MAKING SENSE OF CSR IN SPANISH AND DANISH FRONTRUNNERS

PhD Thesis

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Dedicated to my family

My grandparents:    Peter Grotskiy
                    Faina Frolova
                    Nikolay Zinenko
                    Nadezhda Sushko

My parents:         Oleksandr Zinenko
                    Tatiana Grotskaya

My fiancé           Lucas Brembilla

“La felicidad se comparte o se pierde”
“Happiness is shared or lost”

Carlos Bernardo Gonzalez Pecotche
In recent years, the guiding model of sustainable development and its corporate derivatives, known as Corporate Social Responsibility (CSR) or Corporate Sustainability (CS), have become popular in the business world. There is a great deal of variation in the assumptions about what firms should be responsible for and one of the most challenging aspects of developing a unified theory of CSR is that studies on this phenomenon have been conducted at numerous levels of aggregation: organizational, national and international. In order to holistically understand CSR, this thesis analyses these three levels.

(i) At the international level, the study is analysing the relationships between prominent CSR instruments, such as United Nations Global Compact, Global Reporting Initiative and ISO 26000, through the lens of institutional entrepreneurship and coopetition theories. This study contributes to the theoretical field by expanding the use of the theories outside of their typical application. Moreover, it demonstrates that despite the common objective of sustainable development, standard-setting organizations of CSR instruments are not cooperating but instead competing for their “clients”.

(ii) At the national level, developed research progresses beyond the commonly established academic debate on explicit vs implicit CSR and is focusing on differences within European countries and identification of European country leaders by the use of prominent CSR instruments.

(iii) At the organizational level, the study develops a comprehensive model of analysis based on Karl Weick’s sensemaking framework and applies it to the two extreme case studies. The developed theoretical model of analysis explains the process of transition from mindless organization to mindful one in terms of sustainability integration into companies’ strategies.
En los últimos años, el modelo de guía del desarrollo sostenible y sus derivados corporativos, conocidos como Responsabilidad Social Corporativa (RSC) o Sostenibilidad Empresarial, se han vuelto populares en el mundo de los negocios. Hay una gran variación en los supuestos sobre los temas en que las empresas deben ser responsables y uno de los aspectos más difíciles en el desarrollo de una teoría unificada de RSC es que los estudios sobre este fenómeno se han llevado a cabo en diferentes niveles de agregación: organizacional, nacional e internacional. Para comprender de manera integral la RSC, esta tesis analiza los tres niveles.

(i) A nivel **internacional**, el estudio analiza las relaciones entre los instrumentos destacados de la RSC, como el Pacto Mundial de las Naciones Unidas, Global Reporting Initiative e ISO 26000, a través de los lentes de las teorías de la iniciativa empresarial institucional y la cooperación competitiva. Este estudio contribuye al campo teórico mediante la ampliación del uso de las teorías fuera de su aplicación típica. Por otra parte, demuestra que a pesar del objetivo común del desarrollo sostenible, las organizaciones de normalización de los instrumentos de RSC no están cooperando, sino compitiendo por sus "clientes".

(ii) A nivel **nacional**, la investigación desarrollada va más allá del debate académico comúnmente establecido sobre la RSC explícita frente a la RSC implícita y se centra en las diferencias dentro de los países de Europa y la identificación de los líderes de los países europeos por la utilización de instrumentos distinguidos en RSC.

(iii) A nivel **organizacional**, el estudio desarrolla un modelo integral de análisis basado en el marco teórico de Karl Weick y lo aplica a dos estudios de casos bien diferenciados. El modelo teórico de análisis desarrollado explica el proceso de transición de una organización sin sentido a otra organización consistente en términos de integración de sostenibilidad en las estrategias de las empresas.
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<tbody>
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<td>AIDS</td>
<td>acquired immunodeficiency syndrome</td>
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<tr>
<td>B2B</td>
<td>business-to-business</td>
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<tr>
<td>BEO</td>
<td>Balkans Environment Outlook</td>
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<td>BP</td>
<td>British Petroleum</td>
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<td>BSR</td>
<td>Business for Social Responsibility</td>
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<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<tr>
<td>CERSE</td>
<td>Consejo Estatal de Responsabilidad Social de las Empresas</td>
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<tr>
<td>COP</td>
<td>Communication on Progress reports</td>
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<td>CS</td>
<td>Corporate Sustainability</td>
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<td>CSP</td>
<td>Corporate Social Performance</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DJSI</td>
<td>Dow Jones Sustainability Index</td>
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<td>DKK</td>
<td>Danish Krone</td>
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<tr>
<td>DWF</td>
<td>Danone Way Fundamentals</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<td>ETI</td>
<td>Ethical Trading Initiative</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>foreign direct investment</td>
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<td>GHG</td>
<td>greenhouse gas</td>
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<td>GIS</td>
<td>Geographic Information Systems</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>HR</td>
<td>Human Resource</td>
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<td>ICTA</td>
<td>Institute of Environmental Science and Technology</td>
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<td>IIRC</td>
<td>International Integrated Reporting Council</td>
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<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
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<td>ISO</td>
<td>International Organization for Standardization</td>
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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>KOL</td>
<td>Key Opinion Leaders</td>
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<td>NGO</td>
<td>non-governmental organization</td>
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<td>NSB</td>
<td>National Standards Bodies</td>
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<td>OECD</td>
<td>Economic Co-operation and Development</td>
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<td>OSG</td>
<td>Organizational Stakeholders Group</td>
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<td>PPO</td>
<td>Post Publication Organization</td>
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<td>QGIS</td>
<td>Quantum GIS</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RCI</td>
<td>Responsible Competitiveness Index</td>
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<td>SDB</td>
<td>Sustainability Development Board</td>
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<td>SME</td>
<td>small-medium enterprise</td>
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<td>SR</td>
<td>Social Responsibility</td>
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<td>TBL</td>
<td>Triple Bottom Line</td>
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<td>UNGC</td>
<td>United Nations Global Compact</td>
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<td>UNPRI</td>
<td>United Nations Principles for Responsible Investment</td>
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<tr>
<td>URIFFM</td>
<td>Ukrainian Research Institute of Forestry and Forest Melioration named after G.N. Vysotsky</td>
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<tr>
<td>VNS</td>
<td>Validity Network Structure</td>
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<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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Chapter 1. Introduction

1.1. Overall Context and Problem Definition

There is a great deal of variation in the assumptions about what firms should be responsible for (Crane et al., 2009; Garriga and Melé, 2004; Scherer and Palazzo, 2011). During the last century, scholars wrote about corporate social responsibility (CSR), corporate social performance, sustainable development, corporate citizenship, social responsiveness, corporate sustainability, corporate governance and stakeholder management. Therefore, there is not only an overload of literature on the topic of corporate social responsibility but, the debate between business and society has also been going on for decades and has provided a “multi-interpretable concept of CSR” today (Cramer et al., 2004).

Current research on CSR mainly takes place in the management, strategy and communication fields. Its main focus is on the instrumental level of CSR, in particular on: (i) how companies operationalize CSR, (ii) how they integrate CSR into their policies, management tools and stakeholder communication and (iii) how they build a ‘business case’ from their CSR practices (Pruzan, 2009; Scherer and Palazzo, 2011). At the same time, most management research is dedicated to corporate social performance (CSP) and its measurement (Wood, 2010). However, scholars need to ask themselves and society the important questions. Should CSP be measured at all, and is it right to focus our research on issues such as whether it ‘pays’ to be responsible”? (Pruzan, 2009).
“In this rush towards pragmatism something very important is missing: a sincere inquiry into what corporate leaders really mean when they speak of responsibility at the individual and organizational level” (Pruzan, 2009, p. 553). Nowadays, the majority of companies use CSR as a buzzword (Cramer et al., 2004). They just hide behind the concept and do not fully make sense of it.

Corporate Social Responsibility is no longer just a corporate concept or a management issue, it is a "globally diffused organizational idea" embedded into every activity of society. Its purpose is to build good societies and good governance (Gjølberg, 2010; Halme et al., 2009). It is driven by a long-term re-evaluation of the role of the corporation in society. CSR should not be seen as a fixed operational tool that can be used by companies to produce fixed effects and results such as legitimacy, reputation or brand value. Instead, it should be understood as a dynamic continuum of competing meanings (Schultz and Wehmeier, 2010), embedded in social, political, economic and institutional contexts (Matten and Moon, 2004). Within such understanding, “responsibility” is at the basis of CSR, providing foundations for development of a company’s identity, purpose, and success at both individual and organizational levels (Pruzan, 2009).

Ghoshal (2005) argued that bad management theories are destroying good management practices. If this were the case, we would need to be careful about what we conceptualize as CSR practices in general and as CSR best practices in particular. Theories do not just explain but also influence practice (Ghoshal and
Moran, 1996). Therefore, scholars should stop asking the wrong questions, and instead challenge the developing CSR trajectories. This could be done by identifying, analysing and constructively criticising the best practices and performances by frontrunner companies.

In preparing the literature review for the thesis, I came across many research articles focused on case study analysis of “irresponsible” practices and the learning from them. It seems that developing research agendas by analysing irresponsible organization practices is much easier than to find, problematize and analyse the performance by frontrunners in sustainability. There are a number of studies focused on performance analysis by companies and industries that cannot be perceived as responsible under any circumstance, such as tobacco, alcohol or oil (Palazzo and Richter, 2005). However, in order to make a breakthrough in CSR research, an analysis of the Shell or British Petroleum (BP) cases is simply not enough. Researchers and managers need to hear inspirational examples that might serve as change models that companies will consider using. More cases of responsible organizations are still pending. According to Palazzo & Richter (2005) an organization must perform responsibly on all three levels of CSR. These are:

(1) instrumental (products and services expected by its customers),

(2) transactional (organization complies with the legal and moral rules of societal context), and
(3) transformational level (organization is willing to transcend self-interest for the sake of a common good).

When I think of an example of such an organization, the first company that comes to mind is The Body Shop. The Body Shop (1) offers natural cosmetics to its customers, (2) complies with all environmental and legal regulations and even (3) pioneers in some social campaigns, such as the 1997 first social campaign to raise self-esteem in women and against media stereotyping of women. This is not a new example for the community concerned about corporate sustainability and everyone who knows the history of the company is aware that all the merits belong to its founder, Annita Roddick. Gordon Brown, formal prime minister of the UK said the following about Annita: “She campaigned for green issues for many years before it became fashionable to do so and inspired millions to the cause by bringing sustainable products to a mass market”. Does it take just a responsible and inspirational leader to be able to perform on all three levels of CSR? Is it possible to continue an idea without the leader who started it? In the same example, we all know that in 2007 The Body Shop was acquired by L’Oréal, a company that is stained by corruption and environmental campaigns against its practices. Annita explained that “by selling her business to a huge firm, she will be able to influence the decisions it makes. Suppliers who had formerly worked with The Body Shop will in a future have contracts with L’Oréal”. I believe it is questionable whether one day L’Oréal will too, perform on all three levels of CSR.
Given that CSR relates to very diverse activities and issues in the company, benchmarking of the CSR is filled with methodological problems and the complexity of measuring responsible behaviour (Graafland et al., 2004). According to some authors this problem relates to:

(i) the assumption of monism¹,
(ii) the assumption of commensurability of various values,
(iii) the disregard for intentions, the subjectivity of valuation,
(iv) the notion that the company is more responsible for some of its stakeholders than for others,
(v) the assumed context independence of a moral action,
(vi) the possible lack of control of the company,
(vii) the problem of communication.

Furthermore, a simple examination of company CSR activities or analysis of its sustainability reports does not provide any application and learning for the ‘followers’ (Basu and Palazzo, 2008). There are two distinct ways of determining a company’s CSR standing: looking at the company as a whole, or examining the mental maps and values of individuals who make decisions and set policies for the company. However, I believe that a combination of both ways is necessary in order to profoundly understand a company’s CSR. Therefore, I chose the organizational

¹ Monism – a viewpoint or theory that reduces all phenomena to one principle (Webster Dictionary).
sensemaking lens in order to analyse CSR conceptualization by frontrunner companies; What can we learn from a successful CSR company if looking through the lens of the sensemaking theory?

According to Scott (2003, p. 151) “no organization can properly be understood apart from its wider social and cultural context”. Research has shown that national dynamics do matter in CSR analysis. Moreover, the contextualisation of CSR in different national and cultural settings affects the corporate strategy (Gjølberg, 2009a). Gjølberg (2009) explains national differences in CSR practices and performance by the function that CSR serves within different societies. I assume that national context frames the sensemaking process of the company, therefore it is important to analyse it as well. The foundation of the thesis examines two different European contexts, Spanish and Danish.

