdity that amounts to making absurdities permanent. SA to responsible identity expects and requires ethical promptness and awareness from the external stakeholders. This links the discussion back to the complexity of stakeholder expectations. The guidance of stakeholders is rarely unanimous when it comes to CR and due to the plethora of stakeholders. Which stakeholder body (and in which context) is enlightened and eligible to guide corporate responsibility actions? Which ones are actually listened to? Which ones actually guide the actions?

DOI: 10.1002/bse

Awareness Approach to Responsible Identity

Insourcing Ethics

If the implementation of SA leads to the outsourcing of ethical considerations to external stakeholders who might not exist or might be too busy, uninterested, too complex to manage, immature themselves, not powerful/legitimate enough and/or unwilling to cooperate, then how can firms adopt a responsible identity that leads to a desired image and reputation?

The awareness approach (hereinafter AA) has been introduced as an alternative to SA to adopt a responsible identity. The word awareness is used to indicate that the responsible identity is approached from the internal development perspective. Hence, the approaches can be considered to be opposites. In AA, firms and management do not pass the baton to external stakeholders, but engage themselves in ethical consideration and responsible decision making. The fundamental and existential questions of responsible identity, such as what the firm is and what would be the right thing to do, are discussed in the boardroom. An assumption is that when the firm becomes aware of its actions and their consequences to people and the planet, it will not do harm.

Another assumption behind AA (an economic rationale) is that firms consider a responsible reputation as a source of competitive advantage – not as the purpose of its existence but as a possible and welcomed outcome of CR. The sources of long-term competitive advantage (Quinn and Hilmer, 1994) are core competencies, which must never be outsourced (Ellram and Billington, 2001). Therefore, firms that shift from SA to AA bring the outsourced ethics back in-house. Adopting a reflective identity perspective in the management of the company's reputation leads to increased corporate self-awareness, to an improved capability for reflecting on corporate identity and to more realistic methods for measuring, evaluating and reporting on the firm's impact on its stakeholders as a whole (Pruzan, 2001). As a result, a consistent corporate identity and corporate reputation are likely to result in consistent values, actions and discourses (Ketola, 2008). From the economic rationale point of view, this is desired because a mismatch in values, actions and discourses is likely to negatively affect corporate success (greenwashing is an extreme example). However, when the corporate identity and corporate reputation are consistent, the likely result is consistent values, actions and discourses, integrating the disciplines and activities essential to a corporate success.

Context: Considering the Differences

MNCs operate in several business contexts in which stakeholder expectations for CR differ. Managing an identity in line with SA hence leads to several identities, each identity corresponding to the expectations in a specific context. If the expectations are insignificant, the identity is less responsible, or even irresponsible, than in a case in which expectations are significant. 'The presence of multiple, shifting and competing identities' (Alvesson *et al.*, 2008) is descriptive of corporate identities in the 21st century (Sillince and Brown, 2009).

AA does not, and cannot, deny 'the dynamic character of the social world, joining those who treat identity as a temporary, context sensitive and evolving set of constructions, rather than a fixed and abiding essence' (Ashforth, 1998; Gioia *et al.*, 2000, in Alvesson *et al.*, 2008, p. 6). However, such a plurality is found to be a source of stress and contradiction in both self-representation and social action (Castells, 1997). This does not mean that an understanding of the local contexts is non-vital, but a distinction between CR doing (actions) and CR being (identity) is needed when debating whether multiple organizational identities are required in locations characterized by stakeholder demands (Huemer, 2010), or the lack thereof. Derived from psychology and sociology, identity is the more enduring and less contextual concept, whereas *roles* fluctuate more in time and place. Furthermore, 'identities are stronger sources of meaning than roles, because of the process of self-construction and individuation that they involve. In simple terms, identities organize the meaning while roles organize the functions' (Castells, 1997, p. 7). Hence, corporate identity can be seen as more global, whereas roles are more local.

Furthermore, a responsible identity can be consistent, standardized and universal, even though the corporate roles take the contextual needs and challenges into consideration through values, discourses and actions. In AA, a firm does not organize the meaning of responsibility according to the context it operates in, but instead organizes the functions according to the context. It would be absurd to act responsibly in one context and less responsibly, or irresponsibly, in another. Especially for MNCs in global markets, the conflicting and changing interests of

DOI: 10.1002/bse

stakeholders (cf. Handelman, 2006) could make a firm more vulnerable to errors, such as a mismatch in actions and discourses (Ketola, 2008), resulting in an undesired reputation. Instead, the firm can become responsible in every context with careful ethical consideration and courage. Firms that lack the ethical capabilities can achieve them through training and recruitment.

Ethical Principles: Duty, Rights, Justice and Virtue

AA is based on duty ethics and may develop into rights, justice or virtue ethics. Duty ethics was Kant's (1785/1999) counterattack against utilitarianism. His Categorical Imperative advocates a responsible basis for actions: act only according to the maxim that you wish to become a universal law (Kant, 1785/1999). Duty ethics belongs to deontological ethical theories in which actions are judged on the basis of their motives. Kant's duty ethics and its successors, Gewirth's (1978) theory of rights and Rawls' (1971) justice as fairness, emphasize that ethics is absolute, thus denying the validity of ethical relativism, which SA implies.

Virtue ethics is based on the thoughts of Plato and particularly Aristotle (384–322 BC). Aristotelian virtue ethics takes both the intention and nature of the actors into account. While egoism and utilitarianism have a teleological focus on consequences, and duty, rights and justice ethics have a deontological focus on obligations, virtue ethics focuses on human (or organizational) character. In *Nicomachean Ethics*, Aristotle (348 BC/1985) describes a virtue as an attitude that makes people good and helps them do their work well. For Aristotle, a virtue is a middle road between two evils (Ketola, 2008). Virtues such as justness, generosity, kindness, moderation, loyalty and reliability are the values behind the corporate identity of companies practicing AA.

Complexity: Management Decreases

Even though environmental trends are pressuring companies to give greater attention to corporate identity, this does not necessarily mean that companies are required to 'manage' their identities. According to SA, firms should change when changes occur in external stakeholders' desires (Morsing and Schultz, 2006). In AA, firms do communicate with their stakeholders; however, they do not base their responsible identity on the external stakeholders' current expectations or lack of them. The complexity and plethora of interests of external stakeholders make them confrontational and unrealistic.

In AA, corporate identity is found in the transcendent self, free of empirical content (Gustavsson, 2003). In a situation where a corporate identity is endogenous, and where the reputation and image are derived from identity, the need for corporate identity management decreases. When the corporate reputation and image reflect the endogenous corporate identity, a firm is liberated from having to plan a new image, implement it effectively, control the communications, respond to expectations and analyse the outcomes. This is particularly vital in adopting a *responsible* identity, because responsible identities are considered to be even more complex to manage than other identities, as they require more socially, dialogically embedded kinds of practice and greater levels of critical reflexivity (Balmer *et al.*, 2007).

Theoretical Foundations: Accepting the Personification of Corporations

AA has roots in deontological ethics, as it relies on the assumption and embedded notion of corporate personhood (cf. Gibson, 2010), which does not separate the firm from its actions (Gustavsson 2005). This personification is a red flag for many stakeholder theorists. That said, personification is used conveniently in conventional business discourse to develop marketing and management functions, e.g. corporate values and corporate citizenship.

Corporate identity and individual identity are clearly delineated. Corporate identity is the collective identity of the firm, as it is formed by the cognitions, emotions and aesthetic appreciations of its members (Hatch and Schultz, 2004), i.e. the internal stakeholders (managers, employees and owners). 'The ethical dilemma on the societal level of analysis is in short as follows: while the effort to construct and change individuals' identities is motivated by institutional self-interests (for example, profit maximization), the individual's identity construction is towards fulfilment of human aspirations' (Gustavsson, 2005, p. 24). When societal and corporate egoism or utilitarianism coincide, individuals bear the harm instead of companies shouldering their duties, looking after human rights, following

DOI: 10.1002/bse

principles of justice and practising virtues (Ketola, 2011). Goodpaster (2007) pointed out that the decision-makers, business leaders, can bridge the gap between individual and organizational conscience. Leaders can grow the seeds of an aware mindset, and together with the employees cultivate it into an organizational conscience.

When a firm does not want to take responsibility, it is convenient to disavow the personification of the corporation. Individual and societal growths are ideally guided by human and social values, whereas organizational growth is determined by economic or institutional self-interests (Gustavsson, 2005). However, if a firm desires to adopt a responsible identity, personification is unavoidable. The conscience set by the collective moral consideration of the internal stakeholders does not make a firm amoral. The *moral* of a firm is collective in nature. Firms that have adopted AA to corporate identity have no need to deny the collective personality of the corporation or hide their moral duties and virtues behind their actions. In fact, a firm that has adopted a responsible identity might offer an opportunity for meaning, and thus something for its members to identify with (cf. Gustavsson, 2005). When AA becomes more widespread, the whole economic system can work according to the principles of conscience economics.

Conclusions

Juxtaposition

The purpose of this paper was to (a) review and critically discuss the dominant, prevailing approach in striving for a responsible identity and (b) introduce an alternative approach that can address its inadequacies and shortcomings. The following aspects were analysed in both approaches: 'theoretical foundations', 'complexity', 'ethical principles', 'context' and 'outsourcing/insourcing ethics'. The approaches are juxtaposed in Table 1.

