

# The role of CSR and CSR Communication in Finnish Natural Stone Industry

International Business Communication

Master's thesis

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## **The role of CSR and CSR Communication in Finnish Natural Stone Industry**

### **Objective of the Study**

The objective of this thesis is to examine Corporate Social Responsibility (CSR) communication in Finnish natural stone companies. Since the majority of the companies are small and medium-sized enterprises (SMEs), the focus is on CSR and CSR communication in the SME context. The study aims to answer the following research questions: (1) How do Finnish natural stone company executives perceive CSR and its role in their business? (2) To what extent do Finnish natural stone companies communicate CSR and how?

### **Methodology**

The theoretical framework of the thesis is based on previous literature on CSR, CSR Communication and SMEs. A qualitative, semi-structured interview was chosen as the research method to best suite the nature of the above mentioned research questions. The interview themes were designed according to the literature and the research questions. The data was collected through five interviews with altogether eight interviewees. The data analysis was conducted through thematisation.

### **Findings and Conclusions**

The findings of this study are threefold and are in line with previous literature. The findings are the following: (1) The company executives perceive CSR in a traditional manner as in meeting the economic responsibility as well as abiding laws and restrictions. It is considered of extreme importance to secure continuity for the company. (2) Communication of CSR is low due to two reasons: the lack of time and monetary resources and the general knowledge on CSR. (3) Despite the current low knowledge on CSR, it is perceived as an important matter to the industry and the data shows that its importance is believed to grow in the future.

**Key words:** International Business Communication, CSR, CSR Communication, SME, Finnish Natural Stone Industry

## **Yhteiskuntavastuun ja yhteiskuntavastuuviestinnän rooli suomalaisessa luonnonkiviteollisuudessa**

### **Tutkimuksen tavoitteet**

Tämän pro gradu-tutkielman tavoite on tutkia yhteiskuntavastuuviestintää suomalaisissa luonnonkiviyrityksissä. Koska suurin osa alan yrityksistä on pieniä ja keskisuuria (pk) yrityksiä, keskittyy tutkimus pk-yritysten yhteiskuntavastuuseen ja sen viestintään. Tutkimus pyrkii vastaamaan seuraaviin tutkimuskysymyksiin: (1) Miten suomalaiset luonnonkiviyritykset mieltävät yhteiskuntavastuun ja sen roolin liiketoiminnassaan? (2) Kuinka paljon suomalaiset luonnonkiviyritykset viestivät yhteiskuntavastuuta ja miten?

### **Metodologia**

Pro gradu-tutkielman teorettinen viitekehys perustuu yhteiskuntavastuusta, yhteiskuntavastuuviestinnästä sekä pk-yrityksistä kirjoitettuun aiempaan kirjallisuuteen. Tutkimusmenetelmäksi valittiin kvalitatiivinen, puolistrukturoitu haastattelu, sillä se soveltuu parhaiten tutkimuskysymysten luonteeseen. Haastatteluteemat suunniteltiin aiemman kirjallisuuden ja tutkimuskysymysten pohjalta. Data kerättiin haastatteleamalla yhdeksää henkilöä yhteensä viidessä eri haastattelussa. Data-analyysi tehtiin käyttämällä hyväksi tematisaatiota.

### **Tutkimustulokset ja johtopäätökset**

Tutkimuksen tulokset ovat kolmijakoiset ja linjassa aikaisemman kirjallisuuden kanssa. Tutkimustulokset ovat seuraavat: (1) Yritysten edustajat mieltävät yhteiskuntavastuun perinteisellä tavalla, jossa yhteiskuntavastuuseen katsotaan kuuluvaksi sekä taloudellinen vastuu että lakien ja määräysten noudattaminen. Yrityksen jatkuvuuden takaaminen koetaan erityisen tärkeäksi. (2) Yhteiskuntavastuuviestintä on vähäistä kahdesta syystä: aika- ja raharajoitusten sekä puutteellisen yhteiskuntavastuutietouden vuoksi. (3) Nykyisestä vähäisestä yhteiskuntavastuutietoudesta huolimatta yhteiskuntavastuu koetaan tärkeäksi asiaksi alalle, ja data osoittaa, että sen tärkeyden odotetaan kasvavan tulevaisuudessa.

**Avainsanat:** Kansainvälinen yritysviestintä, Yhteiskuntavastuu, Yhteiskuntavastuuviestintä, Pk-yritys, Suomen luonnonkiviteollisuus

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## **1 INTRODUCTION**

In recent years, the interest in Corporate Social Responsibility (later in this thesis referred to as CSR) has immensely grown. CSR is often discussed together with and linked to sustainable usage of natural resources. According to Blowfield and Murray (2011) the admiration of economic growth has led to a greater overall market demand and consequently to vaster usage of natural resources. However, at the same time these natural resources are becoming scarcer (Martin & Schouten, 2012). This concern for the environment, among the increasing coverage media offers on irresponsibly acting companies (Podnar, 2008) has raised the non-economically linked stakeholders' interest towards organizational behaviour and the question how companies handle responsibility issues.

Traditionally, companies' main task is to be financially responsible i.e. bring monetary value to themselves as well as to shareholders (Cornelissen, 2011). However, today a company is not only regarded an entity that creates economic value, but it also has a moral responsibility to its stakeholders, both socially and environmentally (Cornelissen, 2011). Juholin (2004, p. 13) contrasts the CSR of companies to basic good manners of an individual: CSR is how a company behaves towards its stakeholders and environment. However, as this study will show, being responsible is not enough, but to benefit from it, one needs to communicate it.

This thesis studies how Finnish natural stone companies understand CSR and if and to what extent they communicate it. Being the fourth generation of a Finnish natural stone company, I have become very familiar with the industry, its strengths as well as the matters that require improvement. The industry is dominated by family-businesses where knowledge has been passed for decades from one generation to another. However, CSR is still quite a new factor to the business. It is not to be understood so that Finnish natural stone companies would not be responsible; in fact this research shows quite the opposite. However, the way in which 'being responsible' is understood is in the more traditional sense (Blowfield & Murray, 2011) as in 'giving back to communities', which includes for instance engaging in philanthropy and aiding relevant

communities. However, today there are other ways of being responsible that are considered more important (Blowfield & Murray, 2011). These will be discussed in Chapter 2.

As many other industries, also the extractive industry, which in Finland consists of the mining industry, the aggregate industry, the natural stone industry and supporting industries such as the manufacturing of machines, is strictly restricted by the Finnish law and monitored by authorities (Rytteri, 2012). In addition to being an interest of the government and environmental authorities, the actions of these companies are of concern to several stakeholder groups such as consumers and clients, company shareholders, communities in which the companies operate and environmentalists.

During the last few years there has been an increasing interest in to the natural stone industry's "sibling industry", the mining industry by not only environmentalists but also ordinary citizens. In 2012 a Finnish mining company Talvivaara faced an enormous environmental crisis after some 200.000 cubic meters of waste water leaked from Talvivaara's gypsum pond to outside of the mine (Yle, 2012). During the same year, a social crisis occurred after a company employee died in an occupational accident (Talvivaara, 2012). These events became the interest of the media and the public and due to a lack of proper crisis communication management these events affected the company reputation drastically in a negative way (Norros, 2012). The questionable reputation and negative media coverage the company received concerning especially its environmental responsibility tarnished the reputation of not only the company, but the whole mining industry (Sairinen, 2014). Talvivaara has been under the watchful eye of the media and the public ever since. As will become evident in this study the reputational crisis of Talvivaara, a mining company, also affected the natural stone industry.

Finnish mining companies and natural stone companies differ of course in terms of the industry but also in organization structure, mainly through their ownership. The mining industry in Finland consists mostly of large public, multinational companies with either domestic or foreign ownership whereas the Finnish natural stone industry (later in thesis



referred to as FNSI) is dominated by small and medium-sized privately own companies (Rytteri, 2012). This is why the Literature Review in Chapter 2 will also concentrate on the small and medium-sized enterprises (later in this thesis referred to as SMEs) side of CSR matters.

Today, according to Romu (2014), most of the quarrying business in Finland is concentrated in granite and limestone. Finland is among the 15 largest producers of natural stone in the world and the product is being exported to over 40 countries. The natural stone business sector in Finland consists of approximately 200 SMEs. Due to the small size and ownership model of these firms they do not share the same reporting obligations as multinational mining companies (later in this thesis referred to as MNCs). However, in the natural stone industry the stakeholders are in many ways similar to those in the mining industry, which is why this thesis is built around the interest of knowing what CSR communication practices are used by the natural stone companies.

Public companies are required to report their actions and results to shareholders (Investopedia, 2015). In the recent years most of these companies have also begun to report responsibility issues according to *the triple bottom line* (see e.g. Juholin, 2004 or Cornelissen, 2011), i.e. people, profit and planet or in other words social, economic and environmental aspects. CSR has traditionally been thought of as a concept linked with MNCs (i.e. Orlitzky, Siegel & Waldman, 2011, Jenkins, 2004). Due to this reason CSR in SMEs has received less attention also as a field of study (Jenkins, 2004).

The increasing interest in the responsibility issues of the Finnish aggregate industry, which the natural stone industry is a part of, makes this study relevant. The actuality of the subject combined with the fact that SMEs in fact form 99 % of all of European companies (European Commission) is why I believe studying SME CSR, its communication and other possibilities further, in this case from the Finnish natural stone industry's viewpoint of view, brings something new to the field of CSR study.

## 1.1 Research objective and questions

The objective of this thesis is to examine the perceptions and knowledge Finnish natural stone companies' executive possess of CSR and what kind of a role they give it in their business. However, the main objective is to examine how and to what extent these CSR practices are communicated. Thus the research questions were formulated in the following way:

*RQ1: How do Finnish natural stone company executives perceive CSR and its role in their business?*

*RQ2: To what extent do Finnish natural stone companies communicate CSR and how?*

## 1.2 Concepts and background information

### Natural Stone Industry

#### Quarrying

Natural stone is extracted from the bedrock. The site where the extraction takes place called a *quarry*. *Quarrying* is extracting stone from the bedrock. A large piece of stone (primary block) is excavated from the bedrock by using drilling and explosives after which the piece is cut to final blocks with definite shapes and sizes. Quarrying methods are mechanic and explosives are the only chemicals used in quarrying. The amount of explosives utilized in quarrying is small in comparison to ore mining (Romu, 2014).

The phases of a quarry's life cycle are the exploration for a suitable quarrying place, quarrying, landscaping and the after use of the area. One of the most visible environmental effects of quarrying is the change in the landscape. Thus after the quarry has ended its operations the area is cleaned up, secured and in case reforestation has not yet naturally begun, saplings are planted (palingranit.com, 2015). The quarry is usually filled with surface water and rainwater and after the landscaping process has ended it

can be utilized for instance for fish or crayfish farming, paddling, swimming and diving practices (Luonnokivilouhimoiden jälkikäyttö, 2015).

### Stone Processing

The manufacturers of stone process the stone from a raw block to an end product. The processing of stone usually begins by cutting a quarried block to slabs, whose width and surface treatment depends on the final product requirements. The cutting of the slab is mechanic, done by utilizing a diamond saw. The slab is then cut again according to the final product. In stone processing the methods are mechanic and no chemicals are utilized in the process (Romu, 2014).

### **Mining Industry**

The mining industry produces raw materials that are extracted from the bedrock. Mines are usually divided in into metal ore mines and industrial mineral mines. The end product of mining usually is a mineral concentrate that consists of utilizable minerals. In metal extraction the impurities that the ore contains are removed from the end product in many different ways, depending on the chemical composition of the ore and the metal to be extracted. Since they are usually attached to other natural elements, chemical reactions are required to extract the metal from the impurities. For instance gold is separated from the impurities with a mercury treatment or through a cyanide process (Metallurgy – Separation of the metal, April, 26, 2015). Mineral concentrate is utilized to produce metals and industrial minerals have other industrial use (Kaivostoiminta – kaiva.fi, April 26, 2015).

### **1.3 Structure of the thesis**

The thesis is divided into six chapters. This first introductory chapter has described the subject and the scope of the thesis. Chapter 2 presents the theoretical framework of the study. The data used in the study is described in Chapter 3 together with the research methodology. The findings and discussion of the research are given in Chapter 4 and the final conclusions are made in Chapter 5.

## **2 LITERATURE REVIEW**

This chapter examines the literature written on the main concepts of this thesis. The first section introduces the concept of CSR: how it is defined, how it has become a relevant part of business today, and why the matter is relevant for this study. The second section examines CSR communication, what it consists of and what the major challenges are, that companies face when executing it. Since this study evolves around SMEs the third section introduces the SME context. The section also introduces characteristics that are specific to SME CSR as well as to CSR communication in small and medium-sized enterprises.

### **2.1 Corporate Social Responsibility (CSR)**

During the past few decades customers and other stakeholders have become more and more interested in the responsibility issues of business and especially in the way companies are handling them. This has recently led to a growing pressure from various stakeholders to act responsibly forcing companies to engage in corporate social responsibility (McWilliams and Siegel, 2000). This trend has also raised the interest of academics such as Carroll (i.e. 1991, 2000), Blowfield and Murray (2011) and Elkington (1997) towards the concept of CSR, and the subject has been widely studied since the 1990's.

Traditionally, companies' main task has been to be economically responsible i.e. bring monetary value to themselves as well as to their shareholders (Cornelissen, 2011). However, today a company is not only regarded as an entity that creates economic value, but as already stated in the introduction it also has a social and environmental responsibility to its stakeholders (Cornelissen, 2011).