At the international level, the concept of CSR is being put into practice with the help of many different instruments. In the last two decades there have been considerable changes in the development of the CSR field, with the introduction of new voluntary international CSR instruments such as the Environmental Management System standard ISO 14001 in 1996, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in 1999, and the United Nations Global Compact (UNGC) in 2000. In November 2010, the International Organization for Standardization (ISO) released the new Social Responsibility (SR) guidance standard under ISO 26000. Research findings suggest that while institutions define
and impose the problems to which corporate actors respond, those institutions do not appear to direct the solutions. The use of corporate sensemaking vocabulary tends to be triggered by institutions, but institutions have less influence over what happens subsequent to triggering (Weick, 2009). I believe that it is important to identify actors that develop those international CSR instruments, the relationships between them and their influence on national and organizational settings.

One of the most challenging aspects of developing a unified theory of CSR is that studies on this phenomenon have been conducted at numerous levels of aggregation: an individual actor (senior manager or employee), an organization, a nation, region, and global. In order to holistically understand CSR, I analysed all of these levels.

1.2. Objectives of the Thesis

1.2.1. General Objectives

The objective of this thesis is to problematize the existing assumptions of types and strategies of CSR undertaken by different companies also including the international and national discourse of the topic. The thesis aims at moving away from merely ‘describing’ and discussing the business case of CSR, to understanding it better, making sense of it, and contributing to providing a new framework for making sense of CSR in practical as well as academic terms.
1.2.2. Specific Objectives

The specific objectives of this thesis consist of:

1) Analysing three levels of CSR (International, National and Organizational);
2) Identifying the major actors of the International level of CSR and the relationships between them;
3) Predicting the fit of a new CSR tool at the International level through the lens of organizational theories;
4) Identifying CSR leaders within European countries;
5) Understanding the components of CSR in the selected leading European national contexts (Spanish and Danish);
6) Developing a model of analysis on a base of sensemaking theory by Karl Weick;
7) Developing and analysing two extreme case studies within Spanish and Danish context applying sensemaking theory;

Besides these general and specific objectives, the present research aims to contribute to advances in the management knowledge in the field of corporate social responsibility, strategy and sustainable development.

This research will also present recommendations to practitioners for thinking and acting in areas related to strategy and sustainable development, aiming at improving enterprise performance in these areas.
1.3. The Research Question

How are CSR strategies and CSR understanding influenced by the context and specific sensemaking processes of an organization?

What can we learn from a successful CSR company if looking through the lens of sensemaking theory?

1.4. Process of Thesis Development

Before presenting the detailed structure of the thesis, I would like to explain stages of its development (Figure 1).
Figure 1. Process of thesis development

General interest in CSR

International level, CSR Instruments, Institutional Entrepreneurship and Coopetition Theories

Organizational theories, Sensemaking theory

National level, Identification of European country leaders of CSR, Denmark and Spain, Institutional theory, Cultural-cognitive pillar

National-O rganizational level, Spain, Danone case study, Participant action research

National-O rganizational level, Denmark, Novozymes case study, Semi-structured interviews

Conclusions and writing up, 6 month
It all started with a general interest in the CSR during the official Master program in Environmental Studies at the Institute of Environmental Science and Technology (ICTA) at Universitat Autonoma de Barcelona (UAB). The journey of the thesis began with the investigation of International level of CSR in October 2010. Exactly at the same point in time, in November 2010, ISO released its new guidance standard on Social Responsibility under ISO 26000. Even though the ultimate goal was at an organizational level, I was concerned to analyse CSR holistically from different levels.

1) During the first six months, I analysed the most prominent instruments of CSR of the international arena. While trying to understand the interrelations between standard-setting organizations, I was able to apply organizational theories, in particular Institutional and Coopetition theories.

2) Data gathered during the first stage helped me proceed on the identification of European country leaders in the use of the most prominent international CSR instruments. At this stage, Spain and Denmark were identified. In order to understand the cultural-cognitive pillar of CSR, Institutional theory was applied. At the same time, CSR frontrunner companies within Spain and Denmark were pointed out.

3) Next stage was dedicated to the development of the model of analysis within the organizational level. Through all organizational theories, I have selected
sensemaking theory and during half a year tried to make my own understanding and sense of it.

4) One-year placement for participant action research within one of the identified Spanish CSR frontrunner companies (Danone S.A.) gave me an opportunity to develop an in-depth case study.

5) A one-year exchange to Aalborg University and the opportunity to research a Danish company identified as a CSR frontrunner gave me the holistic understanding of the Danish approach towards sustainability.

6) At the last stage, I was involved into sensemaking activities related to my own thesis and connections between all of the above experiences.

Even though the process seems so logical and structured now, it was quite complicated. First of all, I got the opportunity to experience life and work within two countries different from my own. In this sense, I consider myself impartial regarding cultural preferences and understandings of Spanish or Danish cultures.

Experiences gained through the process are not reflected within this thesis. However, they will stay with me forever and one day all this will make sense and the puzzle will be solved.
1.5. Thesis Structure

The following thesis consists of six parts.

Part 1 introduces this doctoral study, describes the general and specific objectives as well as the research questions and the overall context of the research, including the author’s personal view and the reasons regarding the context in which this study has been developed. It also gives a basic introduction into the concepts of strong and weak sustainability which would predetermine the understanding of corporate social responsibility.

Part 2 is focused on the International level of CSR. It provides an overview of the different ways of classifying CSR instruments and analyses thereof the most prominent ones, the UNGC, the GRI and the new SR ISO 26000, under the lens of organizational theories in order to understand the relationships between these CSR instruments. It presents conclusions and discusses the limitations of the study at the international level of CSR and offers recommendations for both international organizations who promote these CSR instruments as well as for managers who need to decide which ones to adopt.

Part 3 is dedicated to the National level of CSR, and specifically explores the cultural-cognitive pillar and government as the drivers for CSR. It also identifies the European country leaders in CSR by the use of most prominent international CSR instruments, and is presenting results through GIS (Geographic Information Systems) visualization. Then it focuses on the European Union CSR policies and in
particular on the selected countries for analysis, Denmark and Spain. Subsequently, the Danish and Spanish approach to CSR is explained and provides the tentative list of selected case studies within Danish and Spanish contexts.

Part 4 is dedicated to the chosen theory. The theoretical sensemaking framework is presented through its background, definition and main characteristics. Moreover, its relevance for the study of CSR is explained through the link with Institutional theory, which shows the connection with previous parts, 2 and 3. This part also explains the complexity perception as a central point of sensemaking, develops its components and presents the theoretical model of analysis. Finally, it summarises the methodology used with the sensemaking theory and describes the methodology to be applied to the selected case studies.

Part 5 summarises the methodology used with the sensemaking theory and describes the methodology to be applied to the selected case studies.

Part 6 develops two extreme case studies using previously developed theoretical model of analysis.

Part 7 rounds up the doctoral study with the conclusions, recommendations for managers and limitations of the study and possible future research lines.
1.6. Personal Reasons for the Research Project

I have been fascinated by the possibility to unite environmental studies with organizational settings since my middle school years. However, back then it was difficult to define and specify an exact topic for investigation due to the lack of knowledge and possibilities I was provided with in Ukraine.

My first research experience took place when I was 15 years old and I was interested in plant ecology and radiobiology. During last three years of high-school, I developed a scientific work on the topic “Specifics of accumulation of Cs 137 by different parts of Pinus Silvestris L. depending on the soil type and water regime”. Through this research, I had the possibility to work during two summers (2003 and 2004) at the laboratory of Ukrainian Research Institute of Forestry and Forest Melioration named after G.N. Vysotsky (URIFFM), measuring accumulation of radiation in various types of plants. Also I had an opportunity to go on a scientific expedition to the forest areas close to the Chernobyl region in order to pick my own samples. That experience provided me with a practical knowledge on the scientific method and the way natural science is conducted. Despite the fact that my work won the Ukrainian competition of scientific works on forestry, I decided that my future was in the multidisciplinary environmental studies and environmental management.

While obtaining knowledge in the desired direction, I have completed:

- Bachelor of Business Administration with a major in management (2009);
One year exchange program in Environmental Science, with a special focus on climate change, renewable energy and environmental economics (2007-2008). During that year I participated in the research project under the topic “The Global Potentials for Small- to Mid-Sized Wind (10—500 kW) Production: Using a Kenyan Case Study”.

Three-month internship with the United Nations Environment Programme (2008), where I led an examination stage of the project entitled “Balkans Environment Outlook (BEO)” and delivered relevant recommendations on Balkan region international policies, energy and climate.

Masters degree in Environmental Studies with a major in Ecological Economics.

All the above experiences provided me with the necessary knowledge to feel a passion for the area of corporate social responsibility and to develop my own critique of the topic.

I also believe that the previous experiences predetermined my choice of theoretical framework and the research method. The chosen sensemaking theory relates to the post-positivist stance. Postpositivists accept that theories, backgrounds, knowledge and values of the researcher can influence what is observed.

Ironically, in 2004 I obtained a “PhD title” from Junior Academy of Science in Ukraine. Exactly 10 years since then, I am ready to defend my research for a real PhD, hopefully...
1.7. Corporate Social Responsibility (CSR)

1.7.1. Sustainability

In recent years, the guiding model of sustainable development and its corporate derivatives, known as Corporate Social Responsibility (CSR) or Corporate Sustainability (CS), have become popular in the business world (Gjølberg, 2009b; Montero et al., 2009).

By recognizing that CSR concept takes its roots from *sustainable development*, it is important to give a clear definition and the stand of the author on the concept. According to the “Brundtland report” “*Sustainable development* is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UNWCED, 1987). However, this is far from the only possible definition. The concept of sustainable development is still in the process of being refined and clarified.

At the same time, talking about sustainability, it is important to explain the two visions of it: weak sustainability and strong sustainability (Munda, 1995; Tietenberg, 2007):

(i) *Weak Sustainability*: Resources used by previous generations should not exceed a level that would prevent subsequent generations from achieving a level of well-being at least as great. One of the implications of this definition is that the value of the capital stock
(natural plus physical capital) should not decline. Individual components of the aggregate could decline in value as long as other components increased in value (normally through investment) sufficiently to leave the aggregate value unchanged.

For example: we can bear less environment as long as we offset this loss by increasing the stock of roads and machinery, or other man-made physical capital.

This assumption is supported by traditional economics and environmental economics and has embedded into mainstream teaching of sustainability and companies’ practices. It assumes cost-benefit analysis, and the possibility of giving a monetary value to nature. From the general company perspective, it is much easier to assume the weak sustainability, and to continue with its business as usual. For them, as long as they contribute to the economy by producing goods and services for the society and comply with all legal requirements, they assume they are on a way of sustainable development.

(ii) Strong Sustainability. This concept assumes that certain sorts of natural capital are deemed critical and not readily substitutable by man-made capital. The value of remaining stock of specified natural capital should not decrease.
This assumption was introduced and supported by ecological economics (a trans-disciplinary field of study that addresses the relationships between ecosystems and economic systems in a broader sense). Strong sustainability assumes that there are incommensurable dimensions that cannot be given monetary value. In terms of activities of a company, if looking through the lens of strong sustainability, I assume that it would mean complete re-evaluation of its business model.

As I was educated and developed my PhD research in the environment of ecological economics at ICTA, I supported the vision of strong sustainability and it determined my critical view of corporate social responsibility as well.

The concept of sustainability is suitable at corporate level as a frame of reference to consider company practice as a small but important contribution to a more sustainable development of society (Kornov et al., 2007). Some organizations have taken an integrated and holistic approach to corporate social responsibility. Sustainable development is seen as a part of coherent business strategies and competitive advantage.

Remmen & Thrane (2007) explained that sustainability is not a destination but rather a journey – it is not a well-defined, ultimate goal, but rather a process with the increasing understanding of the problems, their cause and necessary solutions. In this sense, I especially appreciate the clear steps towards sustainability
by (Remmen and Münster, 2003). According to the authors, cleaner production, environmental management and cleaner products represent three different steps in the process towards sustainable development specially taking into account the environmental dimension and to some extent the economic dimension. This is illustrated with a staircase towards sustainability (Figure 2).

Figure 2. Steps towards sustainability (adapted from Remmen & Münster, 2003)

1.7.2. Corporate Social Responsibility Concept

CSR has experienced a journey that is almost unique in the pantheon of ideas in the management literature (Crane et al., 2009). Any analysis that includes the concept of Corporate Social Responsibility must begin with a definition of this concept and I would like to start with the definition of ‘responsibility’ first.