It is inferred from the literature that SA is the dominant approach to responsible identity, and that it is functional in nature. SA's purpose is to organize functions and use identity as a strategic tool for financial gains. In order to do

	Stakeholder approach	Awareness approach
Foundations		
Identity perspective	Functional (organizes functions) and strategic tool	Transcendent (organizes meaning) and its own final product
	Mechanical	Non-mechanical
	Highly complex	Less complex
	Exogenous and reciprocal	Endogenous
	Context sensitive	Context free
Management perspective	Stakeholder theory and shareholder theory	N/A
Corporate responsibility perspective	Instrumental, integrative, economic and corporate citizenship theories	Ethical, political and intrinsic theories
	Firm is amoral (impersonification)	Firm is moral or immoral (personification)
Ethical perspective	Utilitarian ethics	Duty, justice and/or virtue ethics
Economic perspective	Neoclassical economics, self-regulative response to institutional economics	Conscience economics
Proposed outcomes		
Ethical consideration	Ethics outsourced to stakeholders	Ethics insourced, performed in-house
Corporate identity	Responsible and irresponsible identities	A responsible identity
Corporate responsibility	Minimal responsibility	Maximal responsibility
Corporate image	Pragmatic image	Reflected image
Corporate reputation	Vulnerable reputation	Strong reputation

Table 1. Juxtaposing stakeholder and awareness approaches to responsible identity

DOI: 10.1002/bse

so, mechanical, highly complex, exogenous and reciprocal identity management is needed because identity is context sensitive. With these characteristics, SA is in line with the stakeholder theory and shareholder theory.

The challenger approach to responsible identity, AA, is transcendent in nature. There is no functional purpose for identity; instead, it is its own final product that organizes meaning in the corporation. In AA, identity is endogenous and does not have to change according to the context. Therefore, complex and mechanical stakeholder management is not required.

Both approaches can be linked to CR perspectives. Since SA treats identity as a tool, instrumental, integrative, economic and corporate citizenship theories are the corresponding perspectives from the CR literature. The ethical foundations can be rooted in utilitarian ethics, the economic foundations in neoclassical economics and self-regulative response in institutional economics. SA considers a firm to be an amoral entity. AA, on the other hand, is characterized by ethical and intrinsic theories that consider firms as moral or immoral. The ethical roots of AA can be traced to duty, rights, justice and/or virtue ethics. A close economic perspective is the conscience economics literature.

The Case for the Awareness Approach

A new paradigm in CR, in which market share, profits and growth are not of primary interest, is claimed to be arising (Reis *et al.*, 2004). The primary interest of AA is what is morally or ethically right or wrong. Responsibility is its own final product and is not abused for economic or any other institutional gain.

SA is a popular theory among academics and business pundits. This paper, however, has critically analysed the ethics and economic rationale of SA. Its neoclassical foundations and arguments can be referred to as the Neanderthal men in the evolution of business, as they address the truly lowest responsibilities of a firm (Gustavsson, 2005). The ethical deficiency is explicit: firms are encouraged to adopt a responsible identity if, and only if, this would benefit them in the long term and in a specific context. Moreover, a deficiency in economical rationale can be found: firms are encouraged to build their identity and reputation on something the firm is not. This is unlikely to work out in the long term.

Hence, concerning the question of *how firms can adopt a responsible identity that leads to a desired image and reputation*, this study suggests that the answer is to adopt AA. Instead of trying to manage the complexity of contextual identities as the result of outsourced ethics, firms can reduce this complexity by accepting the personification of the firm as the result of insourced ethics. It is proposed that insourced ethics lead to a responsible identity that reflects a responsible image and over time forges a strong reputation. This is the opposite of outsourced ethics in SA, which leads to multiple responsible and irresponsible identities, and arguably to a pragmatic image and vulnerable reputation due to contextual inconsistencies. These dynamics are depicted in Figure 1.

Limitations and Further Research Opportunities

The limitation of AA is that it is still a prescriptive construct based on theoretical analysis. Empirical illustrations to describe the phenomenon are difficult, yet possible, to find. Social and environmental enterprises (see, e.g., Rodgers, 2010; Holt, 2011) may be good candidates for AA, but only if they are self-financing. Small, entrepreneurial

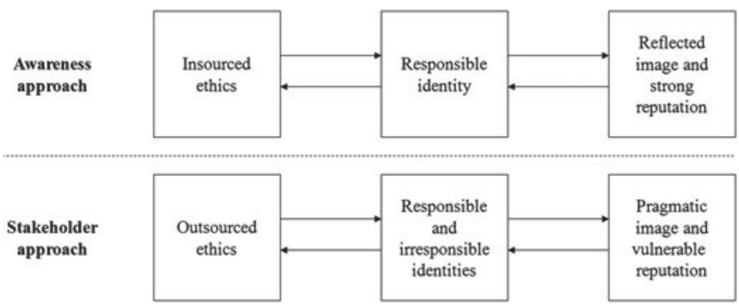

Figure 1. Awareness and stakeholder approaches

DOI: 10.1002/bse

companies are easier to find to illustrate AA than large corporations or MNCs. Famous ethical yet profitable corporations, such as The Body Shop, Ben & Jerry's and Stonyfield Farm, have been snatched up by L'Oreal, Unilever and Danone, respectively, which through mergers insource ethics into separate subsidiaries but outsource ethics from their major lines of business. In further studies, empirical cases of companies that have adopted AA will be presented and critically analysed and compared.

AA has a high relevance for business strategy, as a responsible identity is a source of a responsible image and reputation. A responsible firm also contributes to the well-being of societies and the natural environment.

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DOI: 10.1002/bse

Article III

Heikkurinen, Pasi and Forsman-Hugg, Sari (2011). Strategic corporate responsibility in the food chain. *Corporate Social Responsibility and Environmental Management* 18(5): 306-316. DOI: 10.1002/csr.257.

III

Corporate Social Responsibility and Environmental Management
Corp. Soc. Responsib. Environ. Mgmt. **18**, 306–316 (2011)
Published online 20 February 2011 in Wiley Online Library
(wileyonlinelibrary.com) **DOI**: 10.1002/csr.257

Strategic Corporate Responsibility in the Food Chain

Pasi Heikkurinen[1,2]* and Sari Forsman-Hugg[1]
[1]*MTT Agrifood Research Finland*
[2]*University of Vaasa, Finland*

ABSTRACT
This paper explores how food chain responsibility can be connected to strategy. The aim is to identify how strategic corporate responsibility (CR) intentions are in the Finnish food chain and analyse how competitiveness could be enhanced and sustained with strategic CR. The theoretical framework is built on a contextual definition from a resource-based view. A multiple case study method was deployed and the data were collected through 20 semi-structured interviews. It was found that the case companies aim at increasing their chain's competitiveness with CR. The food chain responsibility can be connected to strategy with varying depth and breadth. This results in four types of strategic CR combinations, namely: beyond-responsive & holistic; beyond-responsive & arrowhead; responsive & holistic; and responsive & arrowhead. The strategic CR combination that is rare, inimitable, and for which competitors cannot find substitutes, can yield a sustained competitive advantage and above-normal economic performance. Copyright © 2011 John Wiley & Sons, Ltd and ERP Environment.

Received 11 October 2010; revised 13 December 2010; accepted 16 December 2010

Keywords: strategic corporate responsibility; corporate responsibility; strategy; food chain; resource-based view; case study

Introduction

THE TWENTY-FIRST CENTURY HAS USHERED IN NEW THREATS AND OPPORTUNITIES FOR FIRMS WORLDWIDE. ONE OF THEM is corporate responsibility (CR). In the global context, Nordic firms are seen to have an advantageous position because they are recognized as trustworthy and favourable partners due to their CR (Strand, 2006). Drivers for CR that exceed the level of compliance are diverse and contextual (Ditlev-Simonsen and Midttun, 2010). The factors driving Finnish firms in CR are globalization, stakeholders, pursuit of sustainable development, customer demand (Panapanaan *et al.*, 2003) and personal interest of the owners (Mäntylä *et al.*, 2001).

Firms are tied to the chains and networks of different types of actors and 'dynamically evolving trade relationships' (Fritz and Schiefer, 2009) that highlight the importance of effective supply chain management (SCM). A supply chain is only as responsible as its least responsible member, and thus CR threats and opportunities are shifting increasingly from the single-firm level to supply chains and further to networks, as well as competition. Traditional SCM analysis has focused on a single or few outcome(s) such as cost or speed, but today the most competitive value chains need to excel in all areas of cost, quality, speed, flexibility (Ketchen and Hult, 2007) and CR. This paper is *not* based on the assumption that supply chain success and survival could be based merely on CR. However, CR can be much more than a cost, constraint, or charitable deed – it can be a source of

*Correspondence to: Pasi Heikkurinen, MTT Agrifood Research Finland, Latokartanonkaari 9, FI-00790 Helsinki, Finland.
E-mail: pasi.heikkurinen@mtt.fi

opportunity, innovation, and competitive advantage if firms connect CR to their strategy (Porter and Kramer, 2006; Schaltegger and Wagner, 2006; Vilanova *et al.*, 2009; Ramachandran, 2010) and SCM (Maloni and Brown, 2006). The purpose of this paper is to explore how food supply chain (hereinafter food chain) responsibility can be connected to strategy. At first, the aim is to identify how strategic the CR intents are in the Finnish food chain, and secondly, analyze how competitiveness could be enhanced and sustained with strategic CR.

Theoretical Framework

The theoretical framework is built on a contextual definition of strategic CR from a resource-based view.

Contextual Stance on Corporate Responsibility

Goodpaster coined the term CR in 1983. However, the concept remains difficult and complex. Despite several attempts to define CR, there is still confusion as to how it should be defined (Kilpatrick, 1985; Cramer *et al.*, 2004; Dahlsrud, 2006). The closest to unanimity is the very generic definition of CR through the Triple Bottom Line (TBL) that takes people, the planet, and profit into account (Elkington, 1997). The concept of CR is seen to be part of the entity of corporate sustainability, consisting of economic responsibility, environmental responsibility, and social responsibility (Van Marrewijk, 2003) or sociocultural responsibility (Ketola, 2008a). As the concept of CR is relative (Ketola, 2009) and contextual (Dahlsrud, 2006; Halme *et al.*, 2009), these generic or universal models fail to consider industry-specific CR issues (Maloni and Brown, 2006; Fritz and Matopoulos, 2008). In order to move beyond what Norman and MacDonald (2004) referred as a 'good old-fashioned single bottom line plus vague commitments to social and environmental concerns', the 'one solution fits all' definition should be abandoned (Van Marrewijk, 2003).