Various definitions for the phenomenon of responsible business emerge from CSR literature. Concepts such as *corporate citizenship*, *corporate responsibility* and *sustainability* (Waddock, 2008) are presented among other less widely used definitions. Waddock (2008) considers the two firstly mentioned as synonyms and states that CSR is actually "the more narrow conception frequently associated with what some critical

observers call “window dressing”” (Waddock, 2008, p. 30). However, corporate social responsibility is the dominant term used both in academic literature (e.g. Carroll & Shabana, 2010, McWilliams & Siegel, 2000, Golob, Lah & Janc̃ic̃, 2008) and practice, which is why it is the term also used in this thesis.

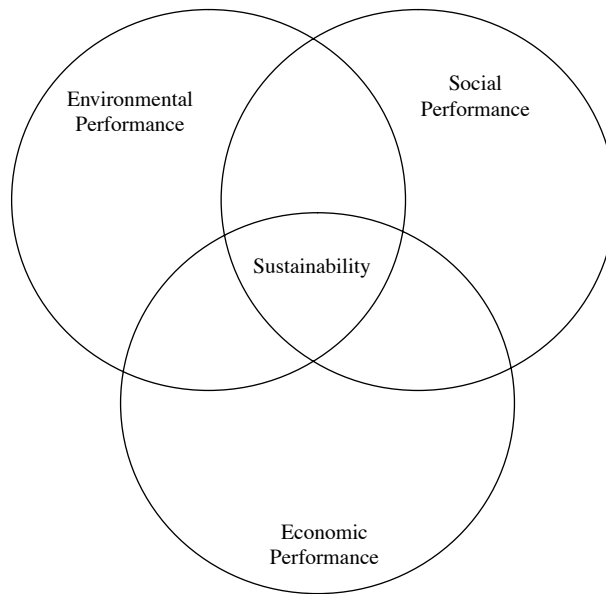
Even though CSR has only become a megatrend in the past decades, it has a long history. Carroll (1999) and Blowfield and Murray (2011) agree that the world of business has been concerned about society and making a positive influence on it for a long time, even centuries. The academic interest towards the field began as early as in the 1930’s with a focus on business managers, i.e how they lead their companies keeping the society in mind and what ways they found to give back to the communities they operated in (Blowfield & Murray, 2011). Approximately 60 years ago the focus shifted from individual managers’ actions to those of the company as an entity. It was then that the academic debate began about what companies were actually responsible for (Blowfield & Murray, 2011). In the 1990’s the concept of CSR, its theory and practice started to expand. This has led to the ever-growing amount of questions around CSR and the possibilities the field holds today (Blowfield & Murray, 2011).

There seem to be as many definitions of CSR and its *raison d’être* as there are academics, yet most of them seem to agree that there is more to business than just creating economic value. Van Marrewijk (2003) regards CSR as *voluntary actions*, which companies use to show how they incorporate social and environmental issues in their business strategy and include stakeholders in the process. Similarly, McWilliams et al. (2006) believe CSR constitutes of situations “where the firm goes *beyond compliance* and engages in ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’” (McWilliams et al., 2006, p. 1). CSR is thus considered as something a company is not obliged to do by law but does as something extra. However, Cornelissen (2011) is of a different opinion and defines Corporate Social Responsibility (CSR) as

*“Actions which do not have purely financial implications and which are demanded or expected of an organization by the society at large, often concerning ecological and social issues”* (Cornelissen, 2011, p. 255)

This definition is contrasting to that of McWilliams et al. (2006) since it implies that companies only do what somebody else expects or demands of them, which could be considered the opposite of *voluntary*. As we can see, CSR clearly is a concept without one clear definition, but is rather something whose meaning changes from an individual academic or as we will notice in the fourth chapter, from a business practitioner to another. What makes the concept of CSR even less fixed, is the fact that according to Blowfield and Murray (2011) CSR is not a static concept, but in fact its meaning continuously changes as society develops.

Two main CSR frameworks emerge from literature: the *Triple Bottom Line* (Elkington, 1997) and the *Pyramid of Corporate Social Responsibility* provided by Carroll in 1979 (Blowfield & Murray, 2011). The *Triple Bottom Line* or the *Three Ps*, divides CSR in three areas: economic (*profit*), social (*people*) and ecological (*planet*) responsibility (i.e. Elkington, 1997; Cornelissen, 2011; Martin & Schouten, 2012) as can be seen in Figure 1. As already previously discussed, in the past companies' had but one task: to be economically responsible. However, as the triple bottom line suggests, today a company is not only regarded as an entity that creates economic value, but one that has to consider other responsibilities as well (Cornelissen, 2011). The three different parts of CSR according to the triple bottom line are presented in the following Figure 1.



*Figure 1. Sustainability: the triple bottom line, Carter & Rogers, 2008*

According to Martin and Schouten (2012) CSR's main task is actually to “integrate the triple-bottom-line concerns into the business plan” (Martin & Schouten, 2012, p. 30). Juholin (2004) suggests that through these three channels companies pursue voluntary actions that have positive implications on them by reinforcing their legitimacy to operate. Also, by behaving responsibly, companies will have better possibilities to continue operating also in the future (Juholin, 2004).

Another traditional framework of the CSR field, and probably the most cited one, is the *Pyramid of Corporate Social Responsibility* offered by Carroll in 1979 (Blowfield & Murray, 2011). The framework is pictured below, and according to Carroll (2002) it was originally formulated in order to argue that a company could be both profitable and ethically responsible.

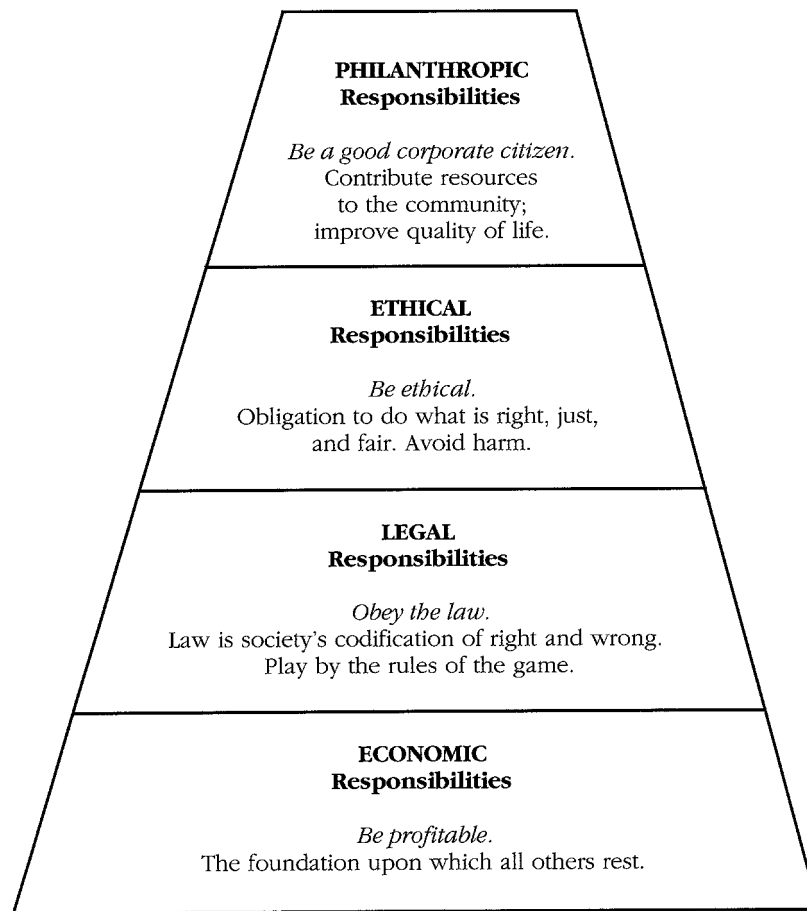


Figure 2. Pyramid of Corporate Social Responsibility, Carroll, 1991, p. 42

Carroll (1991) suggests that there are four different kinds of social responsibility constituting CSR: *economic*, *legal*, *ethical* and *philanthropic*. The first mentioned, economic responsibility is, according to Carroll (1991) the most important since all other responsibilities depend on the economic success of the firm. As already earlier stated, bringing economic value to shareholders has also historically been the most important aim of a profitable company (i.e. Carroll, 1991 and Cornelissen, 2011).

According to Carroll (1991) in addition to being economically responsible, a firm is expected to practice their economic agenda in accordance to the laws and regulations imposed by the governments within which the company operates. These are what constitute the legal responsibilities of a company.



As can be seen from the framework, the third responsibility of a company from Carroll's viewpoint is the ethical responsibility, which, according to him consists of

*“those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights.”* (Carroll, 1991, p. 41)

The fourth and final part of the framework is philanthropic responsibility, which according to Carroll means responding to stakeholder expectations of companies as “good corporate citizens” (Carroll, 1991, p. 42).

Managers consider adopting CSR practices as a costly project (McWilliams & Siegel, 2000). Juholin (2004) notes that the participation in CSR is primarily voluntary, but that corporations expect to gain some benefit from it as well. However, scholars such as Du et al. (2010) believe the investments on CSR will pay themselves back in time. Martin and Schouten (2012) suggest that when beginning to invest in CSR practices, a company should first focus on the short term benefits they bring in order to boost motivation to invest in them long term.

To summarize the aspects of CSR that emerge from the literature, even though the interest has grown towards CSR, the definitions of the concept remain varied, some even the other's opposites. For instance McWilliams et al. (2006) define CSR as being a voluntary action that goes beyond the company's obligations whereas Cornelissen (2011) says CSR is meeting stakeholder expectations and demands. However, the mutual point is that the firm is engaging in something not only for economic gain but for something more. As already stated above Juholin (2004) believes that companies engage in CSR voluntarily, but they expect to receive economic value of it in the long run. The efforts made regarding CSR can only be transformed into profit if a company communicates about them (see e.g. Du et al. 2010). Thus the next section talks about CSR communication, the challenges related to it and how to communicate CSR to different stakeholder groups.

## 2.2 CSR Communication

This chapter discusses the concept of CSR communication. As stakeholder management and communication are one of the cornerstones of CSR communication (Cornelissen, 2011; Nielsen & Thomsen, 2009a), this section will start by revising some literature on stakeholder communication and stakeholder management. After this, this section will introduce three CSR communication frameworks starting from a simple one and going towards more complex frameworks in order to provide an exhaustive and holistic picture of the theoretical environment in which CSR communication is situated.

According to Cornelissen (2011) stakeholder communication and management are the key aspirations to corporate communication. Freeman (1984) defines a stakeholder as

*“any group or individual who can affect or is affected by the achievement of the organization’s purpose and objectives.”* (Freeman, 1984, cited in Cornelissen, 2011, p. 42)

Nielsen and Thomsen (2009a) believe that in the modern economy it is no longer sufficient for companies to answer to only those stakeholders who have either legal or financial stakes in the organisation. Stakeholder communication is important for companies because it makes the company reputation grow but also protects it (Cornelissen, 2011). Managers have an important task in deciding how to strategically deal with stakeholder communication.

It is evident that stakeholders have different expectations towards the company and its CSR depending on their link and relationship with the company in question (e.g. Cornelissen, 2011). As discussed by Cornelissen (2011), for instance NGO’s and investors’ needs and wants can vary especially in what is considered the most important responsibility of a company, being sustainable or making a profit. This is why the contrasting demands of different stakeholder groups can sometimes create pressure on company management when having to balance these conflicting requirements. In order to get a clear image on a company’s stakeholders and how these groups should be

managed and communicated to, Cornelissen (2011) suggests communication practitioners to place the stakeholders in “the power-interest matrix” (Cornelissen, 2011, p. 48)

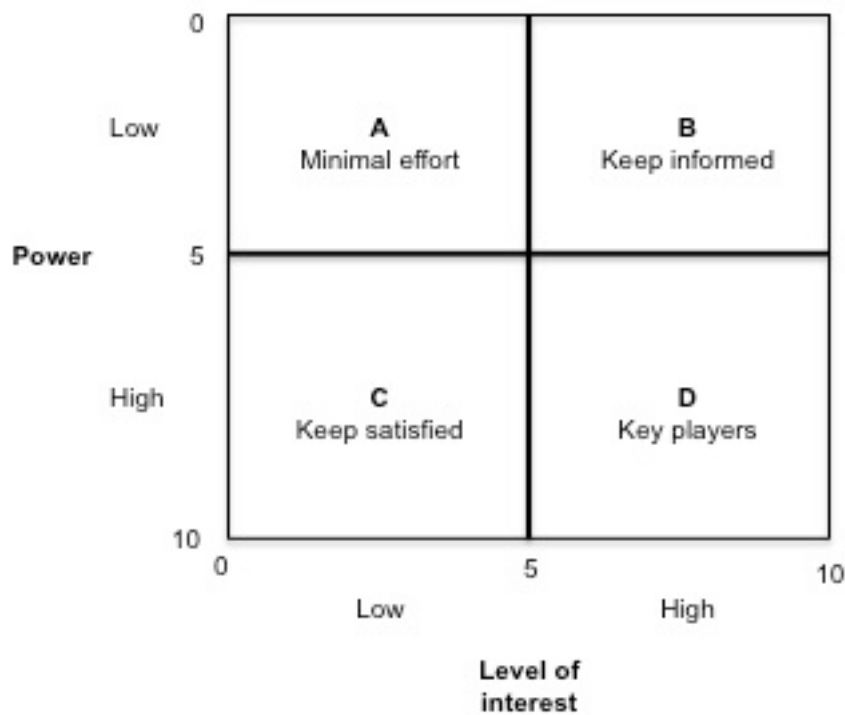


Figure 3. The power-interest matrix, Cornelissen, 2011, p. 48

According to Cornelissen (2011) by mapping stakeholders according to the power they possess and the level of interest they have, a communication practitioner is able to categorize the stakeholders and communicate accordingly. *Key players* need particular attention and constant communication since their opinions and actions can have a strong effect on the company. Stakeholders in quadrant B have a strong interest towards the company but a low level of power. According to Cornelissen (2011) it is important to keep these stakeholders informed on company issues so their interest is not lost. They are also considered an important source of word-of-mouth communication and can thus have a positive influence on company reputation (Cornelissen, 2011). The most difficult group of stakeholders to manage are those in quadrant C because even though they lack

interest they still have the influence to affect decision making in the company (Cornelissen, 2011).

