CORPORATE SOCIAL RESPONSIBILITY FOR COMPETITIVENESS: A CASE STUDY OF ABB

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Course: Master thesis in International Marketing
Course code: EFO705
15 hp

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ABSTRACT

DATE FINAL SEMINAR       June 2\textsuperscript{nd} 2014
UNIVERSITY                Mälardalen University
                          School of Business, Society and Engineering
COURSE                    Master Thesis
COURSE CODE               EFO704
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TITLE                     Corporate Social Responsibility for Competitiveness:
                          A Case Study of ABB
RESEARCH QUESTIONS        What are the distinct CSR and competitive dimensions in ABB
                          Sweden?
                          How are CSR dimensions managed towards achieving competitive
                          benefits in ABB Sweden?
                          What dimension of competitiveness derives the most benefit from
                          CSR practice in ABB Sweden?
PURPOSE OF THE STUDY      The purpose of this thesis is to describe and analyze how each
dimension of CSR- vision, workplace, accountability, marketplace,
community relation - creates competitiveness in a multinational
cooperation.
METHODOLOGY               This thesis took a deductive approach towards the research and
analysis. Both primary data from the interview and Literature search
from ABB annual reports, sustainability performance and existing
literature were used to establish the findings. Six interviews with
respective managers relevant to each dimension of CSR and
competitiveness were carried out to answer our research questions.
CONCLUSION                The effect of each CSR dimension on competitiveness is in different
attribute importance. ABB emphasizes the integration of its CSR
policy embedded in entire five dimensions of CSR in different
practices. The strongest, firmly established evidence of a positive
effect of CSR on competitiveness appears in image/reputation
dimension following by financial performance and innovation.
Productivity and quality appeared less strong relations with CSR
dimensions. Culture, a new dimension in CSR has been identified.
KEY WORDS                 CSR, Competitiveness, Corporate reputation, Innovation, Image
ACKNOWLEDGEMENT

“The beginning of wisdom is this: Get wisdom, and whatever you get, get insight.” – Proverb 4:7

It will be complex and almost incomprehensible to adequately acknowledge and sufficiently thank all those who assisted us in no small measure in carrying out and accomplishing this thesis work.

How be it, we must sincerely thank and honour and acknowledge the Almighty God, the giver of life, the maker of all things, visible and invisible who impute knowledge, insightful ideas and wisdom for making it possible for us to embark on international master programme at Mälardalen University and completed same.

Our appreciation also goes to our project supervisor, worthy and distinguished scholar, Professor Peters Dobers for showing an ability to accurately assess situation within the scope of studies and turn it into advantage and advice, guide, correction, understanding and unequal cooperation in the cause of carrying out this thesis work. We take this opportunity to express our profound gratitude to Eva Maaniene-Olsson for her guidance, comments, contributions and constant encouragement throughout the course of this thesis and during our studies in Mälardaren University. Many thanks to Zarina Osmonalieva, for her helpful advice. We wish to thank all the participants in our seminar group for their insightful and helpful comments and recommendations.

Worthy of mention here in our appreciation is the co-author who with all understanding endure the pain, stressed and group mate who not only assisted us with constructive comments needed to improve on the thesis but encouragement and advice boosted our moral in completing this thesis work.

We would like to thank our entire family, children, wife and husband for providing us the time though it was tough to carry out this research work. We would also like to thank our friends in ABB for their guides. Finally, thanks are extended to ABB´s respondents Suzanne Lagerholm, Åsa-Katrin Johansson, Lars Krantz, Ola Svanström, Thomas Lagerberg and Caroline Settervall for their participation and trust in interviews. Without them the information and discussion contained in this thesis would not have been possible.

Pauline Prabhagorn Kruakaew Sturesson 
Västerås, June 10th, 2014

Joseph Eromosele 
Västerås, June 10th, 2014
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<tr>
<td>AB</td>
<td>Aktiebolag (Corporation, joint-stock company)</td>
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<tr>
<td>ABB</td>
<td>ASEA Brown Boveri</td>
</tr>
<tr>
<td>ASE</td>
<td>Allmänna Svenska Elektriska</td>
</tr>
<tr>
<td>ATV</td>
<td>ABB Technology Ventures</td>
</tr>
<tr>
<td>CC</td>
<td>Continuous competitiveness</td>
</tr>
<tr>
<td>CCRP</td>
<td>Customer Complaints Resolution Process</td>
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<tr>
<td>CDCR</td>
<td>Consumer-driven Corporate Responsibility</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CoC</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>CFR</td>
<td>Corporate Financial Performance</td>
</tr>
<tr>
<td>CDCR</td>
<td>Consumer-driven Corporate Responsibility</td>
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<tr>
<td>CEMS</td>
<td>Continuous Emissions Monitoring Solutions</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>CSER</td>
<td>Corporate Social and Environmental Responsibility</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, taxes, depreciation and amortization</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>FREEDM</td>
<td>Future Renewable Electric Energy Delivery and Management</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>LCA</td>
<td>Life Cycle Assessment</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>MSEK</td>
<td>Million Swedish Crown</td>
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<tr>
<td>PG</td>
<td>Performance General</td>
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<tr>
<td>PS</td>
<td>Performance Specific</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RQ</td>
<td>Research Question</td>
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<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
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<tr>
<td>SR</td>
<td>Social Responsibility</td>
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<td>SRI</td>
<td>Social Responsible Investment</td>
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<tr>
<td>SRS</td>
<td>Socially Responsibility Strategies</td>
</tr>
<tr>
<td>VU</td>
<td>Verksamhet Utveckling (Operational development)</td>
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1 INTRODUCTION

This chapter describes the scope of the thesis, beginning with a discussion of conceptual backgrounds, problem statement and purpose of the study. An overview of the corporate entity chosen for specific analysis (ABB Sweden) is presented along research questions, target groups and the limitations of the study.

1.1 Background

In the modern day business environment and the global economy, corporate social responsibility (CSR) has become a dynamic factor for business success (European Commission, 2011). This positioning is driven by the fact that globalization and international trade have drawn a corporate and business landscape that mandates new methods of demonstrating quality, transparency and corporate citizenship (Jamali & Mirshak, 2007). CSR represents a demonstration of citizenship, ethical practice and valid societal responsiveness that holds important implications for the entity’s existence and success (Porter & Kramer, 2004). It redefines the obligation of corporate businesses towards the society in which they operate by extending that obligation beyond economic services (Sharma & Talwar, 2005).

While CSR can be simplistically looked upon as a charitable deed or efforts to address business constraints, or even as a public relations (PR) strategy, the dynamics of the modern knowledge-based economy mandates that CSR becomes more than a generic implementation of social initiatives. At the same time, social responsibility extends beyond establishing and achieving legal expectations to encompass a more active engagement with various stakeholders, and strategic investments into stakeholder relations (Loew, 2005). Stakeholder relations define the complex scope of interactions necessary in order for a company to be successful and competitive. Stakeholders are not only those who have interests in the company but also include external networks of customers, suppliers, clients or the local community. Any of these groups can influence companies’ behavior and create the need for CSR or sustainable actions (Freeman, 1984). Broadly therefore, corporate social responsibility is a concept that describes voluntary integration of social and environmental concerns into business operations within the context of stakeholder relations (European Commission, 2011).

Individuals, communities, the media and governments monitor and hold companies accountable for the consequences of their actions on societal well-being. All over the globe, many companies now work to address the environmental or social impacts of their operations, with varied levels of success. Numerous studies on CSR demonstrate the fact that strategic deployment of CSR investment can create competitive gains for the company while ineffective CSR deployment will not create social change, but rather will deepen public cynicism in a way that significantly affects other gains the entity may have made in strategic areas such as product development and talent management.

Companies have responsibilities towards internal and external stakeholders (Freeman, 1984); the success of a company depends on the extent to which it meets the interests of those
stakeholders (Draper, 2006). Towards this objective, CSR practices constitutes an organizational strategy that can enhance stakeholder opinion and support (Chapagain (2007) while creating competency enhancing dimensions that impact directly on competitiveness and productivity (Business in the Community : BITC, 2011). The level of social change achieved through CSR investments can be both an important index for and contributor to competitive value (Porter & Kramer, 2004). It is therefore, important to critically examine the relationship between social welfare and corporate success, in order to develop CSR investments that can translate into competitiveness. This will involve looking at CSR within the context of organizational characteristics and delivery dimensions in ABB Sweden.

ABB Group of Companies was founded in the late 1800’s by Ludvig Fredholm (of ASEA) and Charles E.L. Brown and Walter Boveri (of BBC). ABB is a multinational corporation with its headquarters in Zurich, Switzerland. The corporation operates in robotics and chiefly in the power and automation technology areas. The conglomerate placed at 158 in Forbes 2013 ranking. The corporation has operations in about 100 countries, and approximately 150,000 employees as of December 2013 (statista.com, 2014). ABB’s reported global revenue for 2011 was $40 billion. ABB Sweden has 8,950 employees and has operations in 30 different locations. In Sweden, ABB is a leading supplier of power transmission products and systems, and for process and industrial automation. ABB Sweden has 2 main operation centers; Västerås with 4,200 number of employees and Ludvika with about 2,700 employees. ABB Sweden are ranked number 2 and 3 among the companies that produce electronic devices (ABB.SE)

ABB is corporate that has distinguished itself in the global electronics market, established sustainable competitive advantage while managing vast networks of diverse stakeholders, the corporation represents an important establishment from which the role of corporate social responsibility can be analyzed within the context of specific organizational characteristics and delivery methodologies of increasing customers value.

1.2 Problem Statement

Globalization and the rapid emergence of powerful new Asian Pacific economies have created new opportunities and unique competitive challenges in modern times. In addition to core marketing factors such as price and supply chain control for large companies, globalization has entrenched the recognition of environmental dimensions such as cultures, social development, language and sustainable development as critical contributors to organizational success (Wildes, 2008). Such concerns can only be addressed in the context of efficient management of stakeholder relations which is a direct operational construct of corporate social responsibility.

At the same time, stakeholder interaction has become quite complex, requiring new knowledge, different skills and additional resources (Holme &Watts, 2000). In tandem with increased multinational corporation (MCN) activity, are the changes in the global business environment. Furthermore, various countries have different levels of development, different political and business environments as well as legal infrastructure. Diverse cultures differ in terms of habits, consumption patterns, work ethics, values systems and civil society influence on society. These differing characteristics among countries and cultures mean that CSR concepts will differ among countries and regions (Holme & Watts, 2000).

This is quite obvious that cultural differences within the organizational context and societies have a clear effect on the significance of the relationship between CSR and competitiveness. This relationship has been studied intensively. Vilanova, Lozano, and Arena (2009) found
that MNCs success does not necessary correlate with traditional measures of performance such as sales volume or market growth. Most MNCs have implemented substantial and comprehensive CSR strategies and policies which are intangibles issues and cannot be measured traditionally. For instance, CSR improves the transparency through accountability management processes. Adopting a CSR strategy impacts on a firm's identity and branding which in turn impact directly on competitiveness through improved understanding of the competitive environment and stakeholder relations. This then points to a fundamental interaction between key determinants of firm competitiveness such as brand equity, reputation and innovation and CSR.

According to European commission (2008), the concept of competitiveness can be applied at different levels ranging from the firm (micro) level, examining how individual companies could be made more responsible towards society, and at macro level, examining performance at the regional or country level. Such micro level dimensions are important for designing goals for corporate business responsiveness (European commission, 2008). Porter and Kramer (2006) noted that current strategic approaches to CSR are isolated and disengaged from business strategy in ways that obscure the greatest opportunities for societal benefits. The author's further state that “the more closely tied a CSR issue is to a corporate business, the greater the opportunity to leverage the firm’s resources and benefit society” (p. 88). BITC then points out that companies who measure and link CSR actions with organizational economics can quantify the impact better and reap benefits such as “direct cost savings due to proactive measures, improvements in investors’ relations and shareholder value, and also impact on returns and revenues directly attributable to responsible business practice” (BITC, 2011 P. 12).

Therefore, as a simplistic response to business constraints, CSR may not create or contribute to competitiveness. Neither would a charitable deed or spur of the moment social initiative translate into competitive advantage even though it yields PR gains. While the relationship between CSR and competitiveness has been established through research, firm competitiveness is built on factors such as core competencies, product innovations, research and development. This means that CRS's direct or enhancing effects on competitiveness are only created within the context of a dynamic connection between comprehensive stakeholder relations (Loew, 2005) and operational attributes that create value for the firm. Since corporate businesses need to adapt the strategic options towards environmental realities to create value, it is important to examine the relationship between CSR and the operational variables for competitiveness at the micro-level, with a view to isolating the delivery functions through which CSR investments impact on competitive advantage and factors that promote those functions. Such examinations would involve a systemic and interactive analysis of the relationship between social responsibility and corporate success within the context of specific organizational qualities and delivery dimensions.

Williams & Aguilera (2007) noted that CSR is a relatively recent concept and so comparative studies of CSR such as comparative institutional examinations and community-company relationships. According to ABB company that is dedicated to maintaining exemplary standards in social, environmental, human rights, ethical and governance standards for the benefit of all stakeholders several policies and measures in place to support these core values (ABB. COM, 2013). The company also has a track record for competitiveness. The implication for corporate success is for businesses to delineate clear pathways to their goals while leveraging opportunities that exist within dynamic societal transformations. Therefore, current corporate responsibility strategies and operational outcomes as showcased by ABB Sweden can reveal important indices for understanding salient dimensions of CSR contributions towards competitiveness, given the company's market positioning and complex stakeholder networks.
1.3 Research Questions and Purpose

Focusing on the Sweden-based Corporation ABB Sweden, this study will investigate the interactive relationship between corporate social responsibility and firm competitiveness.

Based on the problem statement above, the authors shall address the following research questions:

1. What are the distinct CSR and competitive dimensions in ABB Sweden?
2. How are CSR dimensions managed towards achieving competitive benefits in ABB Sweden?
3. What dimension of competitiveness derives the most benefit from CSR practice in ABB Sweden?

The purpose of this research is to gain a better understanding of how the concept of CSR dimension is applied in MNCs Operations in order to strengthen their competitiveness. The research will highlight important themes that can improve strategic deployment of CSR.

1.4 Target group

The intended outcome of this study is to develop practical recommendations for senior executives of Europe based MNCs for the effective design and execution of their CSR strategies towards achieving competitive outcomes. This study aims at being a source of useful information for industrial marketing that may provide managers and stakeholders with deepened intuitive understanding of CSR deployment for competitiveness. This study will also be a resource for academic scholars who are interested in researching the relationship between CSR and competitiveness.

1.5 Delimitations

Research into corporate social responsibility is complicated by factors such as organizational size, scope and even host country culture and the level of alignment with organization’s business strategy. Another limitation of this study is the limited scope of theoretical discussions, as it is not possible to discuss all the data and theories that could have an effect on research findings and recommendations. This research study is limited to the local office of ABB in Sweden. The findings may not be applicable for other regions.
2 THEORETICAL FRAMEWORK

This chapter presents various theoretical concepts that are relevant to the study. These theories form a framework upon which collected data is analyzed. Main concepts discussed are CSR, competitiveness and their relationship. The theoretical goal of this paper is to contribute to the understanding of how efficient deployment of corporate social responsibility can contribute to competitiveness in the modern economy. The impact of CSR functions on the competitive dimensions of a business will be established through a review of recent literature on CSR and competitiveness. Beginning with an overview of the wide ranging benefits of CSR, the chapter reviews the various CSR dimensions, modern theories on both CSR and competitiveness, as well as their respective dimensions. The chapter concludes by looking at the functions through which CSR impacts on competitive dimensions or potentials, to promote competitiveness.

2.1 Corporate Social Responsibility: Conceptual Overview

The integration of business and societal concepts is described as being necessitated by the inter-relationship between business entities and society (Porter & Kramer, 2006), an understanding that does not detract from or diminish the importance of a company’s strategic objectives or purpose. However, this requires a shift in thinking beyond corporate responsibility, to an acknowledgement that long term success can only be achieved in a healthy society. Societal factors such as human rights, healthcare and education are essential towards workforce development and productivity. Furthermore, workplace safety and safe products can reduce costs associated with accidents. These features in turn attract customers although they are not related to actual prices. Efficient use of natural resources can enhance productivity, strong regulations protect consumers, and innovations provide strategic response to continuous demand cycles. In other words, it is important that businesses take the means as well as the end of their operations into consideration. Businesses can support social programs towards job creation, wealth improvement and other dire needs. Successful companies can help create healthy societies.

Over the course of several decades, CSR progressed from being known as Social Responsibility (SR) to Corporate Responsibility (CR) (Dobers, 2010), and Corporate Social and Environmental Responsibility (CSER) (Jeppesen S., Kothuis B, and Ngoc Tran, A., 2010). While CSR is not required by law, the concept is important for companies, consumers and diverse stakeholders. Werther & Chandler (Coombs & Holladay, 2012, p.6) define CSR as an “integral element of the firm’s strategy” and “a way of maintaining the legitimacy of its actions in the larger society by bringing stakeholder concerns to the center”. The concept about stakeholder concerns as the center is increasingly gaining attention from both practitioners and scholars (Péres, A and Bosque, I.R, 2012). Thus in this thesis, CSR concept refers to all company activities demonstrating and inclusive of social and environmental concerns in business operation, interactions with stakeholders, and also according to the ambitious levels of corporate sustainability (Péres & Bosque, 2012, p.265) There are varying degrees of social responsiveness and commitment levels among companies; some have consistent CSR beliefs with the concept interlaced into their policies while others can terminate CSR activities for factors such as cost constraints.