Maloni and Brown (2006) provided a framework for CR in the food industry, which was later developed by Forsman-Hugg *et al.* (2009) to cover the contextual concerns of the Finnish food chains. Based on an iterative research process, interactive and participatory stakeholder dialogue and interaction with experts, seven food chain CR dimensions were identified: environment, product safety, nutrition, occupational welfare, animal welfare, local market presence, and economic responsibility (Forsman-Hugg *et al.*, 2009). The contextual stance on CR is depicted in Figure 1.

Levels of Strategic Corporate Responsibility

The concept of strategic CR builds on these efforts by demonstrating several fundamental ways in which CR activities can be tightly linked to the strategy of the firm (Burke and Logsdon, 1999). In 1979, Archie B. Carroll distinguished the ethical responsibilities, legal responsibilities, economic responsibilities, and discretionary responsibilities of a firm. He also included four different levels of social responsiveness – namely, reaction, defence, accommodation, and proaction – in his three-dimensional conceptual model. This responsiveness has been discussed rather extensively in the literature (Clarkson, 1995; Aragón-Correa, 1998; Sharma and Vredenburg, 1998; Sharma, 2000; Buysse and Verbeke, 2002; Lee, 2007; Clemens *et al.*, 2008; Darnall *et al.*, 2010; Sangle, 2010), although to a lesser extent in the agrifood business context (Piacentini *et al.*, 2000; Nicholls, 2002; Belz and Schmidt-Riediger, 2010). Responsiveness seems to be the prevailing paradigm in the strategic CR body of knowledge, even though Lockett *et al.* (2006) stated that CR in general is a field without a paradigm.

Consumers are one of the main drivers for strategic CR (Belz and Schmidt-Riediger, 2010). But even though, the word 'responsibility' derives from the same root as 'responsiveness', strategic CR actions can go beyond responding to (reactive) and anticipating (proactive) changes in external stakeholder expectations. Gago and Antolín (2004) identified studies that have examined this beyond-responsiveness in environmental strategies. It has been referred to as hyperactive (Ford, 1992), leading edge (Roome, 1992), innovative (Schot, 1992; Newman, 1993), innovator (Steger, 1993) and strategic (Vastag *et al.*, 1996). In a study by Buysse and Verbeke (2002) beyond-responsiveness was referred to as a 'higher level of proactiveness'.

DOI: 10.1002/csr

If beyond-responsive, responsive, and unresponsive CR actions are brought together, they correspond closely with Ansoff and McDonnell (1990) classification of strategic aggressiveness. Ketola (1992, 2005) has applied their work in the CR thematic. In a case study conducted in the Nordic countries, similar levels of CR aggressiveness were detected – namely, passive, reactive and proactive, entrepreneurial and creative – and competitive aims were proposed for each level (Heikkurinen, 2010). The framework for strategic CR actions is depicted in Figure 2.

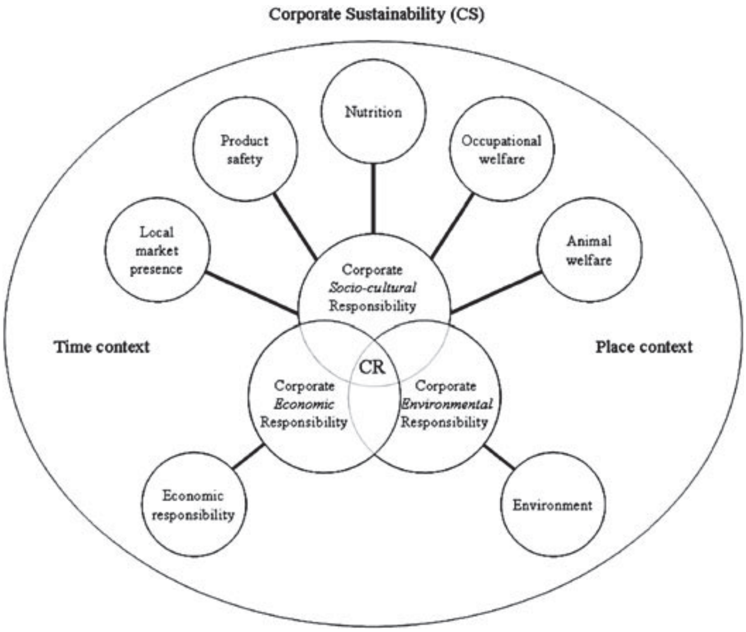

Figure 1. Contextual stance on corporate responsibility 205 × 173 mm (96 × 96 DPI)

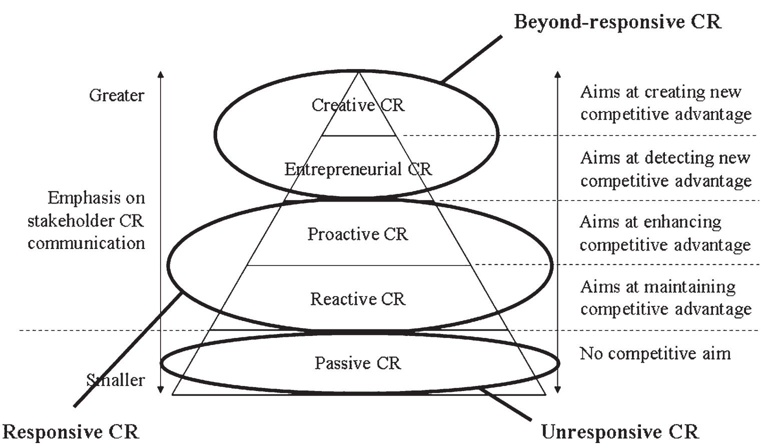

Figure 2. Unresponsive, responsive and beyond-responsive strategic CR actions (developed from Heikkurinen 2010). 225 × 128 mm (96 × 96 DPI)

If a firm or chain has no interest in CR over compliance, it can be considered to have *passive CR*. The objectives of a passive chain are merely economic; it lacks environmental and sociocultural objectives. Such companies do not consider CR important or strategic.

If a chain is responsive to external pressures it can be considered to have *reactive* or *proactive CR*. A reactive chain reacts to direct customer demand in order to take responsibility. At the reactive level, the signs of demand for CR are obvious and outward, for example, unanimous results from customer questionnaires, supplier-vendors' contract terms, industry standards, pressure from non-governmental organizations (NGOs), or negative media coverage. However, if a chain anticipates these external signals, foresees the problems that may occur, and acts based on them, it can be considered *proactive*. Proactive firms can establish first mover/adopter advantages by responding early to the stakeholders' concerns (Piacentini *et al.*, 2000). Proactive chains aim at enhancing their competitive advantage with CR, and not merely maintaining their advantage *via-à-vis* competitors in the manner of reactive chains. Proactive action refers to a more active approach to CR and a greater emphasis on stakeholder dialogue, as it enables firms to time and decide their integration of responsibility according to demand. Both reactive and proactive levels can be classified as *responsive strategic CR*.

If a chain seeks new business opportunities from CR, it can be considered to have *entrepreneurial CR*. The driver for entrepreneurial CR comes from internal stakeholders (e.g. entrepreneur/owners/employees/managers) despite the lack of demand for CR by external stakeholders (e.g. customers/suppliers/governmental bodies/NGOs/media). The role of inside-out CR communication becomes far more important but by contrast outside-in communication is not used to determine the timing and amount of CR integration. However, outside-in communication is used to meet other business expectations (e.g. orders/customer service/logistics). The strategic aim of entrepreneurial CR is to detect potential new competitive advantages.

If a chain's CR is novel, the chain can be considered to have *creative CR*. As firms reconstruct the business environment and aim at creating new competitive advantage and new markets for CR, inside-out CR communication is vital. Yet stakeholder dialogue can become valuable through open innovation methods. Both entrepreneurial and creative levels are classified as *beyond-responsive strategic CR*.

The presented levels of strategic CR actions are dynamic and contextual in nature due to the dynamic and contextual nature of CR and competition. The levels can be seen as a continuum (Gago and Antolín, 2004) in which a gradual, step-by-step development (passive-reactive-proactive-entrepreneurial-creative) is not necessary. Therefore, a once-passive chain can also set high competitive objectives for CR. These chains that excel in environmental, sociocultural and economic responsibility (relative to competition) can be referred to as responsible value chains. In addressing the competitive context, Porter and Kramer (2006) argued that firms cannot tackle every CR dimension and issue; instead they ought to carefully choose the one or few CR issues that will have the greatest shared value and then apply them throughout the value chain. In their study, however, the emphasis was on strategic philanthropy, whereas this study looks at integrated and innovative approaches to CR (Halme and Laurila, 2009), i.e. how the money is earned, not how it is spent.

Corporate Responsibility as a Resource and Source of Sustained Competitive Advantage

This paper adopts a resource-based view (RBV) to strategic CR. In RBV, firms and value chains are seen as a broad set of resources (Wernerfelt, 1984) that enable them to create different types of strategies (Javidan, 1998). The emphasis is on the internal capabilities of the firm as the foundation for its strategy (Hoskisson *et al.*, 1999). Firms and chains are said to have a *sustained competitive advantage* when they are 'implementing a value creating strategy not simultaneously being implemented by any current or potential competitors *and* when these other firms are unable to duplicate the benefits of this strategy' (Barney, 1991, p. 102). 'Authors in this perspective argue that advantage in the marketplace can only be sustained when it relies on resource bundles that are rare, inimitable, and for which competitors cannot find substitutes. Ultimately [. . .] these objective attributes come down to what is unique about an organization as a cultural system' (Mintzberg *et al.*, 1998, p. 265). Smith (2007) also doubts that any tangible asset could ever meet this strict definition but argues that CR could provide sustainable competitive advantage exactly because 'it requires a culture that can successfully execute a combination of activities' (Smith, 2007, p. 187). But in order to enhance the usefulness of RBV, the space of resources must be mapped in more detail (Wernerfelt, 1995); therefore, each CR dimension will be dissected as a separate strategic resource in the empirical analysis.

DOI: 10.1002/csr

In mature markets – such as the Finnish food sector, where competition is harsh and the national growth potential is relatively low (Forsman, 2004) – sustained competitive advantage based on CR is difficult to achieve with a single resource. Strategic CR viewed as a bundle of resources, however, may provide sources for sustained competitive advantage as it allows chains to refine their current products, increase the quality of their products offerings and services, and focus on reducing manufacturing costs and increasing quality through process innovations.