In addition to mapping the stakeholders to groups by power and interest it is important to decide the goal of the communication and utilize a suitable communication strategy. Cornelissen (2011) divides stakeholder communication to three strategies: the *informational strategy*, the *persuasive strategy* and the *dialogue strategy*. These are presented in Figure 4 below.

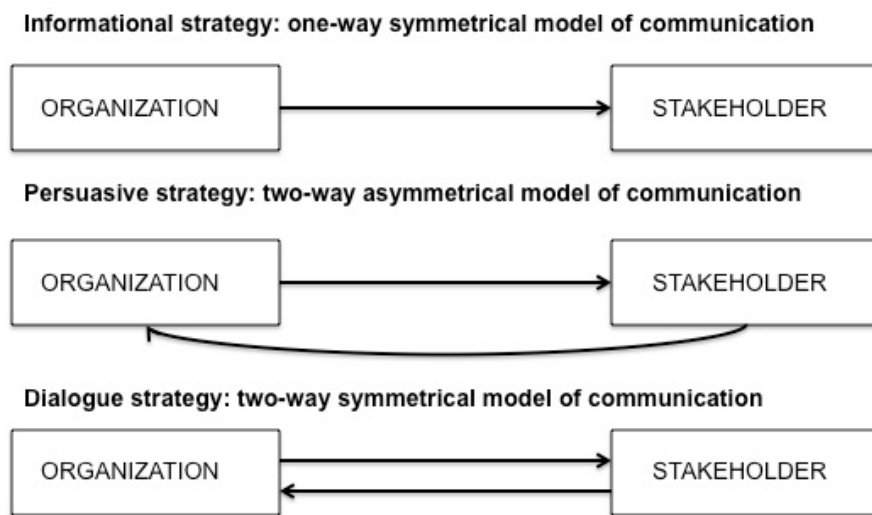


Figure 4. Models of organization-stakeholder communication, Cornelissen, 2011, p. 50

The informational strategy is a one-way communication strategy intended to inform the stakeholders on a certain issue. The media used for this kind of communication are for instance press releases or newsletters and the goal of this strategy is to raise the stakeholders' awareness on the issue in question. According to Cornelissen (2011) the aim of the persuasive strategy is to increase stakeholder understanding and usually the communication strategies used for this are discussions and meetings, in which a company can try to influence the opinions or change the attitudes of the stakeholders. The communication is two-way asymmetrical as in the company communicates a message and receives feedback from the stakeholders. The third strategy is called the dialogue strategy, which emphasizes a two-way communication. The goal of this kind

of strategy is to involve and commit stakeholders to the company's issues, for instance by engaging them in collective problem solving (Cornelissen, 2011).

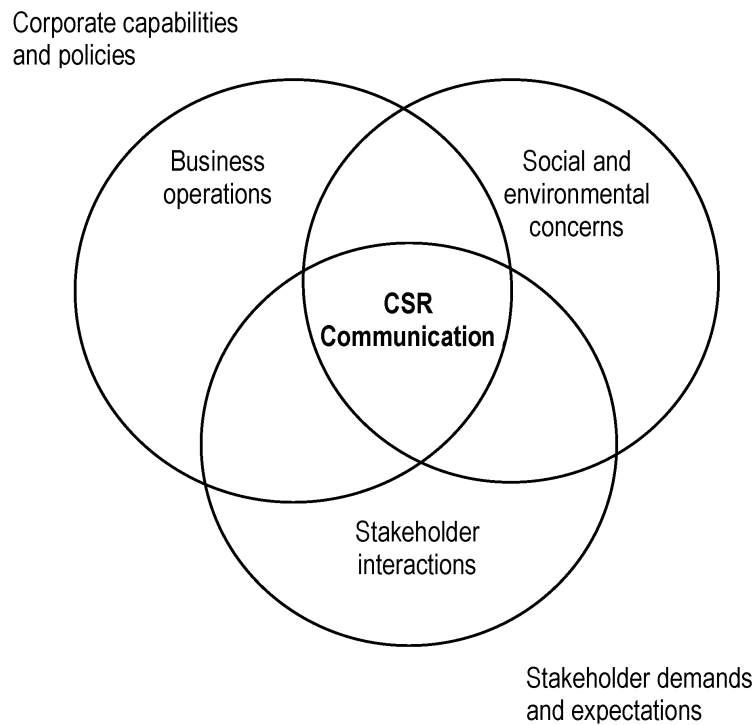
As the literature above states, being aware of all possible stakeholder groups and mapping them according to their relationship and relevance to the company formulates a good base for planning CSR communication. As the literature related to stakeholder management and communication has now been analysed, it is time to move on and focus more in detail to the concept of CSR communication.

Whereas CSR has been called “window dressing” (Waddock, 2008, p. 30), business practitioners often confuse CSR communication with public relations (PR) (Tench et al., 2014). They argue that this is the case even if the matter is not very simple:

*“...as if self-promotion and information control/manipulation (as in PR) could automatically gain publicity and customer loyalty and win public trust.”* (Tench et al. 2014, p. 4)

Finding the right balance in communicating about CSR practices is a challenging task. Stakeholders have a need for CSR information but if a company communicates too much, it can make stakeholders suspicious (Du et al. 2010; Morsing & Schultz, 2006). Thus one of the key challenges for a company in CSR communication is to win stakeholders over by finding ways in which to overcome their scepticism (Du et al. 2010).

Podnar (2008) sees CSR communication as a practice that needs to take into consideration three different aspects: a company's business operations, social and environmental concerns and stakeholder interactions (Figure 5).



*Figure 5. CSR Communication, Podnar 2008, p. 76.*

Podnar (2008) talks about CSR communication as a process. Firstly, when communicating about CSR a company must foresee the demands and expectations of its stakeholders. Secondly, the company has to formulate and communicate its CSR policy by utilizing communication tools with which it is possible to provide

*“true and transparent information about a company’s or a brand’s integration of its business operations, social and environmental concerns, and interactions with stakeholders.” (Podnar, 2008, p. 75)*

Du et al. (2010) state that it is of a high importance for company managers to understand the specific factors that are related to CSR communication. These include making the right choices concerning for instance the CSR message and the medium through which it is communicated, but also the stakeholder-specific issues that need to be taken under consideration in order to improve the effectiveness of the communicated matter (Du et al. 2010; Cornelissen, 2011). To better understand the multifaceted

process of successful CSR communication we next examine two CSR communication frameworks.

The framework by Tench et al. (2014) presents the different aspects that are part of the CSR communication process. Tench et al. (2014) highlight the importance of communication in CSR strategy. As can be seen from Figure 6, CSR actions that are practiced but not communicated are considered *information lost*. According to Tench et al. (2014) CSR practices that are not communicated to stakeholders could be considered a waste of time. According to Du et al. (2010) the effect CSR activities have on company's profit making is directly linked to CSR communication. This is because the only way a company benefits from investing in CSR is if stakeholders are aware of it (Tench et al., 2014). When it comes to communicating CSR to stakeholders as well as to the public, Tench et al. (2014) believe traditional reports are not enough, but in fact several communication channels should be utilized. This way it is more certain that the CSR information catches as many stakeholder groups as possible.

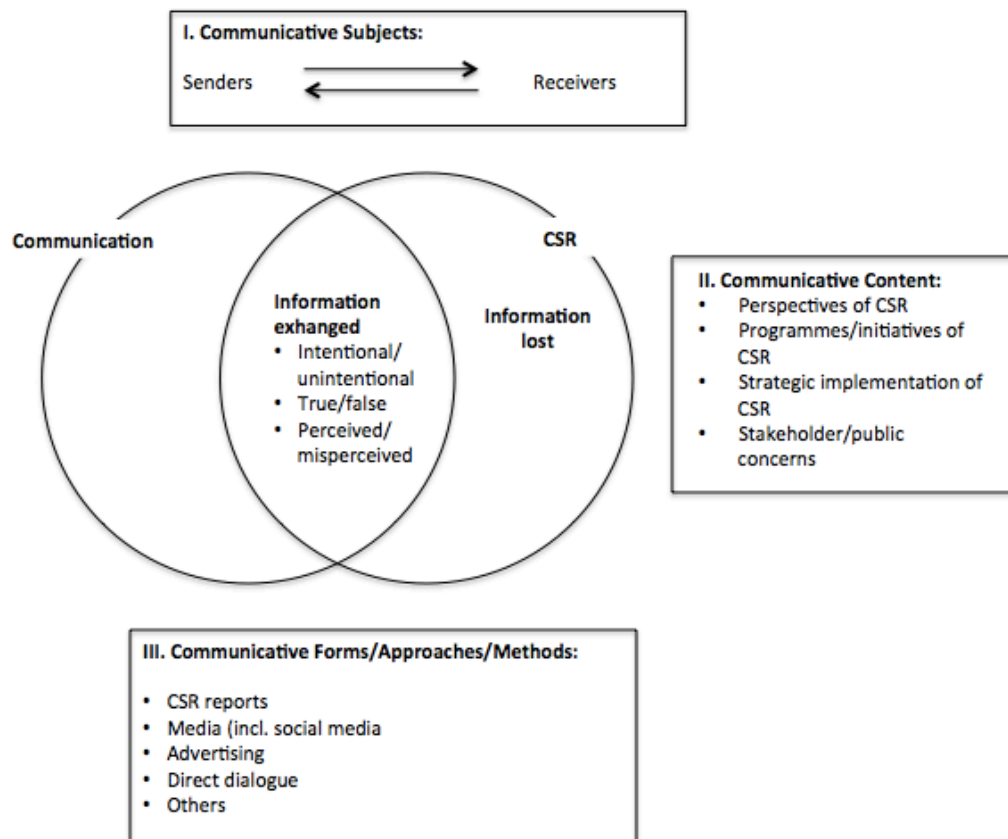


Figure 6. The CSR Communication Framework, Tench et al., 2014, p. 8

When CSR is communicated, Tench et al. (2014) believe there are two scenarios on the effect the message has: either positive or negative. The first one occurs when the CSR information is true, trustworthy and transparent and the message is well received by a public that understands the message as it is meant to be understood. However, the receiving of CSR information could also end up having a negative impact on the receiver. This can happen when a company communicates false or distorted information or even when the stakeholder receiving the message misunderstands it. This is why Tench et al. (2014) believe it is important to not only pay attention to the planning of CSR communication but also to its results.

As can be seen in Figure 6, the communicative content is divided into four groups: *perspectives of CSR*, *CSR programmes and initiatives*, *strategic implementation of CSR* and *stakeholder or public concerns*. Firstly, a company needs to inform the public and



the stakeholders of its CSR perspectives and the different programmes and initiatives these perceptions lead to. After this it is important for the company to show that these plans are put to practice and finally they have to stay informed on how stakeholders and the public are perceiving these actions and respond to possible questions or concerns as they appear (Tench et al., 2014).

Finally, it is important to remember to communicate CSR to each stakeholder group using appropriate messages and channels. As mentioned above, Tench et al. (2014) believe it is important to consider using many different communication channels when informing the public and stakeholders on CSR issues since it ensures a wider coverage of message receivers as well as aids the correct perception of the message.

In their framework on CSR communication, Du et al. (2010) go into more detail on the matters that have to be decided and studied before communicating CSR. As can be seen from Figure 7 their framework is divided into three sections: CSR communication, contingency factors and communication outcomes. The first section presents the issues related to both message content and channels that should be used for these messages. First of all, on the one hand, a company should choose the way in which it wants to express *CSR commitment*. This could be related for instance to the amount of money or time the company has invested in the cause. On the other hand the company could also focus on the *CSR impact*, in other words on the output of the action as in what the results of the CSR actions are. In addition to the above-mentioned factors, CSR communication could also focus on the *CSR motives*, the reasons behind the actions that are taken. When communicating motives Du et al. (2010) highlight the importance of balancing both intrinsic and extrinsic motives behind the actions. This is because only highlighting the intrinsic, cause-related motives can raise suspicion in stakeholders. A company should communicate the benefits both for the cause and for itself in order to appear credible. The final part of the message content section of the framework is *CSR fit*. According to Du et al. (2010) it is important for the company's CSR actions to be in line with the cause in order to be credible.