The benefits of CSR practice span political, social, economic and cultural terrains. Aside from its external benefits, CSR investments can carry important organizational benefits for workforce development through mandates such as ethical treatment of workers and community members, general education and employee trainings. CSR can contribute to
employee satisfaction and happiness, especially where ethical corporate behavior is identified as a competitive dimension in CSR practices (Bajracharya, 2005). CSR initiatives can help to address the social and economic development, impact on government institutions, contributes to the development of anti-corruption practices as well as help in humanitarian services (Hill, 2006). Given its potentials and broad range of benefits, it is no surprise that the concept has gained such detailed attention.

2.1.1 Stakeholders

To understand CSR concepts, stakeholder needs to be defined. Stakeholder is a person who has stake or group of people who have invested interest in the success of an organization and the environment in which the organization do business. Each company has its stakeholders who benefit or are harmed by its actions (Ghauri, P.N & Cateora, P, 2010,p.334). In a narrow definition, stakeholders are owners, employees, management, suppliers, customers and the local community (Ghauri & Cateora, 2010,p.335). This definition is similar to Turker, D.(2009:p.411-427). He observes that a company has four stakeholders. They are 1) Society as a large interest group; the environment, the next generations and NGOs. 2) Employees, for whom CSR policy is manifested in issues of fairness and transparency. 3) The customers whom CSR is measured by fairness and transparency with regard to the issue as pricing and a product quality. 4) The government, in which companies pay there due taxes and obeying the law.

2.1.2 CSR Theories and Dimensions

Four models of CSR have been commonly described – economic, legal, ethical and discretionary (Carroll, 1991). Economic responsibility is the top priority in the economic model. Through economic success, the firm can make enough profit to assist the society. The legal model is constituted by the fact that companies have an obligation to abide by defined regulations and rules in order to operate. The ethical model involves moral and societal codes. The discretionary model is defined by the choice to be philanthropic and play roles in societal change efforts.

Meanwhile Dahlsrud (2008) proposed five dimensions of CSR. These dimensions were based on an analysis of 37 CSR definitions. He concluded that there is still some confusion as to how CSR should be defined, and the existing definitions have congruence to a large degree (Dahlsrud, 2008). From the analysis, the five dimensions of CSR definition are environmental, social, economic, stakeholder and voluntariness. These dimensions are described in detail in the table below:
Table 1. Five dimensions of CSR according to Dahlsrud (2008)

Halme & Kourula (2008) proposed three types of CSR based on three dimensions of corporate responsibilities that a firm may practice. These dimensions address the relationship between corporate responsibilities’ and core business, the target of corporate responsibility actions, and the benefits expected from such activities. Based on these dimensions, they distinguished three types of CSR: philanthropy; corporate responsibility integration; and corporate responsibility innovation. Philanthropy refers to charity, sponsorships, employee and voluntarism for instance. These activities take place outside the firm with no direct business benefits. They are not relevant to the core business, but companies may gain an improved reputation that will further increase market opportunities. The second type, corporate responsibility integration, emphasizes a more responsible conduct of existing business operations. It is attempts to combine responsibility aspects into core business operations. This type of CSR would have direct impacts on competitiveness through ethical treatment of workers, quality assurance processes, and investments into research and development (Halme & Kourula, 2008). The third CSR type, corporate responsibility innovation, emphasizes the development of new business models towards solving social and environmental problems. Here, the company takes environmental or social problem as a source of business innovation and develops new services or products to help create a solution to the problem. The result is that both the business and society gain benefits in Halme called “win-win” situation. In this CSR type, although the corporation is willing to do well, they should not be expected to deliver products or services to low-income markets or to protect the environment. The firm simply provides the market with new idea or innovation to benefit the environment and makes profitable business in return.
Table 2. Three dimensions of corporate responsibility

<table>
<thead>
<tr>
<th>Dimension of action</th>
<th>Relationship to core business</th>
<th>Target of responsibility</th>
<th>Expected benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside of firm’s core business</td>
<td>Extra activities</td>
<td>Image improvement and other reputation impacts</td>
<td></td>
</tr>
<tr>
<td>Close to existing core business</td>
<td>Environmental and social performance of existing business operations</td>
<td>Improvements of environmental and social aspects of core business</td>
<td></td>
</tr>
<tr>
<td>Enlarging core business or developing new business</td>
<td>New product or service development</td>
<td>Alleviation of social or environmental problem</td>
<td></td>
</tr>
</tbody>
</table>

Source: Halme & Kourula, 2008: p.559

Vilanova et al. (2009) explore the nature of the relationship between CSR and competitiveness. They argue that CSR and competitiveness relate through a learning and innovation cycle. Once CSR has been integrated, it generates innovative practices which lead a business to be competitive. In the scope of CSR, they propose five dimensions of CSR: vision, marketplace, workplace, accountability, and community. The vision of the company will impact on attributes such as governance, ethical codes, values and reputation that are critical to good stakeholder relations. This is similar to Dahlsrud’s stakeholder dimension (2006), which refers to the interaction between a company and its stakeholders. The workplace development dimension consists of labor practices, human rights issues, diversity and work atmosphere for instance. This is based on definitions from UN Global Compacts (unglobalcompact.org, 2013) and OECD. The workplace dimension can impact on CSR through employee loyalty and attraction of top talent employees hold the opinion that it is better to work with socially responsible companies that have more attractive CSR policies (Cheney, 2010).

Accountability refers to the state of being liable or answerable. The concept of accountability is closely tied to specific organizational responsibilities towards its stakeholders, and the mandate to report organization’s performance on a regular basis (Unerman & O’Dwer, 2007:338). A firm that cares about all of its stakeholders is defined as responsible (Pedersen, 2009:p.162). The accountability dimension encompasses corporate transparency, reporting and communication issues. The marketplace dimension defines CSR practices related to core business activities; Research and Development (R&D) programs are implied as core business practice as well as pricing, marketing, fair competition and investment. The last dimension of CSR is community relation. This includes cooperation and partnerships with stakeholders, corporate philanthropy and community actions (Jeppersen et al, 2012). Vilanova et al.’s (2009) five CSR dimensions are illustrated as follows:

![Figure 1. Five dimensions of CSR](Source: Vilanova et al.(2009))
Halme & Kourula (2008) describes three dimensions of CSR while Vilanova et al (2009) and Dahlsrud (2006) describe five CSR “dimensions” or features. However, all three researches highlight some element similarly. A comparison of the three theories is presented in table below:

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Vision</strong></td>
<td>-</td>
<td><strong>Voluntariness dimension</strong></td>
</tr>
<tr>
<td>- Governance</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>- Ethical codes</td>
<td><strong>Voluntariness dimension</strong></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>- Based on ethical values</td>
<td></td>
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<tr>
<td>- Values and reputation that are critical to good stakeholder relations</td>
<td><strong>Voluntariness dimension</strong></td>
<td>- Beyond legal obligations</td>
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<td></td>
<td></td>
<td>- Voluntary</td>
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<tr>
<td></td>
<td></td>
<td>- Treating the stakeholders of the firm</td>
</tr>
<tr>
<td><strong>Workplace</strong></td>
<td><strong>CR integration</strong></td>
<td>-</td>
</tr>
<tr>
<td>- Labor practices</td>
<td><strong>CR integration :</strong></td>
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<tr>
<td></td>
<td>- Avoid overcompensation</td>
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<tr>
<td></td>
<td>- Training program</td>
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<tr>
<td>- Human rights issues</td>
<td><strong>CR integration:</strong></td>
<td></td>
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<tr>
<td></td>
<td>- Ethical threatment of workers</td>
<td></td>
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<tr>
<td>- Diversity and work atmosphere</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td><strong>CR integration</strong></td>
<td><strong>Stakeholder dimension,</strong></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td><strong>Environmental dimension</strong></td>
</tr>
<tr>
<td>- Being liable or answerable</td>
<td>-</td>
<td><strong>Stakeholder dimension:</strong></td>
</tr>
<tr>
<td></td>
<td>- Paying supplies in time</td>
<td>Interaction with their stakeholders</td>
</tr>
<tr>
<td></td>
<td>- Quality assurance processes</td>
<td></td>
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<tr>
<td>- Specific organizational responsibilities towards its stakeholders</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>- Regular report organizations’s performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cares about all of its stakeholders</td>
<td></td>
<td><strong>Environmental dimension:</strong></td>
</tr>
<tr>
<td></td>
<td>- A cleaner environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Environmental stewardship</td>
<td></td>
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<tr>
<td>- Corporate transparency</td>
<td>-</td>
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<tr>
<td><strong>Marketplace</strong></td>
<td><strong>CR integration,</strong></td>
<td><strong>Environmental dimensions,</strong></td>
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<td></td>
<td><strong>CR innovation</strong></td>
<td><strong>Social dimension,</strong></td>
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<tr>
<td></td>
<td>-</td>
<td><strong>Economic dimension</strong></td>
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</tbody>
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9
CSR practices relate to core business activities (R&D, pricing, marketing, fair competition & investment)

<table>
<thead>
<tr>
<th>CR integration</th>
<th>Environmental dimension:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Combine responsibility aspects into core business</td>
<td>- Environmental concerns in business operations</td>
</tr>
<tr>
<td>- Investment to R&amp;D</td>
<td></td>
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</table>

<table>
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<tr>
<th>CR innovation:</th>
<th>Social dimension:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Take environmental &amp; social problem as a source of business innovation.</td>
<td>- Integrate social concerns in their business operations</td>
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<tr>
<th>Economic dimension:</th>
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<tbody>
<tr>
<td></td>
<td>- Socio-economic in terms of a business operation</td>
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Community relation

<table>
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<tr>
<th>Philanthropy</th>
<th>Social dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cooperation and partnerships with stakeholders</td>
<td>The relationship between business and society, for example:</td>
</tr>
<tr>
<td>- Corporate philanthropy</td>
<td>- Contribute to a better society</td>
</tr>
<tr>
<td>- Community actions</td>
<td>- Consider the full scope of their impact on communities</td>
</tr>
</tbody>
</table>

| Doing good | |
| Donations | |
| Charitable activities | |
| Voluntary work | |

Table 3. Comparative CSR dimensions

Source: Own illustration based on Halme & Kourula (2008), Vilanova et al.(2009) and Dahlsrud (2008)

The strategic alignment of CSR elements in these three distinct theories validates significance of the identified elements. Since this study attempts to apply theory to analyze CSR dimensions and its impacts on competitiveness, theory that are relevance to cover all CSR dimensions most could be benefited. The dimension of CSR in Halme & Kourula’s proposal combines several activities that are found clearly separated in Vilona et al’s CSR dimensions (Table 3). The highlight of stakeholder relations and vision is deficiency. Dahlsrud’s dimensions combine business activities that are related to CSR practicing in social, economic and environmental dimensions. These three dimensions in Dahlsrud are overlapped in the elements (Table 3). Furthermore, CSR dimension in Dahlsrud’s research does not emphasize on labor work and human rights which are key elements to competitiveness. Thus, the authors agreed to use CSR dimension from Vilanova et al. within the main frame of the thesis.

The criteria for measuring CSR practicing in a company found on several international standards that have been developed. This delineates CSR criteria for corporations. The SA8000 is aimed at improving work conditions by requiring corporations to take responsibilities related to the environment and social interests (Tsai, Lee, Wu & Lo, 2011). The indicators in the criteria are formulated to reflect health and safety, discrimination and compensations concerns. Global Reporting Initiative (GRI) is the framework of sustainability reports for corporations. The indicators in this criterion include governance, commitments and engagement, environmental concerns, human rights, product responsibility, society concerns and economic concerns (Tsai et al., 2011). The contents of indicators in ISO 26000 criteria include accountability, transparency, rule of law, human rights. Accountability according to ISO 26000 means that corporations should take responsibility for any impact of their activities on societies and environments. This includes significant consequences caused
by both intention and unintentional decisions of the corporation. Transparency is about socially responsible corporate decision-making processes as well as responsibility for the impact of stakeholder activities. (Tsai et al., 2011).

2.1.3 Concept of CSR dimensions

The authors choose a definition that will give understanding and explanation for each CSR dimension. This form up the definitions available in the literature which is reasonable most (Fisher et al, 2007:p.126).

Vision – Vision is normative as a description of how a corporate should act, rather than how it does act (Claydon, J., 2011). Toward its vision, strategy matches internal competencies with external opportunities in a way that the firm achieves its mission as it strives (Padhiyar, S., 2013). Vision includes governance, ethical codes, and values and reputation that are critical to good stakeholder relations (Vilanova et al, 2009).

Workplace- Workplace is one of the most important elements that affect the quality of product from a firm. Jacques, M.L. (1999) affirms that, for many people, the tremendous appeal of quality is the opportunity to do good which is to improve the workplace, to raise standards of living and to achieve excellence. (Jacques, 1999,p.48-54). To develop CSR in a workplace of an organization, Emmott, M. and Worman, D (2008) suggest the following steps that should be considered by human resources: 1) Clarify the firm’s core values and principles. 2) Make sure the company knows it key internal and external stakeholders including the issues that affect its relationship with them. 3) Get the top team on board and know how to sell the benefits of CSR to different stakeholders. 4) Understand how the CSR strategy is aligned to your business strategy and human resources practices. 5) Get endorsement for the CSR strategy from inside and outside the organization. 6) Communicate consistently (Emmott & Woman, 2008: p.28-29) In this thesis, workplace dimension in CSR is defined as a place of work where a company treat its employees according to the Ten Principles from UN Global Compacts (unglobalcompact.org, 2013). Considering the steps in Emmott & Woman (2008) is applied.

Accountability- As mentioned above, the concept of accountability is closely tied to specific organizational responsibilities to its stakeholders. Accountability that is used in the absence of responsibility would engender dysfunctional outcomes (Bergsteiner, H. and Avery, G.C, 2010.P.9). Responsibility concepts include sometimes a dual variation of active, ethical, felt, individual, attributive, and indirect responsibility. In this thesis, list of accountability constructs to eight elements: role/task responsibility, normative responsibility (ethical, legal, moral, prescriptive, social, active), moral responsibility, causal responsibility (descriptive, attributive, causal), judged responsibility (verdict, vicarious), felt responsibility, external accountability (judged, conventional, passive, sentence), and self-accountability (progressive, self) (Bergsteiner and Avery, 2010:p.14).

Marketplace- The concept of marketplace, as mentioned above, is an aspect in CSR which defined CSR practices relations to core business activities (Vilanova et al, 2009). This illustrates that a company has better access to market and finance (Gugler & Shi,2009). Consumers are not only expect businesses to be socially responsible, but they also want to be informed about what firms are doing and will support firms that pursue CSR initiatives (Pomerling, A & Dolnica, S, 2009,p.285).

Community relation- Community is one of the main stakeholders group. This thesis identifies community in terms of local society. All companies seek to engage workers in the communities where they have business operation in order to create better quality of life.
conditions for their communities. For example, sponsorship of local sports teams to support a particular charity. Good relationships with local communities are also considered to be strategic for business to present responsibility of the firm (Chiara, A.D., and Spina, T.R., 2011).

**Organizational culture**

Corporate culture has important role to play in order to understand clearly and in details the kind of social responsibility such as code of conduct, and organizational behavior towards society (Ferraro, G.P., 1994, p.17). It is the human-made part of the human environment, and this is made up of shared value, total knowledge, beliefs, art, morals, laws, customs and capabilities or habits acquired by humans as members of society (Ghauri & Cateora, 2010, p.78). Organizational culture (OC) and CSR share some common ground in the management perspective (Jaakson, K. Reino, A., and Mötsmees, P., 2012). Both OC and CSR have been suggested as a means of creating competitive advantage in the market (e.g. Barney, J.B., 1986; Fitzgerald, A. & Hamilton, K., 2006). OC is important in terms of strong effect on CSR activities since to cease or engage in CSR practicing depends on whether a shareholder or stakeholder’s culture dominates the organization (Jaakson et al, 2012). The definition of culture is varies. However, this thesis adopts Schein’s (1999, as cited in Jaakson et al, 2012) definition: “Culture is the sum total of all the shared, taken-for-granted assumptions that a group has learned through its history”.

**2.2 Competitiveness and its dimensions**

There are several dimensions of competitiveness spanning firm to industry and country levels. In this thesis, the authors limit the scope of competitiveness to the firm level. In general terms, competitiveness is described as the strength of an organization in comparison with its competitors. Haigh & Jones (2006) propose that competitiveness is one of the key drivers for adopting CSR practice. Considering price and non-price qualities, competitiveness can be defined as the ability of a firm to design, produce and market products greater than those offered by competitors (Ambastha & Momaya, 2004). Additionally, productivity is a representative of competitiveness and a good indicator of long-term competitiveness of a company (Ambastha & Momaya 2004, p.50).