According to Webster’s Deluxe Unabridged Dictionary, word ‘responsibility’ is derived from the late-Latin responsabilis – requiring an answer.
The word can be seen as having two parts: response + able, i.e. the ability to respond, to be able to understand one’s behaviour and obligations.

Conscientious individuals being with a conscience, with the inherent ability to empathize, and with the ability to analyse, reflect and to make rational choices, and therefore the ability to act responsibly. Does the organization also have this competency? (Pruzan, 2009). An organization should be able to successfully and sustainably integrate ‘responsability’ into their own and the organization’s self-awareness – and therefore into their strategies. CSR advocates a state in which organizations should not only expand their economic horizons from a short-term to a long-term perspective, but also take the social and environmental concerns of their stakeholders into account.

In the academic literature, there are multiple definitions and interpretations of CSR and none of them appear to have been generally accepted yet (Montiel, 2008; Schwartz and Tilling, 2009). The most commonly used inter-changeable terms within research are (i) corporate social responsibility, (ii) corporate sustainability, (iii) social responsibility, (iv) corporate citizenship, (v) corporate responsibility. On one hand, it shows its multidimensional nature of the concept. However, on the other hand, the lack of solid conceptual foundations and systematic research traditions is one of the biggest critiques of the general research on CSR (Van Oosterhout and Heugents, 2008). Crane & Matten (2007) observe that even the brightest scholars succumb to the temptation to introduce new notions (e.g.
corporate citizenship) that cover the same ground as the old ones (e.g. CSR) without adding any insight that would justify conceptual innovation. Therefore, CSR scholars are responding to conceptual confusion of the CSR with a number of conceptual revisions.

The similar situation is also observed among practitioners. Terminology used by N100 companies (100 largest world companies by revenue) to call CSR varies between companies (Figure 3). Recent research conducted by KPMG (2013) for this survey shows the most commonly used terms globally are ‘corporate responsibility’ (14 percent) or ‘corporate social responsibility’ (25 percent) and ‘sustainability’ (43 percent).

![Pie chart showing reporting terminology used by N100](image)

**Figure 3.** Reporting terminology for CSR used by N100 (KPMG, 2013)
The use of the term ‘corporate social responsibility/ CSR’ in this thesis should therefore be taken to also cover the term ‘corporate sustainability’ and other similar terms.

Rather than adding to the ever growing list of definitions of this term, I adopt the most recent definition of CSR provided by the newly released Social Responsibility guidance standard ISO 26000 and developed by 450 multi-stakeholders experts. It defines “social responsibility” as:

“Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: (i) contributes to sustainable development, including health and the welfare of society; (ii) takes into account the expectations of stakeholders; (iii) is in compliance with applicable law and consistent with international norms of behaviour; and (iv) is integrated throughout the organization and practiced in its relationships” (ISO, 2010, p.3)

Society is changing, its values and vision are changing and this puts a pressure upon business and organizations in general (Halme et al., 2009). Although social and political issues are the root cause of the threat to sustainable development in the world, international organizations and businesses have the three essential components to achieve it: resources, global reach and motivation. International
businesses represent over half of the world’s largest economies (Zadek, 2001) and the sales of the top 200 corporations are almost equal to one-quarter of the world’s economic activity. In Western Europe, CSR has become a popular concept that no major company can afford to ignore.

The main task of businesses should be to develop a mechanism that would integrate CSR into companies’ long-term strategy and everyday business activities (Székely and Knirsch, 2005). However, there is no single constant concern in CSR, the question is how to convert an idea into something that can be managed, and therefore solid guidelines on how to integrate it into their management and how to be accountable for. In this sense, we can observe the emergence and development of a great number of tools for managers, from principles and codes to indicators and ranking indices (Dahlsrud, 2008; Montero et al., 2009). It follows the general dynamics of international management trends by being branded and standardized into implementable packages like the UN Global Compact, the Global Reporting Initiative and ISO Standards (Sahlin-Andersson, 2006).

Powerful social and political forces encourage organizations to act more responsibly. These include growing consumer demand for responsibly made products, challenges to organizations’ reputations by non-governmental organizations (NGOs), industry codes of conduct, assessments and rankings of CSR performance, pressure from socially responsible investors through public interest proxy resolutions, as well as the socially conscious values of organizational
managers and employees. Issues such as disparities in access to quality education, employment, and healthcare are gaining increasing media attention, as is the need for technological and other innovations that address pressing environmental challenges. These challenges include air and water pollution, unsustainable fishing and harvesting, as well as increasing greenhouse gas emissions that according to the 2007 Intergovernmental Panel on Climate Change (IPCC) almost certainly lead to global warming (Heslin and Ochoa, 2008).

1.7.3. Critique on CSR

Besides the major critique of the lack of solid conceptual foundations of the CSR concept, there are other important critiques I would like to mention.

Regarding the critique of research done on CSR issues, it argues that scholars usually advance normative claims regarding the content and outcomes of CSR initiatives, questioning whether corporate activities usually promote community interests. This type of research is valuable, but it tends to overlook corporate decision-making processes (Kuhn and Deetz, 2008). It is suggested that if CSR is about incorporating diverse social and business values in decisional processes, then finding a system of inclusion is central.

At the same time, from the practical point of view, critics also argue that most CSR initiatives do not come from a holistic approach towards sustainability, but instead are caused by regulations, an opportunity for competitive advantage or a quest for a virtuous public image. Such motivations are often captured under the
label ‘greenwashing’ to decorate corporate public relations/communication efforts that are likely to be insincere, piecemeal, and temporary (Kuhn and Deetz, 2008).

Moreover, critics also question social auditing and reporting guidelines for corporate sustainability as they may have little effect on the actual corporate practice. In the same line, CSR awards that are aimed to measure and celebrate CSR accomplishments, may be misleading and may direct attention away from serious exploration of the presence or lack of wider social values embedded in corporate practices and decisions (Kuhn and Deetz, 2008).

I personally also share the above critiques. Taking into account the strong sustainability lens, I define CSR in the following simplistic way:

CSR is not about where company is spending money (e.g. pollution prevention, philanthropy projects, or community development), it is about how they are actually making money (what their business model is, which products or services they are bringing to the society).

In this sense, the best representation of CSR past, present and future is summarized in several questions, introduced during my Master classes by Jesse Dillard (Figure 4):
Figure 4. Corporate Social Responsibility past, present and the future (adopted from Jesse Dillard, presentation from the Master program on Environmental Studies at ICTA, UAB, May 2010).
PART 2: INTERNATIONAL LEVEL
Chapter 2. Introduction to International Level

The challenge of finding sustainable development paths ought to provide the impetus – indeed the imperative – for a renewed search for multilateral solutions and a restructured international economic system of co-operation. These challenges cut across the devides of national sovereignty, of limited strategies for economic gain, and of separated disciplines of science.

Gro Harlem Brundtland, Former Prime Minister of Norway, Our Common Future (1987)

The concept of CSR is being put into practice with the help of many different instruments. In the last two decades there have been considerable changes in the development of the CSR field, with the introduction of new voluntary CSR instruments such as the Environmental Management System standard ISO 14001 in 1996, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in 1999, and the United Nations Global Compact (UNGC) in 2000. In November 2010, the International Organization for Standardization (ISO) released the new Social Responsibility (SR) guidance standard under ISO 26000. Some of the existing and emerging CSR instruments may be perceived as redundant or complementary by those adopting organizations, therefore it is important to understand the current status of CSR instruments, identify the most prominent ones and predict the fit of the new ISO 26000 within the existing standards.
Up until now, the majority of research has analysed individual CSR instruments, or carried out comparative analyses in pairs, while the analysis of a global picture and interactions between these different CSR instruments has been overlooked (Delmas and Montiel, 2008). In order to address this gap in research, this part explores how organizational theories, namely institutional entrepreneurship and coopetition, can be applied to analyse interactions between the different international voluntary CSR instruments and predict the fit of the new ISO 26000.

Part 2 is organized into five chapters (Chapter 2-6 of PhD thesis). Chapter 2 introduces the international level of CSR. Chapter 3 provides an overview of the different ways of classifying CSR instruments and focuses on three of the most prominent ones, but which serve different purposes: the UNGC, the GRI and the new SR ISO 26000 guidance standard. Chapter 4 first analyses these instruments under the lens of organizational theories in order to understand the relationships between these CSR instruments and the fit of new the ISO 26000, and then looks at how the positive and negative impacts of previous experience with other CSR-related ISO standards (ISO 9000 and ISO 14001) may interact with future diffusion of the ISO 26000. Chapter 5 and 6 present a discussion, conclusions and the limitations of this study, offering recommendations for both international organizations which promote these CSR instruments as well as for managers who need to decide which ones to adopt.
The analysis presented in this part is based on interviews and personal communications with the representatives of UNGC, GRI and ISO, who directly participated in the development process of these standards. I also examined the different documents and databases developed by the UNGC, GRI and ISO, online resources, participant observation at public seminars arranged by consultancies, at international conferences organized by GRI, and secondary data from previous academic papers.

Chapter 3. CSR Instruments and Their Classification

Researchers have yet to agree on an umbrella term for the different CSR instruments and their classification. Vogel (2008) states that although some voluntary business codes have a clearly discernible impact, their overall importance as a mechanism for global business regulation remains unclear. At the same time, CSR instruments are never sufficient for integrating sustainability into an organization’s strategy as they are unable to take into account the context and singularity. In the worst case scenario, the instruments promote “going-by-the-book” and “tick-the-boxes” attitudes towards corporate responsibility that have a marginal effect on real life practices (Rasche, 2010).

The goals of CSR instruments are fourfold: (i) to encourage cultural and managerial change via sustainable development (Cetindamar and Husoy, 2007); (ii) to support organizational accountability (Rasche, 2009a); (iii) to define rules and procedures for organizational behaviour regarding social and environmental issues
(Rasche, 2009a); and (iv) to establish effective systems for setting standards, reporting, auditing, monitoring, and verification (Scherer and Palazzo, 2011).

It is important to agree on a systematic classification of existing CSR instruments as they are often confused in practice (Rasche and Esser, 2006). For instance, Rasche (2009a) differentiates the existing CSR instruments according to the mechanisms they support (accounting-auditing-reporting) and their focus. Mueckenberger and Jastram (2010) propose a framework for the analysis of CSR instruments based on the paradigmatic nexus of voice (democratic participation) and entitlement (legal and social rights and duties) during the norm-setting and norm-implementation processes. Gilbert and Rasche (2008) classify voluntary CSR instruments with regard to the issue and the process they standardize and the specificity of the instrument. Rasche and Esser (2006) classify accountability standards according to five dimensions: nature, application, focus, reach and scope. Boiral and Gendron (2011) differentiate between two types of certifiable standards in terms of scope and verification focus: standards on external reporting and standards on management practices and systems.

Figure 5 summarizes the different dimensions that have been used to classify the different CSR instruments.
One of the determining dimensions that differentiates CSR instruments is their type (Table 1). Three different types have been previously identified:
Table 1. Types of CSR instruments

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>United Nations Global Compact*</td>
<td>Social Responsibility ISO 260000*</td>
<td>Global Reporting Initiative*</td>
<td>Dow Jones Sustainability Group Index</td>
</tr>
<tr>
<td>OECD guidelines for multinational enterprises</td>
<td>Sustainability Integrated Guidelines for Management</td>
<td>Accountability 1000 Series</td>
<td>ASPI-Vigeo Group</td>
</tr>
<tr>
<td>Amnesty International’s Human Rights Guidelines</td>
<td>Forest Stewardship Council</td>
<td></td>
<td>FTSE4Good Selection criteria</td>
</tr>
<tr>
<td>Benchmarks for global corporate responsibility (ECCR/ICCR)</td>
<td>Eco-Management and Audit Scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Trading Initiative (ETI)</td>
<td>EU Eco-Label criteria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Sullivan Principles</td>
<td>Social Accountability 8000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* - CSR initiatives selected for the research;

Adapted from (Montero et al., 2009)
1. Codes of conduct. These are CSR instruments based on widely shared principles and codes of practice. Although they may be no more than just a list of good intentions, they can also be the starting point for adopting CSR. They are broader in nature but at the same time applicable to all sectors and welcome all kinds of participants (Rasche and Esser, 2006);

2. Management systems and certification schemes. These are mechanisms mainly based on continuous improvement such as Plan-Do-Check-Act. They create interest through their conversion into certificates, stamps or labels that can be publicized in the marketplace as a guarantee (Montero et al., 2009), and

3. CSR/Sustainability reports. These give some visibility, accountability and reflect a company’s public commitment to CSR.

4. Rating indices. These add the attraction of an independent social evaluation. They influence the companies’ reputation.

Each company creates its own CSR portfolio of instruments by choosing those with more potential benefits for their organization.