Research Method

A multiple case study strategy (Yin, 1981) with a theory-building orientation (Eisenhardt, 1989) was deployed. Detailed case-by-case analyses are needed in CR research (Goodpaster, 1983) as the social phenomenon is both complex and contextual, and the field of research is rather young (Yin, 1994). However, 'case studies should not be seen as a methodology appropriate only for understanding and the preliminary stages of theory development. Their observational richness also provides means of refutation of, or extensions to, existing concepts' (Stuart *et al.*, 2002, p. 431). In addition, as Rouse and Daellenbach (1999) suggested for RBV methods, this study aspired to move from research on organizations to research within (and between) organizations.

Chosen Cases, Data Collection, and Analysis

The number of cases is often a question of resources but also a research technical question. One or few cases may offer richer and more in-depth analysis than a multiple case study selection. Dubois and Araujo (2007, p. 177) stated that '. . .some care is required to move from single to multiple case study designs without falling into the trap of equating multiple cases with quasi-statistical research designs'. With this in mind, four leading Finnish food chains were selected as cases. The criteria for the sampling were both practical and purposeful. Cases were selected based on good access to good information; appropriateness of the information, as the chain members are focal in terms of power; and comparability, as they all operate in the business-to-consumer interface. The focal firms requested a concealment of their identities, market shares, and ownerships.

The data were collected with semi-structured personal interviews. The structure of the interviews consisted of seven themes in accordance with the contextual definition of CR depicted in Table 1. In order to enable new CR dimensions and issues to be brought to light, the interviews were not unconditionally fixed to the predefined themes. Altogether, 20 managers were interviewed from the four focal chain companies.

The following informants were selected to cover the main activities in the firms: director or a member of the board; chief executive officer; marketing manager; supply chain manager; and RDI manager. The interviewees

CR dimensions	Unresponsive CR	Responsive CR		Beyond-responsive CR	
	Passive	Reactive	Proactive	Entrepreneurial	Creative
Nutrition			* * *	*	
Environment		* * *		*	
Occupational health	*	*	* *		
Product safety	* * *		*		
Animal welfare	* * *	*			
Local market presence	* *	*	*		
Economic responsibility	* * *			*	

Table 1. Strategic corporate responsibility intentions of the case firms (one star represents one firm's level of intention for each CR dimension)

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discussed their plans to integrate strategic CR and in particular which CR dimensions to apply throughout the extended value chain.

The length of these interviews varied from 55 to 105 minutes. The interviews were audio-recorded and full transcripts were written and validated. The outputs were analyzed qualitatively with content analysis. The data were reduced to a single unit level of analysis so that each respondent's opinion on the levels of strategic CR corresponded with the levels presented in the theoretical framework. A synthesis was conducted by taking into consideration all of the respondents' opinions; if opinions were evenly split, the opinion of the CEOs prevailed. This decision was made due to trust in the operational and strategic awareness of the CEOs. The interview data were supported with observations and discussions at company meetings. Secondary data were collected from newspapers and company documents such as fact sheets, annual reports, and advertisements. These data were also used in conducting the synthesis of the results. Multiple researchers involved in the project evaluated the results.

Evaluation and Limitations of the Study

There is no generally accepted set of guidelines to evaluate theory-building research using case studies (Eisenhardt, 1989) or qualitative research in general. However, some classical criteria can be discussed.

To ensure reliability the investigators followed a careful analytical procedure that supported the existing theory but yielded new insights and developed into an alternative way of understanding the phenomenon. To increase validity – in accordance with Denzin's (1978) concept of triangulation – multiple data sources were used (data triangulation), multiple researchers were involved (investigator triangulation), more than one theoretical scheme was dissected (theory triangulation), and more than one method to gather data was involved (method triangulation). Also, a member/informant check was conducted.

If 'generalisations are assertions of enduring value that are *context-free*' (Lincoln and Guba, 2000, p. 27) the results and conclusions of this study cannot be generalized. The phenomenon of CR and competitive advantage are both highly contextual. However, the collected data from the focal firms are assumed to be representative in the supply chain as the firms are central and powerful chain members that can exert influence on the strategic CR direction of their supply chains.

As further limitations, due to a deficiency of transparent and comparable criteria, and measures for CR actions this study is based on communicated CR intents as opposed to corporate management in action. The empirical findings will hence discuss the competitive objectives for CR.

Empirical Findings

Depending on the competitive objectives for CR, each firm was found to have a particular level of strategic CR that it aims to apply throughout the extended value chain. The identified levels, however, do not correspond with the extent of CR integration.

Competitive Objectives for Corporate Responsibility Dimensions

The strategic CR of the four case chains was identified and evaluated according to the five levels presented in the theoretical framework.

Nutrition

It was found that the case companies have set the highest competitive aims for nutritional CR. One of the case firms was found to aim at beyond-responsive, to be entrepreneurial in CR (Table 1). 'We have created new demand and markets for [some of] our nutritious products,' the interviewee explained. Instead of anticipating changes in customer behaviour and focusing on timing, this entrepreneurial firm aims at differentiating and affecting the customer behaviour towards more nutritious diets. The means still remain rather unclear but the case firm believes

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that it may be related to communicating nutritional facts and information to consumers and developing new, more nutritious products. Strategic CR intentions in the other three firms were found to be proactive. These firms engage in active dialogue with their stakeholders in order to foresee upcoming changes in demand. 'We have a dialogue with NGOs so that we can prepare for new, rising responsibility issues and themes', a respondent stated. These case companies want to differentiate with a nutritionally responsible image and hence enhance their competitive advantage.

Environment

In environmental responsibility, one of the case firms aims at going beyond-responsive in its CR, as its strategic CR was detected to on the entrepreneurial level (Table 1). A person from the firm claimed that: '. . .It's in our mission that we aim at being the forerunner vis-à-vis our competitors – and that requires innovations.' The other three firms' strategic CR was found to be reactive, as they merely aim to respond to rising demand. 'Our mission is to sell products that our customers demand – we do not want to make any decisions for them', one respondent stated. Another interviewee explained: '. . .the change comes from the customer – we change our behaviour when the customers change their consumer behaviour – otherwise it is not customer-oriented.' The competitive objectives related to environmental responsibility were mostly derived from efficiency instead of image-value creation. 'The more efficient we are in the fundamentals (waste and energy consumption), the better we cope in the customer interface', a firm representative explained.

Occupational Welfare

Two of the case firms were found to have proactive aims for occupational welfare concerns. A special, context-specific competitive characteristic was related to occupational welfare. 'Because the availability of labour will become scarcer in the future [due to the ageing of the population], occupational welfare is very important', one interviewee stated. This refers to anticipating changes in the business environment and taking further steps in order to maintain and enhance competitive advantage. One of the firms had no competitive aims for occupational welfare because it was perceived to be a 'hygiene factor': '. . .this must be in shape, but one cannot expect to gain anything special from this dimension', the firm's manager explained.

Product Safety

The representatives explained that product safety is important but it is also perceived as a 'hygiene factor' rather than a factor affecting competitiveness positively. The reason for low competitive objectives for product safety was found to be the high compliance level of product safety in Finland – 'Fresh food is difficult to make any fresher', a respondent said. One of the case firms aimed at proactive CR. 'We have to aim at ensuring that our products are safer than those of our competitors', an interviewee stated. Vertical integration in SCM is a strategic option for increasing awareness of the concerns in the upstream.

Animal Welfare

None of the case firms aimed at exceeding the level of reactive in animal welfare. The firm that aimed at reactive CR has been under hefty customer and NGO pressure. The reactive firm's rationale behind increased animal welfare is the following: 'If animal welfare is not taken care of, productivity suffers. . .' and if customers want transparency, '. . .we must have criteria for good production manners'. The other firms' aims were considered passive, as they had not even thought about having competitive objectives for animal welfare. Respondents explained this by stating that: 'There will be scandals every now and then, and it is difficult for us to prevent them'; '. . .we have no competitive aims in the sense that we would aim at considering the well-being of animals better than our competitors do'; and that the '. . .animal welfare must be based on laws and regulations'.

Local Market Presence

One firm was found to aim at enhancing its competitive advantage through its local market presence. Supporting local communities and culture was considered strategically important and therefore this firm's intention is to take a proactive stance. The other three firms did not consider local market presence highly strategic. A reactive firm's respondent said: 'We offer local products if customers wish so', whereas a passive firm stated: '. . .we have no competitive aims related to local market presence.'

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Economic Responsibility

It was found that three of the firms considered economic responsibility to be the foundation of CR action. Since CR was found to be motivated by business reasons, firms may fail to address larger questions such as their impact on the ways in which they do business, including how they influence consumption patterns (Málovics *et al.*, 2008). These firms perceived economic responsibility in SCM as a synonym for making a profit. They also considered that economic responsibility is the prerequisite for business – i.e. firms first have to make profit and then they can become responsible. This logic seems predominant and prevailing in many companies, and according to Málovics *et al.* (2008) the present economic system supports it. The fourth case firm was found to have aims to detect new competitive advantage through economic responsibility beyond making a profit, as its business model supported it.

Discussion

The purpose of this paper was to explore how food chain responsibility can be connected to strategy. At first, the aim was to identify how strategic CR intentions are in the Finnish food chain, and secondly, analyze how food chain competitiveness could be enhanced and sustained with strategic CR.

CR is increasingly strategic in the Finnish food chains and an increasingly explicit part of the corporate culture (Matten and Moon, 2008). Out of the seven CR dimensions, all firms perceived nutritional and environmental responsibility to be most strategic in their chains (Table 1). Occupational welfare was also emphasized with the exception of one firm. The other CR dimensions had strategic relevance for individual firms but none of the focal chain firms had more than three dimensions above the reactive level. Two firms had competitive objectives beyond both reactive and proactive levels. However, this beyond-responsive CR was limited to one or two CR dimensions and is therefore referred as arrowhead CR (arrowhead CR ≤ 3 CR dimensions). The other two firms' competitive objectives remained on reactive or proactive levels but were set at least for four CR dimensions and are therefore referred as holistic CR (holistic CR ≥ 4 CR dimensions). Hence, it was found that chain responsibility can be connected to strategic CR with varying depth and breadth (Table 2).