Vilanova et al (2009) describes firm competitiveness in terms of capacity to innovate, key internal and external relationship, reputation and, strategic assets. These four factors represent measures of competitiveness. According to Vilanova et al (2009: 59-60), competitiveness at firm level can be summarized as (1) performance - which involves standard financial measures such as earnings, growth or profitability (2) quality - which involves capacity to satisfy customer expectation (3) productivity - which involves higher production and lower use of resources (4) innovation - including products, services, and management processes , and (5) Image - including corporate branding, trust and reputation.
Stuebs & Sun (2010) attempted to empirically examine Vilanova et al’s research and found the positive relationship between CSR and reputation. Their analyses consistently support Vilanova et al’s model relating CSR and the dimensions of performance competitiveness (Stuebs & Sun, 2010). Quality is an obvious dimension for a firm to gain competitiveness. Quality in competitiveness goes beyond the actual quality of product and services to include the capacity of a firm to satisfy customer expectation. It is the characteristics of a service or product that endure on its ability to satisfy the needs (Gryna et al., 2007). Innovation can be considered as an effective exploitation of new ideas based on the existing knowledge to create new products and services, or to improve on existing ones (Gallego-Álvarez et al., 2011). In view of resource-based theory, innovation is recognized as a central role in creating value and sustaining competitive advantage. Innovation is considered a strength that creates competitiveness. Products and services as well as management processes are included in innovation (Gallego-Álvarez et al, 2011).

Porter & Kramer (2006) define competitiveness as productivity growth derived from either lower costs or differentiated products that command premium prices. A company gains competitiveness through acts of innovation (Porter, 2008, p. 493). Corporates business can access innovation through different ways for instance, by adopting new approaches to production, innovative product design or adopting new ways of conducting training (Porter, 2008). Porter goes on to describe competitiveness at a firm level in terms of the relationship between five forces namely: threat of new entrants, bargaining power of suppliers, bargaining power of customers, threat of substitute products and services, and strength of the firm against current competitors. Although the five forces for competitiveness according to Porter are important, this model can become too narrow – for instance when companies face threats from competitors who have higher innovation.

For the time being, scholars (e.g. Stuebs & Sun, 2010; Vilanova et al., 2009; Porter & Kramer, 2006; Gryna et al., 2007; Ambastha & Momaya, 2004) study different researches and gain some dimensions of competitiveness in a firm level. The dimensions they concentrate on represent among these dimensions: image/reputation, productivity, financial performance, innovation and quality. Therefore, the authors agreed to use the competitive model from Vilanova et al (2009) to create the frame of the thesis.
2.2.1 Concepts of competitiveness dimensions

**Image** is defined as perceptions of stakeholders to corporate responses in the general social concerns of the stakeholders groups (Pérez, A. and Bosque, I.R, 2012). When stakeholders have received their expectations, then opinions are considered to influence the effectiveness of corporate strategies. This is for example, their responses to embedded CSR in corporation directly influences loyalty to products from the firm.

**Productivity:** Economic research has identified innovation and productivity as key engines for the increase of competitiveness. It can be defined as the value of the output produced by a unit of labor or capital. (Carayannis, E. and Grigoroudis, E., 2014) This definition is universally accepted. The manufacturing productivity measures include unit labor costs, output per hour and compensation per hour (wages and salaries of employees plus employer’s contribution for social insurance and private benefit plans.)

**Performance** in this thesis is the standard financial measures for example earnings, profitability and growth of corporate (Vilanova et al, 2009)

**Quality**
A quality product is one that satisfies consumer needs. The power in marketplace nowadays is shifting from a seller’s market to the customers (Ghauri & Cateora, 2010,p.367) Thus, customer has power to define quality in terms of his or her needs and resources.

**Innovation**
Innovation is defined as an economic term as changing the yield of resources and as changing the value and satisfaction obtained from resources by the consumer (Carayannis E & Grigoroudis, E.,2014). Carayannis and Grigoroudis (2014) states that innovation is studied in relation to productivity and competition. Schumpeter (as cited in Swedberg, 2000) suggests that entrepreneurs introduce major changes in economic development; these changes then slowly work themselves through the economic system in the form of the business cycle (Swedberg, 2000, p 14). Innovation is defined as a new product and knowledge in a social system (Ghauri & Cateora,2010,p.359). The process by which innovation spreads is helpful in developing a successful product strategy. At this definition, the degree of newness are defined into 4 categories in which a continuous innovation, dynamically continuous innovation and discontinuous innovation are considered in the thesis meanwhile a congruent innovation is actually not an innovation.(Ghauri & Cateora, 2010,361).

2.3 Connecting CSR and Competitiveness

While CSR has been described as an organizational philosophy that propels companies to attempt to minimize the negative societal impacts associated with their operations, recent research mainly categorizes CSR as a marketing strategy (Holme, 2010). This strategy is based on the reality that consumers are interested in firms that care about social well-being. Williams & Aguilera (2007) noted stakeholder management and corporate social performance strategies are fairly recent theoretical perspectives on CSR. Other comparative examinations can involve comparative legal investigation looking at systems of governance for instance: European versus American approaches to CSR; reviewing the pressures placed on businesses within country contexts; non-governmental partnerships for CSR, and country variations in corporate social reporting requirements.
According to Porter & Kramer (2006), the four main justifications for CSR are sustainability, moral obligation, the license to operate and finally, reputation. Positive result in these justifications may increase competitiveness of a firm. The moral appeal aspect of the concept is “doing the right thing” and good citizenship. Sustainability emphasizes community and environmental stewardship and is described as the ability to meet present societal needs in ways that do not compromise society’s ability to meet its future needs. CSR impacts on a company’s reputation through its ability to strengthen the brand and image of a company, as well as its stock. However, CSR is overwhelmingly connected with moral imperatives. While moral considerations like reporting and legal operations are easy to understand, corporate choices are more abstract as it has to find a balance between long-term goals and short-term costs incurred from CSR. As a result of such dilemmas, studies show that increasingly, corporate business entities have chosen to separate CSR management aspects from other business functions (Smyth, 2000). Decisions are being made about the extent of CSR involvement in corporate strategy while the corporation’s unique characteristic and reputation may influence the level of engagement in CSR activities.

Several studies have attempted to understand how CSR strategies contribute to competitive advantage (e.g., Porter & Kramer, 2006; Draper, 2006; Vilanova et al., 2009). The resource-based view (RBV) presents the idea that firms gain competitive advantage by implementing value-creating strategies that come from the company’s ability to integrate and deploy resources as the basis for core organizational capabilities (Torungsa et al., 2012). Porter (2008) in turn notes that inappropriate CSR management may lead to incorrect arrangement of Social Responsibility Strategies (SRS) and weaker functional effect as a result of reduced attention to core competencies. Thus, poor quality in decision making process that harms the image and reputation of a business can influence of CSR programs. Smith (2007) proposed that CSR contributes to a sustainable competitive advantage through an organizational culture that can successfully implement a fusion of activities (Smith, 2007). Dean (2003, 2004), as cited in Smith (2007), supports this view and notes that consumer’s perception of a firm’s trustworthiness can also come from the execution of corporate culture.

Social responsibility involves engaging stakeholders within and outside the company. In order to retain a reputation for being socially responsible, corporate businesses must be proactive in identifying and preventing potential problems from stakeholders that will place restrictions on trade (Bryan & Smith, 2005). CSR is seen as a smart way to reduce risks and create opportunities. All the same, CSR activities can create risks in reputation, liability, operation, investors, employees, sales and external parties (Cheney, 2010). The European Commission 2008 report stated that CSR plays a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness. This report found that there has been a significant growth in the number of enterprises that have an explicit policy on CSR in recent years. However, the report took account of arguments suggesting that CSR may slow down competitiveness for example CSR is a cost and has no apparent benefit. This fact may cause investors and shareholders not to have interest in CSR (European Commission, 2008)

According to Vilanova et al. (2009) research on the relationship between CSR and competitiveness, there is a clear connection between the two concepts. This connection usually begins with issues of image and reputation. Corporate reputation has been used as the key driver to sell and embed CSR in diverse organizations such as NGOs, labor unions and other civil society organizations. In addition, they found that once CSR policy was accepted internally, it can provoke unexpected transformations in terms of business values and processes. However, there is no common framework for evaluating the relationship between CSR & competitiveness, and most companies adopt CSR approaches are more reactive than proactive.
According to Gugler & Shi (2009), the competitive advantage of a firm is driven by the economic gains proffered by CSR requirements such as better access to market, finance and business. CSR reduces risks from regulatory sanctions and enhances intangible assets. The relationship between CSR and competitiveness is as follows:

![Figure 3: The relation of CSR to Competitive advantage](source)

Source: Gugler & Shi (2009).

### 2.3.1 CSR Relations to Company Image and Productivity

Image and reputation are part of the framework linking CSR and competitiveness and act as a fundamental driver to initiate, develop and embed CSR strategy in an organization (e.g. Haigh & Jones, 2006; Stuebs & Sun, 2010). Reputation and image generate opportunities for innovation in an organization through corporate branding (Stuebs & Sun, 2010). CSR provokes some transformation of business values and processes for example, the generation of new products and services, and changes to the firm’s mission. Reputation is a key issue in risk management; it acts as a fundamental driver to implement CSR, and is accepted as an intangible asset (Stuebs & Sun, 2010). Efficient CSR management often involves integration of CSR into company vision, so that the firm’s identity is based on clear objectives and established values (Vilanova et al, 2009). This further establishes reputation as a key driver in framing and embedding CSR into corporate strategy. To explain the nature of the relationship between CSR and competitiveness, Vilanova et al. (2009) also argued that researchers should center on framing and interpreting how companies manage their paradoxes, rather than the results, impacts or outputs generated from CSR policies. Furthermore, Stuebs & Sun (2010) found that reputation is associated with improved labor efficiency and labor productivity. However, they did not find a significant association between reputation and reduced labor costs. Good reputation can also labor resource efficiency advantages that attract and motivate good employees (Stuebs & Sun, 2010, p.266).

### 2.3.2 CSR and Performance

Performance is normally evaluated through standard financial measures such as earnings, marketing and sale results. Many researchers have examined and analyzed the relationship between CSR and financial performance and suggested that performance is a key driver for adopting CSR (Haigh & Jones, 2006; Hess et al., 2002, Porter & Van Der Linde, 1995 as cited in Stuebs & Sun, 2010). Jaakson, et al (2012) states that research on CSR’s effect on profits has been found to be positive. Most researchers such as Chand & Fraser (2006) and
McWilliams & Siegel (2001) set financial interests or economic dimension as the bottom line of the connection between CSR and competitiveness. Such studies found a positive relationship between reputation measures and financial performance as well.

Vilanova et al (2009) discovered that most of these researchers centered on trying to prove the positive relation between CSR and financial performance (Vilanova et al., 2009, p. 60). However, Porter & Kramer (2006) state that financial performance could not imply long-term competitiveness. Porter noted that long term business potential can however be improved by connecting a company’s financial goals with its social goals (Porter, 2008, p 473-479). DuPont & McDonald are examples of the financial implications for adopting socially responsible practices: DuPont has saved over 2 billion USD from reductions in energy use since 1990 while McDonald reduced its solid waste by 30% after changing materials using for food wrapping (Porter, 2008). Porter (2008) explains that companies could operate in ways that secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful. Thus, financial performance or firm value only may not present a clear bottom line connection between CSR and competitiveness nor imply automatic long-term competitiveness (McWilliams & Siegel, 2001; Porter & Kramer, 2006).

Vilanova et al. (2009, p.60) support this position, noting that companies ranked at the top in international indexes for example, Business week, Fortune, Reputation Institute, Great Place to Work Institute, and Business and Human Rights Resource Center, claim substantial and comprehensive CSR policies and strategies although they do not necessarily correspond in traditional measures of competitiveness such as market growth. They added that key determinants of firm competitiveness focus on intangibles such as brand equity and reputation; such intangibles are strongly influenced by CSR, and are not measured traditionally even by Porter’s five forces model. Vilanova et al.(2009, p.62) found that most financial analysts do not use only standard of financial performance and stock ratios as a traditional method to value a firm, they included an in-depth qualitative analysis of intangibles which indirectly accounted for some CSR dimensions and related to five dimensions of competitiveness. Furthermore, CSR itself is very much considered as transversal non-tangible issue even where CSR is not counted as a main topic of evaluation by financial or other analysts.

2.3.3 CSR and Quality

CSR, according to Salmones, Crespo & Bosque (2005, as cited in Berens, Riel & Rekom (2007:p 238), means “the moral obligations that maximize the positive impact of a firm on its social environment and minimize the negative impact”. This makes the idea of doing well more increasingly important. Quality is not just desirable, it is essential for success in nowadays competitive international market (Ghauti & Cateora,2010). The US President’s Commission on industrial competitiveness defined quality as one of the main ingredients for competitiveness: “A firm is competitive if it can produce products or services of superior quality or lower costs than its domestic and international competitors” (European Competitiveness report, 2008). In diverse corporate businesses, CSR can be a vital part of the products and services quality. According to Ferdows & Meyer (1990) as cited in Antai (2011), quality capabilities should be the first thing for manufacturing capabilities. The overall quality of product is comprised of the actual quality of the product and the reputation of the provider (Maksimovic & Titman, 1991). Quality or Corporate ability in this thesis refers to “company’s expertise in producing and delivering its outputs” (Brown & Dacin, 1997 as cited in Berens et al, 2007). This is not only product quality but also other attributes for instance, customer orientation and innovativeness.
However, financial considerations are important for CSR decision making as financial difficulties may impact on product quality (e.g. Titman, 1984; Maksimovic & Titman, 1991). CSR issues such as environmental protection, relations with local communities, working conditions and donations to charities require resources (Berens et al., 2007). At the same time, CSR issues may not yield service and product quality. A firm may deliver good quality services and products but still has a poor reputation. And if the firm improves its reputation but delivers poor quality services and products, its net quality index can be lowered. Thus company characteristics such as reputation and product quality are important within considerations of CSR for competitiveness (Berens et al, 2007).

Embedding CSR in Community relation aspect can be equated with the notions of giving back quality products and services to the community (Turyakira, P., Venter, E., and Smith, E.(2013:158).

He & Li (2011) examined the effect of brand identification on CSR and service quality. They found that in the interaction between CSR and service quality, brand identification had a mediation effect. Moreover, customer loyalty depends highly on positive CSR and service quality. Both CSR association, product and service quality can enhance brand identification and customer satisfaction. Thus, CSR creates customer loyalty as a reward (He & Li, 2011 p.685).

2.3.4 CSR and Innovation

This association requires an application of corporate responsibility principles to products, productive processes and practices that involve R&D (Siegel, 2001; Bansal, 2005, as cited in Gallego-Álvarez et al, 2011). Torugsa, N.A. and O'Donohue, W. (2011) discuss that shared vision, the firm’s ability to embody the collective objectives and aspirations of its members, enables a firm to generate the internal pressure and enthusiasm necessary for innovation and change. Devinney (2008) also considers the link between CSR and innovation as an extension of the relationship of CSR and performance. Meanwhile, López et al (2008, as cited in Gallego-Álvarez et al, 2011) state that the adoption of CSR-oriented goals affects R&D expenditure positively. Gallego-Álvarez et al (2011) support this position and state that in theoretically, CSR practices and innovation impact on one another. The authors however, argue that the influence of CSR practices on innovation is not enough to affirm the relation and not all CSR practices create value for the company. Furthermore, companies that offer complex products may not need other reasons to attract customers (Gallego-Álvarez et al,2011). In conclusion of CSR and innovation, there is a correlation between R&D innovation and CSR in some ways (Porter, 2008).

2.4 Conceptual Framework

Developing a conceptual framework is not a matter of thinking up completely new things, but building upon the knowledge acquired from conducting a literature review. (Fisher et al, 2007:p 125). In this thesis, the relationships between five dimensions of CSR and five dimensions of competitiveness constitute the conceptual framework. This in turn forms the basis for the authors’ research opinion and guides the researchers in gathering data towards answering research questions.
According to literature review, CSR has a clear effect on the competitiveness of a firm. This positive effect is established when the different CSR dimensions are efficiently managed so as to gain sustainability. The various CSR dimensions exert varied levels of influence the level of competitiveness. The firm may place more emphasis on one dimension if that yields explicit competitive advantage and benefits to all stakeholders. The measurement for benefit can be both tangible and intangible results. Examining CSR dimensions that positively influence competitiveness in a firm can yield information about salient dimensions that are apparently less relevant but enhance the overall contribution to competitiveness. In this thesis, the authors’ purpose is to gain specific understanding about CSR influences. Due to time constraints, the focus of this study is on each dimension of CSR that creates competitiveness for ABB Sweden. The dual relationship dimensions in competitiveness and CSR practice can be examined in a further study.