The second dimension used to classify CSR instruments concerns the barriers to entry: hard versus soft requirements (Table 2). CSR instruments with soft requirements have low barriers of entry since they do not attempt to identify the “best in the class”. In contrast, to qualify for hard requirement instruments, companies must document their achievements and approval depends upon external evaluations (Gjølberg, 2009a).
The third dimension is based on their orientation: results-oriented versus process-oriented instruments (Table 2). Result-oriented instruments require documented achievements and are often narrowly directed towards business. Conversely, they focus on participation, continuous improvement and learning processes (Gjølberg, 2009a). Some recent studies analyse the differential performance of result-based versus process-based CSR instruments (Henriques et al., 2013).

Table 2. The two dimensions of CSR instruments

<table>
<thead>
<tr>
<th>Results oriented</th>
<th>Process oriented</th>
<th>Hard Requirements</th>
<th>Soft requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJSI</td>
<td>WBCSD</td>
<td>FTSE4Good</td>
<td>ISO 26000*</td>
</tr>
<tr>
<td>FTSE4Good</td>
<td></td>
<td>Global 100 Most Sustainable Companies</td>
<td>UNGC*</td>
</tr>
<tr>
<td>Global 100 Most Sustainable Companies</td>
<td></td>
<td>SustainAbility 100 best reports</td>
<td>GRI*</td>
</tr>
<tr>
<td>SustainAbility 100 best reports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KPMG Reporting Survey</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adapted from (Gjølberg, 2009a)

* - CSR initiatives selected for the research;

In order to predict the fit of the new ISO 26000, I have selected the most prominent international CSR instruments that differ by type: the UNGC which is classified as Code of conduct instrument and the GRI which is a CSR/Sustainability reporting framework. The new ISO 26000 represents a Guidance for Management
Systems instrument. These three instruments are process-oriented with soft requirements.

Figure 6. Linking CSR instruments

Adapted from WBCSD (2004) and Rasche (2009b)

Figure 6 maps the connections between the UNGC, the GRI and the ISO 26000. While each of them is a different type of CSR instrument, they work together as a mechanism and complement each other covering all three areas of sustainability (economic, social and environmental).

In the next section I briefly describe the three selected CSR instruments to provide a better understanding of the origin, goals, characteristics and criticisms of each of them (Table 3).
Table 3. CSR instruments analysed

<table>
<thead>
<tr>
<th></th>
<th>UNGC</th>
<th>GRI</th>
<th>ISO26000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission</strong></td>
<td>To align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.</td>
<td>To make sustainability reporting a standard practice by providing guidance and support to organizations.</td>
<td>To assist organizations in contributing to sustainable development to promote common understanding in the field of social responsibility, to complement other instruments and initiatives for social responsibility.</td>
</tr>
<tr>
<td><strong>What</strong></td>
<td>World’s largest voluntary strategic policy initiative.</td>
<td>World’s most widely used sustainability reporting framework.</td>
<td>Guidance standard on social responsibility.</td>
</tr>
<tr>
<td><strong>Release Year</strong></td>
<td>2000</td>
<td>1999</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Governance Body</strong></td>
<td>UN</td>
<td>GRI</td>
<td>ISO</td>
</tr>
<tr>
<td><strong># of Participants</strong> (2013)</td>
<td>11,823</td>
<td>5,591</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Countries</strong></td>
<td>145 countries</td>
<td>84 countries</td>
<td>60 countries*</td>
</tr>
</tbody>
</table>

* Countries where ISO-member bodies have translated and made ISO 260000 available to the market
3.1. The United Nations Global Compact (UNGC)

The increasingly articulated public concern about the negative effects of globalization led the United Nations to act on this issue and create the UNGC (Mueckenberger and Jastram, 2010). As of today, the UNGC is the most widely diffused, prominent, well-defined and consistent instrument in the field of CSR (Cetindamar and Husoy, 2007; Janney et al., 2009; Rasche, 2009a).

The goal of the UNGC is to offer a platform for all types of organizations and industries to advance according to ten principles in the areas of human rights, labour, the environment, and anti-corruption (Kell, 2005; Williams, 2004). The UNGC is a strategic policy instrument that provides general guidelines and facilitates a culture of respect in businesses by observing social responsibility (Mueckenberger and Jastram, 2010; Rasche, 2009a).

The UNGC has been extensively criticized (Crane and Matten, 2007; Rasche and Gilbert, 2012; Rasche, 2009a; Sethi and Schepers, 2013) as a CSR instrument with very soft requirements (Gjølberg, 2009a), symbolic commitment (Perez-Batres et al., 2012), and weak compliance mechanisms (Gjølberg, 2011). Nevertheless, the commitment to its principles alone can be seen as a force shaping the design and the assessment, as well as the practice of reporting on corporate sustainability (Schneider and Meins, 2012). In order to address the criticisms and strengthen the commitment and implementation of these ten principles, the UNGC
implemented the obligatory Communication on Progress reports (COP reports),
created the Global Compact Local Networks and a platform for Sustainability
Leadership, The Global Compact LEAD.

3.2. The Global Reporting Initiative (GRI)

Due to the lack of a common sustainability reporting standard, and the
increasing pressure for companies to be accountable (Kolk, 2008), the Global
Reporting Initiative (GRI) was established in 1999 and has successfully become
institutionalized during the last 15 years as the prominent global framework for
voluntary corporate environmental and social (sustainability or non-financial)
reporting (Etzion and Ferraro, 2010; Levy et al., 2010; Nikolaeva and Bicho, 2010).

Initially the goal of the GRI was to develop and promote guidelines for
sustainability reporting. Having achieved this, the GRI strives to make
sustainability reporting a standard practice for all the organizations (GRI, 2013a).
One of the major characteristics of GRI is the multi-stakeholder process, which
became part of the GRI’s identity (Nikolaeva and Bicho, 2010). The GRI Reporting
Framework offers a series of supplements developed to address sector-specific
circumstances and challenges.

The GRI is constantly updating its framework for reporting. In May 2013,
the GRI released G4, the fourth generation of this instrument, focused on the main
issue of materiality, which implies that companies should only provide relevant information for their stakeholders.

The GRI has been criticized by scholars for being too focused on reporting processes rather than social and environmental performance outcomes (Levy et al., 2010), and questions have been raised concerning its reliability and the content of reports. To overcome this drawback, G4 is challenging companies to provide transparent, complete and balanced reports (Reimsbach and Hahn, 2013). Although the GRI competes with other instruments and has not generated data that is easily comparable across companies (Levy et al., 2010), the GRI has been able to create a common language that can be used for communication and judgments (Nikolaeva and Bicho, 2010). Also, the GRI has proved to be more successful in gaining corporate acceptance than in empowering NGOs. (Levy et al., 2010).

3.3. The Social Responsibility Standard ISO 26000

ISO is one of the most international prominent and standard setting organizations, and the development of the ISO 26000 guidance standard is ISO’s first attempt to develop a standard with multiple stakeholders (Balzarova and Castka, 2012) in order to help organizations deal with the ambiguities resulting from the pressures of society on private enterprises (Hahn, 2012a). The ISO 26000 has been recognized as a “milestone in the history of global cooperation” (Ward, 2011).
The goal of ISO 26000 is to provide guidance on managing social responsibility in the areas of human rights, labour practices, environment, fair operating practices, organizational governance, community involvement and development and consumer issues. The main achievement of the ISO 26000 is the agreement on several CSR definitions developed by 450 multi-stakeholder experts. Being a guidance standard, unlike other ISO standards, it does not require third-party certification.

On one hand, scholars who defend the ISO 26000 state that it is a source of knowledge and awareness (Castka and Balzarova, 2008a). On the other hand, scholars who are studying ISO instruments argue that the ISO 26000 is only standardizing processes and definitions, rather than focusing on performance results in relation to CSR (Schwartz and Tilling, 2009). The most critical aspect of ISO 26000 is its application to a wide range of organizations, which questions whether its adoption only adds symbolic value as opposed to actual results, that is, whether the ISO 26000 standard is curing or only making organizations feel cured (Schwartz and Tilling, 2009). The potential role and benefits of ISO 26000 are numerous, but it is still unclear what purpose that standard will serve in the coming future (Balzarova and Castka, 2012; Hahn, 2012b).
Table 4a. The links between UNGC 10 principles, ISO 26000 core subjects and issues and GRI indicators

<table>
<thead>
<tr>
<th>UNGC Issue Areas</th>
<th>UNGC Principles</th>
<th>ISO 26000 Core Subjects</th>
<th>ISO 26000 Core issues</th>
<th>Relevant GRI indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Rights</strong></td>
<td><strong>Principle 1</strong> – Businesses should support and respect the protection of internationally proclaimed human rights.</td>
<td><strong>Human Rights</strong></td>
<td>International Bill of Human Rights</td>
<td>HR1, HR6-7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Human rights risk situations</td>
<td>HR2, HR-7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Avoidance of complicity</td>
<td>HR8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Resolving grievances</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Principle 2</strong> – Businesses should make sure that they are not complicit in human rights abuses.</td>
<td></td>
<td>Discrimination and vulnerable groups</td>
<td>LA13-14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Civil and political rights</td>
<td>HR5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Economic, social and cultural rights</td>
<td>HR1, HR9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fundamental Rights at work</td>
<td>HR5</td>
</tr>
<tr>
<td><strong>Labour</strong></td>
<td><strong>Principle 3</strong> – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
<td><strong>Labour Practices</strong></td>
<td>Employment and Employment relationships</td>
<td>LA1-5</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 4</strong> – Businesses should uphold the elimination of all forms of forced and compulsory labor.</td>
<td></td>
<td>Conditions of work and social protection</td>
<td>LA1, LA3, EC5</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 5</strong> – Businesses should uphold the effective abolition of child labor.</td>
<td></td>
<td>Social dialogue</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Principle 6</strong> – Businesses should uphold the elimination of discrimination in respect of employment and occupation.</td>
<td></td>
<td>Health and safety at work</td>
<td>LA6-9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Human development and training at work</td>
<td>LA10-12, HR3</td>
</tr>
</tbody>
</table>
### Table 4b. The links between UNGC principles, ISO 26000 core subjects and issues and GRI indicators

<table>
<thead>
<tr>
<th>UNGC Issue Areas</th>
<th>UNGC Principles</th>
<th>ISO 26000 Core Subjects</th>
<th>ISO 26000 Core issues</th>
<th>Relevant GRI indicator</th>
</tr>
</thead>
</table>
| Environment      | **Principle 7** – Businesses should support a precautionary approach to environmental challenges.  
**Principle 8** – Businesses should undertake initiatives to promote greater environmental responsibility.  
**Principle 9** – Businesses should encourage the development and diffusion of environmentally friendly technologies. | Environment | Prevention of pollution | EN16-20, EN22-24, EN26 |
|                  |                 |                          | Sustainable resource use | EN1-10, EN21, EN27 |
|                  |                 |                          | Protection and restoration of natural habitats | EN11-15, EN25 |
|                  |                 |                          | Climate change mitigation and adaptation | EC2, EN16-20 |
| Anti-Corruption  | **Principle 10** – Businesses should work against corruption in all its forms, including extortion and bribery. | **Fair Operating Practices** | Anti-corruption | SO2-4 |
|                  |                 |                          | Responsible political involvement | SO5-6 |
|                  |                 |                          | Fair competition | SO7 |
|                  |                 |                          | Promoting social responsibility in the sphere of influence | SO5 |
|                  |                 |                          | Respect for property rights | |
Table 4c. The links between UNGC 10 principles, ISO 26000 core subjects and issues and GRI indicators

<table>
<thead>
<tr>
<th>UNGC Issue Areas</th>
<th>UNGC Principles</th>
<th>ISO 26000 Core Subjects</th>
<th>ISO 26000 Core issues</th>
<th>Relevant GRI indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Governance</strong></td>
<td>Create principles and incentives for social responsibility</td>
<td>PD 4.8, PD 4.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use resources efficiently</td>
<td>EN5-7, EN10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote fair representation of under-represented groups in senior positions</td>
<td>PD 4.1, PD 4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance the needs of the organization and its stakeholders</td>
<td>PD 4.15, PD 4.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish two-way communication process with stakeholders</td>
<td>PD 4.14, PD 4.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Encourage effective participation of all levels of employees in the organization’s decision making on issue of social responsibility</td>
<td>PD 4.4, PD 4.9, PD 4.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Keep track of the implementation of decisions</td>
<td>PD 3.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Community involvement and development</strong></td>
<td>Community involvement</td>
<td>SO1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education and culture</td>
<td>EC8, HR9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment creation and skills development</td>
<td>EC7</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Technology development and access</td>
<td>EC8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wealth and income creation</td>
<td>EC6, EC8</td>
<td></td>
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<tr>
<td></td>
<td>Health</td>
<td></td>
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<tr>
<td></td>
<td>Social investment</td>
<td>SO1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consumer Issues</strong></td>
<td>Fair marketing, information and contractual practices</td>
<td>PR3, PR6-7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Protecting consumers’ health and safety</td>
<td>PR1-2</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Sustainable consumption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consumer service, support and dispute resolution</td>
<td>PR4, PR8-9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Access to essential services</td>
<td>PR5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education and awareness</td>
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</tbody>
</table>
Chapter 4. Predicting the Fit of the ISO 26000