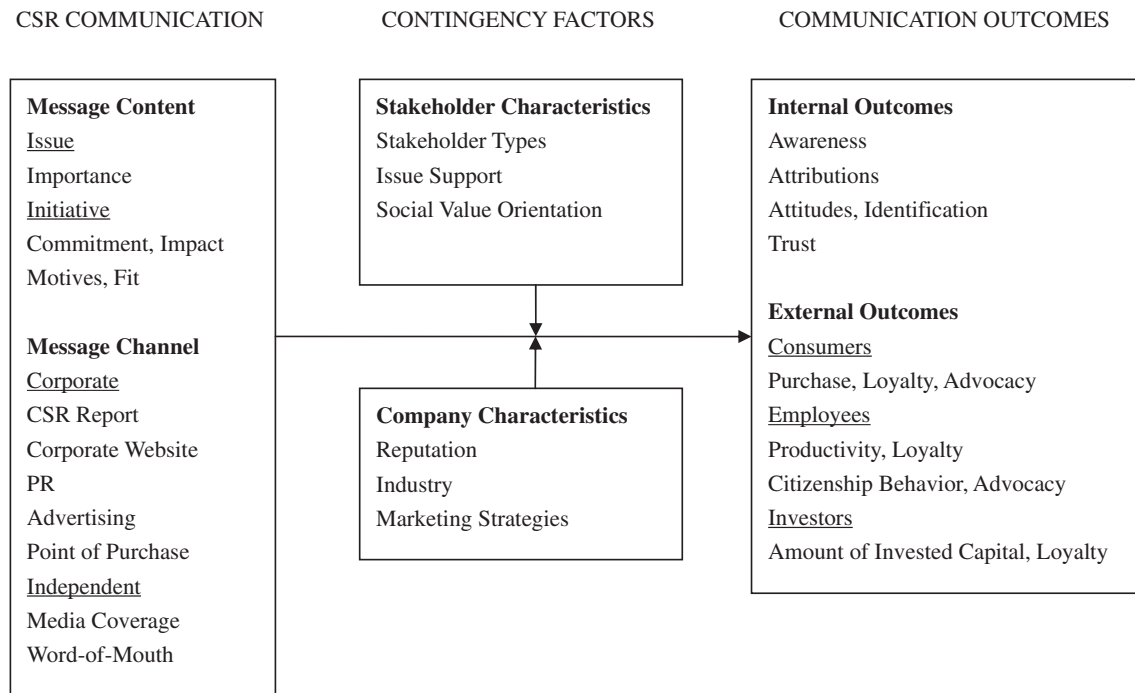


Figure 7. A framework of CSR communication, Du et al. 2010, p. 11

Another factor linked to CSR communication section in the framework are the *message channels*. According to Du et al. (2010) companies can use official channels like CSR reports, corporate website etc. However, the most efficient channels are the ones stakeholders perceive as ones that can not be controlled by the company itself. These are for instance media coverage as well as word-of-mouth both from employees as well as customers. These are perceived to minimize stakeholder scepticism and using employees and consumers as CSR advocates increases the perceived trustworthiness of the CSR message (Du et al., 2010).

The middle part of the framework consists of stakeholder and company characteristics. According to Du et al. (2010) both of them have an influence on how the CSR communication is perceived. Stakeholder related aspects are *stakeholder type*, *issue support* and *social value orientation*. First of all it is important to know what the stakeholders' expectations are, whether they are very interested and aware of the CSR related issues or if they are for instance the general public with different communicational needs. Secondly, what affects the communication process is whether the stakeholder considers the issue important and relevant to himself or not. The final

stakeholder characteristic that according to Du et al. (2010) influences the communication is the stakeholders' *social value orientation*.

According to Du et al. (2010) a company's reputation, as well as its CSR positioning have an impact on its CSR communication. First of all, corporate reputation has an effect on the success of CSR communication since it functions as a schema to which stakeholders mirror the information. On the one hand, a company with a positive reputation is likely to succeed in CSR communication ameliorating the already good reputation. A company with a questionable reputation on the other hand may face difficulties in credibility, which may lead to the communication to backfire.

Du et al. (2010) divide the outcomes of CSR communication to internal and external outcomes. The internal outcomes include the changes in awareness, attitudes and trust. The external outcomes of CSR communication are divided to three groups according to different stakeholders: customers, employees and investors. According to the framework the outcomes of CSR communication for the customers can be for instance a change in their purchasing behaviour, loyalty for the company, or the customer may even feel like acting as an advocate for the company. For the employees CSR communication is expected to increase for instance loyalty and productivity. When it comes to investors, the framework suggests that the benefit in communicating CSR can be seen in invested capital or again loyalty towards the company in question.

Today, the most traditional media for CSR communication is the annual report or a separate CSR report (Sweeney & Coughlan, 2008). The tendency of CSR reporting is rapidly going to the direction of an *integrated report*, which is

*"A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."*

About IIRC, 2015

In other words the integrated report could be defined as a report that tells about how the company links CSR matters into every aspect of their business.

Sweeney and Coughlan (2008) state that different companies have very different contents in these CSR reports. According to them the best way for a company to benefit from its CSR reporting would be to communicate the matters stakeholders are interested in. This is consistent with what Du et al. (2010) present on their CSR communication framework (Figure 7): stakeholders have issue specific interests and they will most likely be more responsive towards CSR communication that fits their interests. Birth et al. (2008) believe that in addition to communicating the CSR issues that are of interest to stakeholders, a company should keep in mind other important, emerging issues as well.

According to Birth et al. (2008) an important stakeholder group in CSR communication are the employees. Thus internal as well as external communication of CSR is important. The writers differentiate four reasons for the importance of the internal promotion of CSR. Firstly, as we also learned from Du et al. (2010), one of the most powerful ways to boost positive reputation is word-of-mouth. Educating employees about a company's CSR practices and possibly even including them in the initiatives, is likely to bring back good results (Birth et al., 2008). Secondly, according to Birth et al. (2008), internal CSR communication can "increase employee's satisfaction and commitment" (p. 185). Thirdly, Birth et al. (2008) believe responsible employers are more attractive and thus it is useful to, through CSR communication, boost the company image. Finally, Birth et al. (2008) suggest that CSR communication decreases employee turnover.

McWilliams et al. (2006) distinguish two different sides to CSR communication or *CSR advertising* as they call it. The first one is *persuasive* CSR communication, which according to their theory tries to change the recipient's behaviour towards a more responsible one. Thus its task is not to directly sell a product with "green attributes" but rather make a change in consumers' habits towards the better. The other form of CSR communication, according to McWilliams et al. (2006) is the *informative* CSR

communication (advertising). As its name suggests, this kind of CSR communication is the mere communication of a company's CSR practices and values.

As discussed above, one way of communicating CSR is doing it through different kinds of reports. Another way of promoting or informing of a company's CSR practices is to do this via the internet on for instance the company website (Gomez & Chalmeta, 2011) or social media (Colleoni, 2013). Naturally, the extent to which a company's actions have an effect for instance on the environment, influences the amount of environmental responsibility related information that is required in CSR descriptions of the company website, marketing material etc. (Nielsen & Thomsen, 2009a). However, it is important to remember, that a company needs to be transparent and its communication practitioners well prepared to answer any questions since the media is interested in these matters and will report any irresponsible actions to the public (Podnar, 2008).

To summarize, the base for good CSR communication is being familiar with the company's stakeholders and their expectations and then communicate accordingly (Cornelissen, 2008). As discussed above it is important for a company's communication practitioner to balance CSR communication so that CSR is not communicated too much nor too little in order not to make stakeholders sceptical (Du et al. 2010; Morsing & Schultz, 2006). This can be best prevented by careful planning of the message and the communication channel while not forgetting the context in which the communication takes place or the stakeholder attitudes towards the company and the CSR issue in question (Du et al., 2010; Tench et al., 2014). The next section introduces the SME context. Firstly, the concept of an SME is defined after which the affect SME context has on the practice of CSR and CSR communication is analysed.

### **2.3 The SME context**

This section presents the context in which the concept of CSR communication is analysed in this research. First the characteristics of a small and medium-sized enterprise are defined utilizing previously written literature on the subject After these

definitions the previously presented concepts of CSR and CSR communication are examined in the context of SME.

### 2.3.1 Defining Small and Medium-sized Enterprise (SME)

According to the European Commission, what defines a Small and Medium-sized Enterprise (SME) is the number of its employees and the company's turnover or balance sheet total. Table 1 shows the subcategories of an SME: the micro, small and medium-sized company and the definitions they are required to fill in order to belong to that subgroup and under the notion of an SME.

Company category	Employees	Turnover	Balance sheet total
Medium-sized	< 250	$\leq$ € 50 m	$\leq$ € 43 m
Small	< 50	$\leq$ € 10 m	$\leq$ € 10 m
Micro	< 10	$\leq$ € 2 m	$\leq$ € 2 m

*Table 1. Definition of a micro, small and a medium-sized enterprise, European Commission, retrieved 21.2.2015*

According to Windsor (2001) the responsibilities of a company depend on its size and prosperity. This theory in mind, a multinational company's responsibilities would exceed those of an SME. However, according to the European Commission (European Union, 21.2.2015) more than 99 % of all European businesses are SMEs. They are also the providers of a major part of jobs in the private sector and in addition "contribute to more than half of the total value-added created by businesses in the EU" (European Union, 21.2.2015) Also Morsing and Perrini (2009) suggest that SMEs in fact form a major part of the global economy, or in other words, they possess *individual smallness*, but *collective grandness* (Morsing & Perrini, 2009). Due to this reason their actions affect economies worldwide (Jenkins, 2009).

Even though it is evident that size is one of the differences between an SME and an (MNC), it is far from being the only one. Jenkins (2009) states:

*“Whilst size is a factor, and many SMEs may conform to such views, there are other internal and external dynamics that explain their behavioural characteristics. SME behaviour is often understood in terms of the psychological characteristics of the entrepreneur or ‘owner–manager’”*  
(Jenkins, 2009, p. 22)

As Jenkins suggests, one of the differing qualities between SMEs and MNCs is the organization structure, or more specifically, the owner-management relationship. According to Jenkins (2004) in most SMEs both the ownership and management of the firm is in the hands of one person, the owner-manager.

### **2.3.2 CSR in SMEs**

As already mentioned in Chapter 1, CSR has traditionally been thought of as a concept linked with multinational corporations (i.e. Orlitzky, Siegel & Waldman, 2011, Jenkins, 2004). CSR in SMEs has thus also received less attention as a field of study (Jenkins, 2004). However, according to Fassin (2008) SMEs are facing an ever-growing pressure to become involved in CSR and even in reporting about it. However, Fassin (2008) is not of the opinion that CSR reporting should be an obligation to SMEs due to the nature of a small firm.

*“CSR in SMEs needs a specific approach, adapted to the informal nature and entrepreneurial character of the small business. The essence of CSR lies in the implementation of responsible business practices. It lies in the right attitudes, in the corporate culture, not in formalisation.”* (Fassin, 2008, p. 364)

SMEs differ from MNCs in e.g. organizational structure as well as formality, which is the reason why CSR models applied to large, multinational companies cannot be directly transferred to SMEs (Fassin, 2008). Also, according to Santos (2011) SMEs have their own way of engaging in CSR practices and motivating the reasons behind

these decisions.

One of the most important factor for small companies when considering social responsibility are the employees (Murillo & Lozano, 2006). Another important social interest of small businesses is philanthropy and especially giving back to local communities (Fassin, 2008). This is why SMEs often practice philanthropy by supporting local cultural or sports activities (Fassin, 2008).

According to Nielsen and Thomsen (2009b) SMEs do not see CSR as a part of the company strategy and in many SMEs the owner-managers are not even familiar with the term 'CSR' which is why their socially responsible acts may often remain unnoticed (Fassin, 2008). Even so, CSR in SMEs could in fact mirror the generally informal nature of management in SMEs (Jenkins, 2009).

In SMEs the decisions often lie within one person, the owner-manager. Thus the motivations and personal values of these owner-managers are what mostly drive the CSR practices adopted by an SME (Santos, 2011; Nielsen & Thomsen, 2009a) and the control over CSR resources and other practices lies within that one person (Jenkins, 2004). What differentiate the owner of an SME from a CEO of an MNC are the resources and risks related to decision-making (Fassin, 2008). According to Fassin (2008), when making decisions, an entrepreneur is putting at risk his own savings and income whereas a CEO's income is more secured, whether the decision is right or wrong. The time and cost related resources in an SME are scarce, a fact which should be considered when setting new restrictions and demands for them (Fassin, 2008).

According to Morsing and Perrini (2009) SMEs are seeing the growing pressure to CSR as a risk and a stress factor. The fear is in loosing competitive advantage if not being able to fulfil the social as well as the environmental expectations of different stakeholders (Maloni & Brown 2006). The matters that SMEs consider restrictive to their engaging in CSR are the resources these kinds of actions would require, most of all time and financial resources (Santos, 2011). Also, as discussed beforehand, the owner-manager is usually responsible for many different tasks and even though he might have a small staff to aid him, it rarely is as specified as in a larger corporation. Thus the



know-how on CSR related issues for instance could be quite restricted. Santos (2011) explains that due to these reasons CSR in SMEs is often present more as the improvement of efficiency in matters like “raising employee motivation, reduction in energy consumption or improved client relationships” (Santos, 2011, p. 491).

According to Morsing and Perrini (2009) one of the defining characteristics of SME CSR is that it is rather the pressure from stakeholders that drives SMEs to engage in corporate social responsibility issues than the pro-activeness of the company itself. However, according to Morsing and Perrini (2009) SMEs and multinational companies (MNCs) differ in CSR practices also in terms of their goals as well as results. Also, due to their size SMEs are more dependent on their stakeholders than MNCs (Morsing & Perrini, 2009). As mentioned above, SMEs form a considerable ratio of companies at least in the EU, which is why Morsing and Perrini (2009) believe that the amount that SMEs engage in CSR practices also has an effect globally. However, as Fassin (2008) states, being responsible is different for SMEs and this should be taken into consideration.

*“Responsible SMEs do not need ISO CSR standards. They behave in a social and responsible way because that is the good way to do business. Doing the job properly is just seen as decent management. Responsible business practices do not need special reporting nor justifications: it should be the normal way of doing business.”* (Fassin, 2008, pp. 375-376)

The literature presented in this section has shown that SME CSR is different from MNC CSR, and this assumedly also has an impact on the communication SMEs conduct about their CSR activities if there in fact are any. This is why it is seen relevant to study SME CSR communication and thus this subject will be briefly viewed in the following section.