Two of the case firms had carefully selected one to few CR arrowheads (or initiatives) with the greatest shared (economic) value and are applying these throughout their value chains, as suggested by Porter and Kramer (2006). The other two case firms aim at connecting holistic CR to their strategy. None of the firms aimed at connecting food chain responsibility to strategy in a beyond-responsive and holistic CR (or responsive and arrowhead CR) manner (Table 1).

Dissecting *beyond-responsive CR* in the internal value chain (Porter, 1985), *arrowhead CR* may well lead to enhanced competitiveness, as suggested by Porter and Kramer (2006). However, in the external value chain, challenges are confronted. From an ethical point of view, the arrowhead CR can become problematic as all seven CR dimensions are relevant in the Finnish food chain (Forsman-Hugg *et al.*, 2009) to ensure responsible supply. Ideally, each member of the chain would address the relevant CR issues in its internal value chain (e.g. animal health *in farms*, proper slaughter *in production*, fresh meat *in retail*) but often the most powerful chain members set the direction of the chain (Kambewa *et al.*, 2008). From a competitive point of view, as strategic CR is much about aiming at a unique position by doing things differently from competitors (Porter and Kramer, 2006) the CR combination must be unique. For the resources of a chain to become valuable, the chain must either 'exploit opportunities or neutralize threats' in its environment (Barney, 1991, p. 106) in a particular context (Collis and

Breadth / Depth	Arrowhead CR (narrow)	Holistic CR (broad)
Responsive CR (shallow)	Responsive and arrowhead CR	Responsive and holistic CR
Beyond-responsive (deep)	Beyond-responsive and arrowhead CR	Beyond-responsive and holistic CR

Table 2. Depth and breadth of strategic corporate responsibility

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Strategic CR combination	Valuable?	Rare?	Costly to imitate?	Competitive implications (Barney, 2002, p. 173)	Economic performance
Beyond-responsive and holistic CR	Yes / No	Yes / No	Yes / No	Sustained competitive advantage if valuable, rare and costly to imitate;	Above normal
Beyond-responsive and arrowhead CR	Yes / No	Yes / No	Yes / No	Temporary competitive advantage if valuable and rare;	Above normal
Responsive and holistic CR	Yes / No	Yes / No	Yes / No	Competitive parity if only valuable;	Normal
Responsive and arrowhead CR	Yes / No	Yes / No	Yes / No	Competitive disadvantage if not even valuable.	Below normal

Table 3. A theoretical resource-based analysis of strategic CR

Montgomery, 1995). Hence depending on the context, arrowhead CR may not be unique, neutralize the threats, or exploit the opportunities.

In line with Barney (2002) the discussion can be brought together into a framework to understand the return potential associated with the selected strategic CR combination and the chain's resources or capabilities (Table 3).

Conclusion

As a conclusion, it was found that food chain responsibility can be connected to strategic CR with varying depth and breadth. This results in four different types of strategic CR combinations, namely: beyond-responsive and holistic; 2) beyond-responsive and arrowhead; 3) responsive and holistic; and 4) responsive and arrowhead. Applying *ceteris paribus* in terms of cost, quality, speed, and flexibility – the strategic CR combination that is rare, inimitable, and for which competitors cannot find substitutes, can yield a sustained competitive advantage and above-normal economic performance.

Managerial Implications

Firms in supply chains are encouraged to think together their strategic CR, as they hence can create a much larger and more valuable market than they ever could by working individually (Brandenburger and Nalebuff, 1996). 'Inter-firm resources and capabilities emerging from supply-chain-wide collaboration are prone to become sources of sustained inter-firm competitive advantage, since they are socially complex, causally ambiguous and historically grown and hence particularly difficult to imitate by competitors' (Gold *et al.*, 2010, p. 230). By expanding the scope from intra- to inter-firm (or further), managers may also avoid the pitfall of failing to address the constraints imposed by the biophysical environment (Hart, 1995) and sociocultural sustainability, and hence create more value for the environment and society.

Further Studies

Discussing CR intents in terms of competitiveness remains hypothetical till the intents are put into action. A follow-up study is conducted to evaluate how the firms have succeeded to talk their walk in the supply chains, and what have been the competitive implications of their actions.

Acknowledgements

This paper was presented at the Corporate Responsibility Research (CRR) Conference in Marseille, 15-17 September 2010. We would like to thank the constructive remarks and discussions at the conference. Special acknowledgements to Dr. Tarja Ketola, Dr. Michael Walther, Dr. Karl Johan Bonnedahl, Ms. Inkeri Pesonen and the anonymous reviewers of this journal.

DOI: 10.1002/csr

The study is part of a research project entitled "Developing CR into business opportunities". The project is undertaken in cooperation with MTT Agrifood Research Finland, the University of Jyväskylä, the National Consumer Research Centre, the University of Vaasa and four case companies. The project is funded by Tekes, the Finnish Funding Agency for Technology and Innovation and the firms.

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Article IV

Heikkurinen, Pasi and Bonnedahl, Karl Johan (2013). Corporate responsibility for sustainable development: A review and conceptual comparison of market- and stakeholder-oriented strategies. *Journal of Cleaner Production* 43: 191-198. DOI: 10.1016/j.jclepro.2012.12.021.

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Journal of Cleaner Production 43 (2013) 191–198

Contents lists available at SciVerse ScienceDirect

Journal of Cleaner Production

journal homepage: www.elsevier.com/locate/jclepro

Corporate responsibility for sustainable development: a review and conceptual comparison of market- and stakeholder-oriented strategies

Pasi Heikkurinen [a,b,*], Karl Johan Bonnedahl [c]

[a] MTT Agrifood Research Finland (MTT), Latokartanonkaari 9, FI-00790 Helsinki, Finland
[b] Aalto University School of Business, Organization and Management, Finland
[c] Umeå School of Business and Economics, Sweden

ARTICLE INFO

Article history:
Received 5 June 2012
Received in revised form
7 December 2012
Accepted 15 December 2012
Available online 27 December 2012

Keywords:
Sustainability
Sustainable development
Corporate responsibility
Strategy
Market orientation
Stakeholder orientation
Strong sustainability

ABSTRACT

This paper reviews and compares two mainstream business theories, namely market and stakeholder orientations, as contending strategies of corporate responsibility for sustainable development. We argue that even though *stakeholder orientation* offers a broader inclusion of values and expectations than *market orientation*, they share considerable similarities in terms of sustainability assumptions and how the role of the corporation becomes perceived in the quest for sustainable development. Both strategies leave responsibility outside the firm by emphasising the role of either customers or stakeholders as the basis of strategizing. Both strategies are also based on assumptions consistent with weak sustainability (at best), which is argued to be insufficient in order to achieve sustainability over time and space. Therefore, this article suggests that a new orientation is needed if corporations are to contribute to sustainable development, namely *sustainable development orientation*. We call for further research in outlining a business strategy that admits corporations' responsibility for sustainable development and departs from the strong sustainability assumption.

1. Introduction

There is a growing consensus in society that we face major environmental problems. Many would now say that ecosystem degradation, resource scarcity, biodiversity loss and climate change are threatening the modern welfare society and eventually life on Earth (Brown, 2011; Rockström et al., 2009). This environmental crisis is accentuating current poverty and health problems, particularly in the face of an increasing global population with growing demands on prosperity and consumption.

While the environmental problems are clearly anthropogenic (e.g. MA, 2005; IPCC, 2007; UNEP, 2007), the social and human sides of the sustainability challenge cannot either be disentangled from organised human action. Correspondingly, with climate change being an extreme case of market failure (Stern, 2006), we can argue that environmental degradation as well as the distribution of wealth over space and time is a broader political and socio-economic failure.

Regarding the failure of the political sector, illuminated, for instance, in the quest to replace the Kyoto protocol (cf. Harris, 2007), one explanation can be found in the elevation of economic values and interests in today's societies. A superior role is given to markets and market actors in coordinating the use and distribution of resources, particularly in the Western world (Armour, 1997; Lunt et al., 1996). While international competition and national economic interests seem to effectively contribute to hampering responsible political decision making, businesses and consumers, to whom much of the responsibility for sustainable development is allocated, have until now not succeeded to achieve the sustainable use and distribution of natural and man-made capital (Brown, 2011; Rockström et al., 2009; Steffen et al., 2011).

Although economic theory as well as liberal ideology emphasise the role of the individual, and of markets in a functional and neutral sense, it can be argued that the resources of major corporations and the transnationality of business networks give the real power to firms to act as harbingers of "development" and our common future (cf. Anderson and Cavanagh, 2000; Coghlan and MacKenzie, 2011).

* Corresponding author. Tel.: +358 295317195.
E-mail addresses: pasi.heikkurinen@mtt.fi (P. Heikkurinen), karl.bonnedahl@usbe.umu.se (K.J. Bonnedahl).

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http://dx.doi.org/10.1016/j.jclepro.2012.12.021

Certainly, governments still play major roles in societal development, but increasingly in cooperation with the private sector (Christopoulus et al., 2012), and given the importance of the quest for sustainability, we should be concerned about what to expect from firms. Such corporate responsibilities for sustainability extend beyond the need to follow social codes of ethics, as well as being functional in providing economic wealth, to also include an active role in ecological stewardship and sociocultural well-being. By furthering knowledge of the possibilities and limitations for such responsibility of firms, we may improve our abilities to shape the reform of the business sector as well as to find balancing institutions and supporting regimes.