The three instruments analysed and the international organizations promoting them show a high level of interconnection. For instance, all three CSR instruments are considered process-based instruments and have the same objective in common: facilitating and encouraging all types of organizations to act in a socially and environmentally responsible way (Rasche, 2009a). It is therefore important to analyse the relationship between international organizations promoting these three instruments. Table 5 summarizes the main characteristics of these organizations.
<table>
<thead>
<tr>
<th>Institution</th>
<th>UN</th>
<th>ISO</th>
<th>GRI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td>1945</td>
<td>1947</td>
<td>1997</td>
</tr>
<tr>
<td><strong>Mission</strong></td>
<td>Maintain international peace and security, develop friendly relations among nations; promote social progress, better living standards.</td>
<td>Promote worldwide standardization and related activities in order to facilitate the international exchange of products and services, as well as of knowledge, science, technology and economic activity in the promotion of international cooperation.</td>
<td>Make sustainability reporting a standard practice by providing guidance and support to organizations.</td>
</tr>
</tbody>
</table>
| **Funding** | • Assessed and voluntary contributions; from member states;  
• The General Assembly approves the regular budget and determines the assessment for each member. | • Organizations which manage the specific projects;  
• Subscriptions from member bodies "the national body most be a representative of standardization in its country")  
• Sale of standards. | • Organizational Stakeholders;  
• Institutional Support;  
• Project Grants;  
• In kind support. |
4.1. GRI, ISO and Institutional Theory

Institutional entrepreneurs are people or organizations who participate in the creation of new types of organizations or new industries. These tasks require marshalling new technologies, designing new organizational forms and routines, creating new supply chains and markets and gaining cognitive, normative and regulative legitimacy (Scott, 2008). They also provide legitimacy to the new activity and determine its patterns of behaviour (Déjean et al., 2004). Institutional entrepreneurs establish new forms that instantiate new beliefs, norms and values and they lead efforts to identify political opportunities, frame issues and problems and mobilize constituencies (Rao et al., 2000). By doing so they reduce the uncertainty linked to the new activity (Déjean et al., 2004). Institutions emerge from the collective sensemaking and problem solving behaviour of actors faced with a similar situation.

Institutional entrepreneurs are interest-driven, aware and calculative (Greenwood and Suddaby, 2006), and by no means altruistic (Déjean et al., 2004). Along these lines, DiMaggio (1988) explains that the success of the institutionalization process and the form that the resulting institution takes depends on the relative power of the actors who support, oppose, or otherwise strive to influence it. Perkmann and Spicer (2007) see institutional entrepreneurs as forward-looking actors that engage in coalition building and incentivize other actors to gather support for their project, by mobilizing resources for their operations. They
seek to influence field-dominating agencies and organizations and improve resource flow toward the novel category of organizations. Moreover, normative processes such as network ties and commitments play an essential role in institutional diffusion (Scott, 2008).

Etzion and Ferraro (2010) describe the process of how the GRI first emphasized the similarity between sustainability reporting and financial reporting in order to gain legitimacy, and over time they started to emphasize dissimilarities and contradictions. However, we have observed that GRI is going beyond the sustainability reporting field as it is now a dominant actor transforming the still under-developed CSR field. During the GRI’s Global Conference on Sustainability and Reporting in May 2013, the GRI was able to bring together around the same table representatives of the UNGC, ISO and the Organization for Economic Co-operation and Development (OECD) to discuss the harmonization of the CSR field.

In the successful institutionalization process by GRI, the adopting firms are active and their experimentation is an essential component (Etzion and Ferraro, 2010). Nikolaeva and Bicho (2010) explore which factors affect firms’ decisions to adopt the GRI reporting standard. They indicate that voluntary social and environmental information dissemination is an advantage for progressive firms that claim to be socially responsible, transparent and accountable. Those organizations were the first movers and institutional entrepreneurs to adopt and develop the GRI in order to gain a competitive advantage. Nikolaeva and Bicho (2010) confirm that
as the GRI becomes more institutionalized, companies accumulate more information from the experience of prior adopters.

Consequently, as the GRI has been adopted by thousands of companies around the world, not just symbolically but also at a substantive level (Etzion and Ferraro, 2010), it is now embedded in companies’ sustainability strategies and practices (Levy et al., 2010), and GRI has gained acceptance and legitimacy in the business community.

Levy et al. (2010) suggest that the strategic compromises and fragile coalitions necessary to undertake institutional entrepreneurship and initiate field-level change inherently generate tensions that inhibit and circumscribe more systematic field transformation. The GRI understood that in order to develop a successful institution they needed to secure collaboration not only from adopting companies but also from other stakeholders, including labour organizations, NGOs, consultants, auditors, and financial analysts (Levy et al., 2010).

Institutional theory shows that organizations may enhance their legitimacy by making other firms adopt their actions (DiMaggio and Powell, 1983). During the GRI institutionalization process, strategic collaboration was established with other international CSR instruments. The GRI was the initiator of collaborative relationships with the UNGC. The first sign of cooperation between the UNGC and the GRI was in May 2007, when the guide Making the Connection was developed by the GRI to help identify the equivalences between the UNGC principles and GRI
indicators (UNGC-GRI, 2007). A step was taken between these two organizations with a global strategic partnership in 2010; They signed an agreement that allows companies following the UNGC to use GRI reporting guidelines to meet the UNGC’s compulsory annual disclosure requirement (GRI, 2010a; UNGC, 2010a). Moreover, the latest GRI version, G4, is heavily linked to the ten UNGC principles set out throughout the whole document. At the same time, GRI is an active participant of the development of Integrated Reporting framework led by International Integrated Reporting Council (IIRC). This framework aims to align business reporting with business strategy.

During the ISO 26000 development process, the GRI was one of the organizations involved in the design and from the beginning attempted to establish links with the new ISO guidelines. Although the ISO 26000 does not offer guidance on social responsibility performance reporting, its contents cover a very similar range of topics to those in the GRI Reporting Guidelines. At the same time that the ISO 26000 was released, in November 2010, the GRI research and development program launched the document GRI and ISO 26000: How to use the GRI Guidelines in conjunction with ISO 26000 (GRI, 2010b). In this publication, the GRI stresses that their reporting framework contains the most suitable guidelines for organizations that are interested in reporting on the topics covered by ISO 26000. GRI and ISO cooperation is fostering the future dissemination of this new
instrument, reducing uncertainty by signalling the legitimacy and complementarity among the two to future followers of ISO 26000.

Therefore,

**Proposition 1:** When the interactions between well-established CSR institutions are mainly based on cooperation and joint promotion of their instruments, firms that have already adopted an established CSR instrument (in our case sustainability reporting framework created by GRI) will be more likely to also adopt the new one (in our case ISO 26000).

4.2. UNGC, ISO and Coopetition Theory

Coopetition is an emerging strategic management concept used to describe the current situation in global competition both in intra- and inter-organizational relationships: simultaneous competition and cooperation between global rivals (Luo, 2007; Yami et al., 2010), that is, collaboration with competitors or competition with collaborators (Ritala and Hurmelinna-Laukkanen, 2009). Competing organizations cooperate with each other in order to create value and a bigger market for each participant, and then later compete for the created value (Nalebuf and Brandenburger, 1997). Coopetition is not aimed at limiting market competition but rather empowering it (Beckmann et al., 2013). The coopetition concept is very dynamic in nature; coopetition between a pair of players is also affected by conditions happening outside of the relationship (Luo, 2007).
Coopetition is taking place at different levels of analysis: individual, organizational, inter-organizational, micro, macro (state and multi-state coopetition), and meso levels (Bengtsson et al., 2010; Gnyawali and Park, 2011). Ritala and Hurmelinna-Laukkanen (2009) highlight that coopetition can occur between any type of organization. For example Luo (2004) describes an example of coopetition between multinational corporations and host governments. Researchers stress that more observations and examples of coopetition between non business players are needed in order to shed more light on this emerging concept (Bengtsson et al., 2010).

We analysed the relationships between the UNGC and ISO and found that coopetition may help describe such relationship. On one hand, there is a mutual cooperation in the development and support of the instruments, looking to accomplish the same goal (e.g. promoting sustainable development within organizations). However, there is a competition for control and dominance in the CSR field and for potential adopters.

The UNGC was a participant during the ISO 26000 development process and by October 2006, the UNGC signed a memorandum of understanding with ISO, which gave the UNGC the right to participate in the Chairman’s Advisory Group. Since both the UNGC and ISO shared the same objectives of incorporating social responsibility into organizational activities, they tried to cooperate by releasing a publication outlining the links between ISO 26000 and the UNGC (UNGC, 2010b).
This document provided an overview of the interactions between the UNGC’s ten principles and the core social responsibility topics defined by ISO 26000. It also emphasized that all the UNGC principles were included in the ISO 26000 guidance standard. Surprisingly, the publication did not mention that the UNGC and ISO 26000 were different types of instruments and that they complemented each other.

However, most interactions between the UNGC and ISO have been of a competitive nature. In June 2009, George Kell, Executive Director of the UNGC Office, wrote to Robert Steele, Secretary-General of ISO, requesting that “with reference to Annex … the reference to the UNGC be removed” (Ward, 2011). Mr. Kell complained that “neither in the body of the standard nor in the annex is there any recognition of the world’s foremost social responsibility initiative. Current reference to the UNGC does not provide the UNGC with the prominence it deserves” (Ward, 2011, p.684).

According to Kevin McKinley, Deputy Secretary-General of ISO, UNGC representatives were not pleased to see the UNGC as one of the CSR instruments proposed by the ISO 26000 in its Annex A (personal communication with Kevin McKinley, May 2013). The UNGC is assuming the leading position and would like to be seen as a “one and only” CSR instrument, which demonstrates its competitive position.

Therefore we may predict,
**Proposition 2:** When the interactions between a well-established CSR instrument and a new one are mainly based on competition, firms that have already adopted the established CSR instrument (in our case UNGC) will be less likely to adopt the new one (in our case ISO 26000).

**4.3. The Accumulative Experience with ISO Standards**

The ISO 26000 is nested within the same ISO system as other ISO standards such as the quality management standard ISO 9000 and the environmental management system standard ISO 14001. There are currently over 1 million ISO 9000 certified facilities and over 280,000 ISO 14001 certified facilities in around 167 countries (ISO, 2013a). Researchers now perceive ISO 9000 and ISO 14001 standards as institutions themselves, and as sets of rules and norms (Delmas and Toffel, 2008).

The experience of adopting previous ISO standards such as ISO 9000 and ISO 14001 may facilitate the process of understanding the new ISO 26000 and the decision to adopt it. Delmas and Montiel (2008) found that previous adoption of the quality management standard ISO 9000 helped the international diffusion of the environmental management standard ISO 14001 with the chemical industry. Delmas and Montes-Sancho (2011) encountered a similar situation when analysing multiple industry sectors. Castka and Balzarova (2008b) conducted research during the ISO 26000 development process and found that ISO 9000 and ISO 14001
significantly influenced the first steps in the standardization of social responsibility. Similar to the arguments concerning GRI and ISO 26000 institutional entrepreneurs, ISO 14001 and/or ISO 9000 adopters may act as institutional entrepreneurs for ISO 26000 helping the new social responsibility standard to become institutionalized.

Therefore, we expect:

*Proposition 3: Firms that have previous experience implementing CSR-related ISO standards such as ISO 9000 or ISO 14001 are more likely to follow ISO 26000.*

4.4. The ISO Standards and Certification

Research shows that firms gain legitimacy when adopting management system standards and certifying them using a third party (Heras-Saizarbitoria and Boiral, 2013). ISO 9000 and ISO 14001 management system standards provide certification and are perceived by the business community as instruments that help firms signal their commitment to responsible behaviour (Heras-Saizarbitoria and Boiral, 2013).