### 2.3.3 CSR communication in SMEs

According to Nielsen and Thomsen (2009a) CSR communication in SMEs is not systematic. However, SME managers have come to understand the importance of many key concepts related to corporate communication such as CSR and reputation management, which implies that the attitudes towards these matters are positive even if the application of these matters into everyday business conduct in SMEs might still be lacking. (Nielsen &Thomsen, 2009a)

As mentioned in the previous section, the adopting of certain business practices in SMEs depends on the owner-manager. Nielsen and Thomsen (2009a) note that the adoption of CSR and CSR communication practices is thus up to the owner-managers understanding on the subjects. Also, SMEs are not necessarily in posses of the same resources and thus cultivated communication tools and strategies as larger organizations are (Nielsen & Thomsen, 2009a). One of the explaining factors for the lack of communication in SMEs operating in the B2B context could be that many of the companies are only known for their own employees, customers and other co-operators (Nielsen and Thomsen, 2009b).

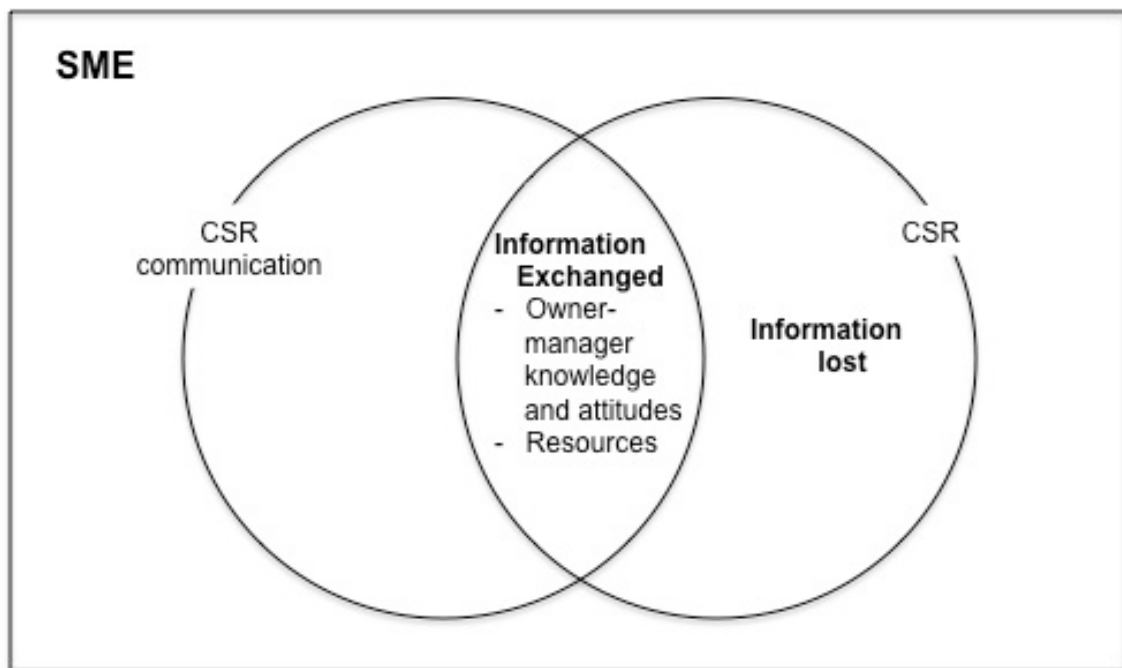
According to Fassin (2008) SMEs are facing an increasing pressure not only to engage in CSR practices but also to report about them. However, Fassin (2008) does not believe reporting should be compulsory for SMEs since according to him reporting is not the measure of responsible behavior. Also, SMEs do not consider CSR reporting useful for them since they feel it does not bring them added value but rather, as also discussed in the previous section, only consumes both financial and time resources. (Fassin, 2008)

*“CSR is about the right attitudes, about mentality: formalisation with reports may help to improve transparency and accountability, but reports alone are not enough unless there is a proper implementation of suitable policies.”* (Fassin, 2008)

As the review of SME literature suggests CSR and CSR communication are different in SMEs than in MNCs. As stated above, in SMEs the owner-manager is often in charge of most of the decisions, which is why how much a company invests in CSR depends

on this one persons' personal values and knowledge (Santos, 2011; Nielsen & Thomsen, 2009a). The major restrictions for SMEs to engage more in CSR activities are both time and money constraints (Santos, 2011).

#### 2.4. Theoretical Framework



*Figure 8. Theoretical framework, adapted from Tench et al., 2014*

This figure presents the theoretical framework, which is based on the literature reviewed in this chapter. The framework portrays the concepts of CSR and CSR communication in the SME context. As discussed by Tench et al. (2014), when not communicated, CSR practices are left unnoticed and thus do not bring value to the company. In this framework the middle part represents the factors that influence CSR communication in SMEs: the knowledge base and attitudes of the owner-manager who is in charge of most of the matters in the organisation and the resources an SME possesses time and capital wise.

### **3 DATA AND METHODS**

This chapter describes the research design of this thesis. The first section discusses the choice of the research method and the justifications behind it. The second section describes the data collection process and analysis followed by an analysis of the trustworthiness of this study in the final section.

#### **3.1 Research approach**

Research methods are traditionally divided to quantitative and qualitative methods (e.g. Eriksson & Kovalainen, 2008; Eskola & Suonranta, 2008). However, the difference is not always clear since the methods can sometimes overlap (Eriksson and Kovalainen, 2008; Eskola & Suonranta, 2008). Also, in some studies it is common to use both of the approaches, which is why they should not be seen as competing but as complimenting methods (Hirsjärvi et al. 1997)

Due to the nature of the research questions and the objective of the study a qualitative research approach was chosen over a quantitative approach. Qualitative research focuses on answering questions like what?, how? and why? and thus concentrates on finding a meaning and describing an issue whereas quantitative research focuses more on measuring the extent of the issue (Berg & Lune, 2012).

#### **3.2 Data collection**

According to Eskola and Suoranta (2008) the simplest definition of qualitative data is that it is some kind of text. Examples of this kind of data are, according to Eskola and Suoranta (2008) different kinds of interviews and observations, diaries or letters. The data can thus either be produced with the aid of the researcher as in the first two or completely without the researcher as in the two latter examples (Eskola & Suoranta, 2008).

Due to the nature of this study a semi-structured interview was chosen as the data collecting method. According to Hirsjärvi and Hurme (2010) a semi-structured

interview stresses the importance of people's perceptions and meaning-giving processes. In their opinion these meaning-giving processes occur in interaction with another person, and a semi-structured, more discursive way of interviewing makes this possible. As the aim of this study is to uncover for instance the meanings company executives give to the concept of CSR, this data collection method was considered to be most suitable.

According to Eskola and Suoranta (2008) a semi-structured interview style has the same questions for everyone but does not provide ready-made alternatives for answers but instead gives the respondents room to answer them as they feel. Hirsjärvi and Hurme (2008) call this type of an interview a theme interview since the interview focuses on certain themes that are discussed. The main themes of this thesis are CSR and CSR Communication, which were also the main focus of the interviews. The questions were the same for each interviewee, but due to the openness of the questions they gave room for each interviewee's personal opinion and knowledge on the matter. In some cases, as Hirsjärvi and Hurme (2008) suggest, meanings were created during the interview process.

The data for this research was collected through five semi-structured interviews with nine representatives of the Finnish natural stone industry. As mentioned in Chapter 1 the Finnish natural stone industry consists of approximately 200 companies. According to Eskola and Suoranta (2008) in qualitative research, the choice of sources of data depends on the consideration the researcher makes. For qualitative research it is possible to have a small sampling of data if it is thoroughly analysed (Eskola & Suoranta, 2008). Thus the scientific criterion is not the quantity but the quality (Eskola & Suoranta, 2008). Referring to the above-mentioned statements five companies were chosen for the interviews due to the following reasoning:

### **1. Size**

The size of the companies is fairly similar, which makes them comparable with each other.

### **2. Two fields of expertise**

The companies represent different fields of expertise in the natural stone industry. Two of the companies are producers of rough granite blocks, whose main focus is in international markets, China being the biggest market. Two companies are manufacturers of stone i.e. they process these blocks to kitchen tops, tomb stones, building material etc. having their market in Finland. In addition to these, one of the companies is involved in both of the fields, producing rough granite blocks and exporting them as well as producing stone for own manufacturing purposes.

### **3. Varied backgrounds**

Three of the companies are family businesses, one with the second (Company E, presented more in detail in the table below) and two with the third generation (Companies A and C) in charge. Company D on the other hand is an old family company that was bought from the family as an MBO a few years ago. It thus has gone through a process of change in leadership.

Company B differs from all the other companies in that it used to be a family company but it was actually sold to someone outside the stone industry. The present Managing Director has a different kind of background from the other company leaders in that he has been managing large, publicly owned companies. It is interesting for this study to get the viewpoints of an “outsider” who’s leadership methods differ from the traditional SME and family business leadership methods, where tradition as well as feelings can form a considerable part of decision making.

What is important in having representatives from both the fields, production/quarrying

and manufacturing, is that their challenges regarding CSR are expected to be quite different. The quarrying industry faces everyday CSR challenges concerning both environmental and social matters. The manufacturers on the other hand are in contact with natural stone products' final users, who have responsibility concerns of their own. Also, due to the variable history of the companies and the background of the company leaders it is probable that the findings of this study will be varied as well. Through this study it is thus possible to examine the challenges of the natural stone industry in a wider, more exhaustive scale. These are the reasons why these five companies are considered a large enough sampling to represent the industry as a whole. The following table introduces the companies and the interviewees in more detail:

Company	Field of business	No. of employees	Turn-over	Main business focus area	Interviewee	Abbreviation used in text
Company A	Stone block producing	80	15 MEUR	International	Managing Director	A1
					Environment Director	A2
Company B	Stone block producing	16	4,3 MEUR	International	Managing Director	B1
					Customer Service Manager	B2
Company C	Stone block producing / manufacturing	65	12 MEUR	International / Domestic	Managing Director	C1
					Sales Manager	C2
Company D	Manufacturing	50	8,7 MEUR	Domestic	Managing Director	D1
Company E	Manufacturing	43	7,2 MEUR	Domestic	Managing Director	E1
					Marketing Manager	E2

*Table 2. Company, field of business, no. of employees, turn-over, main business focus area, interviewee and abbreviation used in text.*

The order in which the companies were interviewed was coincidental. Since it fit their schedules the two manufacturing companies D and E were interviewed first. The data concerning the manufacturing companies was proved to be sufficient as the saturation point was reached after the second interview. According to Eskola and Suoranta (2008) the saturation point is reached when no new information is received from interviews. The data provided by executives in companies A and C was also similar to each other with no major differences which is why it can be said that the saturation point was received in the stone producer data as well. Only the data provided by Company B differed from the others but this was also expected due to the different background that the company representatives possess in comparison to the others interviewees.

All of these interviews except for one were pair interviews, in which one party was always the Managing Director and the other party, depending on the case, sales or marketing manager, customer account manager or environmental director. The only interview with just one interviewee was also with the Managing Director of the company. The more detailed information on the interviewees can be found above, in Table 2.

All of the interviews were recorded, except for the one with Company B due to the wishes of the interviewees. Eskola and Suoranta (2008) believe that in some cases it is better to change the interviewee to another if recording is out of question. However, as explained in the previous sections, for this research it was important to include this company since it differs from the others in history and structure. This gives a more in-depth look into the industry.

### **3.3 Interview structure**

This research was conducted by using an interview in which questions had been formulated to provide answers to the research questions regarding CSR and CSR communication. The interview questions can be found in Appendix 1. The relationship between the research questions, the theory and the interview questions is represented in Table 3.



Research questions	Corresponding theory	Interview questions
RQ1: How do Finnish natural stone company executives perceive CSR and its role in their business?	Chapter 2.1 Corporate Social Responsibility (CSR)  Chapter 2.3.2 CSR in SMEs	CSR: 1-8 & 15
RQ2: To what extent do Finnish natural stone companies communicate CSR and how?	Chapter 2.2 CSR Communication  Chapter 2.3.3 CSR communication in SMEs	CSR Communication: 9-15

*Table 3. Operationalisation table*

### 3.4 Data Analysis

The aim of a qualitative data analysis is to formalise the data into a comprehensible form and thus create new knowledge on the researched issue (Eskola & Suoranta, 2008). The analysis is used to summarize the received data without losing its essence (Eskola & Suoranta, 2008). After the interviews were done, the recordings were transcribed. The original interviewing language was Finnish so I translated them to English to the best of my ability. According to Eskola and Suoranta (2008), when transcribing pair interviews the process of transcribing could prove to be difficult due to the several voices talking at the same time. In this case, however, the amount of the interviewees was a maximum of two at a time, which did not cause any problems in transcription.

After the interviews had been transformed into texts it was time to read them through several times in order to get familiar with the data. This was also the beginning of the thematisation process. According to Eskola and Suoranta (2008) thematisation is usually the first approach to a qualitative data. The aim of the process was to find mutual themes in the different texts that would help shed light on the research problem (Eskola & Suoranta, 2008). The following table shows the most salient themes from the interviews. The themes are grouped as sub-themes under the main themes of CSR and CSR Communication, but as can be visible from Table 4 two other main themes emerged from the text: the characteristics of the Finnish natural stone industry (FNSI) and the future of CSR and CSR communication in FNSI. Table 4 also provides the base for Chapter 4: Findings and Discussion.