The conceptual framework shown in figure 4 identifies the prominent dimensions in CSR that influence the competitiveness of a firm in each dimension according to literature’s review. It identifies each dimension of CSR that influences firm’s competitiveness. The framework is illustrated with firm embeds different aspects of CSR in its management, applies CSR to strengthens a firm’s competitiveness which are shown in different aspects or dimensions.
Vision sustains image (Haigh & Jones, 2006; Stuebs & Sun, 2010). CSR integration into company vision establishes reputation (Vilanova et al, 2009). Meanwhile, embedded CSR in workplace improved labor efficiency and labor productivity, which is associated with reputation, and the same way effect good reputation of firm that can also enhance labor resource efficiency that attract and motivate good employees (Stuebs & Sun, 2010). Better access to market and finance through pricing, fair competition, marketing and investment as a marketplace dimension in CSR supports firm competitiveness in performance dimension and reputation (Gugler & Shi, 2009; Vilanova et al, 2009; Chand & Fraser, 2006; McWilliams & Siegel, 2001). Accountability in CSR creates reputation or image for a firm. CSR creates customer loyalty in which enhance brand identification and customer satisfaction (He & Li, 2011). Community relation promotes a good public image (Chiara, A.D., and Spena, T.R., 2011).
3 METHODOLOGY

The methodological aim of this study is to explore previously implemented CSR policies and procedures within a modern business and to analyze the functions through which CSR deployment affects competitive gains. This will be done through a review of primary literature as well as formal interviews and results analysis. The focal organization for this analysis is ABB Sweden. However, the authors consider that such findings can be representative of the whole company since the ABB group has the same central policies and has achieved competitiveness in more than 100 countries (abb.com, 2013). The interviews conducted for this research will involve different managers within ABB Sweden, in departments that are relevant for this study. Furthermore, the study aims to focus on CSR functions and how they impact on the firm’s competitiveness, rather than examining the dimensions of competitiveness and how they can influence CSR policy and practices. This chapter explains the various methods and techniques adopted in this research. It encompasses the rationale behind the choice of topic, overall research outline and the guiding principles for data collection processes. The approaches used for data collection and findings are also discussed. The section also includes statements on validity and reliability.

3.1 Choice of Topic

Colin M. Fisher (2007) emphasized that a research topic needs to be interesting and imperative; the selected topic should have enough literature and should be easily understood in order to facilitate a comprehensive and detailed analysis. The authors developed a topic of interest within the area of CSR and its relationship with competitiveness. This choice stemmed from the author’s interest in organizational dynamics, discussions on current business trends and practices, a review of previous literature, and an interest in connecting and understanding varied functions in business practice. Most importantly, the researchers think that this is an area where there is dynamic evolution given the rapid changes that occur in the modern business environment, and so it is important to study these issues in specific organizational context.

The entire process included a review of various comparative dimensions that can benefit from additional research, brainstorming and free-writing exercises on the topic as well as several review meetings to derive a focal issue and structure for the thesis. Extensive peer consultation was also done to assess the need for investigation in this area and identify important questions. Preliminary research on CSR issues was conducted using varied databases, articles and management journals – again to verify the need for work in this area. The preliminary version of the thesis “CSR: structure for competitiveness and sustainability” was amended to “CSR for competitiveness.”

3.2 Research Approach

According to Bryman & Bell (2011), a research work may adopt an inductive approach where conclusions are based on the empirical data or a deductive approach - in which case researchers use existing theories as the bases for deciding what information should be selected (existing theories are investigated empirically with a set method, and this empirical
information is compared with the existing theories to see whether they are followed). For this research, the deductive approach will be applied since there is a focus on existing literature on the topic. This existing literature will form the framework for analysing information collected from primary literature such as ABB sustainability performance report and interviews from various managers of CSR dimensions within the company.

Bryman & Bell (2011) further state that qualitative analysis is not measureable and involves analysis of data such as words from telephone interviews, sustainability reports data in the last five years and pictures while quantitative analysis is based on final outcome and involves the use of measurable data to give numerical idea about the subject being analysed. According to Denzin and Lincoln (2005) qualitative enquiry is necessary in situations where an activity creates the need for observers to review practices and apply interpretative materials to the visible world. The qualitative approach also implies a representation of information or phenomena that have been observed, reported or interpreted in written words, and not figures. This style of research relies more on thorough description (Denscombe, 2006).

In summary, according to Creswell (2009), a qualitative study permits the exploration of phenomena within the context of real life experiences. A qualitative design permits an interactive approach to the investigation of CSR and firm competitiveness (Creswell, 2009; Patton, 2001). Since this investigation tries to connect business experiences within social and cultural dimensions, a qualitative design was deemed a suitable choice as it enabled open communication and all-inclusive assessment of qualitative data. A case study would provide a limited view of the issue; therefore, the narrative approach is more appropriate for this research as it enabled an inclusive view. Shared culture on CSR practices and competitive dimensions was verbalized by ABB Sweden’s managers through personal interviews (Andrews, 2002; Lal, Suto & Ungar, 2012). Furthermore, this method enabled a more in depth interaction between the researchers and ABB Staff and allow for a free expression of perceptions based on real life involvement in the processes being discussed, as against statistical analysis.

No statistical tools were used in conducting this research and in the interpretation of data. In order to analyse the dimensions of CSR and competitiveness, the authors will make comparisons between various theories. In addition to a comparative analysis, the authors adopt a cross-sectional approach to analyse the issues and determine a conclusion. The authors also compare theories and findings to identify similarities and differences that can help to answer research questions.

3.3 Choice Of MNC

The focus of this thesis research is ABB Sweden. Several European multinational corporations (MNCs) such as ABB have achieved competitiveness even within unstable global markets. In 2010, ABB ranked 143th on the list of the world’s biggest public companies, and 158th in 2012 (Forbes.com, 2013). The company remains one of the largest engineering companies in the world; there is great demand for ABB’s services and products locally and globally. The gigantic energy and technology-driven infrastructure programs going on all over the world and especially in developed countries mean that there will be increased and sustained future demand for energy products and systems. Like every other business, ABB faces the challenge of managing change in the business environment constructively, making optimal use of advances in technology, and maintaining productive relations with all its stakeholder groups.
Modern day business challenges are made more complex by such factors as historical shifts in the workforce and competitive global markets. In order to achieve success, companies must adopt cutting-edge business operations that mean embracing the global possibilities offered by the knowledge-based economy and technological advances, adopt environmentally sound practices with its implications for stakeholder relations while achieving organizational goals. As a global giant, ABB must demonstrate top-notch strategic management competence within which CSR is a strategic component in order to continue to promote productivity, manage its huge workforce, and uphold exemplary standards in CSR practice.

ABB applies CSR dimensions to its domestic and international operations. The authors considered it interesting and important to investigate how CSR practices influence the company’s competitiveness. The authors were also interested in finding out how ABBs’ CSR strategy and practices fit within the context of the conceptual model aforementioned. Another reason for choosing ABB Sweden is the fact that the authors sought to obtain representative results. Since ABB group uses the same strategy, code of conduct, of conduct and policy in every branch of the company, the findings from ABB Sweden would be representative of the company’s global CSR strategy, and the findings would consequently be widely relevant for MCN managers and scholars across the globe. Another important factor in the selection of ABB Corporation is the comparative ease to access data as against corporations in other countries since the authors live in Sweden.

The authors considered that the investigation has to follow a structure. Therefore, they decided to use the depicted dimensions within the conceptual framework to provide a structure the research. The analytical dimensions of the study involve exploring the effect of each CSR dimension on competitive indices as indicated in the conceptual framework. However, the authors acknowledge that there are other important factors that influence ABB’s CSR and its competitive effects. At the end of the analysis, such dimensions will be identified. The conclusion will be based on how well ABB’s CSR for competitiveness fits with the conceptual framework developed for the thesis.

### 3.4 Primary Data

Kotler et al. (2005) described primary source of data as information gathered for the specific purpose at hand. First hand data collected as the original sources of information for this thesis were through interviews conducted with six related CSR respondents in ABB. These interviews and the information gathered were directly related to the topic of the thesis (Yin, 2003). In this thesis, additional primary data consisting of ABB annual reports in the last five years are examined. The half-decade intervals used are standard in time series analysis (Cochran & Wood, 1984). This helps ensure that questions are meaningful to the purpose, and at the same time can introduce bias or interest to the area of focus. Secondary data does not have the privilege of this focus but is only liable to the bias introduced in the choice of data used or derived from theory (Yin, 2003). This is advantageous to the research because the target issues are addressed namely information about CSR and its effects on competitiveness (Yin, 2003). Since primary data is obtained from original sources, first hand, it means the data has not yet been published and is reliable. Such data has greater validity than secondary data. Though secondary data is important in many cases, it has to be presented in a form that adequately meets the researcher's needs. Therefore, the researchers relied only on secondary data that presented information that aligned with their needs.
3.4.1 Selection of Respondent

Yin (2003) states that a crucial importance success factor is to influence the result for a case study, and that the respondents presents information that will not only provide the interviewer with accurate and deep understanding into a research matter but also suggest his or her own insight into certain occurrences. This is utmost importance since the research can becomes invalid if the wrong respondents are interviewed. As a starting point of this thesis, efforts were made to locate the most suitable respondents to speak to within the respective CSR managers in ABB. Initially, the authors tried to contact CSR representative via ABB website and no specific name or telephone numbers were found. Eventually, we had a contact through the customer service units. The initial contact was via telephone and presenting the scope of the thesis through email. Six respondent were identified, namely, Suzanne Lagerholm, Ola Svanström, Lars Krantz, Thomas Lederberg, Åsa-Katrin Johansson, Caroline Setterwall.

The primary data was collected by telephone interview; semi-structured questions were used. Multiple related interviews were also useful in respect of initial contact with regards to interviews. For this research, the researchers focused on the relationship between the 5 CSR dimensions - leadership, workforce, marketplace, accountability, and community relations - to competitiveness. The objective was to thoroughly examine these areas with specific questions. The interview targeted specific managers who are responsible for each dimension of CSR related issues in ABB.

One CSR specialist and five managers were interviewed. These were Head of Supply Chain Management Risk & Sustainability, Country Communication manager, Head of business development, Department manager (R&D innovation) and Product launching manager. The interview guidelines and schedule is shown below:

<table>
<thead>
<tr>
<th>Respondent, Job Title and company</th>
<th>CSR dimension</th>
<th>Competitiveness dimensions</th>
<th>Date &amp; Time duration</th>
<th>Location &amp; interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suzanne Lagerholm, Country Communicator manager ABB Sweden</td>
<td>-Vision, workplace, marketplace, Community relations, accountability</td>
<td>-Performance, quality, productivity, image/reputation</td>
<td>2013-05-8 20 minutes</td>
<td>Sweden/telephone</td>
</tr>
<tr>
<td>Ola Svanström, Product launching manager in Robotics part of ABB Sweden</td>
<td>Marketplace, workplace</td>
<td>-Quality, Innovation, image/reputation, productivity</td>
<td>2013-05-10 25 minutes</td>
<td>Sweden/telephone</td>
</tr>
<tr>
<td>Lars Krantz, Head of Business development for power and generation, ABB Sweden</td>
<td>Vision, Marketplace Accountability</td>
<td>image/reputation Innovation</td>
<td>2013-05-13 20 minutes</td>
<td>Sweden/telephone</td>
</tr>
<tr>
<td>Thomas Lederberg, Department manager automation technology, ABB Sweden</td>
<td>Vision, workplace, Community relations, Accountability, Quality</td>
<td>Image/reputation, Innovation, performance</td>
<td>2013-05-15 20 minutes</td>
<td>Sweden/telephone</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Åsa-Katrin Johansson, Head of SCM risk &amp; Sustainability, ABB Headquarter</td>
<td>-vision, workplace, community relations, accountability</td>
<td>-Image/reputation, quality, productivity, performance</td>
<td>2013-05-16 20 minutes</td>
<td>Zurich, Switzerland/telephone</td>
</tr>
<tr>
<td>Caroline Setterwall, Environment Specialist, ABB Sweden</td>
<td>Vision, workplace, marketplace, Community relations, accountability</td>
<td>Performance, quality, productivity, Innovation image/reputation</td>
<td>2013-05-16 30 minutes</td>
<td>Sweden/telephone</td>
</tr>
</tbody>
</table>

Table 4: CSR dimension covered in the interview schedule

The face-to-face/telephone interviews conducted with specified manager’s representative in ABB business case were carried out through semi-structured questionnaires based on open-ended questions. Yin (2003) stresses the significance of this approach as being that open-ended questions can leverage opportunities for the interviewers to ask certain questions related to the facts of the subject matters, or judgment formed about something but not necessary based on facts or knowledge. To ensure that the semi-structured qualitative interviews were carried out effectively, the interviewers used pre-questions. This method according to Bryman and Bell (2004) is flexible and enables a progression of questions as the interview session progress.

The interviewers also acknowledged the fact that the quality of interview depended on a careful background study of ABB characteristics, its CSR performance and obligations. This was done through ABB current sustainability performance reports and reports on other CSR related issues.

### 3.4.2 Telephone interview

The drawbacks of telephone interview are that a respondent might have a busy schedule and thus provide hurried responses rather than a deeply thought-out answer or even be absent, and the benefits of physical one on one communication are missed. The process may also be interrupted by external variables such as poor network connectivity and bad weather conditions that affect sound. However, telephone interviews provide the advantage of speed and expediency (Bryman & Bell, 2011).
The first interview was conducted with Suzanne Lagerholm, ABB Country communicator manager (CSR-communication strategy), interviewed on the 8th of May 2013 through telephone, for 20 minutes.

Suzanne’s position in ABB is to ensure that consistent integrated communication strategy and branding, corporate information, media activities and company’s goals are strategically communicated. The researchers believed it was necessary to understand how ABB presented their values and strategies for corporate citizenship, environmental responsibility, human rights policy, health and safety to internal as well as external stakeholders. The CSR and competitiveness related issues and questions were sent to the interviewee via email prior to the scheduled date for the interview. This was because of her busy work schedule, to enable her think through the questions. In addition, both the interview questions and interviews were prepared, recorded and transcribed in English (Appendix 1). Thereafter, Suzanne referred the researchers to Lena Westerholm (CSR-manager ABB Sweden), for detailed information about the questions. However, Lena was on business trip, thus she recommended that Caroline Setterwall, an expert in CSR respond in her place.

Interview with Ola Svanström, Product launching manager in Robotics department of ABB (CSR-new product launched and development; innovation) was interviewed, May 10th, 2013 for 25 minutes, via telephone.

The idea was to have an idea of how CSR was incorporated into product launching and development in ABB, and how this was communicated to external stakeholders. These questions were also sent through email prior to the interview date (see Appendix 2); the format was same as of Suzanne Lagerholm, carried out in English.

ABB’s head of business development for power and generation’s manager, Lars Krantz was also interviewed May 13rd, 2013 for 20 minutes, via mobile phone (CSR-related areas in business plan, business model and strategic development sales), in English (See Appendix 3).

Thomas Lederberg, senior manager of automation technology was interviewed May 15th, 2013 on CSR issues as they relate to innovation and R&D program, in English (See Appendix 4), the time duration was 20 minutes.

Åsa-Katrin Johansson, Head of SCM Risk & Sustainability, sitting in Zurich, Switzerland. Her duties in relation to supply chain management, risk and sustainability, are strongly relevant to CSR. She was interviewed 16th May 2013 for 20 minutes on CSR issues and dimensions as they relate to competitiveness. The interview was in English (See appendix 5).

Caroline Setterwall, Environment specialist, she works on CSR strategy for ABB Sweden. She was interviewed 16th May 2013 for 30 minutes on CSR issues and dimensions as they relate to competitiveness. The interview was in English (See appendix 6)

The interviews with Caroline and Åsa-Katrin were pivotal for the entire research work since they are directly involved in all dimensions of CSR in ABB Sweden. Their perspectives covered the entire company which is critical to a full understanding of how CSR dimensions relate to competitiveness within the company. In addition to the interviews, questionnaires were provided with space for answers to enable respondents give their opinions on the subject. The interview process was successful overall and yielded important information for analysis.
3.5 Literature search

The first step in the research was a review of literature, scholarly papers and other materials that are imperative to the topic of study. Secondary data may pose a problem in terms of unreliable sources or outdated information. One way of addressing this problem is to search for recent available information relevant to the topic of study. This is advantageous for researchers as maximum productivity is achieved with minimum wasted effort or expense. The existing research constitutes a great resource for intuitive understanding of the research problem. Empirical data sourced from different databases, web links, ABB.COM website, recent articles collected from ABI/INFORM Global (ProQuest) and EMERALD databases, Google scholar, Annual sustainability reports, competitive reports, ABB CSR sustainability reports and books from Mälardalen University Library helped the researchers to a significant extent to answer the research questions.

This research is largely based on secondary sources of information due to the wide scope of research issues. The use of keywords related to CSR and competitiveness (shown below), were useful towards improved search results during the search process for important scholarly articles to support the work:

CSR stakeholders* shareholders strategy*
Corporate reputation* Competitiveness*
Performance* quality*
Innovation* productivity*

Boolean operators helped through keyword combination to narrow search and retrieve records containing relevant information for the study. In addition, books from different authors through Mälardalen university library also helped the researchers to form an opinion of the research. This research therefore, involved a systematic investigation of materials and sources in order to establish facts and reach new conclusions.

3.6 Reliability

Joppe (2000) described reliability in research as an instrument which yields the same result over and over again on every trial. An instrument used in conducting research is considered stable when it is reliable, whereas unreliable instruments are considered unstable. He stated that “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable” Joppe (2000).

Yin (2003) emphasized that the goal of reliability is to reduce the unintentional failure noticed in a study. The instrument should therefore, produce the same results with repeated application. This means that it is important that other researchers who carry out the same study and achieve similar results. However, in real life situations, the same data set for qualitative research can be collected by different researchers using the same method but at different time and show a variance within the results. Thus, in order to achieve reliability, it is important to identify and implement a documentation plan. Since this study involves both theoretical and empirical data, the reliability is reflected by the quality of the research processes. Thorough and proper documentation was undertaken with regards to interview findings, secondary information, results and sources in order to achieve high reliability (Yin, 2003).
3.7 Validity

Validity in research implies that a test measure that precisely captures the concepts it attempted to measure. Thus, any measuring tools in research related to a defined criterion are often proving validity. When the results and research criterion are not related, the instrument is invalid. According to Joppe (2000) “Validity determines whether the research truly measures what it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull’s eye" of your research object? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others.” This principle guided the authors’ choice of questions and choice of interviewee in order to obtain information on precise dimensions of CSR in ABB and how they impact on competitiveness.