This article builds on the fairly conventional assumption that business theory has descriptive relevance and prescriptive power (Armour, 1997; Ghoshal, 2005). Hence, the main corporate approaches to sustainability are likely to be indicated by existing business theories, containing authoritative claims about the roles and responsibilities of firms. Two major theoretical lenses that compete for such an influence denote a narrow and a broader approach to responsibility. The former, a mainstream approach to a firm's responsibilities, which is expected to also hold a dominant normative role in how sustainability is met, can be represented by market orientation (MO; e.g. Narver and Slater, 1990; Kohli and Jaworski, 1990). MO, narrow in the sense of its focus on conventionally determined economic transactions and actors, has been seen as a foundation of strategic marketing since the middle of the last century (Mitchell et al., 2010). In contrast to MO, a broader approach to responsibility can be labelled stakeholder orientation (SO; e.g. Freeman, 1984; Mitchell et al., 1997), according to which various actors within civil society are presumed to influence corporate strategizing. This more inclusive orientation is an emerging alternative in the business literature, built on the deficiencies of conventional theories in terms of how issues of ethics and sustainability are handled.

The objective of this article is to review and conceptually compare market orientation and stakeholder orientation as contending strategies of corporate responsibility for sustainable development. These two orientations were chosen for analysis because of their dominant position in the field of corporate responsibility and strategy (Heikkurinen, 2012). We focus on analysing their differences and similarities in terms of (a) underlying assumptions that are relevant in the quest for sustainability, and (b) how the role of the corporation becomes perceived in this quest. The key contribution is to comment on the suitability of these business theories as bases for reaching sustainable development, and to outline the preconditions for business strategies so that they contribute to sustainable development.

This paper is organised as follows: firstly, we explain why responsibility of private actors is called for; secondly, we discuss the concept of sustainable development; third and fourth, market and stakeholder orientations are reviewed, whereafter they are compared as contending explanations. A sustainable development orientation is introduced in the discussion section, before the concluding remarks.

2. Call for responsibility

Mankind is facing the challenge of sustaining life on our planet, and a scientific consensus is emerging that this sustainability challenge is caused by human activity. According to the Millennium Ecosystem Assessment, "Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fiber, and fuel" (MA, 2005, 2). Arguably, the consequences of this development are not fully understood. However, we have already had a taste of the undesirable outcomes in the form of climate change and the irreversible loss of biodiversity of flora and fauna (IPCC, 2007; Wake and Vredenburg, 2008).

The root causes of the rapidly growing environmental pressure are the growth in the global population, which has already passed 7 billion, and more importantly, increasing human consumption. This implies growing material and energy flows from states of low to high entropy and pressure on land, water and other resources, which are necessary for economic processes but quantitatively and qualitatively constrained due to the biophysical limits of the planet (Steffen et al., 2011; Rockström et al., 2009).

In order to meet the increasing demand, market mechanisms are, within the dominant liberal paradigm, considered to be the most effective response. With rival competition, inefficient players can be eliminated from the marketplace, while publicly owned organizations are often claimed to be too inefficient and regrettably static in their responses to new demand situations (Vining and Boardman, 1992). This notion, whether it really is the case or not (see e.g. Sarkar et al., 1998), is one of the main underlying reasons for the privatization trend among state-owned suppliers, in industries such as energy, water, food, transportation, education, healthcare and medicine (e.g. Lunt et al., 1996).

Despite the desired ability of market mechanisms to boost efficiency, issues of socioeconomic and environmental justice have remained unresolved (e.g. UNEP, 2007). Further, the replacement of societal and governmental actors with business actors has had implications for the power structures within and between societies (Ketola, 2011). Within societies, large corporations are able to lobby their interests successfully, and in the international context, major multinational companies can even decide to shop around with different countries and continents in order to obtain the best offer (Fuchs and Clapp, 2009).

Proponents of international and domestic regulation have also been disappointed, as national states and supranational communities (such as the EU and UN) have proved ineffective in tackling the problems of sustainable development (Stiglitz, 2010; Leventon and Antypas, 2012). This failure to succeed with, or even to admit responsibility for, sustainable development is found to be associated with concerns regarding the impact of policy on industrial competitiveness (Gouldson and Murphy, 1996). The concern about competitiveness arguably applies to private actors as well, in addition to barriers that can be more contextual in nature, e.g. low environmental and social awareness, poor institutions, and few genuine good examples (Kronenberg and Bergier, 2012). Important antecedents to corporate environmentalism are public concern, regulatory forces, competitive advantage, and top management commitment (Banerjee et al., 2003). If these antecedents are not in place, then economic rationale does not push firms to incorporate sustainability principles into their business models.

Nevertheless, along with deregulation and privatization, and consequently increased corporate power and presence (both scope and scale), has arisen the question of corporate responsibility for sustainable development, also beyond the mere economic rationale.

3. Sustainable development

As the sustainability challenge is predicted to seriously affect sociocultural and economic conditions, globally as well as locally, sustainable development has become an accepted issue on political agendas. What is meant by sustainable development, however, is not clear-cut. Pezzey (1992) reviewed over 60 definitions of sustainability and found that they differed on how significant, essential or substitutable the various natural and man-made resource inputs were considered to the economy's production processes. After Pezzey, the concepts of *weak* (*WS*) and *strong sustainability* (*SS*) emerged to describe the different assumptions related to which development is considered sustainable (Pearce and Atkinson, 1993; Beckerman, 1995; Gutes, 1996; Hediger, 1999; Ayres et al., 1998; Neumayer, 2002).

An assumption within WS is that natural and man-made capital is substitutable, while within SS they are seen as complements. As man-made solutions have not been capable of replacing services provided by our ecosystem, WS has faced criticism, for instance, from ecological economists. Daly (1996, 77), e.g., notes that, "[t]he complementarity of man-made and natural capital is made obvious at a concrete and commonsense level by asking, What good is a saw-mill without a forest, a fishing boat without populations of fish, a refinery without petroleum deposits, an irrigated farm without an aquifer or river?"

On the contrary to WS, SS implies conservation of critical natural capital, i.e. stocks of natural resources. Proponents of SS also emphasise systemic thinking, in which the economy and society are considered as subsystems of the environment (the ecosphere or biosphere). The limits of this biophysical world constrain social and economic systems, and necessitate economic non-growth (Meadows et al., 1972; Daly, 1993, 1996), or, as planetary boundaries are already exceeded, de-growth (Latouche, 2007; Victor, 2008; Jackson, 2009). Development is still possible, but signifies qualitative improvement and not quantitative growth (Daly, 1996).

WS, in turn, asserts the need for sustainable growth (cf. Holliday, 2001; European Commission, 2011), in which economic growth would not contradict sustainable development. As a key example, the Brundtland report, *Our common future*, denied absolute limits and declared that "technology and social organization can be both managed and improved to make way for a new era of economic growth". (WCED, 1987, 24). The report certainly emphasized the needs of the poor, and hence a more fair distribution, but the idea of sustainable growth is also based on a belief in ever increasing quantitative development, which corresponds to (never ending) needs and desires that can be marketed. It also builds on the assumptions of substitutability and of dematerialization enabled by technology and other innovations. Observers within SS, however, are less confident about the imperative to modify the natural environment for common good and the human ability to dematerialize growth. The impacts of the technology revolution on human and societal well-being, as well as its abilities to solve the problems that it has created, have been questioned by philosophers such as Arne Naess and Georg Henrik von Wright. The latter linked techno-optimism to hubris, as through technology, man attempts to gain control over nature for anthropocentric purposes (von Wright, 1978).

Nonetheless, the bulk of the discussion on sustainable development is firmly anthropocentric and, as with the widely referenced Brundtland report (WCED, 1987), can be characterized as WS (see e.g. Hueting, 1990; Hopwood et al., 2005; Ketola, 2010). The report was not only a broad international political compromise. It also established the now conventional compromise between environmental, social and economic aspects (Ketola, 2010), underlining its "weakness" in terms of sustainability assumptions. This enabled its broad adoption but also gave room for critique. Irrespective of this debate, the Brundtland report introduced two fundamental dimensions that have guided the discourse on sustainable development ever since, namely sustainability over space and time.

Often, these dimensions are referred to as intra- and intergenerational justice, respectively, through which socioeconomic and environmental inequalities become addressed. Such reasoning, however, is alien to mainstream economic and business theory, to which the assumed obligations to keep agreements and abide by the law are as close as we get to the concept of justice (cf. Carroll, 1991; Friedman, 1970). Rather, the functionality of the economic system and its actors is emphasised. This addresses the efficient allocation of resources and utility in a way that is neutral to actors and preferences (differentiations are not made, for example, between basic needs and luxury goods). Hence, space in particular is assumed to be treated in a neutral sense. However, market imperfections such as inefficient regulation or anti-competitive structures are considered discriminating, as they would mean that the allocation is distorted and prices and profits misleading.

The time dimension is treated on the same basis, but here the interest rate and the ideas of value creation and substitutability also play important roles. Interest rates do indeed discriminate between points in time, as any positive rate reduces the present value of future costs or benefits (Stern, 2006). This effect is, however, assumed to be counteracted by the generation of value by profitable market activities (today) and that this value, due to the idea that there is no critical natural capital, can accumulate. Consequently, more value-creating economic activities today mean more capital and wealth tomorrow. Avoiding growth today would thus make future generations poorer.

Hence, applied in a business setting, sustainable development according to WS would first and foremost correspond to the sustained functionality of markets, sustained profits of firms, sustained income of consumers, and so on. More broadly, it has also been found that the word 'sustainable' in many of its current applications and interpretations markedly characterizes the satisfaction of human needs without pointing to the necessity for environmental sustainability (Imran et al., 2011), as von Wright has also warned us. Subsequently, it is worthwhile studying the sustainability assumptions behind popular business theories, as well as analysing their possible outcomes concerning how the responsibility of the corporation for sustainable development becomes manifested in strategies.

4. Market orientation

A conventional approach to the corporate role is to consider markets as instruments in organizing responsibility and corporate strategizing. A well-known business theory that conceptualizes and represents this position is *market orientation* (MO). MO implicitly distinguishes between economic responsibilities and other, primarily legal and ethical responsibilities (cf. Carroll, 1991). The theory basically assigns only a mediator role to the firm concerning its responsibilities. In other words, apart from conforming to regulations, the firm should merely meet the values, needs or expectations that are translated to existing or future customer demand, and measured in terms of customer satisfaction (cf. Porter and Kramer, 2011). The ultimate yardstick for success in MO is its capability to deliver economic utility, not sustainable development in time or space.