Main theme	Sub-themes	Additional, supporting themes
Characteristics of the FNSI	Significance of Finnishness Specific features of the industry Challenges brought by case Talvivaara	
CSR perceptions of the FNSI	Defining CSR	
	CSR Practices	Employees Customers Philanthropy Efficiency Competitiveness Resources
	SME CSR vs. MNC CSR	
CSR Communication in Finnish natural stone companies	Perceptions on and the practices of CSR communication	
	Problems to CSR communication	Lack of resources The challenging communication environment
Future of CSR and CSR Communication in FNSI		

*Table 4. Themes emerged from the data.*

### 3.5 Evaluation of the research

According to Eskola and Suoranta (2008) for the researcher the basis of a qualitative data analysis is to understand one's own subjectivity. In qualitative analysis since the researcher is an important component of the analysis, understanding the limitations in the researcher's trustworthiness is an important part of the process (Eskola & Suoranta, 2008). Thus the first task in evaluating the trustworthiness of this research is to analyse the researcher.

Being the fourth generation of one of the stone companies, I must question my own objectivity. What makes me subjective is the prior knowledge I have on the industry and on the companies interviewed for this study. Knowing the industry and some of the companies quite well, my own expectations for the outcomes are quite clear. Knowing from my experience that the industry is somewhat old-fashioned I do not expect CSR to play an important role in the companies especially not for communication. Since most of the companies are small they may not all have a person responsible for communications or a planned communication strategy for that matter. These are the main prejudice I have for the industry. According to Eskola and Suoranta (2008) one must at least try to understand one's prejudice and subjectivities in order to be more objective and by listing my expectations and I believe I have explicated mine.

Another aspect that must be taken into consideration is the trustworthiness of the data. As mentioned above all interviews except for one were recorded. The data from the interview that was not recorded is based on notes made during the interview. Thus some information might be lacking, which means it can not be considered as reliable a data as the others.

## 4 FINDINGS AND DISCUSSION

This chapter presents the findings of the study as well as a discussion that relates the findings to the academic framework presented in Chapter 2. The findings are divided into four sections, the first of which presents the operating environment, as the interviewees perceive it. In order to understand the reasons behind the Finnish Natural Stone Industry's perceptions of and actions on CSR and its communication it is relevant to know what characterizes the industry and what kind of internal and external matters affect it. The first section thus describes the characteristics of the Finnish natural stone industry.

The two other sections are divided according to the research questions. The second part of this chapter will thus concentrate on the perceptions that Finnish natural stone company representatives have on CSR and whether and how they perceive its role and potential to their business. The third part then examines if and how Finnish natural stone companies communicate about their CSR practices. The final section introduces the way in which the industry sees the future of CSR and CSR communication. Inside the sections the data is divided into themes that were the most salient during discussions.

The research questions are the following:

*RQ1: How do Finnish natural stone company representatives perceive CSR and its role in their business?*

*RQ2: To what extent do Finnish natural stone companies communicate CSR and how?*

## **4.1 Characteristics of the Finnish Natural Stone Industry (FNSI)**

This section introduces the characteristics of the FNSI and the effect these characteristics are likely to have on the interviewees' views on CSR.

### **4.1.1 Significance of Finnishness**

During the interviews it became evident that being a Finnish company and operating in Finland had an impact on the way in which these companies function. When asked about CSR, the first and most important factor for all respondents was to do what the law demanded and authorities required. The notion of being Finnish had both positive and negative connotations. Mostly the comments focused on Finland and its culture as a law-abiding country and the Finns as honest and hard-working, law-abiding people. For instance, A1 stated, “we already live in a very advanced society and business environment”. D1 on the other hand reported as follows:

*“Finland is this kind of a promised land of laws and regulations and we want to take care of them. [...] With Finns its mostly so that bills get paid on their due date. A Finn is a little bit like this. It is easier to live when not having to think about whether they’ve been handled or not [...] somewhere else they might not be as strict and understand why. Others might think they pay when they themselves have the money. In Finland people do not necessarily understand this. A Finn rather pays the bills when required and then waits for the money from the party that owes them. And “suffers”. A Finn is always thinking, “What do the others think of us”.”*

The image of Finns as people who rather abide the rules than try to bend them is also present in the words of C1 who believes that in Europe, Finns are the “model students”. However, this might not only be a positive fact. One of the interviewees states that when new regulations come from the EU the Finns are the first ones to take them to use, which according to the interviewee is a good thing in a certain way. This is due to the fact that the operating environment is considered to be good and as one of the interviewees states it is fairly easy to operate in Finland. As the size of the companies in

the industry is mainly small, one of the interviewees believes that they easily adapt to new regulations.

*“But the at the same time we are building ourselves the kind of barriers that cause us to loose international competitiveness” (C1)*

Yet, being Finnish is also seen as a positive thing from the sales point of view. According to one of then interviewees due to the country’s reputation it is a good merit to be Finnish. It is also highlighted that a working environment where regulations are abided brings a sense of security.

#### **4.1.2 Specific features of the industry**

What characterises the Finnish Natural Stone Industry is that all of the companies are small and most of the companies are family businesses. This has, according to B1 lead to the industry culture to be somewhat owner-dominated, as in the companies have been strongly linked to their owners. A1 adds that matters that are very important to this industry especially are nature and environmental issues as well as employee issues “since the working environment is quite rough”. However, A2 states that one of the main characteristics is working with natural material. This, according to C1 is what makes the industry less risky.

*”Talking about corporate social responsibility, we in the natural stone industry have quite small risks in general, even if there have been problems with the mining industry. We do not for instance have such products as in the medicine industry, which might cause big problems. [...] Our industry is not a risky industry.*

### 4.1.3 Challenges brought by case Talvivaara

As discussed in Chapter 1 the case Talvivaara caused negative publicity not only to the mining industry but its influence affected the natural stone industry as well. This was one of the themes that also emerged from the interviews. Even though the people who work in the industry know that Talvivaara is part of a different industry, it is not completely clear for the larger public. The negative news coverage Talvivaara has faced has affected the opinions of the public as well as different environmental authorities in such ways that according to one of the interviewees getting environmental permits, for instance, has become more difficult even for the quarrying industry. According to C1 “Talvivaara has not really helped in decreasing regulations”.

*”It is surely so now that the Talvivaara case was, that someone drives past a quarry in Taivassalo and thinks ”ok, that is the same thing, there they are and dump all the shit to the sea.” Even though this definitely not the case.” (E1)*

The industry has seen an important task in distancing itself from the mining industry. According to C1, the Talvivaara case has caused a lot of bad will. It has thus become a number one priority for the Finnish Natural Stone Association to bring front that quarrying is not the same thing as mining. According to one of the interviewees case Talvivaara, which has caused quite a lot of problems now, has been present in different conversations. He continues that as the representatives of the natural stone industry have had the opportunity to meet different authorities and politicians they have reminded them that in Finland there are also companies that have been operating for a long time without causing any problems. According to one of the interviewees it is a completely different matter to talk about metal that has been processed from ore by a leaching process than to talk about the process of quarrying stone, which according to one of the interviewees causes minimal environmental hazards.



Although the interview theme structure did not contain a question about Talvivaara, the case was still brought up by all of the interviewees. It can thus be assumed that the Talvivaara case has in fact had an impact on the natural stone industry even if, as one of the interviewees explained, the two industries are very different.

#### **4.1.4 Summary of the characteristics of the FNSI**

As discussed above being Finnish is one of the biggest influences on what the companies' consider as most important. Abiding laws and following restrictions were present in every interview. It was interesting to find out that the perceived restrictiveness of the Finnish business environment can also function as a business advantages: Finland has a good reputation. The industry is mostly dominated by small family businesses, which is visible through the strong presence of owner-managers. However, as was also discussed above, this is a feature that might slowly be giving room to a different kind of a leadership model. A factor outside of the industry that has had an affect on the reputation is the case Talvivaara. Even if the mining industry is different from the natural stone industry the interviewees found the negative publicity towards it is also affecting the stone business not only in the eyes of the public but also the environmental authorities. The next section focuses on the CSR perceptions of the FNSI representatives.

#### **4.2 CSR perceptions of the FNSI**

This section explains how the representatives of the FNSI perceive CSR, its meaning in general and to their business and how this is visible in the companies' everyday actions.

##### **4.2.1 Defining CSR**

The interviewees' definitions about CSR varied, as could be expected. Two of the interviewees mentioned that CSR comprised of abiding laws and restrictions but that it also included "softer matters" such as employer satisfaction. One understood CSR as making sure all obligatory matters were taken care of. Only one mentioned the triple bottom line and one of the interviewees was not familiar with the concept of CSR at all.

However, all interviewees except for one answered that CSR to them was the handling of matters as they are supposed to be done. The dominant response was that all compulsory factors are taken care of.

*Obligatory matters, permits and meeting the required terms are a part of it (CSR). (C1)*

The importance of working according to laws and restrictions emerged as the most salient theme in the discussions. Paying taxes and thus meeting one's obligations, as a member of the community, was also considered extremely important. These were the matters that first came to the minds of the interviewees when asked what it means for the company to be socially responsible. One of the interviewees, the managing director of a manufacturing company stated:

*First of all we have to consider what has to be done according to the laws. It is important to work according to them. We pay different taxes and on the payroll side some side costs and other expenses [...] We make the required announcements on our actions and often when it comes to building, there is a lot of information to give and to fill. These are the first things that come to mind.” (D1)*

It was stated that being responsible and filling one's duties is important for the whole industry. According to two interviewees CSR is in fact “the base of all operations”.

Another important factor for all of the companies' representatives was economic responsibility, which for the interviewees included among other things long-term strategy planning as well as paying salaries to employees. Taking care of employees was also considered an important factor in CSR in these companies.

The representatives of companies C and E both stated that economic responsibility is important since it aids the company secure jobs for committed employees and to assure the continuity of the business. Also:

*“CSR consists of economic, social and environmental responsibilities but the economic one is the most important because it creates continuity. Bills are paid first and then other things are considered.” (B1)*

*“Economic responsibility is the core of the business, it secures that there is a future.” (E2)*

One of the interviewees divided CSR into three parts: government responsibility, customer responsibility and responsibility towards employees. It became evident that for this interviewee CSR in fact meant the social responsibilities of a company. Only later during the interview did he also think that perhaps environmental matters could be a part of this umbrella term as well. The following section will present the actions Finnish natural companies do regarding CSR.

#### **4.2.2 CSR Practices**

This section introduces the most salient CSR related themes that emerged from the interviews.

##### **Employees**

Literature showed (e.g. Murillo & Lozano, 2006) that in SMEs one of the most important responsibilities is that over the employees. This was evident also in the interviews. One of the interviewees believes it is not good for an employee to work in a firm that does not take care of its corporate social responsibility.

As was discussed above, the interviewees consider economic responsibility to be a top priority for a company together with meeting obligations and requirements set for them. According to one of the interviewees a company needs to be economically profitable and carry its responsibilities both due to the continuity of the business but also for the security of the employees.

*“[...]that we can assure all the jobs and livelihood to people and that we all, employees included can pay our own loans back to the banks. (E1)*

One of the interviewees believed that taking care of employees is something, which benefits both the company and the employees: “It’s a win-win situation” (A1). Even though these companies otherwise state that they do not invest much in any kind of extra responsibilities, each of them invests something extra in their employees.

All of the interviewed companies considered taking care of the employees as one of their top priorities. However, what this means in practice, varies from company to company.

*“We do not have anything extra, no sports things or anything or we have not even thought about them. [...] But even though the law states employees at the factory should have a certain amount of working shoes per year...we are quite generous and feel they should use as many as they need.” (E1)*

*“...but we have the traditional Christmas lunch and Christmas presents, which is taking care of the employees, this gives us a sensation of good will.” (E2)*

*“We have recreational events for our employees and they have the opportunity to go to the gym. Doing sports also helps our employees stay in better shape.” (D1)*

Some of the interviewees saw a marketing opportunity in taking good care of their employees. This was seen to improve their image as an employer.

## Customers

The most important theme considering responsibilities regarding customers was reputation. Customers were considered very important and abiding laws and restrictions was considered an important factor not only to the company per se but for its reputation and image in the customers' eyes.

*“If you have not taken care of CSR, you will have problems with customers, because trustworthiness as a provider of material takes a hit [...] This does not mean not being able to ship the products that have been promised but if customers hear you haven't taken care of your responsibilities they will choose someone who has.” (A1)*

*“Our company is such a well known company, we have to take care of everything. [...] Also in the eyes of the end consumer we have such a long history that customers think everything is well taken care of.” (D1)*

*“There are these good will values. Their importance is smaller (than that of the obligatory responsibilities) but if the information for instance that we have bought material from an unethical source comes to light, we loose our appreciation in the eyes of the customer.” (C1)*

One of the companies turned out to be an exception in the Finnish natural stone industry as the owner had come from outside the industry, from the managerial position of a large Finnish, publicly owned company. Due to the history in big companies this company's owner-manager had adopted the leadership methods and customer relationship management methods of a large company. For instance meeting clients regularly was considered one of the core factors in being responsible over them.

## **Philanthropy**

All companies except for one are engaged in some kind of philanthropic activity. As Jenkins (2006) notes this is a common way for SMEs to give back to their communities. This is also considered an easy way to do CSR. Two of the companies had chosen to support local sport teams.

*“In this way we can bring something positive to the community and joy to the people” (C1)*

The other two companies engage in philanthropy by supporting matters such as medical research or focusing on the wellbeing of children and young people.

*“We decide yearly where to donate. To a cause that touches us. [...] Every year there is a cause that receives publicity for instance the children’s hospital cause... usually we donate to those... that are on everyone’s lips.” (E2)*

At company E when needed, philanthropy is guided towards their own employees.