Yin (2003), further categorized the concept of validity into four groups: internal validity refers to the validity with which a relationship between two variables can be inferred as casual; construct validity is that with which inference can be regarding higher order constructs that are being examined based on specific study characteristics; external validity is that with which inference can be that relationships between the variables under investigation holds over different times, treatment variables, settings, people and other measurement variables; and lastly, statistical conclusion is the validity with which inferences can be made about the relationship between two variables and the strength of that relationship.

The wide conceptual information and empirical processes in this thesis are examples of construct validity; the researchers focused on gathering data for the empirical part of the thesis through multiple sources via existing research, scholar papers, articles, books various databases, ABB website and questionnaires in order to gain deep understanding about corporate responsibility behaviour. The interview questions and questionnaire were derived from a theoretical framework based on previous literature and thus show construct validity of analytical processes and outcomes. Yin (2003), further stress that no single source has a complete advantage over the other in claiming validity; in science research, validity is increased by using different sources of evidence. Thus, the authors of this thesis ensured construct validity of the study through the use of multiple sources of evidence.

3.8 Data analysis

Selecting the appropriate method for data analysis is as important as the selection of methods of data collection. Proper and comprehensive analysis of collected data is requisite to meeting research goals. The choice of technique for data analysis in research work is based on the research objective as well as structure of the study and data collected. Since this research is merely based on primary and secondary sources of data, a qualitative approach to data analysis will be adopted. This narrative analysis will allow the researchers to “elucitate the meaning, structure and essence of the lived experience” of ABB managers (Patton, 2001, pg. 482). The focus of the analysis is a description of how CSR dimensions enhanced competitiveness in the company; this is based on data from interviews and questionnaire administered to the specific respondents listed in this thesis. No statistical tools were used in this study. A clear report will be developed with the collected data being the central focus. A narrative approach will be adopted to report the findings from data analysis. This approach will allow smooth transitions within the research document (Burnett, Chenail, Flemons, Green, & Polkinghorn, 1995). Strict focus will be maintained on the research topic and frequent evaluations done to prevent deviations (Patton, 2001).
4 FINDINGS

This chapter will present numbers of secondary information collected through website and ABB reports. Empirical primary findings were collected through telephone interview. The interviews were conducted with five relevant managers and a specialist in CSR at ABB Sweden in order to gain information that will prepare the authors to answer the research questions. Interview questions and answers are presented in Appendix 1-6 respectively. The authors studied secondary data which consists of sustainability performance, and annual reports issued by the company, ABB, in 5 years (2008 – 2012), and other relevant reports from ABB, e.g. Code of conducts, Driving Competitiveness, ABB Group profiles and Human rights policy that were delivered by ABB within a specific period of time. However, studying secondary data is not enough to gain the understanding needed in all aspect to answers the research questions, hence conducting interview with six relevance managers related to CSR and each dimension of competitiveness including a CSR specialist was a key to answers the research questions.

4.1 The company

Asea Brown Boveri (ABB) is a multinational corporation (MNC) and a leader in power and automation technologies (ABB.com, 2013). The company's vision is to enable efficient power use and increase industrial productivity while lowering environmental impacts. ABB was founded in 1988 through a merger between Asea AB from Sweden and BBC Brown Boveri AG from Switzerland. In 2012, ABB had a global workforce of about 146,100 in approximately 100 countries; nearly half of the corporation’s employees are in Europe (ABB annual report 2012, 2013). ABB Switzerland is the parent company of the ABB Group.

ABB Sweden has two subsidiaries - ABB AB, Västerås and ABB Norden Holding AB, Västerås, with share capitals of 400,000 MSEK and 2,344,783 MSEK respectively (ABB annual report 2012, 2013). ABB Norden Holdings AB has 19,934 employees (11,104 employees are working abroad). It is ranked number 23 among the largest companies in Sweden and ranked number 54 in Scandinavia in 2011. The company had a 2011 turnover of 60,156 MSEK which represents a total increase of 56,293 MSEK from the year 2010 (Largestcompanies.se, 2013). Excluding affiliated subsidiary companies, ABB Norden Holding AB is ranked number 18 of all the biggest companies in Sweden (Largestcompanies.se, 2013). ABB AB, Västerås employed 8,742 employees in 2011 in the country, and was considered number 52 in Sweden, and 116 in Scandinavia at large. Its turnover in 2011 was 31,505 MSEK (Largestcompanies.se, 2013).

ABB’s activities span five divisions across two key markets: power and automation. Within these two markets, ABB delivers extensive products, systems and services designed primarily to deliver electricity. This covers various types of power stations - wind, solar and hydro plants. The two markets comprise a total of five divisions: (1) Power products (2) Power systems (3) Discrete automation and Motion (4) Low Voltage Products (5) Process Automation. In the automation market, ABB is focused improving product quality, energy efficiency and productivity in industrial and manufacturing applications. The automation market consists of three divisions - process, factory and building automations, respectively. Process automation refers to controlling electrification and applications used in processes in such industries as oil and gas, mining or pulp and paper. Factory automation refers to discrete operations that manufacture individual items for example in metal fabrication, packaging and painting. Building automation refers to product lines and applications that aimed to increase the energy efficiency of buildings (ABB annual report 2012, 2013).
The division that earned the most in 2012 was Power products (25 percent), followed by Discrete Automation and Motion (22 percent), Process Automation (19 percent), Power system (18 percent) and Low Voltage Products (16 percent) (ABB annual report 2012, 2013). The orders came from Europe (34 percent), America (30 percent), Asia (26 percent) and Middle East and Africa (10 percent) respectively. Moreover, customer satisfaction increased by 32 percent from the year before (ABB annual report 2012, 2013). In terms of income derived from investment before interest, taxes, depreciation and amortization (EBITDA), ABB's power and automation businesses outperformed competitors in 2012. ABB's revenues at the end of 2012 was 255,684 MSEK (ABB Annual report 2012, 2013); this is significantly higher than the last five year revenue of about 185,674 MSEK in 2007 (ABB, 2007). The company invests strongly in R&D programs, R&D investment rose from 3 percent in 2007 to 3.7 percent of revenues in 2012 or almost 9,600 MSEK (ABB Annual report 2012, 2013).

4.2 Findings on CSR Dimensions

4.2.1 Vision

The vision of ABB impacts on its governance attributes, ethical codes, values and reputation, which are all in turn critical to stakeholder relations. ABB’s slogan is "Power and productivity for a better world" (Thomas Lederberg). This slogan represents the vision of the business as well as its commitment to CSR. The company manages vision as a CSR dimension in numerous ways including addressing health and safety issues for employees, human rights, and community-based initiatives (Suzanne Lagerholm). According to ABB’s sustainability and annual reports as well as interviews, the company integrates its vision into every part of its governance structure.

The slogan further explains the company's focus on creating sustainable societies. The development of straightforward sustainability objectives and stakeholders' communication helps the company stay on track with its vision of achieving a better society. “ABB uses technology to create a sustainable society. And I think our vision has really put ABB on the map, not just because of technology delivery, but we have something to give” (Suzanne Lagerholm). Actions that demonstrate vision as a CSR dimension for the firm include energy saving programs and the control of emissions in ABB's manufacturing processes. ABB published its first sustainability report on environmental impacts 20 years ago.

4.2.2 Community relations

ABB’s community relation involves cooperation and partnerships with stakeholders, corporate philanthropy and community actions. ABB is involved in diverse activities within communities; however, there are two main areas of community relations - supporting education and health. The company views community work as key to business success (ABB Sustainability performance 2012, 2013). Such activities are particularly established in countries such as Asia; India and China. In Sweden, ABB supports community by supporting educational centers as Mattecentrum; this center aims to help young students to improve their mathematics skills. ABB also tries to equip young people by creating opportunities for them to develop and use their skills in its operational units. For instance, in Karlskrona, ABB supports unemployed young people with no previous work experienced and no qualifications.
The idea is to provide education, support people to get jobs and fill a need for skilled labor in the company.

ABB interacts with universities and academic institutions to implement collaborative research projects that teach students in Sweden and Switzerland about CSR, with emphasis on global human rights (sustainability performance 2012, 2013). ABB is associated with several organizations and universities such as Chalmers University of Technology, Sweden; World Childhood Foundation, Sweden, and Swedish Standards Institute. Based on its community relations, ABB won 22 awards worldwide in 2012 (ABB.com, 2013). The company’s efforts were recognized by local governments as being important to health, safety and the environment (ABB Sustainability performance 2012, 2013).

4.2.3 Workplace

This mostly refers to how ABB treats its employees. It includes human rights, health and safety, as well as workforce diversity issues. ABB comprises a variety of businesses operating in diverse areas and thus different kinds of human rights issues arise that require careful and persistent work. This includes appropriate levels of involvement with proposed business partners, customers and different stakeholders (ABB Human rights policy, 2013). Mergers and acquisitions are areas that present critical human rights challenges as the conditions of employees prior to mergers and afterwards must be critically evaluated and managed.

ABB’s human rights policy, adopted in 2007, focuses on training employees on essential characteristic of human rights (ABB Sustainability performance 2012, 2013). The company bases its actions on the “UN Guiding Principles on Business and Human Rights” (ABB sustainability performance 2011, 2012; ABB Sustainability performance 2012, 2013). ABB’s internal awareness and capacity building program is global in scope and designed for senior managers; this includes business and country management representatives as well as members of functional units in Supply Chain management, Legal and Integrity, Communications and Sustainability in ABB’s manufacturing and exporting countries. The initiative commenced in 2010 and is still in progress. This internal capacity building is carried out in order to equip managers on key human rights issues in various parts of the world, so that they can effectively take responsibility as well as influence local level business. ABB further addresses worker’s issues based on the “UN Guiding Principles, the issue of access to remedy for victims of human rights abuses”. Among other things, ABB has a Business Ethics unit set up to assist all ABB employees and stakeholders worldwide. This system enables the reporting of suspected violations of the ABB Code of Conduct or applicable laws (ABB Sustainability performance 2006, 2007). Such violations include practices among its suppliers that are contrary to international standards (ABB Sustainability performance, 2012, 2013).

In its conduct of international business, ABB emphasizes diversity not just based on local workforce development, but also as a means of employing marginalized groups. ABB promotes gender participation through its diversity policies. For instance in India, ABB has established several programs to create a stronger presence for women in functional units, staff roles, and executive management (ABB sustainability performance 2012, 2013). In South Africa, workforce development includes bringing in disabled people into the workforce (ABB sustainability performance 2012, 2013).

ABB is also attracting young people. Skilled young people are critical to filling future leadership positions. ABB employs engineering students in different countries including Switzerland and Sweden, as well as students from various disciplines ranging from finance, human resources, energy, and sustainability to marketing and sales. ABB partners with
CEMS, “a strategic alliance of leading business schools and multinational companies whose goal is to set a global standard of excellence for pre-experience Master’s in management” to develop people for management roles (ABB sustainability performance 2012, 2013). Standard English training is offered online free of charge to all employee and family members.

ABB is committed to the health and safety of its employees and strives to achieve and maintain a workplace that conforms to Occupational Health and Safety (OHS) standards. ABB is “committed to all business occupational health and safety management system based on OHSAS18001 and International Labor Organization (ILO) policy” (ABB Sustainability performance 2012, 2013). ABB recognizes OHS improvement programs within their operational divisions. This recognition involves both practical and intensive theoretical training in different ABB factories towards implementing best practices in workforce safety (ABB Sustainability performance 2012, 2013).

### 4.2.4 Accountability

ABB is liable or answerable to its stakeholders; specific organizational responsibilities towards its stakeholders are of vital importance and the company has a mandate to report organization’s performance on a regular basis (Unerman & O’Dwer, 2007:338). ABB strives to be as transparent as possible, several reports published on the company’s website provides important information to stakeholders - customers, investors and employees, (Suzanne Lagerholm). Working with shareholders requires high accountability. This includes responsible investor relations. ABB pays high attention to all parameters around investment in its own factories or in buying from other companies (Caroline Setterwall) Employees perceive the company as being transparent and maintaining high ethical standards, and this encourages their continued interest in the company (Thomas Lederberg).

ABB takes anti-corruption seriously; all new employees undergo training via e-learning and face to face methodologies on the code of conduct to understand behaviors that are expected of them. Frequent reviews of anti-corruption practices take place within the firm; this is in the form of internal surveys to gain understanding of employees’ perceptions of integrity. Using the information gained, ABB develops enhanced integrity processes that address areas that indicate high compliance risk. The results of these surveys also form the basis of auditing process the following year (ABB sustainability performance 2012, 2013).

ABB implements TRAC, a tool by TRACE that offers resources and anti-bribery solutions, and has a business ethics hotline for employees to report integrity concerns. As stated by Diane de Saint Victor, General Counsel of ABB Group and Executive Committee Member (2013) “ABB is committed to fostering a culture where integrity is woven into the fabric of everything we do”. That integrity is embedded in the business and its processes means acting responsibly as a company.”

### 4.2.5 Marketplace

ABB’s marketplace relates CSR practices to core business activities. These core activities include Research and Development (R&D) programs as well as fair pricing, marketing, fair competition and investment. During 2012, ABB reported increasing pressures from customers; this was in the form of increased demand for product quality. ABB then held discussions with consumers and international partners to gain insight on potential sustainability risks. The outcome of these discussions led to activities to create consumer
reassurance from ABB on its commitment to sustainability. To further increase stakeholders’ relations, ABB implemented the net promoter score, a customer satisfaction initiative that provides customers the opportunity to give feedback to the firm on how to improve its performance. During 2012, effective use of information from the net promoter score resulted in increased customer satisfaction. ABB also uses the net promoter score to demonstrate commitment to their customers, and to derive customer loyalty. ABB’s customer complaints resolution process (CCRP) enables the firm compile and analyze customer complaints. As an ongoing process to improve stakeholder relations, ABB is developing a standardized engagement process in conjunction with stakeholders to gain more understanding of how to implement a more consistent approach to managing stakeholders’ views.

ABB markets its products through different channels for example, sales organizations, events and websites. Sales organizations seem to be the most important channel since they have many contacts. (Ola Svanström). Pricing depends on dealings with business and customers and this can sometimes quite sensitive (Ola Svanström). ABB tries to meet customers in their operating environment, and present their products and services. The company delivers product designs to customers as well as corporate business concepts, including good maintenance, security and safety (Caroline Setterwall).

Although the company has a universal CSR vision and strategy, cultural aspect is important consideration in the marketplace. “The program that we have is global. In ABB, as an employee, you have to adhere to the code of conduct; in a way they are the same vision and strategy, but obviously we like….to speak with the people, like in India for instance, it’s a different culture” (Åsa-Katrin Johansson). Culture is therefore, an important variable in the marketplace. ABB tries to navigate different cultures in ways that are respectful, promote successful stakeholder relations and business success while adhering to ethical standards within the marketplace.

### 4.3 Findings on Competitiveness

While it is important to identify each dimension of competitiveness in ABB, overlaps can and do occur at times. In qualitative research, an exact border may not exist between key findings in each dimension.

#### 4.3.1 Productivity

Productivity is concerned with efficient utilization of resources or the output and input ratio in producing goods and services (Sumanth, 1994 as cited in Sarwar et al, 2011). It involves higher production and lower use of resources. Productivity is a part of ABB’s slogan “Power and productivity for a better world”, demonstrating its importance to the company. Cost savings and productivity is one of the main drivers for the company’s competitiveness. ABB aims to reduce cost of sales continuously 3-5 percent (Driving competitiveness, 2012) to ensure profitable and sustainable growth. Towards this target, ABB manages its cost structure with a focus on cost optimization across economic cycles (Driving Competitiveness, 2012).

Labor cost is one of the production costs that affect productivity. ABB operates in more than 100 countries globally with diverse labor costs. Such costs include salary and all kinds of welfare in the corporate business. The company is trying to keep cost at a reasonable but
competitive level. While foreign operations can create lower cost in terms of salary, ABB has to be careful to secure the image and reputation of the company. “There is a reason you can’t go to Bulgaria and pay them 30 Euro per hour (like Germany), but you still need to pay workers fairly. So, I think the company has a good image in terms of taking care of people. Not necessary through paying them in a high salary. I think this demonstrates the company’s ethical values.” (Åsa-Katrin Johansson).

4.3.2 Performance

Standard measures of performance such as earnings, growth or profitability. Sales, revenue growth and financial performance are important indicators for ABB’s performance. According to ABB’s competitiveness annual report 2012, ABB has been working continuously to reduce cost both in cost of sales and cost in supply chain. ABB has a target revenue growth of 5-7% per year with the expected margin target between 14-20 percent. ABB’s sales have increased continuously from 2008 to 2012 even though some of the divisions were not yielding expected result. For example in year 2012, Canada and Brazil maintained significant growth while Asia and decreased significantly. Along with financial targets, ABB set strategy for the period 2011 – 2015 that includes the increasing productivity and quality to drive competitiveness (Annual Report 2012, 2013).