The certification component is an important difference between the above mentioned ISO 9000 and ISO 14001 standards and the new ISO 26000. While the well-established quality and environmental standards are highly valued for the certificate that they provide, the lack of certification could be a barrier to adopting the ISO 26000 – this proved to be the source of serious discussion during the development process of the social responsibility standard. There were a large
number of standard developers who strongly advocated a management system approach and third-party certification similar to ISO 9000 and ISO 14001 and were against the guidance vision for ISO 26000 (Ward, 2011).

In contrast, the Advisory Group on SR had proposed a guidance standard from the very outset of its development. The guidance standard approach was supported by delegates representing NGOs and some multinationals. The ISO 26000 was seen as a practical guidance on diversity of CSR issues and not as an “alibi” document for advertising (Castka and Balzarova, 2005). The ISO 26000 document states very explicitly that, “certification should not be seen as indicative of the value of initiative” (ISO, 2010, p. 84).

However, since (unlike ISO 9000 and ISO 14001) the ISO 26000 is not certifiable, firms that have previous experience with other ISO standards, may consider the ISO 26000 less valuable due of the lack of external audits checking its implementation and therefore the lack of corresponding certification that helps them to externally signal their improvements on CSR issues.

Therefore, we may expect:

*Proposition 4: Firms that have adopted certifiable ISO standards (i.e., ISO 9000 and/or ISO 14001) are less likely to follow ISO 26000.*
Chapter 5. Discussion

The future of the ISO 26000 will depend on whether organizations worldwide accept it as a valid guidance standard to commit to social responsibility. Those first adopters will in fact act as the ISO 26000 institutional entrepreneurs. Leading organizations promoting CSR instruments, (such as the GRI) that have had cooperative relationships with the ISO 26000 can help its institutionalization as well. The GRI’s goal is to increase the number of followers of sustainability reporting in order to maintain its leading position in the “market” of CSR instruments. One of the ways to achieve such a goal is to establish mutual collaborative and promotional relationships with other CSR institutions and instruments. Anecdotal evidence and various documents demonstrate GRI’s strategy of cooperation. The GRI has been working towards gaining new allies in order to increase legitimacy and maintain its leading position in the future (Levy et al., 2010). The GRI was involved in the development of ISO 26000 from the very beginning which may explain why the SR standard ISO 26000 contains some aspects inspired by GRI and suggests reporting on SR issues according to GRI framework.

It is likely that the GRI will not establish a collaborative relationship with another organization offering the same “product”. Only in the case of a win-win situation are organizations striving for mutual promotion. Figure 6 shows the complementarity of both instruments: while the ISO 26000 focuses on the internal management process of SR, the GRI provides a framework for sustainability
external reporting. The document about how to use the GRI guidelines in conjunction with the ISO 26000 reinforces and promotes the complementarity of both instruments. All of the above arguments seem to indicate that GRI adopters will more likely also adopt the ISO 26000 guidance standard.

The UNGC is a well-established and globally recognized policy framework for the development, implementation and disclosure of environmental, social, and governance policies and practices (UNGC, 2013). It has the highest number of followers (11,823 by October 2013). However, the UNGC has been constantly criticized for not being able to control followers’ commitment and compliance due to the large number of firms participating in it (Crane and Matten, 2007; Gjølberg, 2011; Rasche and Gilbert, 2012; Rasche, 2009a; Sethi and Schepers, 2013). For this reason the UNGC may provide a paradise for “free riders”. In order to maintain its dominant position and increase the number of followers, the UNGC is acting in parallel with other CSR instruments (Abbott and Snidal, 2006). In such a situation, conflicts between CSR instruments are created and resolved through competition. CSR instruments are fighting for their place in an overall marketplace of norms (Ward, 2011).

As characterized earlier, the UNGC and ISO 26000 are different types of CSR instruments. The UNGC helps develop CSR policies within organizations, while ISO 26000 focuses on helping businesses and organizations translate principles and policies into effective actions (Figure 6). However, we can observe
some similarities between the UNGC and ISO 26000, as both of them are instruments with soft requirements. Besides the ten principles, the UNGC sets out the steps to follow and provides help implementing them, which are also described in the ISO 26000. Both instruments are very much dependent on examples of best practices of SR implementation within companies. It is not surprising that managers perceive the UNGC and ISO 26000 as redundant. The competitive relationships between the UNGC and ISO 26000, described in the section ‘Predicting a Fit of ISO 26000’, lead to the possibility that firms already participating in the UNGC will not be willing to follow ISO 26000 guidance.

At the same time, all three standards have differing governance bodies that produced them:

(i) UNGC governance functions are shared by seven entities, each with differentiated tasks within a multi-centric framework. The majority of seats at the Global Compact Board is comprised of Business representatives (20 seats for Business vs 4 seats for Civil Society, 4 for Labour and 4 for UNGC). UNGC also accepts voluntary contributions from Governments in exchange of participation and contribution to the work of the standard.

(ii) Even though GRI aims at multi-stakeholder representation in its governance structure, it relies heavily on the Business group. GRI’s Board of Directors is mainly comprised of representatives coming
from major business organizations. At the same time, the GRI’s members form the Organizational Stakeholders Group (OSG) with more than 600 organizations, which provide key funding for GRI. The OSG is dominated by large companies, banks, other financial institutions, international accountancies and business consultancies, with relatively few NGOs or organized labour organizations.

(iii) ISO’s governance structure is focused around National Standards Bodies (NSB). NSB are the foremost standard organizations in their countries and there is only one member per country. Individuals or companies cannot become ISO members. In 2014, ISO had 163 country members. They play a vital role in how ISO operates, by meeting once a year for a General Assembly that decides the ISO’s strategic objectives. NSB pay annual membership fee to ISO.

I believe that these differences in the governance bodies of three standards is bound to affect the level of uptake and interactions between the standards as well. One can observe that GRI has proven to be more successful in gaining corporate acceptance than in finding utility with non-governmental organizations or investors (Levy et al., 2010). UNGC is also very much focused in gaining acceptance in the corporate world. However, being an organization within UN, UNGC allows the participation of governments. In contrast, ISO delegates its responsibilities nationally to NSBs. Therefore, it is not the objective of ISO to attract corporate followers.
Moreover, all three standards also differ in terms of detail. The UNGC can be captured in 10 sentences (its 10 principles as a core of UNGC). However, the ISO 26000 main document contains 106 pages. In order to perceive the essence of the GRI framework (last version G4), one should look at two separate documents. First, it is necessary to get familiar with *Reporting principles and standard disclosures* (94 pages) and only then use GRI’s *Implementation Manual* (226 pages). The nature of detail is also reflecting the stage where the standard is implemented within CSR process (Figure 2):

1. General CSR policy development, where UNGC and its 10 principles serve as guiding point.
2. Development and implementation of a management system to implement CSR into action, where guidance for social responsibility under ISO 26000 is coming into place.
3. Reporting on company’s CSR results with the help of GRI reporting framework.

With regards to the relationship between ISO 26000 and other ISO standards, two different outcomes may be expected. On one hand, positive experience with ISO 9000 and ISO 14001 should have a positive influence on the adoption of ISO 26000. Three reasons support this prediction:

1. ISO standards such as ISO 9000 and ISO 14001 have earned a positive reputation and have become benchmarks for good practices among businesses and public
administrations and are currently used as a reference by national governments for specific regulations (Ward, 2011).

2. Previous research shows that firms that adopt ISO 9000 are more likely to adopt ISO 14001 (Darnall, 2003; Delmas and Montiel, 2008; Delmas and Toffel, 2004; Prakash and Potoski, 2006).

3. Consulting and auditing firms play an essential role in the take-off phase of ISO 26000 (Delmas and Montiel, 2008).

Delmas and Montes-Sancho (2011) showed that the larger the number of ISO 9000 certificates, the larger the number of management professionals involved in providing consulting services for both ISO 9000 and ISO 14001. In addition, previous evidence shows that consulting firms for ISO 9000 incorporated ISO 14001 into their business very quickly (Mazurek, 2001). Then, as a new ISO standard is released, consulting and auditing firms are likely to quickly familiarize themselves with the ISO 26000 to promote it for additional revenue. In fact, I observed this when I attended ISO 26000 dissemination and promotion seminars a few months after it was launched, organized by well-known and experienced consulting firms.

However, in contrast, the ISO 26000 was developed as a guidance standard that does not require certification because its subject is not a technical, but a moral issue (Mueckenberger and Jastram, 2010). This can be an important barrier to its diffusion. We see three problems that can be derived from this:
1. ISO has already generated more than 19,000 different standards and even though the majority of them are non-certifiable, the CSR-related ones such as ISO 14001 and ISO 9000 do provide certificates. The certification component of ISO standards aims to produce trust, legitimacy and accountability concerning the extent to which certain standards are appropriately established and substantially implemented by adopting organizations (Boiral and Gendron, 2011). It also sends a signal to external stakeholders about that organization’s commitment to the particular certified issue (Delmas and Montiel, 2008). In general, ISO is linked with the certification and ISO 26000 as a non-certifiable one, which can provide confusion. Evidence of this can be seen during the development of ISO 26000 Annex A, which provides the list of examples of CSR instruments around the world. Concerns were raised whether to include, or not instruments that issue certificates, as it can mislead firms. Those concerns were addressed by the explanation that inclusion in the Annex A does not “constitute a judgment by ISO on the value or effectiveness of any of the initiatives or tools for social responsibility listed in the Annex A” (Ward, 2011);

2. Certificates provide an important part of the business for consulting and auditing firms and non-certification can decrease their revenue potential and the role of consulting and consulting firms as promoters of such standard;
3. Companies that are seeking market value in the certification component of ISO standards may not be interested in following ISO 26000 because it does not fulfil their main expectations.

However, which one of above discussed CSR instruments and CSR-related instruments are succeeding in growing their international acceptance? Figure 7 shows the evolution of ISO 9000 and ISO 14001 acceptance during the period of 1993-2012.

Figure 7. Number of organizations having ISO 9000 and ISO 14001 certified during the period of 1993-2012

![Number of organizations having ISO 9000 and ISO 14001 certified](chart.png)

Figure 8 shows the growing acceptance of UNGC and GRI among companies during the period of 1999-2013.
As there will never be a public database of ISO 26000 adoption, we are not able to know the exact number of companies following ISO 26000. As of October 2013, according to the ISO 26000 Post Publication Organization (PPO), 12,000 copies of the ISO 26000 standard have been sold around the world. The SR standard has been translated into 22 different languages and has been adopted as a national standard by the national standardization member bodies of 64 different countries. Furthermore, a few companies such as Maersk, NovoNordisk, TeliaSonera, HSB, HM, Suzano, Petrobras, Veolia, Air France, Toshiba, AB Volvo, Takeda, Panasonic,

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2 “Adopted” here means that the standard is considered a national standard through its country ISO-member body, which includes its translation (if applicable) and market availability.
British Telecom, TRS, and Toyota have already implemented the standard (ISO, 2013b).

Table 6 lists the adopting 64 countries along with the number of companies that had already adopted the other CSR instruments, following a chronological order according to the year when the instrument was released: ISO 9000 (1993), ISO 14001 (1999), GRI (1999), UNGC (2000). Data for ISO 9000 and ISO 26000 is taken from ISO Survey 2012 (ISO, 2013a) and shows the number of certificates in 2012. Data for GRI is selected from the GRI excel database (GRI, 2013b) that demonstrates the number of reporting companies per country during the period from 1999 until November 5th 2013. The UNGC’s data is taken from the Participant search service on the UNGC website and it shows the number of organizations per country that have followed the UNGC from 2000 until November 7th 2013.

Table 6 lists, in order of ranking, the 64 ISO 26000 adopting countries in blocks of 20 along with the number of organizations that had already adopted the other CSR instruments with the corresponding columns in chronological order. Analysis of this data allows for the following interpretation:

1. Throughout the countries that adopted ISO 26000, we can observe the predominance of European countries, in which we can observe a significant active use of other CSR instruments as well.