*“If something has happened to someone in our own working community, cancer or an accident, that is what we will support.” (E1)*

Company E has taken this responsibility seriously. They want to make sure that the donated funds really do end up where they should.

*“... we investigated that the money that we gave actually was given to the cause as a whole and that nobody cheated... Even if we have to take the money there ourselves or buy something there directly.” (E1)*

During the past few years many of the companies have also donated the funds reserved for Christmas cards or gifts to charity.

As mentioned above one of the companies has decided not to get involved in philanthropy. Instead they rather invest in developing the business. However, they do believe that good relationships and visibility within the communities in which they operate are important. This is why they occasionally are present in some local events.

### **Efficiency**

One of the interviewees stated that the ways in which their company acts has become more responsible solely by concentrating on increasing efficiency. For instance, the company founded a new business branch in order to be able to utilize the left over stone from their quarries. This was mainly due to efficiency reasons as well as for the company to gain a competitive advantage. However, this kind of an action will probably also have effects on the environment. One of the interviewees stated that there were three types of actors in the business: the forerunners, the ones who act when needed and those who try to avoid the responsibilities. The interviewee said their company was the one in the middle, which meant that when the company executives see that something would be reasonable they adopt that practice. This might not necessarily be because they want to improve their CSR practices, but more because they want to improve efficiency. According to the interviewee this has often resulted as a way to decrease costs. The same tendency is seen in new investments:

*"When making investments to new machinery for instance, we always consider the amount of fuel the machine uses. Newer machinery burns less fuel. This has an influence on the environment, but it also works better and the company benefits when fuel expenses go down. This is why I believe these matters should not be seen as negative but as something that could be of use as well."* (C1)

## Competitiveness

### Internationally (quarries, international market, biggest market in China)

The dominating response regarding competition in international markets is that quality and, most of all price, are what count. It is considered that in Finland everything in the law is abided and everything is done according to restrictions made by the government or other authorities. The representatives of these SMEs agree that abiding the law and restrictions is already costly and they feel that at least they do not want to add to that cost. This is due to the fact that all of these costs have to somehow be allocated somewhere and when allocated to the prices of products, competitive advantage suffers. C1 states that in Finland new laws and restrictions set by the European Union for instance, are usually adopted before they even become actual.

*”At the same time we are forming ourselves the kind of restrictions that causes our international competitive advantage to weaken.” (C1)*

The interviewees feel that while Finland is being very responsible and paying the costs of it, other countries might not be doing the same, which is why they are left with more scope in their actions.

Another factor that influences the views on practicing CSR is that as long as customers do not care about those matters, the investment in them is in vain. The biggest market for the Finnish granite is China, and as long as the Chinese are only interested in the price of the product, the advantage of being socially responsible goes to waste. A1 believes that CSR can be a merit in the European market. According to him it already is an asset but that its importance will grow in the future. These perceptions of the future and the possible development of CSR and CSR communication in Finnish natural stone companies will be more discussed in section 4.4.



### Domestically (manufacturers, domestic market)

The interviewees' ideas on the domestic market are in line with the perceptions of the international market. The dominant perception is that as stone is already an expensive material, the customer is more concerned on the price and quality ratio than other, added values. One of the interviewees states that it is in fact, important to be on the same level in pricing with the other stone manufacturers.

*"If nobody buys our kitchen tops with elevated prices, what do we do then?"*  
(E1)

However, the attitudes might be going towards a more CSR friendly thinking, as the same interviewee continued that on the other hand there are consumers who want for instance a kitchen made of recycled material and who can afford it. The same way the interviewee felt that their company could advertise their products as environmental friendly so that customers will want to buy them despite the elevated cost.

Many of the interviewees emphasized the safety and purity of the stone as an indoor and outdoor building material. One of the interviewees explained the importance of the fact that stone does not emit any harmful substances. He mentioned the case of a mother of three children with severe allergies for whom it is of extreme importance that the stone chosen for her kitchen will not cause any health problems to her children. Co-operators may also influence responsibility issues as one of the interviewee stated that a Finnish kitchen store had made them adopt a so-called M1 emission certificate. However, this might not always be a fair deal:

*"We already have another international certificate for some of our materials but it is not enough for Finland. This is more collection of fares than anything."* (E1)

The interviewee understood the importance of the certificates, but questioned the need for several ones for the same matter. He believed that being responsible is a positive

thing but when taken too far it starts to become an excessive cost and thus weakens the competitiveness of a company.

*"It is important to have a sense of proportion, as in how much an SME can do without compromising its operations. If we do something too fancy, in the future we do nothing at all."* (E1)

However, the interviewees in general believed that in Finland consumers' general decision-making process is moving towards a more eco-friendly thinking. This is seen as an opportunity also competition-wise since due to its long lifecycle stone is perceived as a safe and eco-friendly product.

## **Resources**

One of the issues that was raised regarding CSR was the lack of resources a small company has. As D1 states "a company can do something but not everything". As discussed before, the abiding of laws and securing that matters are handled according to restrictions are already taking such a large amount of these companies' resources that they do not have the willingness to invent more cost-bringing factors themselves. CSR is thus seen as an additional matter that would require extra time and money, which these companies do not wish to invest since they do not see the benefits it could possibly bring.

*"If we have our hands full of work, we do not think about CSR, it remains under other things. It is not just a problem of stonemen, but of all SMEs."*  
(D1)

#### **4.2.3 CSR in small and medium-sized companies vs. CSR in multinational companies**

The general perception the interviewees shared is that SMEs and MNCs put an equally strong importance on being responsible. However, the differences in the way in which responsibility issues are tackled are obvious. The pressure for public companies is considered stronger since they are obliged to report more on CSR related matters than SMEs. MNCs also usually have a much wider and complex group of owners than SMEs, which is why the demands towards MNCs are also considered more complex.

*“Neither can still escape their responsibilities.” (A1)*

One of the interviewees believed that both SMEs and MNCs share the same motivation for being responsible which rises rather from an obligation than from voluntary willingness. According to another interviewee being an SME has an effect on how much CSR practices are thought about. As the pressure from outside is not as strong, he stated that CSR matters are not thought about every day, but rather taken care of as the need appears.

According to one of the interviewees one should not generalize between an SME and a MNCs. In fact, two interviewees from different companies believed that responsibility issues depend, among other matters, more on the industry in which a company operates than of its size.

*“Every company is different with different trajectories and values. It is different for an old and steady company to think about these issues.” (A1)*

Also, the trustworthiness of large companies is questioned. One of the interviewees believed that in MNCs anything can be written on the CSR reports, in the effort of making everything “look a little prettier” since there is nobody who would check the truthfulness of these reports. One of the interviewees said that public companies are demanded bigger transparency, but it does not mean they operate better than SMEs. The

most important thing is not to generalize between larger or smaller companies or judging a company by its ownership.

*“Being a company owned by the state does not mean matters are handled better. Kone, for instance is a large family company, where everything is handled well. One can not generalize with MNCs just as one can not generalize with SMEs, in some of them people do as little as possible.”*  
(A1)

One of the differing factors between SMEs and MNCs is considered to be both financial and time-related resources available for CSR practices and communication. However, one of the interviewees believed that the reason why MNCs invest more on CSR financially might not only be because they can afford it better but because MNCs have stricter laws and sanctions if these laws are not abided. According to another interviewee SMEs usually do not engage in something if it is not obligatory.

*“However, the SME sector follows MNCs in restrictions and in the future we will have to make written clarifications about certain matters.”* (C1)

Another factor that was mentioned was that in MNCs everything is executed in a more mechanic manner. As one interviewee stated, the only motivation for actions is how to increasing stock profit. Also, in a large company the CEO does not see or supervise everything, in an SME he is responsible for or at least involved in many different matters.

#### 4.2.4 Summary and discussion to RQ1

In this section the findings from the previous sections are summarized and compared to the literature reviewed in Chapter 2. The first research question is also answered by utilizing the above-mentioned method. The first research question is as follows:

*RQ1: How do Finnish natural stone company representatives perceive CSR and its role in their business?*

As was discussed in the Literature review, CSR is a concept with various, even contrasting definitions. McWilliams et al. (2006) state that CSR is about voluntary actions whereas Cornelissen (2011) defines the concept as what is demanded of a company. Thus even though the interviewees had different and some even unclear definitions on what CSR is, it could be said that all of their answers could find a correspondent definition in literature. As stated in section 4.2.1 the majority of the interviewees believed that CSR is about abiding laws and restrictions as well as handling obligatory matters as they are supposed to. This is in line with Cornelissen's (2011) definition. However one interviewee also mentioned 'soft matters' as a part of CSR, which he defined as for instance taking care of employees more than what is required. Going over compliance is one of McWilliams et al.'s (2006) characteristics of CSR, which makes this definition also in line with literature.

As discussed in the findings section one of the interviewees was not familiar with the concept of CSR. According to Fassin (2008) SMEs often engage in CSR activities without even knowing so. In the company in question for instance the responsibility towards employees is seen as an important matter and even voluntary actions are done towards them.

In his framework on CSR (Figure 2) Carroll (1991) sets economic responsibility as the base for all other responsibilities. This is something that emerged also from the interviews. The economic responsibility is seen as the most important factor that needs to be considered first and then, if it allows, other responsibilities are considered. Only one of the interviewees mentioned the triple bottom line but even he highlighted the importance of economic responsibility above all others. For these companies the

economic responsibility is most of all about “staying alive” (E1) but also about being economically responsible of the employees by being able to pay their salaries. The data also showed that an important part of these companies’ actions was an ethical responsibility or as Carroll (1991) defined: doing what is fair.

The practice of CSR in the Finnish natural stone companies was divided into six salient themes in the findings section: employees, customers, philanthropy, efficiency, competition and resources. The data shows that one of the most important responsibilities for the companies is that over the employees and their wellbeing. This is also in line with Murillo and Lozano, according to whom SMEs often perceive employee satisfaction as one of the most important factors. What also rose from the interviews was the importance of taking good care of customers since one of the most crucial things for these companies is a good reputation.

As stated in the findings at section 4.2.2 philanthropy is one of the matters most of the interviewees listed as a matter they actively engage in. There are differences in the causes the companies donate to but many of them operate locally and two companies are supporting local sports teams and thus giving back to the community. At the same time they are making themselves visible to the stakeholders and forming an impression that they care. According to Fassin (2008) engaging in philanthropy and especially supporting local causes is typical for SMEs. As already discussed, Fassin (2008) believes SMEs often engage in CSR without considering those actions as CSR. One of these actions could be considered the improvement of efficiency, a theme also salient in the data, through which SMEs unintentionally ameliorate their CSR (Santos, 2011). As one of the interviewees pointed out, purchasing more efficient and less fuel consuming machines for instance, also decreases the company’s carbon footprint and is thus an environmentally responsible action.

One of the themes that differs in data and theory is that of competitive advantage. The concept is linked to CSR in both, but the meaning is different. In the literature it was pointed out that SMEs are afraid of losing their competitive advantage if they fail to follow and fulfil both the social and environmental expectations of their stakeholders (Maloni & Brown, 2006). However, the data shows the concern for losing competitive

advantage is more linked to the cost extra engagement in CSR actions would have for an SME. This also has to do with the final theme ‘resources’. As Santos (2011) stated, due to the lack of resources, SMEs often tend to fill their obligations but seldom do much extra. It could thus be assumed that role of CSR in FNSI consists of meeting obligatory requirements and according to possibilities investing in employee well being and giving back to the local communities.

### **4.3 CSR Communication in Finnish natural stone companies**

This section examines the perceptions the company executives have on CSR communication and to what extent they actually communicate their CSR practices. At the end of this section the answer for RQ2 is formulated.

#### **4.3.1 Perceptions and actions on CSR communication**

Due to the fact that these companies feel they are merely abiding the laws and obeying restrictions they also have not seen the point in communicating about it. As previously discussed the data shows that being a responsible company, as in practicing business and following rules is supposed to, is taken for granted. One of the reasons for taking it for granted is “the Finnishness” which for these companies is a synonym for honesty and obedience.

The data shows that CSR is communicated mainly by the producers of stone most of which have a section in their web page dedicated to introducing the company’s environmental practices. According to one of the interviewees the environmental communication is more important for the producers of stone since their actions can get mixed up with those of the mining industry and cause negative publicity.

The data shows that some companies have included different kinds of certificates on their marketing material to prove the products have been produced responsibly or that the product has passed a certain emission test. As discussed in section 4.2.2 however,

for manufacturers there are different certificates in the domestic and international level, and having to have them both causes additional costs as well as frustration.

When it comes to internal CSR communication, matters are usually communicated either verbally or via a bulletin board. The data shows that internal CSR communication is perceived as actions e.g. educating sales people on the responsible characteristics of the materials such as the safety issues and the long age of the product. Another responsibility related internal communication issue was that of employee safety.

However, even if the communication at the moment is quite restricted, the attitude is definitely going towards a more communicative company. One of the interviewees believed that taking care of CSR matters will increase company credibility. The data shows that the lack of CSR communication practices in these companies has a lot to do with the knowledge they possess on strategic communication in general. One of the interviewees commented that after the interview and the discussion on the matter, which was quite new to him, his company would start considering these matters. Another interviewee considered the importance of communication in profit making. He believed there is no point keeping the responsible actions hidden. If stakeholders are not aware of the actions a company is making to be socially responsible, it can not bring the company profit.

#### **4.3.2 Challenges of CSR communication**

Two salient challenges regarding CSR emerged from the data: the lack of resources and the challenging communication environment. These are seen as the biggest restrictions for the companies to engage in CSR communication.