4.3.3 Image/reputation

Image including corporate branding, trust and reputation is very important for ABB. The company recognizes the importance of building trust as part of its corporate image. “It is of premium importance for ABB to have a good image” (Åsa-Katrin Johansson). This derives from diverse aspects of operational practice such as assuring good workplace conditions, excellent community relations, high product quality and maintaining high ethical standards. ABB’s image is tied to its reputation. ABB strives to create and maintain a workplace where employees feel safe and cared (Åsa-Katrin Johansson).

Good community relations also create good image and reputation for the company. ABB is involved in some sponsorship projects relevant to human development, “we have “Industrial Gymnasium” “Secondary School” for students, we do voluntary work with the Mathematics school - people from ABB help students in mathematics, we have other sponsorships for several kinds of programs” (Caroline Setterwall). Furthermore, accountability improves image/reputation. Accountability consists of transparency, communication and responsibility. The company tries to communicate ethically and with integrity to both internal and external stakeholders (Suzanne Lagerholm).

Investments such as acquiring other companies carry important implications for ABB’s image. ABB has learnt the lesson that acquiring companies with reputations for social irresponsibility can in turn damage its reputation (Caroline Setterwall). Therefore, image is an important consideration even in investment decisions. In the aspect of marketing, ABB focuses on marketing products that are useful for customers and are environmentally safe (Caroline Setterwall). This also helps to create a good reputation for the company as a global citizen. This is crucial, customers from Australia and US, for example, pay very high attention to the advantage to environmental impacts of products in the market. “If you can provide the product that the customer wants in ways that are environmentally safe, you will have market advantages.” (Caroline Setterwall)
4.3.4 Quality

Quality involves capacity to satisfy customer expectation and ABB places a high level of emphasis on quality product development in order to satisfy their customers. The organization implements numerous process and standards designed to maintain quality in service and products. According to ABB’s strategy 2011-2015, ABB focuses on driving competitiveness in current markets not only through developing, producing, sourcing and selling to better match the market, but also gives high priority to increased productivity and quality (ABB Annual report 2012, 2013). ABB’s target is not only to strive for 3-5 percent reduction in cost of sales every year, but to achieve better quality of product.

Quality in competitiveness comprises actual quality of product and services in addition to the capacity of the firm to satisfy customer expectation. ABB sees technological advancement as a pillar for competitiveness, but at the same time acknowledges the need for a well-trained staff to translate innovative designs into quality products. ABB’s modern factory and automation systems and its cadre of skilled workforce enable the company respond to the changes in demand from customers while delivering sustainable results in product quality. Also, by creating a workplace that supports creativity and safety, ABB enables its workers to focus on quality in their performance. “If we have employees who are sick and not happy and feel depressed or something, then they will not work in a good way” (Caroline Setterwall).

ABB further focuses on quality as an important variable towards helping customers succeed in their business (ABB Code of conduct, 2012), “We strive to help our customers gain competitive advantage by adding value through the performance and quality of our power and automation technologies and services.” (ABB Code of conduct, 2012).

4.3.5 Innovation

Innovation in ABB encompasses products, services, and management processes. The firm tries to exploit new ideas effectively, using existing knowledge to create new products and services, and to improve on existing ones. ABB recognizes innovation as central to creating value and sustaining competitive advantage. ABB has been a major player in the electrical supplier market for many years. Their product offering consists of varieties of brands ranging from electrical supplies, smart grid and control systems, electric vehicles, charging infrastructure and power conductors. ABB’s approach to innovation which consists of three areas: R&D, alliances with academic and research institutes, and corporate venture capital unit.

Innovation is a key factor for ABB´s success, the concept of great importance to their long-term competitiveness (Thomas Lederberg). The company has highly skilled workers and scientists working at seven corporate research centers worldwide. Its huge R & D spending has helped ABB to achieve one of the most impressive records regarding new product launches and customer education on their offerings (ABB Sustainability performance 2012, 2013). Furthermore, ABB conducts research in conjunction with over 70 universities and research institutions across the world in their laboratories. The company acknowledges the value of teamwork and invests in research and strategic partnerships that will further improve the quality of ABB´s portfolio across diverse regions and in the industry.

Critical areas of focus in innovations include smart grids, renewable energies and distribution as well as changes in the management of electricity supply networks. Innovations are vital to meeting global demands for energy solutions and new challenges, and this demands close cooperation with suppliers of technology, consumers and policy makers (ABB sustainability
performance 2012, 2013). ABB’s joint development project with the Nordic utility Fortum design and installation of extensive smart grid in a new area of Stockholm and the R&D project to test the concept of flexible low-emission power network in the Stockholm Royal Seaport are examples of efforts to cut emissions in the Swedish capital by two-thirds in 2020. ABB and Fortum are in cooperation to develop numerous solutions that will ensure excess power generation from renewable energy sources in the district. Fortum is one of ABB’s smart grid collaborative industrial partners and research institutions. The collaboration is global and includes projects in the US, Denmark, Germany and Italy. Furthermore, in the US, ABB is a corporate partner of the FREEDM Systems Center, a National Science Foundation Engineering Research Center headquartered at North Carolina State University for energy solution (ABB Sustainability performance 2012, 2013).

ABB’s invests in quality technology through its corporate venture capital unit, ABB Technology Ventures (ATV). ATV investments are used to construct technology leadership strategy and growth. In 2011, investments centered on renewable energy solutions and expanded portfolio for data centers. The development of new products in ABB and technology are based on sustainable policy. For example, the Standardized Life Cycle Assessment Policy, a handbook for “environmentally aware designs, health and safety”, recognizes the risks involved in product development (ABB Sustainability performance 2012, 2013).
5 DISCUSSION AND CONCLUSIONS

The distinct dimensions of CSR and competitiveness within ABB Sweden have been identified under research findings thus providing answers to research question 1. The dimensions within the two concepts are found to be in line with the dimensions identified in the theoretical framework for this research. The goal of this section is to analyze and connect the information presented in the findings thus enabling a deeper exploration of the theoretical model and so provide answers to research questions 2 and 3.

5.1 Connecting CSR and competitiveness in ABB Sweden

At this point, the authors will answer the research question number two: **How are CSR dimensions managed towards achieving competitive benefits in ABB Sweden?**

5.1.1 Vision and Competitiveness

ABB’s vision connects attributes such as governance attributes, values and reputation to competitiveness through stakeholder relations. The company’s slogan is "Power and productivity for a better world”. ABB integrates CSR in its vision and communicates this through its Code of Conduct and slogan. This vision is also implemented through top-down activities that influence the way of thinking among employees. The aim is that they would develop an orientation for socially responsible business and be loyal to the company’s goal of being a good corporate citizen. This vision is emphasized in the firm’s human resources policies and includes providing good welfare and reasonable salary to employees. So, human rights and its essential characteristics are key elements in employee relations that in turn impact of employee performance and productivity.

The company’s vision drives its community relations as the goal is to deliver useful products while providing support to the community. With its overall vision of delivering a better society, the processes and strategies of the company are driven by a commitment to deliver quality products, assure safe and healthy work environments and participate in societal change. This commitment translates into competitiveness through superior quality and good corporate citizenship image.
5.1.2 Marketplace and competitiveness

ABB’s marketplace practices as they relate to CSR also impact directly on competitiveness. Research and Development (R&D) programs and activities such as fair pricing, fair competition and responsible investment create competitive value for the corporation. Thus, marketplace represents a significant CSR dimension within which variables such as performance and innovation are created and maintained. An understanding of the marketplace and its dynamics is critical if a company is to achieve competitive advantage. ABB Sweden demonstrates effective mastery of marketplace management towards gaining competitiveness. ABB’s marketplace relates CSR practices to core business activities. These core activities include Research and Development (R&D) programs as well as fair pricing, marketing, fair competition and investment.

5.1.2.1 Marketplace dimension and performance

Business in the community (BITC, 2011) stated that “Direct financial impact occurs when being responsible has a direct benefit to the financial performance of an organization, for example improving access to capital, reducing costs, and improving shareholder value”. True to this observation, findings from ABB managers largely focused on the connection between CSR and financial performance. Caroline (Caroline Settervall) emphasized good business practices as a mean of influencing company performance. This was been further supported by from ABB Driving Competitiveness 2012 report (ABB, 2012); while there is no clear evidence establishing the fact that CSR influences financial performance positively, ABB executives believe in a positive correlation between the two (e.g. Lars Krantz; Suzanne Lagerholm). These views are based on the fact that financial performance can benefit from the accrued business associated with a good image in addition to improved production and delivery processes and outcomes.

CSR-related performance may constitute an attraction for investors where such practices or issues addressed are deemed important for the investor (Suzanne; Caroline Setterwall) also elaborated on issues of investment as it deals with purchasing of companies. Assessment of the marketplace variables and performance of the company being acquired is critical to avoid negative associations for ABB within the marketplace. The authors identify lowered costs and efficient resource use as competitive variables that have accrued from ABB’s CSR management through ethical treatment of workers and commitment to quality.

5.1.2.2 Marketplace dimension and innovation

This can be seen in this case by ABB’s role in driving innovations within the industry (ABB.com, 2013). Schumpeter (as cited in Swedberg, 2000) also stated that entrepreneurs focus on applying creative ideas in business contexts, and see innovation as the transformation of creative ideas into useful application by combining of new and existing ways of creating value (Swedberg, 2000, p52). This is also in line with ABB’s new development drivers in Ludvika, one the main ABB operation center in Sweden, a world’s first circuit breaker for High Voltage Direct Current: HVDC (www.abb.com,2013). It combines a very fast mechanics with power and has the capacity to break the power flows equivalent to the output of a large power station within five milliseconds - which is 30 times faster than the human eye blink (www.abb.com, 2013). ABB has also used its sustainable policy as a driver for creating new products; sustainability goals drive the development of products that are safe, effective and create utility for customers (ABB sustainability performance 2012, 2013).
5.1.3 Accountability and competitiveness

ABB Sweden’s policy emphasizes accountability. This is delineated as involving ethical business practice, socially responsible business and stakeholder management, as well as communication. ABB is answerable to its stakeholders and implements the mandate to report organization’s performance on a regular basis. The firm’s sustainability performance report (2012) links environmental management systems and innovation outcomes. This link points to the fact that by holding itself accountable to society and for societal good, the company is able to generate competitiveness through innovative and safe products. ABB’s commitment to societal welfare spans providing business solutions to the societal challenges such as climate change, the aging population and poverty. This societal accountability can stimulate competitiveness (Åsa Katrin). This result is forecasted by the World Business Council for Sustainable Development’s statement that “the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world’s major challenges” (World Business Council for Sustainable Development, 2000); this clearly suggested that the creation of business value will lie in providing innovative solutions that help address societal challenges.

ABB generates trust from both its employees and customers through communication. The company has a policy of listening to customers and employee concerns and being responsive to these needs. Feedbacks from customers are used to improve quality and drive innovations thus generating competitiveness. Responsiveness to employee needs mean that employees are motivated to achieve their best performance and this as well translates into productivity and competitiveness. Customers are also willing to buy products from a company that is environmentally and socially responsible even though it has nothing to do with costs or direct marketing (Caroline Settervall).

5.1.4 Workplace and competitiveness

Workplace is a CSR dimension within which the five dimensions of competitiveness are expressed and interplay. Workplace dimension in ABB’s CSR practice refers to how ABB treats its employees which involves issues such as health, human rights, safety, as well as diversity issues. This sub-section discusses the relationship between workplace dimension and performance, quality, innovation, image/reputation and productivity.

5.1.4.1 Workplace dimension and performance

CSR activities practices by ABB includes employee’s related issues such as recruitment, workforce diversity, pay and working conditions, health and safety, and recognition of trade unions. It also includes human rights issues, skills development and employee involvement in decision-making process. Such issues impact on employee performance. International Labour Organisation (ILO (2008a) pointed out that skills development motivates employees to work harder, enables creativity and promotes employee satisfaction.

ABB’s workplace culture is attractive to the general public and is a key player in attracting top talent to the company. The company is committed to creating a supportive environment where all employees can feel a sense of belonging, accomplishment and thrive (Caroline Settervall). ABB also engages in wider labour rights advocacy and workforce development. For instance in Sweden, the Industrial “Gymnasium” (secondary school), and the mathematics school which ABB supports are designed to strengthen special skills in young people and eventually catapult them into the skilled labour force.
ABB’s involvement in human rights issues is an important factor for financial performance and competitiveness. This link is illustrated in Freeman’s stakeholder theory, (1984) where it is proposed that companies should consider the interests of everyone who can substantially affect, or be affected by the welfare of the company. Human rights involvement represents an engagement in stakeholder welfare that for ABB spans both its employees and the community. The dual effect of this commitment enhanced employee performance and increased customer loyalty.

5.1.4.2 Workplace dimension and productivity

ABB’s workplace policies and practices enhance its productivity. Employee satisfaction translates into efficient utilization of resources and efficient production processes. The ethical commitments to safety, well-being and product quality enable the company to fulfill its vision of “Power and productivity for a better world” through creating processes that strengthen its outputs to inputs ratio. In addition to technology use, efficient employee performance means that ABB derives savings from employee commitment and well-managed processes. This is an important strategy for ABB as its competitive goals include reducing costs continually. The opposite side of the coin is that profitable and sustainable growth is derived from such cost optimizations (Driving Competitiveness, 2012). ABB’s workplace culture impacts on labor costs through increasing the production values for workers as loyal workers who are trained in the organization’s processes can contribute intangible values that include creativity, problem solving and deepened insights into operations that drive efficient production.

5.1.4.3 Workplace dimension and innovation

According to the European Commission (2006), innovation policies need to be organized in such a way as to support radical changes that can lead to business opportunities and higher productivity. In the context of ABB’s operations, Lars (Lars Krantz), confirmed the company’s focus on a business model for technology and solutions that is centred on deriving and developing ideas from its cluster of partners and stakeholders. Innovation is a key strategy that drives ABB business operations. This innovation spans the identification areas of societal need, product designs and redesigns, process improvements and every aspect of strategy development and implementation (ABB sustainability performance 2012, 2013; Thomas Lagerberg).

Building a culture of support and trust in the workplace means that innovation becomes a natural outcome of the interaction between ABB and its employees. ABB’s employee relations and strategy promote in-house initiative. Diversity as an important strategy for the company enables the accruement of innovative and varied ideas that increase the company’s innovation capacity, such that is able to apply creative ideas to societal technology needs as well as its own internal processes.

5.1.4.4 Workplace dimension and quality

ABB promotes organizational learning and full employee participation in the workplace. By investing in capacity building for its workforce, ABB derives critical efficiency outcomes that reflect of quality of products and services. ABB’s social and professional engagement with its stakeholders especially its employees’ produces benefits that include quality for the entire firm (Asa-Katrin Johansson, personal communication, May 16th, 2013). At the same time, the company’s ethical commitment to assuring safety for employees and safe products for consumers combines to straighten quality for the firm. The workplace dimension of CSR is
thus working bi-dimensionally as a direct contribute to quality through enhanced employee performance and streamlined processes, as well as indirectly through a commitment to consumer welfare and socially responsible business practices.

This finding is verified by Lars (interviewed May 13, 2013); he stated that ABB’s commitment to quality is demonstrated by its regular yearly review of customer contact, performance index and customer satisfaction index. The company follows up on the outcomes of these processes to design and implement processes that improve every segment of business operation. The long term consequences of these practices include charting a map for future projects. Thus, this unique application of CSR principles within the workplace (an internal effort to assure quality for external stakeholders) drives a strategic outcome of quality.

5.1.4.5  Workplace dimension and image/reputation

ABB’s workplace development dimension includes labor practices, diversity, human rights issues and work atmosphere. This is based on definitions from UN Global Compacts and OECD. The workplace dimension can impact on CSR through employee loyalty and attraction of top talent employees hold the opinion that it is better to work with socially responsible companies that have more attractive CSR policies. ABB’s workplace behaviour and structures are very important in creating a good image and reputation for the company. “Stakeholders expect good corporate behaviour” states Åsa Katrin (Åsa Katrin, personal communication, May 16th, 2013), it is of premium importance for ABB to have a good image”. She further explained that the workplace philosophies adopted by the company (treating employees with integrity while applying integrity in their production processes and goals) create a good image and reputation for the company. On the global scene, practices that demonstrate respect and participation such as decentralization in operations in different countries like China, Vietnam, Singapore and Spain, and fairness in policies that can supplier engagements assure that the company continues to maintain a good reputation in global markets. Thus, a good image and reputation for the company is created by its treatment of stakeholders as well as the quality of products. This confirms Cheney’ view (2010) of trust as a very important aspect of business that represents an evidence of good citizenship and that carries important implications for competitiveness (IBTC, 2011).

5.1.5  Community Relations and Competitiveness

ABB’s community relations impacts on competitiveness through their cooperation and partnerships with stakeholders, corporate philanthropy and diverse community actions. For ABB, community relations mean caring about its communities, contributing to social change even targeting issues that have no direct bearing on the company’s operations. For instance, ABB’s support of education and health creates a good reputation for the company. Thus, community relations are a CSR dimension that impacts clearly on ABB’s image. ABB demonstrates the principle that businesses and communities are interdependent; businesses thrive in healthy communities, and businesses can help create healthy societies beyond their market offerings.