2. The leading positions in the use of all four listed instruments correspond to Spain, Japan and the United States, which demonstrates the possibility of more active ISO 26000 institutionalization within these countries.
Table 6a. Number of organizations using CSR instruments in ISO 26000 adopting countries by 2013

<table>
<thead>
<tr>
<th>Countries adopting ISO 26000</th>
<th>ISO 9000</th>
<th>ISO 14001</th>
<th>GRI</th>
<th>UNGC</th>
<th>Avg. Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>59,418</td>
<td>19,470</td>
<td>403</td>
<td>1,692</td>
<td>(2.00)</td>
</tr>
<tr>
<td>Japan</td>
<td>50,339</td>
<td>27,774</td>
<td>257</td>
<td>232</td>
<td>(5.50)</td>
</tr>
<tr>
<td>United States of America</td>
<td>26,177</td>
<td>5,699</td>
<td>621</td>
<td>521</td>
<td>(5.50)</td>
</tr>
<tr>
<td>Germany</td>
<td>51,809</td>
<td>7,034</td>
<td>234</td>
<td>322</td>
<td>(5.75)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>44,670</td>
<td>15,884</td>
<td>193</td>
<td>300</td>
<td>(6.00)</td>
</tr>
<tr>
<td>Brazil</td>
<td>25,791</td>
<td>3,300</td>
<td>272</td>
<td>578</td>
<td>(6.75)</td>
</tr>
<tr>
<td>Italy</td>
<td>137,390</td>
<td>19,705</td>
<td>89</td>
<td>206</td>
<td>(7.75)</td>
</tr>
<tr>
<td>Korea (Republic of)</td>
<td>25,706</td>
<td>11,479</td>
<td>212</td>
<td>253</td>
<td>(8.00)</td>
</tr>
<tr>
<td>France</td>
<td>31,631</td>
<td>7,975</td>
<td>71</td>
<td>972</td>
<td>(8.75)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>11,548</td>
<td>2,762</td>
<td>134</td>
<td>108</td>
<td>(13.50)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>11,417</td>
<td>2,085</td>
<td>139</td>
<td>107</td>
<td>(14.00)</td>
</tr>
<tr>
<td>Sweden</td>
<td>4,846</td>
<td>3,885</td>
<td>155</td>
<td>174</td>
<td>(14.00)</td>
</tr>
<tr>
<td>Argentina</td>
<td>6,605</td>
<td>1,268</td>
<td>87</td>
<td>276</td>
<td>(16.25)</td>
</tr>
<tr>
<td>Mexico</td>
<td>5,502</td>
<td>1,096</td>
<td>83</td>
<td>577</td>
<td>(16.50)</td>
</tr>
<tr>
<td>Turkey</td>
<td>7,759</td>
<td>1,625</td>
<td>55</td>
<td>264</td>
<td>(16.50)</td>
</tr>
<tr>
<td>Thailand</td>
<td>8,711</td>
<td>3,034</td>
<td>86</td>
<td>36</td>
<td>(19.25)</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td><strong>2,780</strong></td>
<td><strong>1,756</strong></td>
<td><strong>20</strong></td>
<td><strong>293</strong></td>
<td><strong>(19.75)</strong></td>
</tr>
<tr>
<td>South Africa</td>
<td>3,918</td>
<td>938</td>
<td>334</td>
<td>72</td>
<td>(20.00)</td>
</tr>
<tr>
<td>Chile</td>
<td>3,986</td>
<td>1,080</td>
<td>93</td>
<td>82</td>
<td>(21.50)</td>
</tr>
<tr>
<td>Portugal</td>
<td>6,650</td>
<td>1,184</td>
<td>66</td>
<td>63</td>
<td>(22.00)</td>
</tr>
</tbody>
</table>
Table 6b. Number of organizations using CSR instruments in ISO 26000 adopting countries by 2013 (continued)

<table>
<thead>
<tr>
<th>Countries adopting</th>
<th>ISO 26000</th>
<th>ISO 9000</th>
<th>ISO 14001</th>
<th>GRI</th>
<th>UNGC</th>
<th>Avg.Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 Austria</td>
<td>5,281 (21)</td>
<td>1,084 (25)</td>
<td>120 (13)</td>
<td>56 (30)</td>
<td>(22.25)</td>
<td></td>
</tr>
<tr>
<td>22 Finland</td>
<td>2,403 (30)</td>
<td>1,310 (21)</td>
<td>150 (10)</td>
<td>49 (32)</td>
<td>(23.25)</td>
<td></td>
</tr>
<tr>
<td>23 Romania</td>
<td>18,399 (10)</td>
<td>8,633 (6)</td>
<td>7 (33)</td>
<td>15 (45)</td>
<td>(23.50)</td>
<td></td>
</tr>
<tr>
<td>24 Hungary</td>
<td>7,266 (16)</td>
<td>1,718 (17)</td>
<td>79 (19)</td>
<td>17 (43)</td>
<td>(23.75)</td>
<td></td>
</tr>
<tr>
<td>25 Belgium</td>
<td>3,915 (26)</td>
<td>1,026 (27)</td>
<td>45 (24)</td>
<td>64 (26)</td>
<td>(25.75)</td>
<td></td>
</tr>
<tr>
<td>26 Norway</td>
<td>1,589 (33)</td>
<td>824 (29)</td>
<td>26 (25)</td>
<td>89 (19)</td>
<td>(26.50)</td>
<td></td>
</tr>
<tr>
<td>27 Bulgaria</td>
<td>6,090 (19)</td>
<td>1,395 (20)</td>
<td>2 (40)</td>
<td>61 (28)</td>
<td>(26.75)</td>
<td></td>
</tr>
<tr>
<td>28 Czech Republic</td>
<td>10,680 (13)</td>
<td>4,215 (10)</td>
<td>4 (37)</td>
<td>10 (49)</td>
<td>(27.25)</td>
<td></td>
</tr>
<tr>
<td>29 Peru</td>
<td>928 (37)</td>
<td>295 (35)</td>
<td>56 (22)</td>
<td>111 (16)</td>
<td>(27.50)</td>
<td></td>
</tr>
<tr>
<td>30 Serbia</td>
<td>3,066 (27)</td>
<td>817 (30)</td>
<td>2 (40)</td>
<td>77 (23)</td>
<td>(30.00)</td>
<td></td>
</tr>
<tr>
<td>31 Croatia</td>
<td>2,614 (29)</td>
<td>760 (31)</td>
<td>5 (36)</td>
<td>52 (31)</td>
<td>(31.75)</td>
<td></td>
</tr>
<tr>
<td>32 Ecuador</td>
<td>943 (36)</td>
<td>151 (38)</td>
<td>25 (26)</td>
<td>58 (29)</td>
<td>(32.25)</td>
<td></td>
</tr>
<tr>
<td>33 Slovakia</td>
<td>4,283 (23)</td>
<td>1,426 (19)</td>
<td>2 (40)</td>
<td>10 (49)</td>
<td>(32.75)</td>
<td></td>
</tr>
<tr>
<td>34 Lithuania</td>
<td>1,165 (35)</td>
<td>680 (32)</td>
<td>0 (50)</td>
<td>84 (20)</td>
<td>(34.25)</td>
<td></td>
</tr>
<tr>
<td>35 Ireland</td>
<td>2,331 (31)</td>
<td>417 (33)</td>
<td>9 (30)</td>
<td>15 (45)</td>
<td>(34.75)</td>
<td></td>
</tr>
<tr>
<td>36 Uruguay</td>
<td>741 (39)</td>
<td>117 (40)</td>
<td>15 (29)</td>
<td>35 (34)</td>
<td>(35.50)</td>
<td></td>
</tr>
<tr>
<td>37 Kenya</td>
<td>460 (44)</td>
<td>32 (47)</td>
<td>6 (34)</td>
<td>83 (21)</td>
<td>(36.50)</td>
<td></td>
</tr>
<tr>
<td>38 Saudi Arabia</td>
<td>2,189 (32)</td>
<td>185 (36)</td>
<td>8 (31)</td>
<td>8 (53)</td>
<td>(38.00)</td>
<td></td>
</tr>
<tr>
<td>39 Bolivia</td>
<td>187 (50)</td>
<td>44 (46)</td>
<td>17 (28)</td>
<td>29 (35)</td>
<td>(39.75)</td>
<td></td>
</tr>
<tr>
<td>40 Costa Rica</td>
<td>237 (49)</td>
<td>81 (42)</td>
<td>8 (31)</td>
<td>24 (37)</td>
<td>(39.75)</td>
<td></td>
</tr>
<tr>
<td>Countries adopting</td>
<td>ISO 26000</td>
<td>ISO 9000</td>
<td>ISO 14001</td>
<td>GRI</td>
<td>UNGC</td>
<td>Avg. Rank</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------</td>
<td>----------</td>
<td>-----------</td>
<td>-----</td>
<td>------</td>
<td>-----------</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>564 (41)</td>
<td>122 (39)</td>
<td>1 (44)</td>
<td>23  (39)</td>
<td>(40.75)</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>111 (54)</td>
<td>16 (53)</td>
<td>1 (44)</td>
<td>141 (15)</td>
<td>(41.50)</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1,239 (34)</td>
<td>174 (37)</td>
<td>0 (50)</td>
<td>11 (48)</td>
<td>(42.25)</td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>880 (38)</td>
<td>394 (34)</td>
<td>1 (44)</td>
<td>5 (56)</td>
<td>(43.00)</td>
<td></td>
</tr>
<tr>
<td>Tunisia</td>
<td>511 (43)</td>
<td>80 (43)</td>
<td>0 (50)</td>
<td>26 (36)</td>
<td>(43.00)</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>614 (40)</td>
<td>45 (45)</td>
<td>0 (50)</td>
<td>23 (39)</td>
<td>(43.50)</td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
<td>519 (42)</td>
<td>15 (54)</td>
<td>1 (44)</td>
<td>17 (43)</td>
<td>(45.75)</td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>41 (58)</td>
<td>17 (51)</td>
<td>0 (50)</td>
<td>67 (25)</td>
<td>(46.00)</td>
<td></td>
</tr>
<tr>
<td>Oman</td>
<td>357 (47)</td>
<td>65 (44)</td>
<td>6 (34)</td>
<td>1 (62)</td>
<td>(46.75)</td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>240 (48)</td>
<td>13 (57)</td>
<td>2 (40)</td>
<td>14 (47)</td>
<td>(48.00)</td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>427 (46)</td>
<td>113 (41)</td>
<td>0 (50)</td>
<td>0 (63)</td>
<td>(50.00)</td>
<td></td>
</tr>
<tr>
<td>Cote D'Ivoire</td>
<td>62 (55)</td>
<td>15 (54)</td>
<td>0 (50)</td>
<td>21 (41)</td>
<td>(50.00)</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>139 (52)</td>
<td>17 (51)</td>
<td>3 (38)</td>
<td>3 (59)</td>
<td>(50.00)</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>17 (60)</td>
<td>8 (59)</td>
<td>1 (44)</td>
<td>24 (37)</td>
<td>(50.00)</td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>442 (45)</td>
<td>23 (49)</td>
<td>0 (50)</td>
<td>4 (57)</td>
<td>(50.25)</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>48 (56)</td>
<td>30 (48)</td>
<td>0 (50)</td>
<td>10 (49)</td>
<td>(50.75)</td>
<td></td>
</tr>
<tr>
<td>Moldova (Republic of)</td>
<td>131 (53)</td>
<td>7 (60)</td>
<td>0 (50)</td>
<td>19 (42)</td>
<td>(51.25)</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>181 (51)</td>
<td>15 (54)</td>
<td>0 (50)</td>
<td>9 (52)</td>
<td>(51.75)</td>
<td></td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>48 (56)</td>
<td>18 (50)</td>
<td>0 (50)</td>
<td>8 (53)</td>
<td>(52.25)</td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>16 (61)</td>
<td>10 (58)</td>
<td>3 (38)</td>
<td>3 (59)</td>
<td>(54.00)</td>
<td></td>
</tr>
<tr>
<td>Mongolia</td>
<td>11 (62)</td>
<td>2 (62)</td>
<td>1 (44)</td>
<td>8 (53)</td>
<td>(55.25)</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>20 (59)</td>
<td>6 (61)</td>
<td>0 (50)</td>
<td>4 (57)</td>
<td>(56.75)</td>
<td></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>6 (63)</td>
<td>1 (63)</td>
<td>0 (50)</td>
<td>2 (61)</td>
<td>(59.25)</td>
<td></td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>4 (64)</td>
<td>0 (64)</td>
<td>0 (50)</td>
<td>0 (63)</td>
<td>(60.25)</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 6. Conclusions. The Future of International CSR Standards

This part provides a summary classification of the existing CSR instruments and focuses on three process-based instruments with soft requirements that are differentiated by type and purpose: UNGC (policy/ code of conduct), GRI (reporting) and ISO 26000 (management/ accounting). The ISO 26000 was introduced as a user-friendly guide in the area of management systems, assurance and accounting and has a potential to link polices, management and reporting instruments to achieve continued improvement towards sustainability.

This study represents a first attempt to predict the fit of ISO 26000 within other well-established CSR instruments. We selected the most prominent process-oriented international CSR instruments, which have been mainly analysed separately by scholars and not linked as a collaborative mechanism.

Many researchers are misleading academic and practitioner communities by comparing different types of CSR instruments by pairs (e.g. UNGC and ISO 26000, or GRI and UNGC) (Mueckenberg and Jastram, 2010; Na et al., 2013). Each of these instruments has different purposes within organizations and should not be compared.