##### **Lack of resources**

One of the defining aspects to the lack of CSR and CSR communication planning or activity is the resources an SME has at hand. The interviewees believed that financial resources of SMEs are scarcer than those of MNCs. Other factors they considered not having are skilled communicators or time to execute these actions. According to one of



the interviewees all stone businesses are so small, that communication might be something one should do on top of one's own duties, which is why it easily stays undone.

*Even marketing... well, it is quite small... the marketing stone businesses do in comparison to public companies. Some companies do not even have salesmen, but it is the managing director to close deals.” (D1)*

### **The challenging communication environment**

One of the interview questions dealt with whether the companies saw any negative aspects in communicating CSR. For the two companies in manufacturing the answer was a direct “no”. However, one of the interviewees stated, that this was different for the companies in the raw block quarrying business. This can also be understood in the following statements:

*“It is often so that whatever you say, someone might grasp on it and interpret it in a different way, when they do not know about things. A completely open communication, where all world's matters would be told, could raise questions. It is maybe better to keep a low profile in order not to become someone singled out as target for negative attention” (C1)*

*“There are moments when yes...or this is a difficult question as well. [...] Talvivaara is such a bad case that sometimes it is better to be quiet than to say something if there actually is nothing to say. Pretty easily those who understand, understand. And those who do not, do not even want to understand. The most important thing is that everything is taken care of.”*

(A1)

*“We always consider very carefully what we communicate. At some point we communicated more but it backfired. Now we keep the communication to the minimum.” (B1)*

### 4.3.3 Summary and discussion to RQ2

In this section the findings from the previous sections are summarized and compared to the literature reviewed in Chapter 2. The second research question is also answered at the end of this section. The second research question is the following:

*RQ2: To what extent do Finnish natural stone companies communicate CSR and how?*

The data shows that as Nielsen and Thomsen (2009a) stated, CSR communication in SMEs is not systematic. However, as was discussed in section 4.2.2 the attitudes towards CSR are changing, which is also in line with Nielsen and Thomsen (2009a).

The data analyzed in section 4.2.2 shows that customers and employees are considered to be the most important stakeholders. However, the CSR communication to them is still quite scarce. As was discussed in section 4.3.1, the communication on responsibility issues is limited to company website and the occasional face-to-face communication.

As stated in the section 4.3.1 the environmental communication is considered to be more important for the producers of stone than the manufacturers. This is consistent with the theory revised in section 2.2 where Nielsen and Thomsen (2009a) stated that the issues of CSR communication are linked with the extent of influence the company's actions have on these issues.

According to Nielsen and Thomsen, 2009a SMEs are not necessarily in possession of the same resources and communication tools as larger organizations. This theory is supported by what was stated in section 4.3.2 about how in these companies not only communication but also marketing practices are left for someone to do on top of one's own duties. The data received from the interviews is also in line with Nielsen and Thomsen's (2009a) statement on how the owner-manager is in charge of everything in small companies. As Fassin (2008) stated SMEs do not consider CSR reporting useful

since they feel it does not bring them added value but rather consumes both financial and time resources. The data confirmed this to be true also for these companies.

As a summary and an answer to the above-mentioned Research Question 2 it is safe to say that Finnish natural stone companies communicate CSR very little. The communication is limited to face-to-face communication and for some companies it is also visible on the company website. However, as CSR itself also CSR communication is restricted due to the lack of resources.

#### **4.4 Future of CSR and CSR Communication in FNSI**

When it comes to the future of CSR and its communication and how the scene is going to change in the next 10 years, the response is clear: the importance of CSR as well as its communication is increasing.

There are two quite contrasting opinions regarding the obligations and whether the compulsory demands from authorities will grow. Company A's representatives believed that the requirements in Finland will not change since the society is already so advanced. C1 on the other hand believed that authorities' monitoring will become stricter and new regulations will appear. He also believed that SMEs would in the future be required to write a CSR report of some kind. "Not as extensive as the MNCs, but a report all the same" (C1)

*"...not only for stone companies but for all SMEs. If those can be made without large expenses, it is ok. But if we have to make new reports every year and include outsiders to the process, then it is an expense and will immediately cause problems to the SME sector" (C1)*

The companies that are in the stone quarrying business believed that it is much up to the client countries and their regulations, how this sector and CSR is going to develop.

*“For instance in India it will not have a big difference very soon” in China, however, it (CSR) could gradually start to have an impact. In Europe it already makes a difference, of course. “ (A1)*

The change will also have to do with what kind of requirements architects and cities have and whether they will start to pay more attention to how responsibly a stone product has been quarried or produced. It is not yet quite common, that a stone product's CSR in the production chain as a total would have an impact on a purchase decision.

However, the origin of the stone has already become a positive factor for competitiveness. As one of the interviewees stated for instance in the stone construction business, there has been an increasing interest in a so-called LEED certificate. According to the interviewee all office buildings that have been built in the past few years have been certified with this. The certificate has different levels such as gold and platinum and matters such as energy efficiency of the building and how much re-usable material has been used in its building process affect these levels. The interviewee stated that due to these reasons natural stone is always a wanted material. The certificate also considers the transportation distances that it takes for a building material to arrive to the building site. This environmental efficiency is seen as a competitive advantage again for the building owner who rents offices.

*“He can say that they have been built using these and these, environmentally friendly processes. And then the company who rents the office space can use this as a marketing prop in their own communication.” (D1)*

From all of the above-presented findings one may draw many conclusions regarding the current state of CSR communication in the Finnish natural stone industry. It may be said to be still to a great extent in its infancy but as presented above, in the final section of the findings, the future for CSR communication in the industry could be said to be bright. Not only has the industry been influenced by many outside factors affecting the

need for CSR communication (i.e. Talvivaara) but also the possible financial benefits of CSR communication in the SMEs of FNSI are beginning to raise interest and most likely awakening the industry to a new era of CSR communication. In the following chapter five, the final conclusions on the study are drawn and the implications and limitations of the thesis together with suggestions for further research are discussed.

## **5 CONCLUSIONS**

This section presents the conclusions of this study. The first part consists of a short summary of the research after which practical implications are presented. The third part presents the limitations of this study and the final part provides some suggestions for future research.

### **5.1 Research summary**

The objective of this study was to examine CSR communication in Finnish natural stone companies. More specifically, since the majority of the companies are SMEs, the focus was on CSR and CSR communication in the SME context. The aim was to find out how Finnish natural stone company executives perceived CSR and its role in their business and how and to what extent they communicate about it.

The theoretical framework of the thesis was based on previous literature on CSR, CSR Communication and SMEs. A qualitative, semi-structured interview was chosen as the research method to best suite the nature of the research questions. The interview themes were designed according to the literature and the research questions. The data was collected through five interviews with altogether nine interviewees. Finally, the data analysis was conducted through a process of thematisation.

All the company executives of the FNSI perceive CSR in a traditional manner as in meeting the economic responsibility as well as abiding laws and restrictions. Economic responsibility was seen as an important factor since it brought stability both to the company as well as its employees. Due to the lack of both time and money related resources as well as general CSR knowledge the communication on CSR is low. Also, the representatives state that they only abide laws and restrictions and take doing so for granted, which means they do not see the point in communicating about it. However, despite the current low knowledge on CSR, it is perceived as an important matter to the industry and the data shows that its importance is believed to grow in the future.

## **5.2 Practical implications**

The practical implications of this study are as follows:

1. The companies should communicate whatever positive aspects of their business at least when it can be done without huge additional costs.
2. The company executives should keep in mind that even when certain matters are taken for granted in Finland, they should be highlighted especially in international fairs, since not all countries maybe act as responsibly even by obligation as the Finns do.
3. Since Talvivaara has caused problems to the whole extractive industry the FNSI should prepare a mutual CSR communication strategy to help differentiate itself from the mining industry not only in the eyes of the authorities but also of the public.

## **5.3 Limitations**

As previously discussed in Chapter 3 the sampling of data collected for this research could be considered small. As when choosing the companies for this research the focus was on finding small or medium-sized company representatives of the industry. Thus the research has not at all considered the CSR communication in micro companies. As the sampling was restricted to certain type of company, it may not give a completely holistic view of the Finnish Natural Stone Industry.

Another limitation concerns the researcher. As mentioned above being the fourth generation and thus a representative of one of the companies makes me a competitor to two of the interviewed companies. Thus it could be assumed that the interviewees might hold some information back due to the fear of revealing something that is considered a competitive advantage. This is why, when designing the study, the first idea was to conduct a quantitative anonymous survey. This wouldn't have, however, suited the nature of the study. Also, in case there were matters these interviewees did not want to reveal, it would have not made any difference whether it was anonymous or not.

#### **5.4 Suggestions for further research**

Since this study only focused on the general state of CSR communication in FNSI several possibilities for further research emerge. For instance it would be interesting and useful to study the needs and wishes the stakeholders of the FNSI have considering the companies' CSR communication. An important factor would be to research this in order to be able to adjust the current communication accordingly.

Also, as the SME field is vast another suggestion is to research another industry dominated by SMEs to compare with the findings of this study.



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## **Appendix 1, Interview questions / Haastattelukysymykset**

### **CSR / Yhteiskuntavastuu**

1. How do you define CSR and being socially responsible? What kind of matters do you consider belong under the concept?  
*Miten määrittelet yhteiskuntavastuun ja yhteiskuntavastuullisuuden?*  
*Minkälaisten asioiden koet kuuluvan sen alle?*
2. How important is CSR for your company? Why?  
*Kuinka tärkeää yhteiskuntavastuullisuus on yrityksellenne? Miksi?*
3. How important do you feel responsibility is for the FNSI in general? Why?  
*Kuinka tärkeää koet vastuullisuuden olevan Suomen kiviteollisuudelle yleisesti?*  
*Miksi?*
4. What is the biggest reason for your company to be socially responsible?  
*Mikä on suurin syy yrityksellenne olla yhteiskunnallisesti vastuullinen?*
5. Does your company aim to improve responsibility issues proactively or do you focus on each issue as they become actual?  
*Pyrkiikö yrityksenne parantamaan vastuullisuusasioita proaktiivisesti, vai keskityttekö niihin niiden tullessa ajankohtaisiksi?*
6. Who are your most important stakeholder groups? What kind of responsibility related actions does your company take concerning them?  
*Ketkä ovat tärkeimpiä sidosryhmiänne? Minkälaisia vastuullisuuteen liittyviä toimenpiteitä yrityksenne heitä koskien tekee?*
7. Do you believe being socially responsible brings your company added value?  
How? Who do you think it affects most and why?

*Uskotteko yhteiskuntavastuullisuuden tuovan yrityksellenne lisäarvoa? Miten?  
Keneen uskotte sen vaikuttavan eniten ja miksi?*

8. What do you believe are the greatest differences between SMEs and MNCs regarding CSR and the importance of the concept?

*Mitkä koette suurimmiksi eroiksi pk-yritysten ja suurempien, pörssiyritysten välillä yhteiskuntavastuullisuusasioissa ja niiden tärkeydessä?*

### **CSR Communication / Yhteiskuntavastuuviestintä**

9. Does your company communicate CSR related issues (economic, social or environmental responsibility – company policies, achievements)? To whom?  
How?

- Internal /external communication? Stakeholders?
- Channels?

*Viestittekö yrityksenne yhteiskuntavastuullisuuteen liittyvistä asioista  
(taloudellinen, sosiaalinen tai ympäristövastuu – toimintatavat, saavutukset)?  
Kenelle? Miten?*

- Sisäinen / ulkoinen viestintä? Sidosryhmät
- Kanavat?

10. Is CSR communication present in your everyday business communication either actively or passively?

- Are there for instance different kinds of certificates and are these visible in marketing communications / webpages or elsewhere?
- Does your company do charity work? If yes, for what kind of causes, how and how often?

*Onko yhteiskuntavastuullisuus läsnä jokapäiväisessä yritysviestinnässänne joko aktiivisesti tai passiivisesti?*



- *Onko esim. Erilaisia sertifikaatteja, näkyvätkö nämä markkinointiviestinnässä / nettisivuilla tai muussa?*
- *Tekeekö yrityksenne hyväntekeväisyyttä? Jos kyllä, niin minkälaisiin tapauksiin, miten ja kuinka usein?*

11. Do you believe CSR communication is of use to you? Do you think you could increase it? Would it be useful? How?

*Uskotteko yhteiskuntavastuuviestinnästä olevan teille hyötyä? Uskotteko, että voisitte lisätä sitä? Olisiko tästä hyötyä? Miten?*

12. SMEs do not have the same kind of lawful obligation to report responsibility related issues as MNCs have. Do you believe being an SME has an effect on the way in which you think about CSR and CSR communication?

*Pk-yrityksillä ei ole samanlaista laillista velvollisuutta vastuuasioden raportointiin kuin isommilla, julkisilla yrityksillä. Uskotteko pk-yrityksenä olon vaikuttavan ajatuksiinne yritysvastuullisuudesta ja siitä viestimisestä?*

13. Are there any special characteristics in your industry that affect the amount or quality of CSR Communication?

*Onko alallanne erityispiirteitä, jotka vaikuttavat yritysviestinnän määrään tai laatuun?*

14. Are there any features in your industry for which CSR Communication could have a negative effect? Do these affect your communication on responsibility issues? How?

*Onko alallanne tekijöitä, jonka vuoksi vastuullisuusviestinnästä voisi olla haittaa? Vaikuttavatko nämä teidän viestintäanne vastuullisuusasioista? Miten?*

15. How do you believe the role of CSR and CSR Communication will change in your industry in the following ten years?

*Miten uskotte alan vastuullisuuden ja sen viestinnän muuttuvan seuraavan kymmenen vuoden aikana?*