Community relations works through varied or multiple pathways to translate into positive influence in competitiveness. Through good community relations, the company is able to derive image and reputation gains that translate into improved elements for performance. Such elements include attracting top talent, consumer loyalty and opportunities for market expansion. ABB identifies and invests in community needs. Thus, in the process of addressing community needs, the company creates new products and expands its market. These innovations and expansions help to create competitive advantage for the company.
Community relations → IMAGE → Expand market → financial performance

Indirect relation

Figure 5: Relations of community to image and performance (Own illustration)

Community relations also create innovativeness for ABB through its cooperation with universities and other institutions of higher learning. Such collaborations especially around research generate new knowledge and new ideas for technological solutions. It further enables the firm to attract skilled personnel for all aspects of its operations while improving the company’s image in academic and educational communities. However, community relations and productivity do not relate in a clinical sense as community relations require investing, meanwhile productivity requires cost cutting.

5.2 Significance of relations analysis

The last part of the analyzes is to analyze the most benefit CSR dimension to competitiveness, and if there are any new elements in CSR dimensions that have not be taken into consideration including the competitiveness dimension that is not mentioned in Vilanova et al.’s model. The analysis is an attempt to answer the third research question: **What dimension of competitiveness derives the most benefit from CSR practice in ABB Sweden?** This third research question is based on the evident that the impact of each element in CSR related to competitiveness is different.

From the findings and previous literature review, vision and workplace strongly influence competitiveness through image. The embedment of CSR in ABB’s vision directly contributes to the firm’s image and workplace policies and culture. CSR considerations within vision also impacts on innovation and quality. All this in turn, impact positively on financial as well as overall company performance. However, the relationship between vision and productivity is weak.

Similarly, workplace dimension impacts strongly on image but has a weak relation to productivity. Company performance is seen as an indirect result of workplace when employees gain motivation and satisfaction from human resources program. This workplace dimension influences the quality of products and services as well. Innovation is also linked to
workplace dimensions. Efficient employees benefit from efficient human resources program that target areas such as human rights and social welfare, safe working environment, staffing development and good compensation; the consequences include heightened creativity and new ideas that drive innovation.

Community relations and marketplace issues relate to some extent with certain dimensions of competitiveness. Community relations are linked directly and strongly to the image, and also indirectly to company performance, especially financial performance. At the same time, the company derives innovation benefits through coordination with technology institutes and universities. All the same, the authors do not identify a strong relationship between community relations and productivity as they involve different financial processes.

Marketplace relates strongly to performance in that pricing and marketing are processes that increase financial performance. They help to create company performance and image. Innovations within the marketplace dimension create new business opportunities to satisfy respective stakeholders, thus contributing to performance outcomes for the firm. Innovation represents the key driver in the marketplace dimension as products are based on creative solutions to technological needs and projections.

Accountability, communication and responsiveness are key features of ABB stakeholder management and community relations. The company communicates regularly to three
important stakeholders - customers, investors and employees. This demonstrates accountability and transparency within the organization which in turn creates good image. This responsibility and accountability increases trustworthy which is positive to all shareholders’ perspective towards the corporate entity and affects financial performance.

Figure 10: Relationship between CSR-accountability and dimensions in competitiveness (Own illustration)

One element identified by most of the interviewees that affects firm competitiveness is culture. This element is discussed by Smith (2007), organizational cultures contributes to sustainable competitive advantage. This includes openness and low or non-hierarchy cultures such as ABB operates in Sweden. Such culture can inspire employees to be creative, act more responsibly and demonstrate more ownership of processes – a combination of outcomes that impact on competitiveness (Thomas Lederberg, personal communication, May 15, 2013). Experiences has shown that employees’ connection with the company along with the openness of management can lead to increase in per day sales for the company as happened in companies like Lincoln Electric (Smith, 2007, p.186). Regarding the execution of culture, Lincoln Electric was able to gain employee loyalty that formed the basis for its operational revival (Hastings, 1999 as cited in Smith 2007). A positive culture may be developed after years of CSR investment but it can be one of the most valuable assets that a company has (Smith, 2007, p.192). Corporate culture can also be an important factor in influencing consumer perceptions of a firm’s trustworthiness (Dean, 2003; 2004).

Figure11: Relationship between CSR-culture and dimensions in competitiveness (Own illustration)

A culture dimension in CSR may influence performance and productivity when good relations and ethical treatment accrue from efficient culture management. For instance, ABB normally issues audits to its suppliers to guide them on business principles, but there can be gaps for sub-suppliers who have no access to such audits. Culture within CSR is a dimension that can be further examined in future studies.

ABB is a multinational company that has more than 100,000 suppliers worldwide. Thus, implementing a CSR strategy as a part of its corporate business operations required cultural diversity awareness given the diversity represented in its vast stakeholder networks. The importance of diversity management as a cultural element is given in the fact that activities approved by a group of regional stakeholders may not work for stakeholders in another geographical region. Such culture-related discrepancies can affect perceived quality of products and services directly as well as affect the image/reputation of the company undesirably.
From the findings and analysis, authors compare the significance relationship between each dimension in CSR and each dimension in Competitiveness. Accordingly, the emphases in each interview as shows below in the following table:

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<th>CSR dimension</th>
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Table 5: The Relations between CSR and competitiveness dimensions (according to the interviews).

In overall, company image shows strong relations with the range of CSR dimensions. This will point to image as being the CSR dimension that is most impacted by CSR practice. This is an important contribution within modern competitive economies as firms are looking for ways to retain the customer loyalty and consumers now demand more than low-priced services or high quality products. An attractive identity is now critical to customer loyalty – this is manifested as company image. A positive image promotes positive product evaluations by customers, company brand choice and recommendations.
6 CONCLUSION

CSR has grown exponentially as an area of interest amongst corporate businesses in this century. The relationship between CSR and firm competitiveness has attracted high attention in the last decade. There has been much investigation into each dimension of CSR and their impact on some categories of competitiveness. This research identified such focus areas based on a literature review of both concepts.

The predominant belief is that CSR issues goes beyond an ideological practice and is economically imperative. CSR engagement is both normative and profit based, it encompasses “doing good” as well as “doing better” to address corporate responsibilities to stakeholders. Customers represent the most susceptible group of stakeholder for CSR programs; corporate citizenship is an important factor in consumer decision making. The reaction of consumers to CSR practices is not linear rather several factors affect the conversion of a company's CSR programs into competitive dimensions. Such factors constitute important CSR dimensions.

In ABB, CSR is embedded into the company's vision, which is in turn integrated into every part of firm governance. The goal is to stimulate and encourage employees to practice responsibility in everyday work. Within its community relations dimensions, ABB supports education and health in local community as well as and works to strengthen human rights while collaborating with institutions of higher learning. The firm considers human resource as the most important key to gain competitiveness. This philosophy guides the firm’s human resource policies, ABB invests in building employee satisfaction and development through competitive wage and benefits, safe and supportive work environment, workers and labor rights and other forms of employee capacity building.

ABB’s market strategy is based on a policy of doing well and helping to create better societies. Furthermore, having close relationship with customers enables the firm gain knowledge of specific products or systems that suits each customer. Innovation is a key driver of company performance, and this is leveraged from the technological needs of its stakeholders.

The authors also tried to find out how CSR elements impact on competitiveness. According to the findings and analysis, the thesis is based on the casual relationship between each element including image or reputation as the major element of competitiveness affected by all dimensions of CSR. Productivity and quality are found less affected. The researchers also find organizational culture as a new CSR element that emerges from the study after detailed findings and analysis. The discussion on cultural implications can be found in the empirical analysis.

The general conclusion that can be drawn from literature reviews and analysis of all research information is that the varied CSR impacts on competitive dimensions differently in terms of strength of relations. In the case of ABB, this study has proved that the strongest, firmly established evidence of the positive effect of CSR on competitiveness appears to be in the case of image/reputation, followed by financial performance and innovation. Positive links between CSR and competitiveness also exist in other dimensions but appear less strong or not so generally applicable, for instance in the case of productivity and quality dimensions.

CSR practice has emerged as a key concept in modern day business. The dynamics of modern societies has made it mandatory that CSR becomes not just an off-the cuff attempt to demonstrate philanthropy but rather, CSR represents a mindful, intelligent, structured accountability to stakeholder responsibilities. Its embedment in corporate vision takes it even further to represent a distinct identity creating factor. Whether implemented as an ethical,
philanthropic, legal, social model or a mix, CSR is becoming a competitive necessity which corporate bodies cannot afford to ignore. ABB Sweden demonstrates a CSR philosophy that not only shapes the company’s identity and image, but also creates competitive gains for the company. The strategies adopted by the company can help guide other CSR managers and corporate organizations on how to implement CSR and leverage its dimensions for competitiveness benefits.

6.1 FURTHER STUDY

Findings from relevant resources on the relationship between CSR and competitiveness show the relationship between dimensions of both concepts. The researchers have found culture in CSR to be an interesting element for further study, especially for multinational companies. It would be interesting to study how culture management as a distinct dimension of CSR impacts on competitiveness.
REFERENCES


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APPENDIX 1

INTERVIEW 1

Time duration: 20 minutes

1. The importance of CSR:

a. What does Corporate Social Responsibility really mean to ABB?

b. How important ABB has given to CSR?

c. How does ABB Sweden engage in CSR?

d. How CSR is used today as a value creation tool by your company?

We think that CSR is very important for the whole organization and for the whole group so we work with this question in the global form. That means that we have organization both in international and country. We have people who work on the higher level. And then in Sweden we have department regarding to CSR. CSR is a lot of thing. It is difficult to reach all things. We have worked with health & safety and we are working with human rights, I think that would be the main topic. CSR is also including a good citizen where ABB is. For example sponsoring and how you engage ABB in a question of society.

2. Do you think ABB is creating competitiveness through CSR engagement? In which part? Quality? Productivity? Image? How?

About competitiveness from CSR, I think that we gain competitiveness that. I think this is something that if you don’t do it you will not, in the future, get any business because this is really important for all company to have CSR, that organization works with this kind of the question. Both from the angle that we want to do the right thing and also attractive employer for young people.

3. Communication CSR to Stakeholders (Internal & external)

a. In what way do you dialogue the communication of CSR activities to stakeholders?

b. How do you report social and environmental impact of the company to the (internal& external) stakeholders?

For communication, we are really working to find way to be a good citizen where we are situated and we have our different occasions for example we work with health and safety that on the top of the agenda for management and also for all employees. And we’ve educated
employee, we train the employees and also the management. We are really thinking that this is important through all organization. That is something that we communicate. Something else that we’re really working is that we try to communicate entire the group (ABB’s group) we communicate everything that we do a lot of thing for example we have established closer to universities in Sweden. We really try to get to know them and work together with them. Both that they get to know us but also to influence them to start studies technology and also to in one way try to find way to build educations that will be right for the future so that it can be the starting thing are the topics that you are come out and start working. We also work with sponsorship for example, we are engages in childhood work childhood foundation, child and youth follow. That is also try to support thing that children and young people that may be that will be the same plausibility as many children & young people in Sweden. And we also work with sponsorship locally for sport and to build proud among employees for example that if your child plays football, it is proud to see that your child has ABB printed on his T-shirt. And then we also really try to be active where we are. For example we can, we try to do things that good for the towns that we have operations. We try to create good relations for example with Västerås Commun where we have many employees. That is just some example.

4. Do you think community relations, accountability and company’s vision increase the image/reputation to bring about the growth of benefit? How?

I think that community relations, accountability, and company vision, if we start with our vision, our slogan that "Power and productivity for a better world" and you can say if I could explain, all the technology in ABB tasks in one way or another, support to create the sustainable society. And I think our vision is really put thing ABB on the map not just only technology but something to give, our slogan is very good. I think also that this is one way to create competitiveness.

5. How are the employees performance regarding CSR work is measured and reported?

Regarding to rule and law, we have education for them to do. But we don’t measure this everything. When we have education, we measure how many people pass this.

6. What is your opinion about the future CSR? Is this a trend that will continue, or is it temporary?

CSR will continue. It is not a trend. It is something that company needs to take it seriously because without the good CSR, without the good reputation, I think that young people, they will not be attracted to that company that does not do in a good way.
APPENDIX 2

INTERVIEW 2

Interview with Ola Svanström, Product launching manager in Robotics part of ABB. Interviewed by Pauline Sturesson [phone interview/recorded] Interview date : 2013-05-10 Time duration: 25 minutes.

1. Could you give us a short explanation how ABB robotics launch each product?

It’s quite complicate. We do it twice a year to introduce and update the product. We launch them in differently. One thing is might be interesting that launching is not well defined word because even before that, we have started the development of the new product, we also contact the customer, even before developing the product we start contact the customers over the complete the development. From broad perspective, we start very very early. That we may start from a few customers. One customer can take many months. May be haft a year since there are a lot of things to do and it takes time. It has a lot of factors when we show the products. It takes haft a year after they have done the product official.

2. Have you given target customers a test or sample before they order?

Sometimes they tested, before they order. But it takes time. It is not only the product to be tested, but also letting the product to be known in that target organization. Otherwise we cannot sell it. It is a process of great competition. They need to rely the product, they need to trust and rely on the product if it is completely new or if it is known for them.

3. How to make known ABB products in the target market?

We use sell organization. We use them since they have a lot of contacts already. They also have our products on the web available. We need to use the website since our products are there and also roadshow and events.

4. Do you need to compete with pricing with the other competitors?

Yes, sometimes. Some cases are very serious price competition. Sometimes we need to do something with the products. Sometimes is very sensitive.
5. Could you please give us name of main competitors?

Kuka (Germany), Fanuc (Japan). Simens is not exactly competitor in our field since they produce the controller to the machine. They are not much being our competitor in robotics area. ABB robotics is not the biggest part of ABB but there are about 4,000 employees and it has turnover about 2 billion USD a year.

APPENDIX 3

INTERVIEW 3

Lars Krantz, Head of business development for Power and Generation in ABB Sweden, but his geographic area is global. Interviewed by Pauline Sturesson [phone interview/recorded]  
Interview date: 2013-05-13 Time duration 20 minutes

1. Do you think ABB creates competitiveness through CSR practices? Yes, I would say so. That’s one part, important part and one of our company culture.

In which aspect that CSR create the competitiveness in ABB? Company performance? for example, economic result? Yes, I think so too even though there is no prove but (CSR) that is one key ingredient that I would say so.


In general, what we are trying to be in our own locations, we want to be a good citizen and community member both as the company as well as the individual working for us as we encourage them for that. But at the same time we also, I mean, we have some responsibilities we have Swedish code of conduct that we operate affair business way and open affair and different things.

2. How strategy ABB has done to satisfy customer expectations? There is a regular yearly review contact to the customer, the performance index or whatever has called, customer satisfaction index and distance global or old customers and that we follow up all the year to that improve in the segment and for the different businesses. We are really keen in that, we identify where we are perceived to be, or not as good as we should be, and then making sure that we improve in the area, year to year. It's quite a detail mapping from selective of many customers per country and we also centralize to global to the head of power generation, for instance, the global you can see in which area that specific business, if it is good and where to improve. Then the same also we go like automation or power part or a lot of thing have attracted business. And I can see that both on a local country basis but as well as globally. That is the key.
3. How do you manage innovation in your business?

We can do the innovation in technology and solution and the innovation, potential innovation for business model and interaction and corporation with the partners and end-customers and also doing business recently or that would make sense for a performance and the financial point of view differently. We are looking at all aspects of developing people, developing the people when they are at ABB and as well as being in development in the company and working a lot of energy development and you know our slogan is energy and productivity for a better world. So innovation, whatever is an important part of whatever we do and of course for the community we send in the relationship to, like universities like Mälardalen University and other institutions in Sweden to be able to both recruit people as well as having activity support the global and the local business. Of course from that expense, the image of the company at being attracted companies who work for it in that sense.

4. How much does the company focus on competition on product and/or services?

On competitiveness I think we have that whatever we do in business challenges and business development or in our business there are keep in tract of our competitors and the market. Of course the market needs end-customers, needs as well our competitors offering and that such thing we have in most of all businesses in ABB especially good control or information our competitiveness and how that is compared with our main competitors. We are trying to be among the top 3-4 in whatever we do and if we cannot become that within 2 or 3 in the future, it probably not the area for ABB to be in. I think what target in most of our business seems to be among the top 3-4 in each part or segment. ABB is such a diverse company so if we look at the power system or the power product part we are in some area by far no.1 and might be bigger than no.2 and 3 together. And in other area we are that about but try to come up. This is such a broad procedure of our products and solutions so it's depending on which one you pick. We are in different positions, but I think, we all try to be among the top 3 or 4 and of course we are not there all the time, I mean in all areas. The main competitors are also depended on which area you compare with. But I think Simens Energy & Automation, GE, Anstrom, Schneider Electric. But if you go down in most specific that might be more. Simens is probrrably the biggest, the one that competitor in most of the fields of ABB.
APPENDIX 4

INTERVIEW 4

Thomas Lagerberg: Department manager automation technology. His duty is focusing on R&D program and innovation and he takes responsibility for the whole Sweden. Interviewed by Pauline Sturesson [phone interview/recorded] Interview date: 2013-05-15 Time duration: 20 minutes

1. How does the market influence R&D program and innovation in ABB Sweden?

I think it influences a lot, all the researches are based on improving our competitiveness so we try to look in what we need in the market to improve competitiveness. We need to cooperate with our customers. That is really what we looking for. Some projects we go out and interview our customers and discuss, make pilot information and try to get thing out.

2. Do you think the way that ABB has been focusing on training employees and essential characteristic of human rights would give positive effect to the innovation and R&D program? How?