MO places consumers at the centre of attention and at the core of strategic thinking (Houston, 1986). Kohli and Jaworski (1990, 6), for instance, defined MO as "the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it". Another focal definition is a synthesis of several authors collected by Narver and Slater (1990, 21), which proposes that MO "is the organization culture [...] that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business [...]". Hence, among the underlying assumptions are that relevant values are defined by individual economic actors and can be expressed in terms of preferences on the markets. This, by and large, implies that fair trade, environmental protection and other sustainability issues can appear in product and service offerings as quality features through customer valuation (or, of course, through political measures).

More recent literature has presented two alternative approaches to being market oriented, namely the *market-driven* approach and *market-driving* approach (Kumar, 1997; Kumar et al., 2000; Jaworski et al., 2000; Tuominen et al., 2004). The market-driving approach can be seen as an extension to the (more classical) market-driven approach, as it emerged years later and was developed on the preceding conceptualisation of MO. In a case study, Kumar (1997) found that leading firms – through consolidation, global expansion, technology push and innovative formats – were in fact more market driving than market driven. This 'driving of markets' implied influencing market structure and/or behaviour in a direction that enhanced the competitive position of the business, whereas 'market driven' referred to a business orientation that was based on understanding and reacting to the preferences and behaviours of players within a given market structure (Jaworski et al., 2000). As the consumer responses to sustainability issues such as global warming have proven to be much too slow, a market-driving approach may thus be more promising.

Market-driven strategies are not, however, treated as "only reactive" (Day, 1999, 12), but also as proactive, i.e. anticipatory. Since reactive and anticipatory acts are both determined by the changes in the business environment, the decision-making process becomes an outside-in strategy exercise. Both reactive and proactive firms function within the existing market structures, as their strategies are based on the adaptation to (ongoing or upcoming) changes in the marketplace. For example, an increased, or increasing, customer demand for green products can drive firms to change their production towards sustainable development. Hence, to be market driven is, in fact, an ability to react to and forecast the market demand (e.g. rises in sales volumes), which necessitates sophisticated translations of business functions to economic utility calculations. Concerning the role of the firm in sustainable development, a model by McWilliams and Siegel (2001) suggests that the ideal level of responsibility could also be determined by cost-benefit analyses.

To further define MO, market-driven firms are excellent in generating incremental innovation, but rarely produce the type of radical innovation that is typical for market-driving firms (Kumar et al., 2000). A market-driving firm is more concerned with its resources and capabilities, making strategizing a more or less inside-out process. These firms reconfigure their value chains and use their power to demand changes from powerful manufacturers and drive the product development, pricing, promotion and sales strategies of the manufacturers (Kumar, 1997). For example, an innovation such as an extremely low carbon or water footprint of a product could necessitate the reconfiguration of existing processes and organisations involved in supply. These market-driving firms are able to change the structure of a market by eliminating players in the market, by building a new or modified set of players and by changing the functions performed by players (Jaworski et al., 2000). This may not only be a matter of choice, but dependent on the size and power of a firm and its position in the supply chain. However, when dynamics emerge, a successful firm changes the mind-set of other actors (e.g. customers, competitors and other stakeholders) directly or indirectly (Jaworski et al., 2000). Even though this approach as a strategy entails a higher risk, market-driving firms tend to deliver a leap in customer value through a unique business system, whereby they might revolutionize the industry and reap vast rewards (Kumar et al., 2000). Thus, instead of careful calculations (as is typical for a market-driven approach), the responsibility of the firm is determined by corporate visions and demonstrated through radical innovations introduced in the marketplace.

5. Stakeholder orientation

The alternative line of argumentation on the role of the corporation typically adds a responsibility to consider a broader set of interest groups (not only the customer) in corporate strategizing (Freeman, 1984; Mitchell et al., 1997; Agle et al., 2008). The responsibility in this so-called stakeholder orientation (SO) can be seen as indirect, in the sense that the focal company takes responsibility on an issue through its stakeholders. Furthermore, SO does not make a strict delineation between economic and other responsibilities of the firm, but rather considers them as a confluence of constituent parts (people-planet-profit) through its stakeholders (Freeman et al., 2010).

SO represents an emerging alternative that is built on the defectiveness of conventional business theories in terms of how the issue of ethics and responsibility is tackled. For SO, "[e]thical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll, 1991, 41). The inclusion of social and environmental concerns in business operations is thus a result of stakeholder interaction and engagement.

The notion of 'stakeholder' originates from strategic management literature (Rhenman, 1968), and later developed into the stakeholder orientation, or approach (Freeman, 1984; Freeman et al., 2010). SO posits that in organizing activities, a firm should consider its stakeholders, which are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984, 46). According to Freeman et al. (2007), these can be either primary (customers/communities/employees/financiers/suppliers) or secondary (government/competitors/consumer advocate groups/special interest groups/media). In determining the stake, the focus of SO has been on a stakeholder's ability to affect a business, instead of on the stakeholders who are (negatively) affected by the achievement of organizational objectives. In order to describe the "degree to which managers give priority to competing stakeholder claims", Mitchell et al. (1997, 896) coined the term 'salience' and proposed three relationship attributes, namely power, legitimacy and urgency, that help to distinguish salient stakeholders from other groups and individuals.

It is quite understandable that the stakeholders who are crucial in terms of sustainable development (e.g. the poor, future generations and non-humans) are not necessarily the most salient ones from the corporate point of view. Nevertheless, an increasing number of non-governmental organisations have succeeded in working as the mouthpiece for sustainable development, and have created sustainability-related turmoil around businesses.

Within SO, there is considerable heterogeneity in approaches to being stakeholder oriented. Concerning the responsibility of the firm, a recent typology synthesized that firms use two alternative strategies in stakeholder management, namely *responsive* and *beyond responsive* approaches (Heikkurinen and Forsman-Hugg, 2011). The former approach refers to having organisational capabilities to react to current stakeholder demands and to anticipate upcoming changes in the marketplace, whereas the latter, beyond responsive, describes actions that exceed external expectations for sustainable development. For example, the responsive approach implies that renewable energy or high labour standards will be adopted in case there is, or can be expected to be, such demand by stakeholders, and that it could affect the achievement of the organisational goals. In corporate strategizing, the approach can be described as an outside-in process, in which the business environment has a major role.

Beyond-responsive strategizing, on the other hand, would mean adopting renewable energy sources without market and stakeholder expectations, but in order to create demand for cleaner production and hence transform the market. Similarly, Kourula and Halme (2008) stated that firms can emphasise the development of new business models for solving social and environmental problems, and not only conduct existing business operations more responsibly. Such beyond-responsive firms seek new business opportunities from responsibility and find novel ways to take responsibility, e.g., the inclusion of 'fringe stakeholders', the poor, weak, isolated, non-legitimate and non-human stakeholders (Hart and Sharma, 2004):

> "First, by reversing the logic of traditional approaches focused on managing powerful stakeholders, firms fan out to identify voices at the fringe of their networks to both preempt their concerns and generate imaginative new business ideas. Second, by creating mechanisms for complex interaction and empathy with those on the fringe, firm fan in to integrate and reconcile this knowledge with existing know-how to design and execute disruptive new business strategies (Hart and Sharma, 2004, 7)."

Such inclusiveness can, on the one hand, lead to increased competitiveness, financial performance and new business opportunities by means of avoiding legal suits and consumer boycotts, and, on the other hand, enhance corporate image and increase knowledge. If these arguments are the drivers for considering stakeholders at large, the justification for SO (whether responsive or beyond) becomes dependent on the economic utility it is able to deliver rather than its appropriateness in order to contribute to sustainable development.

6. Contending explanations

The conceptualization of MO and its typology into market-driven and market-driving strategies (cf. Kumar, 1997) share theoretical similarities with the conceptualization of SO in its typology into responsive and beyond responsive strategies (cf. Heikkurinen and Forsman-Hugg, 2011). In a responsive approach to SO, firms merely respond to the demand for responsibility, as they do in the market-driven approach to MO. Beyond-responsive and market-driving strategies, on the other hand, indicate a supply of certain goods and services in innovative ways to stimulate new demand, either rather directly or more indirectly. As contending explanations for corporate responsibility for sustainable development, however, it is clear that MO and SO propose routes of action that hold an important difference: customers' expectations and values versus the expectations and values of a broader set of stakeholders.

In MO, the economic system mainly depends on a build-up of customer awareness that would be sufficiently rapid and radical to meet large-scale challenges such as climate change, biodiversity loss and global poverty. In the market-driven MO, the role of the corporation would merely be that of a responsive actor to market pull, whereas a market-driving actor would instead be pushing the change to the market, e.g. in terms of sustainable consumption patterns through potential customers. However, due to the collective and non-linear nature of major environmental problems, and the fact that the needs of the poor, unborn and non-human stakeholders are not visible as preferences on the markets, sustainable development cannot be met simply by processes initiated within the seller-buyer dyads.

Together with political measures, including regulation, internalisation of external costs and redistribution of resources and income, a broader inclusion of actor groups and interests would seem more potent than the market solution to meet the issues of sustainable development – as proposed in SO. The heterogeneity of the actors involved potentially also implies that a broader set of values are acknowledged in corporate strategizing. Such examples could be taken from cases where industry "negotiates" with environmental NGOs, governmental bodies, groups of indigenous people and workers' associations under schemes of sustainable forestry or water management (e.g. Driscoll, 1996; Falkenmark et al., 2004; Gulbrandsen, 2005). In a more integrated version, the concept of 'public-private partnerships' would emerge to arrange work "based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector" (Bovaird, 2004, 200). This aim for co-creation of value between societal and corporate interests is a promising avenue for relative improvements in environmental issues (Imparato, 2010) and for the promotion of corporate responsibility (Rotter et al., 2012), but it does not necessarily ensure sustainable development as partnerships are often limited to the interests of the stakeholders involved.

Furthermore, in global and dynamic business contexts, important stakeholders are not always present to negotiate (Gardiner, 2002), or they lack the salience needed, enabling firms to leave ethical (Heikkurinen and Ketola, 2011) and sustainability considerations aside (Hart and Sharma, 2004). Following that, the concept of salient stakeholders must be complemented with the idea of fringe stakeholders as their claims can hold knowledge and perspectives critical to anticipating potential future sources of problems and solutions (Hart and Sharma, 2004).

Concerning the role of the firm in achieving sustainable development (such as in removing toxics from manufacturing processes), MO calls for customers, whereas SO calls for stakeholders, to have an active role and take responsibility for defining or even initiating problem solving. Hence, both orientations consider responsibility as a process which necessitates the involvement of others – either customers or stakeholders – in a broader sense.

Whether the customers alone or a broader grouping of stakeholders are considered in corporate strategizing, we argue that similar dynamics between the focal corporation (inside) and others (outside) emerge. However, this is with the exception that if the stakeholders could be anything from unborn babies to future generations, from natural environments and species to cultures, then a strategy based on stakeholder considerations would have different outcomes in terms of sustainability over time and space. Whether any conventional business theory is capable of implementing such a set of fringe stakeholders, including the (1) non-salient human stakeholders as well as (2) non-human stakeholders, important in their own right or crucial for a healthy ecosystem, in its strategy analysis is another question. One promising attempt is a concept of 'radical transactiveness', which seeks to systematically identify, explore, and integrate the views of these fringe stakeholders into business strategizing (Hart and Sharma, 2004). The shift to considering any of the above-mentioned as stakeholders would, however, need a radical change in the ways firms organise their responsibilities, because demand and utility would be altered to something that cannot be surveyed or forecasted, and not all values translate to market demand or utility in any relevant way. In addition, new demands for quantity (of products, land and energy) conflict with the interests of stakeholders such as future generations and other species.

Although MO and SO tend to differ in terms of whose preferences matter, i.e. those of the customers or the stakeholders, they tend to match in that the actors who *can affect* the economic success of a firm are the core ones. The stakeholders who only *are* *affected* have a minor role, if any role at all. None of these mainstream orientations assumes that trees, bees and the Seven Seas should be in the centre of decision making. Further, and maybe more importantly, none of them seem suitable to deal with the fact that future generations are not present on the markets, nor can they present their claims in any conventional stakeholder setting (Gardiner, 2002). Hence, power of the present (and rich) takes precedence over the legitimacy of the unborn (cf. Mitchell et al., 1997). Similarly, present-generation people with low purchasing or negotiating power, i.e. fringe stakeholders, do not have place in managerial decision making.

7. Discussion

Despite the distinctiveness of customer versus stakeholder preferences, a key similarity of MO and SO is that both orientations leave responsibility to 'others', whether they are the customers or stakeholders who can affect the firm, which makes the consideration of responsibility dependent on the economic utility it can deliver.

Market- and stakeholder-driving firms take responsibility for the initiative, but, in the end, they demand a response from the market that contributes to the traditional economic aims of the corporation. In other words, sustainable development must pay off. Hence, the market and stakeholder-driving strategies ultimately lead to customer responsibility, even though they can be considered more participatory on behalf of the firm.

Another key similarity is that both MO and SO as strategies for sustainable development accept "the rules of the game". That is, essentially the present market regime, where issues such as private property, established economic interests, the autonomy of consumers and economic growth are most often not discussed, let alone problematized. Markets are perceived as a source of value creation, in which value is understood in terms of economic and human capital, leaving natural capital outside the equation. In relation to sustainable development, a common way to frame such a position (at best) is weak sustainability (WS). It posits that natural capital can be substituted with other forms of capital, and that industrial aims to service growing human needs (e.g. leading to economic growth) do not contradict sustainable development. However, if man-made capital cannot substitute environmental capital but only function as a complement, then business theory would need a strategy within the domain of SS to enable corporations to contribute to sustainable development, both in time and space. To be distinguished from MO and SO, such a strategy could be labelled a *sustainable development orientation* (SDO). The logic of the orientations is depicted in Table 1.

Due to the recognition of intrinsic values in the natural environment, responsibility for sustainable development, with an SDO, is not based on an activity's potential in terms of delivering traditional economic utility. Furthermore, sustainable development is considered a pre-competitive and non-growth issue, and strategies based on SDO are initiated by the focal firm itself and do not require mediating actors. Thus, firms with an SDO do not distribute their responsibilities outside the organisation – to the customer or the stakeholders – but carry the responsibility for sustainable development themselves. In other words, the corporation is not dependent on the other actors' perceptions on sustainability, but aims at becoming a sustainable actor since it values sustainability as an end in itself. In SDO, sustainable development is neither a commodity nor an issue of negotiation. "It is held that things of [...] environmental value, should be preserved, not merely because they will in the future benefit beings [...] but 'their own sakes'" (Cox, 1997, 110). Traditional economic aims, such as expansion and profits, cannot dominate over issues of sustainability and responsibility. Such internal motivation for taking responsibility for sustainable development could be related to explanatory models on the individual level, such as Hierarchy of Needs (Abraham Maslow), Stages of Psychosocial Development (Erik Erikson) and Stages of Moral Development (Lawrence Kohlberg), but also to the ethics of Duty (Immanuel Kant) and virtue (Aristotle), i.e. to define and reach the highest organizational potential.

Studies in the field of corporate sustainability have also discussed SDO in the corporate context (see e.g. Dyllick and Hockerts, 2002; van Marrewijk and Werre, 2003; Ketola, 2010; Baumgartner and Korhonen, 2010) and concluded supportively to our study. Dyllick and Hockerts (2002, 135), for example, state that "[...] as long as the firm is operating close to (or even beyond) the environment's carrying capacity, it can never become truly sustainable". This means that as society and economy are subsystems of the ecosphere, their sustainability does not equal to the sustainability of the natural environment. Acknowledging this hierarchical nature is a key aspect in examining the responsibilities of private actors since it has major implications for future developments in business theory and practice (Daly, 1999).

In order to reach sustainable development, the structures of society must be aligned so that they support (and not corrupt) organisational practices with SDO. Examples of these practices are radical decrease in energy consumption, adoption of only renewable inputs and fully recyclable outputs (Ketola, 2010). Moreover, instead of seeking solutions to the valuation of sustainability from the market place, the solution to sustainable development is perceived to lie in the inherent character of the organization; inherent in the sense that the responsibility of private actors, i.e. its employees', managers' and owners' moral responsibility for sustainable development, is not pushed to the customers (Heikkurinen and Ketola, 2012). Increased societal power and significance should translate into increased responsibility for development that is sustainable (Ketola, 2011), which suggests a reorientation in corporate strategizing. To accomplish the reorientation to SDO, there is a need for changes in underlying assumptions as well as reconceptualisation of economic organization that coheres with the SS assumption (Bonnedahl and Eriksson, 2011). In SDO, the economic rationale becomes less significant than intra- and intergenerational justice through which socioeconomic and environmental inequalities are addressed.

Table 1
Market, stakeholder and sustainable development orientations towards corporate responsibility for sustainable development.

Label of orientation	Strategizing	Initiator	Mediator	Outcome	Sustainability assumption	Value assumption
Market orientation (MO)	Market driven Market driving	Customers Corporate	Corporate Customers	Customer responsibility	Weak sustainability (at best)	Sustainability with mainly economic value
Stakeholder orientation (SO)	Stakeholder driven Stakeholder driving	Stakeholders Corporate	Corporate Stakeholders			
Sustainable development orientation (SDO)	Sustainability driven Sustainability driving	Corporate	Corporate	Corporate responsibility	Strong sustainability	Sustainability with intrinsic values

8. Conclusions

The objective of this article was to review and conceptually compare market orientation (MO) and stakeholder orientation (SO) as contending bases for strategies of corporate responsibility for sustainable development. MO and SO are business theories that can be considered to offer relatively distinct approaches to examining issues of sustainability. However, they share considerable similarities in terms of sustainability assumptions and how the role of the corporation becomes perceived in the quest for sustainable development. Ultimately, both MO and SO leave responsibility to actors outside the firm: MO stresses the role of customers and consumers, while SO emphasises stakeholder expectations and values. Both MO and SO are based on assumptions consistent with weak sustainability (WS), at best, which are insufficient to achieve sustainability over time and space. Therefore, and since business theory has descriptive relevance and prescriptive power, there is a need for a business approach to sustainable development that admits corporate responsibility for sustainable development, and departs from the strong sustainability (SS) assumption. This article suggests that such sustainable development orientation (SDO) is needed if corporations are to contribute to sustainable development in time and space.

In future studies on corporate responsibility, strategy and sustainable development, we suggest that the focus is shifted to SDO in order to contribute to sustainable development. As our current analysis is a theoretical contribution, a limitation of the study is the lack of empirical cases. We encourage scholars to examine the alternative orientations in different types of organisations and in multiple contexts. Following that, a research task with high managerial and policy relevance is to study the supportive and corruptive institutions for SDO. Given the importance of the sustainability challenge for humanity (e.g. Brown, 2011), it is evident that societies cannot rely on the self-regulation of the market actors. The state and the civil society should themselves adopt SDO and act actively in their roles accordingly.

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This thesis attempts to reframe the field of strategic corporate responsibility by examining the responsibility of corporations in terms of their strategic means and ends. The focus is on the research problem of how responsibility and strategy should be connected in a business organization in order for it to become a responsible corporation and contribute to sustainable development.

It is concluded that in the pursuit of becoming a responsible corporation and contributing to sustainable development, responsibility and strategy should be connected in a business organization from the *awareness-sustainability perspective*. This perspective posits that firstly an organization should insource its ethical considerations in order to develop a responsible identity and thus become perceived as a responsible entity, and secondly, an organization should assume strong sustainability in order to reach sustainable development over both space and time.

Aalto-DD 156/2013

ISBN 978-952-60-5363-9
ISBN 978-952-60-5364-6 (pdf)
ISSN-L 1799-4934
ISSN 1799-4934
ISSN 1799-4942 (pdf)

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