It depends of what you mean, if we take care our people well that I think for sure. We’ve tried to have very high ethics standard, integrity, fair competitiveness like that and find out how we taking care of our employee. I think ABB is a good company to work with.

3. Do you think that transparency in the organization influence the innovation? In what way?

Yes, I think so. Especially in Sweden working culture here is openness, no hierarchy and being very fair and openness. That is beneficial for innovation. Because it means that people share idea, in other culture has more hierarchy to see how the manager need to do. That is not difficult in ABB but in generalize, other cultures that can be. In Swedish, the culture is good.

4. When we talk about community relations, do you think this can relate to the research program for new innovation? In what way?

Yes, in some expense. If it is in schooling and university, that is for sure. I think also it’s very good broad contact so you can get more contact. You need to open mind to get the contact. Not just only your traditional contact.

5. When it comes to the vision and strategy of ABB, how will you to implement these vision and strategy in the R&D program?
We look over the vision for ABB "Power and productivity for a better world" and we try to make sure that we can do it better and better for the customers. We're trying to look and make sure that we do the right thing, right project.

6. **What is the main target for developing innovation? Is that for reducing cost as the main target?** We help the customer to reduce the cost and produce energy consumption. It's depended what are the targets of the customers. We have so many customers, energy efficiency is very important right now and then to reduce the cost is very important.

7. **What do you think about ABB motto "Power and productivity for a better world"?**

It's really good. I have been working in ABB for 30 years. This is the first time we have really something that you can be proud of. This is something we have been working on but we have never had something like this. So, I think it's really good. This slogan is just been only 5 years.
1. In ABB, which aspects of competitiveness for example, Company performance, Innovation, Product & service Quality, productivity or Image, that CSR contribute to?

It's a little bit hard to answer, I think. It is a premium important for ABB to have a good image, for instance, how they act both in terms of integrity and performance with the suppliers and our own products as well, how they manufacture? I think this is very high on the scale, how people actually think or want to think. But I also know that in the reality how things have done is different. That is not necessary something that known, I think, to the management. ABB is such a huge company and it is so decentralized, really we have operations in all different countries in the world, for example, I cooperate in, within China, Vietnam, Singapore and Spain. There is a culture there where we think it is good or they think it is good. But, because the operation is local and the way they do business they do that traditionally. You know how today on necessary they could do think that is not according to what we think, but for them it is normal. So, it is difficult questions to answer because it has more to do with how people should act than what the company would stand for, I think.

2. How does CSR create good business performance, for example growing profit or increasing financial status?

Actually I see more and more especially investor. I'm pretty often involved in investor relations meeting. What they want to know, what we are doing, how we are doing. It would progress to have a place. And since we have started pretty solid program which targeted to actually develop rather than its audit, we are doing pretty well because I don't believe such an audit they have If you don't tell the people including the supplies for that suppose in doing, then they will not understand anyway. So, I believe that this is the way we do it and also from a sale point of view, there is more and more requested in terms of what can ABB, there, maintain the products that are manufactured then sources in a responsible way. So, that is definitive a trend that from the European contract.

Is there any prove that CSR can help to create good performance in the company?

I actually think, what does exactly what we try to do now or when the people evaluating the correlation between the training of, now we are talking about suppliers of course, the training of suppliers and the awareness of several people and it also result and the cause of quality, because I think it's a quality that is affected. If you have very bad criticism, unsustainable CSR program, your company will not have a quality product. It is not impossible to correlate
to. And you have a kind of relation that... It is a very difficult thing to measure because you are depending on other factors that is not necessary connected for instance the couple of qualities that they belong to my area, my fields but that is the thing I have to look at. I think that you will find that (good performance) what we have discovered the companies who make these changes and get trend critically many appreciated because they are seem to not ware their own law. So, it is very difficult to measure that, but nothing impossible, but we just have already been done that way.

3. How does ABB practice CSR in core business activities such as Pricing, marketing or investment?

I think, in the marketing portion that is a very different, something that is positive too. I mean if you are looking at our marketing campaign that is always that doing things in the sustainable way and overall environment of impact etc. and etc. may be, we should further what we produce, may be not so much how it is produced. There are two things in this was just a program before I joined ABB was not involved. It was not properly managed in that sense. So you've to pay the time, of course, to build up that understanding of what it is but I would necessary say in the sale portion, YES, it is the community that I would like to talk to more because I think what, not what they think, they got a lot of questions making up a little bit today.

4. In what way you think that CSR influence product & services quality?

This is definitely what I think. This is definitively correlation to that. If you have a good, a good supplier who is good, for instance, they have the process and items right on the paper, they might actually have worked, then you will have that product that is your correlation. There is a challenge to measure in a very clear way but it is a good try to get up how to do that, because as I said we need to go in different major clues and we need to check that.

5. How does ABB practice CSR to gain innovative services and products?

This is I'm not in a position to talk about, because that would be in R&D community or it is through the product that ABB could do this. You know it is a big focus on alternative energy and other aspects in terms of that they would think about how to innovate the product in terms of people who eventually produce it, now I'm talking about suppliers. This, I doubt that it is there but I have no idea. It's one thing that all of our operations, if it is very well managed globally, normally, of course, it's very growing. But then the suppliers' base is very different.

6. Which dimension of CSR that is hard to see the contribution to competitiveness?

The social, I think. I mean when we are looking at CSR, we are looking at health and safety and that is pretty keep correlation. Because, if you have and accident and it will stop your production for hours to match of time, and you have not got it, it is very clear that the accident that happened is similar to the environmental pollution if something happened and they get to the court, and they (suppliers) get fine and they actually get close down. But the social, I think, when it comes to working hour and the salary and time off, these points are
very difficult because when we push our suppliers to follow the law to this then they immediately go back to what they were in this and the cost will increase. Because of this we go to China because the labor cost is cheap. We go to Spain because the labor is cheap. But actually, if you do treat the people right, they also intend to stay and the suppliers get the better chance for innovation and that is the quality of products because the constant turnover of people.

7. Do you see a need or opportunity for ABB to increase community relations to reach higher economic performance?

We take an example, for instance in the electricity, which is, you know in very raw area in the part of the world, like we have put project in India, south America, of course, that would be great opportunity to create that. We need to give electricity and fresh water to people where they do not have it and at the same way, you know, we are giving work to ABB. The challenge I think, what is happening at the moment is that people cannot afford it. Or the government does not really interested. so this is the balance of how much we can do in terms of financial feed and how much it actually can be retain, it begins it is not just to build it. It is also about to service and maintain it. And this is when most projects, in your field that promote it fail, the people receive the ache, so to say, have not in trend and they don't understand how to keep for instance services to take care of it. It's running something is broken and something is there. And this is the portion that I think it's the most thing that companies would trouble with, even the one who are, you know, NGO who does this program how to make sure that the people who receive such needs, take all of what she is going to have actually involve sustainable in the future. This is the correlation, I think, it is the most important.

8. Does ABB have the same vision & strategy of CSR in every country that ABB established in?

The program that we have is global, but you are focusing in some that we are related to the high risk countries, of course, in ABB as an employee, you have to advert to code of conduct, in a way they are the same vision and strategy, Yes, but obviously we like....to speak to the people like in India, for instance, it's a culture of things about working hours for instance, day off, and salary status. In their day it is differently. We are not trying to make them to become a little Sweden or in the situation with BUT we want to make sure what the law is followed. This is a big point that I’m more pushing on that. We need to at heart locally requirement. Otherwise you are asking things that isn't go hand in hand. YES, as a well company, we do, but we also have to realize the status we are in. I mean the company to go to local because we have a reason, because they are cheaper of course. Actually for labor but it doesn't mean we are abusing. I give you an example, right now, I was in Bulgaria yesterday, and the labor wage in Bulgaria costs you 4 Euro an hour. You know yourself for the factory work, it would cost in Germany probably, you know, around 50 or 30 Euro an hour. There is a reason that you can't go to Bulgaria and pay them with 30 Euro (like Germany), but you still need to make them in a good way.

9. Which aspect of the CSR that can give the most competitiveness in the company?
It's very hard. I'm going to take the example of Bulgaria. We talked about this 3 Euro an hour is definitely not a lot and how you actually keep people rigid, Bulgaria is expanding and with the company account that we'll pay 4 Euro an hour and they would go. And then of course ABB has a very strong brand name, so people want to stay which is over secret and also they want to keep them other benefits, so what kind of benefit is that, for instance, here they get free launch, they have got back and forth from where they live into the villages. So, I think the company has a good image in terms of taking care of people. Not necessary paying them in a high salary. I think this could show a little bit what values the company has.

10. About accountability, do you think this gives higher competitiveness to the company? For instance: transparency

I think this is extremely important because when I started working in ABB in Sweden, people actually thought that everything was fine. You know, they include people in Sweden, the workshop say that we don't buy for many reasons, we do everything right. We have a huge supplies base outside Sweden. And How do you know this the condition is good? So, this I think it is the time that people need to understand the consequence of the efficient, and of course it is the culture things as well.
APPENDIX 6

INTERVIEW 6

Caroline Settervall, Environment specialist in ABB Sweden. Her duty is mainly about CSR-strategy Interviewed by Pauline Sturesson [phone interview/recorded] Interview date: 2013-05-16 Time duration: 30 minutes

1. Could you please give us understanding a little bit how ABB works/manage CSR?

We take responsibility in all we do. It's all about integrity business affect and it is about how we decide our products, how we present of our product and how we behave in different countries, how we put requirement to that suppliers and of course how we behave in our actors and so on. So these are about everyday business, what we do every day we shall take responsibility in everything we do, to be a good citizen.

2. Since there are many dimensions of CSR, which dimension that you think it is very important for the company?

I think all of them are very important for example, to consider in the human rights, in project, for instance, when we are building transmission line in India or somewhere, we have to be careful to people who have been living there and taking into account that we are having impact on society that we have to adapt to that and take responsibility.

Is this focusing on human rights?

Yes, that is important of course. But it is also our own working at the environment, health and safety in our own factories. In our own employees are also very important. And of course, environment issue. I think it is very difficult to say that there is one aspect only that is the most important. If we have employees who are sick and not happy and feel depressed or something, then they will not work in a good way and so on. If we don't behave environment then the authorities will hunt us and also our neighbor will be angry and it will destroy our brand. It's all important for business. And also more and more customers also ask questions about our way of behaving about environmental issue about pestilential substantives in our products, but also about, you know, we get a long lists of questions from our customer asking how the labor right are in Sweden and our employee at least minimum dates, if we have used forced labor and so on. So we have such enquiring, not every day, but several every month. We have to take into account. It's no question about it. It's very important. And of course, we have to engage in the society, for instance, we have "Industrial Gymnasium" (secondary school) for student, we have voluntary work with the mathematics school where people from ABB help students doing their mathematics, we have sponsorships in different kinds. And that is also important. But the most important is to do every day work in responsible way.

3. How does CSR create good business performance, for example growing profit or increasing financial status?
I think, if you have responsible people that are happy working here in ABB, they will also perform better, the creativeness will be better, which stimulate innovation. All those parameters are very important for ABB as a leading company, in different sectors. And if we will keep that position, we need to be very good in all aspects because we have a lot of competitors that also are very good. We have to be even better, we have really to keep to that our people like to work at ABB, we need to attract new students and also attract employee that want to work here and we need to, you know, we need brain capacity and I think this stimulate brain capacity with CSR. Also if you have an employee that is not proud of the company, he won't perform very well. They need to be proud of your company, and you need to feel good, have a good working of environment and see that you can influence your company. We have that ABB something called operation of development, and all employees are involved in improvement work through this, operation of development. So we have every year all employees are involved in some groups with the aim to make some improvement in different area. And I think this is unique, I haven't seen in the other companies at least in a big company where all employees really are involved. And if I understand it right, I think, this is unique for Sweden. Not all ABB, not all over the world are practicing this operation development as we do in Sweden.

4. How does ABB practice CSR in core business activities such as Pricing, marketing or investment?

Investment, our investment, you know, mainly in our own factories or if we buy another companies. And in this case, the focus is a matter on risk assessment. And this assessment concerns all parameters, you know, local triangle, neighbors, pollution, social aspect, what about the employees in this new company, for instance, so we will make it sound new diligent examination that what you call it of all the company in question for researches. And then we really try, of course it's about risk, because it is a risk for ABB to be not to be responsible. May be 30 years ago, ABB bought a company in the US that had a lot of asbestos, they had sold products with that asbestos and people had become sick because of this substance. And after a while, the company was sued and it was so expensive for ABB. ABB was nearly could not manage it all. This is such learning for ABB to always take care where there comes over company. You have to set the parameters, to be sure that the risk are ok. And when we come to investment in our own facilities, most often we have VU (Verksamhet Utveckling : Operation development) so it's affected, employees are involved in the new line or the new factory or whatever we are building or investing in. In all I have seen more, and also all that actually is also worked on the new side on the new line shall be involved in order to make that as expect as possible, as good as possible.

What about in marketing?

Marketing, it may be we are not the best in marketing. We are, of course, have that segment of products that are actor on the rest, which is ours work efficient, lower electricity lost and so on, also, less material etc. Sometimes, we are really market that product. We are on a general level, but in the actual selling situation, we sometimes just listen to the customers that they want this and that, so we don't try to influence them to buy the most efficient or the most environmental positive product. We do not always do that, but I think there is a trend that we are getting better. We are trying to pouring out those characteristic of our products that make
them more, that make them are better for the environment or for maintenance sometimes. So people are doing with maintenance. We try to, in product design, we try to aggress also the maintenance or future maintenance shall be easy to do and secure for this and safe for the parentally handling the maintenance. But we are not always super good at telling the customers that this is ok. But I think that we are getting better.

**And what if we talk about practicing CSR in pricing?**

I don't think that the customers want to pay more for all responsible company. I don't think you can earn money directly. But if you are, if you can provide the product, that the customers wish it regarding environmental thing and safety and so on, you would have market advantages. So, you will be able to sell more than competitor. But I don't think that you, automatically, will, can take higher price for such the product. It depends on customers also. There are some differences in the world. For example customers in Australia and UK, customers are keen on safety. Safety comes first, everywhere. If you are heading the project, so it is very important for those customers that you have good or plants safety and so on. And of course if we know that they are good and safety handling so, you have competitive advantage.

5. **In the suppliers, how we can use CSR to our suppliers?**

Well, one thing of course, we put our requirement in "avtal" or in all contracts, and we do. We have some standard texts that we put in all our contracts. But that we also try to make audits of several of suppliers, but we have a lot of our suppliers. Hundreds of thousands suppliers or so, and it is very difficult to make audits of all those suppliers but we have engage that "Norska Merita, steg ben" , you know they try to help us make audit but we also from purchase, it's very decentralized in ABB. So all the units, they make their own audit as well. But this is a very triggy area, it is very difficult, you cannot see it from H&M or a lot of sectors. I know that H&M, they are working a lot with this issue but it is difficult because they have the contract with their own suppliers but the sub-suppliers, it is very difficult to follow the whole chain. This is the triggy area. We must improve, we must work hard in this issue. But we are aware of this problem.

6. **Do you think CSR influences product and quality?**

Yes, I think so, because I think it is about behaving as well. And of course, if we behave in a certain way, and always be responsible and so on, of course it will affect the quality, I'm sure.

7. **In what way has ABB practiced CSR and gain the result of less use of resources and increase production?**

Of course, I think this will be more cost actually, and also may be through authority, you have to the authority to make a registration and so on. In our world, one resource of energy is driven by cost, that because customers ask us to produce cost efficient products, because most of our products are where the highest energy use, and they use phase, in the customer use of our products. And of course it is competitive advantage if we can show that the customer would have less cost for energy in the used place. But I think it doesn't matter if it is
driven by cost or driven by good will, the main thing is, that it is happened. And then you have resources efficient, regarding materials and that sounds difficult, because not all materials are that costly that they should be. And also, may be, we should, I think, develop new business model in order the company to keep the responsibility for the product during the life cycle. And this is not a case yet. And may be a lot of academies and a lot of companies are thinking about but it has not happened yet. So, I think that resource efficiency is all driven by other factors in CSR.

8. How does ABB practice CSR to gain innovative services and products?

Well, as I said we are trying to do thing properly, it’s about everyday work. And to gain competitive advantage is that to tell the customers that we take responsibility, and so on. It's about everyday work. And to make it competitive advantage and tell the customers that this is advantage. Because of that is not often the CSR issue is also make things cheaper, you know, if the maintenance, it is easier to perform and also less cost. Then it will make less accident for the customers, and also less cost. For instance, less oil, may be you don't need to change the oil so often and so on. So, it's also a cup of the cost, and also most people want to be good but also people want, you know, sustainability has three legs, so profitability is always important. So as long as it the issues are a cup of economy in a positive way, it is quite easy actually.

9. Which dimension of CSR is hard to contribute the competitiveness of the company?

I think all parameters are a cup of profitability. I don't think that companies that are not taking CSR seriously would stay profitable in the long term perspective. You have to take your employees serious, you have to work with environment, you have to take in theme of business integrity and business asses and consider the social issue and the society and so on.

10. Do you think that CSR also can give the productivity to the company? How?

Well, productivity is all about the quality actually, but quality cause the environment, they go hand in hand. So if you just put it right, I think it is very important to be productive because else you will lose market share, so you have to work with the loses in every way and the same working with the quality, work with processes with all of your products. I think this is the part of it.

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