This study provides insights into institutional entrepreneurship theory by showing in which way organizations in a role of institutional entrepreneurs (i.e. the GRI) may contribute to the early adoption and subsequent institutionalization of
new CSR instruments (i.e. ISO 26000). It also contributes to coopetition theory by identifying and analysing the example of coopetition outside the traditional business setting. In particular, I apply the coopetition concept in the context of non-profit international organizations that strive for the same goal (e.g. contribution to sustainable development).

In order for the ISO 26000 to become a successful CSR instrument, it needs a strategy and time to become institutionalized. However, global governance gaps can only be effectively addressed when the different CSR instruments and those organizations that set up the CSR instruments collaborate as a network rather than individually and competing for a leading position. No single instrument has reached critical mass yet, and only a more collaborative approach among various complementary instruments can create a lasting impact on global governance (Rasche and Gilbert, 2012).

The existing collaborative relationship between the GRI and ISO is already a step forward that may help promote ISO 26000 (Rasche and Gilbert, 2012), but this connection should be further developed. As of today, the GRI is committed to updating the inter-linking document with ISO 26000 according to their fourth generation G4 framework.

A key challenge is to further develop existing interfaces between the UNGC and other CSR instruments (Rasche and Gilbert, 2012). A more collaborative
UNGC-ISO partnership will be critical for the promotion and institutionalization of both instruments.

In addition, I predict two opposite forces that can influence the decision to adopt ISO 26000. On one hand, I conclude that a firm’s previous positive experience with other CSR-related ISO standards, namely ISO 9000 and ISO 14001, and the key role of consultancies will act as a positive factor encouraging the adoption of ISO 26000. On the other hand, the entrance barriers such as non-certification can act as a brake for its adoption. It is not clear which of these two forces will prevail. In order to test this, possible future research could be conducted within one or several national contexts.

This study has several limitations. First, due to the fact that ISO does not provide a list of organizations that have adopted any of the ISO standards, we cannot use any data on ISO 26000 adoption. Currently, we only have access to some examples of case studies describing best practices related to the implementation of some of ISO 26000 core subjects. Moreover, the CSR instruments analysed are not the only ones influencing the CSR field. I suggest that other instruments (e.g. OECD guidelines for multinational enterprises, or the Carbon Disclosure Project (CDP) can be studied in conjunction with ISO 26000. At the same time, my study is not limited to the perspectives of the two theories I apply. Other theories may be applied to better understand the mechanisms of influence in the adoption of different CSR instruments.
This study has interesting implications for international organizations promoting CSR instruments. It shows a global picture of interactions among different CSR instruments, rather than merely paired relationships between two instruments (e.g. ISO-UNGC, GRI-UNGC etc.). It is also helpful for standard setting organizations to understand the institutionalization mechanisms of their instruments through the lens of two different organizational theories.

This study also has important implications for managers and their companies. It helps to understand that the three process-based CSR instruments analysed (UNGC, GRI and ISO 26000) have different goals and are useful in different parts of the CSR infrastructure. These instruments help them implement CSR strategies at different stages of integrating sustainability issues into their practices. The UNGC is a policy instrument to establish general goals and codes of conduct. ISO 26000 is a management instrument to help implement and review the CSR goals. The GRI is an accountability instrument to report on the CSR outcomes for all their stakeholders. Another implication for managers already using ISO 9000 and ISO 14001 shows that while they are familiar with ISO standards implementation, they will have less cost-related resources implementing a new one. For them certification should not be the only goal. In summary, CSR instruments should not be treated as alternatives to one another but rather complementary to each other.
Internationally, organisations have implemented a collection of these standards to be in line with such development and to obtain or keep their licence to operate globally. After two decades of development and maturation, the scenario is now different: (i) the economic context has changed dramatically with many of the world’s economies facing a downturn and a looming possible recession; and the global economic and political balance changing; (ii) most larger companies and quite a few small-medium enterprises (SMEs) now have a mature knowledge of these standards; and (iii) some standards are advocating for integration procedures, such as cases of, for example ISO integrated management systems, mutual equivalences recognition of Global Compact-GRI-ISO 26000, or the case of IIRC initiative to develop integrated reporting on an organization’s Financial, Environmental, Social and Governance performance. For example, according to KPMG 2013 Survey, companies are expecting their CSR reporting to become more integrated with financial reporting over next five years and more focused on materiality, driven by the GRI G4 framework. It seems that Integrated reporting is the next destination of corporate reporting. However, in times of integration: can there only be one?
PART 3: NATIONAL LEVEL
Chapter 7. Cultural and National drivers for CSR. Introduction

Dealing with the complex environmental and social problems such as global warming, poverty, ocean pollution, extinction of species or acquired immunodeficiency syndrome (AIDS) demands cooperation of opinion leaders from many countries. In turn, they need the support of broad groups of followers in order to implement the decisions taken. Understanding the differences in the ways these leaders and their followers think, feel, and act is a condition for bringing about worldwide solutions that work and this is fundamental on the way to finding a solution (Hofstede et al., 2010).

If culture determines one’s mental programming, its sources lie within the social environment in which one grew up and collected one’s life experiences (Hofstede, 2001). Those social environments would be predetermined by major historical events and experiences in any given society. All these shape the national institutional settings.

At the same time, a nation-state is another actor in the institutionalization process. The regulatory power of the state can lead to the creation of new institutional forms as well (Scott, 2008).

Therefore, it is important to explore the cultural-cognitive pillar and national government as drivers for corporate social responsibility at the national level.
7.1. Cultural-cognitive pillar as a driver for CSR

In a culture theory viewed by Scott (2008), culture consists of explicit and implicit patterns of historically derived and selected ideas and their embodiment in institutions, practices and artificrafts. He views that organizations are not simply the product of increasing technical sophistication, or even of increasingly complex relational patterns, but a result from the increasing rationalization of cultural rules, which provide the independent basis for their construction.

Culture consists of socially established structures of meaning and the shared conceptions that constitute the nature of social reality and the frames through which meaning is given. Symbols – words, signs, and gestures – shape the meanings we attribute to objects and activities. Meanings arise in interactions and are maintained and transformed as they are employed to make sense of the ongoing stream of happenings (Scott, 2008). Therefore, external cultural frameworks shape internal interpretive processes.

According to Hofstede et al. (2010) culture provides patterns of thinking, feeling and acting: mental programs of the software of the mind.

There are considerable differences in the conception of responsibility across different cultures (Windsor, 2008). Research suggests that CSR is applied differently across different social, economic, cultural, legal and political contexts. It points to the fact that while the CSR concept is global in nature, national social,
political and economic institutions play important roles in shaping practices and performance (Gjølberg, 2009a).

I believe that corporate strategies concerning CSR tools will also be shaped by cultural factors and thereby result in differences in CSR practices between nations. Even in the age of globalization, national cultures and structures still constitute a crucial context that affects corporate strategy.

7.1.1. Exploring the National Factor of CSR

One of the more theoretically influential articles in the field, which does link CSR systematically to the wider societal context, is Matten and Moon (2004) article on implicit and explicit CSR. Their hypothesis is that companies from liberal, laissez-faire economies choose a more explicit form of CSR since liberal market economies leave a larger share of corporate responsibility issues to the discretion of their companies. Conversely, the social and environmental responsibilities of companies located in so-called ‘coordinated economies’ are embedded in and regulated by institutional and legal frameworks, hence reducing the need to explicitly communicate these companies’ contributions to society. Their analysis makes a convincing argument for the decisive role of national business systems and institutional underpinnings for CSR practices across nations, but it is supported by only a few empirical examples.

Corporate governance scholars have roughly divided the world into the Anglo-American ‘outsider’ system versus the Continental European and Japanese
‘insider’ systems, divisions which have been suggested to map onto shareholder versus stakeholder views of the firm and onto different cognitive styles in various cultures (Light, 2004). Yet, a number of comparative CSR studies show that legal developments and institutional context in Britain concerning CSR show important similarities with Europe, and related contrasts with the United States, thus casting doubt on a unified ‘Anglo-American’ system corporate governance (Williams and Aguilera, 2008).

According to Gjølberg, (2009a), CSR practices index includes process-oriented ‘soft’ requirements whereas the performance index is about ‘‘hard’’ performance-oriented requirements. Based on the comparison along the indexes, Gjølberg (2009a) concludes that the country of origin matters to companies’ CSR practices. For instance, Spanish and French companies are strong in the ‘soft’ process-oriented index whereas Nordic and Swiss companies are strong in ‘hard’ performance index.

At the individual level, managers display cultural and historical differences across countries and regions. More generally top managers behave differently across countries because they are highly influenced by the national cultural norms of work and the organizational culture in which they are embedded (Hofstede, 2001).

That is also why it is so hard to get a consensus on universal definition of CSR. It is not surprising that there are distinct mental maps and expectations of
what CSR is, what it should be in an ideal world and who should be involved in CSR issues (Williams and Aguilera, 2008).

Research also shows that personal values have a direct relationship with the type of CSR that managers are likely to support in different countries. Egri, Raltron, Miston, & Casado (2006) show that managers in traditional cultures that promote ethical idealism and communitarian norms and tend to have a Roman Catholic heritage (e.g. Spain and Italy) were more supportive of social CSR than environmental or economic CSR. Secular-rational and survival societies such as ex-Communists countries (e.g. Hungary and Croatia) or Confucian-oriented societies (e.g. Taiwan and Hong-Kong) were more likely to support economic CSR initiatives.

From one side, national, cultural and market settings are predictors of managerial CSR behaviour. At the same time, values of individuals and organizations regardless of the country of origin are predetermining of the managerial CSR behaviour. However, with globalizations, managers from one culture and country move to work to other cultures, which also affects and influences the way responsibility is perceived and practiced.

The country of origin also has an impact on how multinationals as legal entities incorporated in a given home country behave around the world through their subsidiaries.
7.2. Government as driver for CSR

From the other side, a country’s government could be a driver for CSR. While CSR is generally viewed as an alternative to government regulation, this does not mean that it has evolved separately from public policy (Moon and Vogel, 2008).

Comparative institutional analysis proceeds from the assumption that formal institutions, such as constitutions, laws, and government policies, interact with both informal institutions such as social norms and mental models of analysis, and organizations such as business entities, labour organizations, and civil society to produce unique cultural and institutional frameworks for company action (Williams and Aguilera, 2008).

The extent to which society seeks external control over business is reflected on the standards embodied in the law, public policy and government regulations (Preston and Post, 1975).

Governments have often encouraged CSR in order to manage the array of governance issues. According to Moon & Vogel (2008) governments can facilitate CSR in the following ways:

1) by the use of their imprimatur to exhort and encourage business responsibility

2) by setting clear frameworks to guide business behaviour, establishing non-binding codes and systems, and providing information about CSR to firms and industries.
3) by providing guidance on best practice.

### 7.2.1. National CSR Success and Globalization

In a globalized world, the benefits and risks of corporations for any national society are remarkably similar. We should not focus on purely economic and political concepts in favour of approaches that focus on the nature and function of the modern corporation (Donaldson, 2008), and in this way look for new ways to understand their success.

According to Gjølberg (2009b) there are two pathways to the CSR success, neither of which is mutually exclusive. One is through (i) strong institutions and the other is through (ii) strong globalization. Both are able to shape and set or hinder direction for CSR development.

(i) The institutional hypothesis explains CSR success as a combination of membership in corporatist integration, an active state and a strong political culture.

(ii) The globalist hypothesis, on the other hand, is supported by the combination of a high proportion of transnational corporations and foreign direct investment (FDI).

However, the more successful organization in terms of the CSR would have the combination of both pathways which would influence on its speed, uptake and types of initiatives developed.
7.3. Identifying European CSR Country Leaders

Even though research agendas put emphasis on the distinction between explicit and implicit CSR, where the former is common in corporations coming from the influence of the Anglo-Saxon system of capitalism, and the latter for corporations based in European countries, Matten & Moon (2004) acknowledge that there are still significant differences in CSR types among European countries.

7.3.1. Methodology

In order to identify European leading countries in the use of CSR instruments, I adapted the methodology of Gjølberg (2009a) for index construction. For comparative analysis, the GRI list of reporting organizations (GRI reporting list) and UNGC databases (UNGC) for year 2009 were processed with R-project\(^3\) to calculate a summary statistic for each country (the number of reporting companies). The resulting table was merged to world map shapefile of national boundaries and a new shapefile was created and displayed in Quantum GIS (QGIS)\(^4\). However, this absolute number of participating organizations is severely biased by the number of total organizations, which greatly varies across countries. For example, a direct comparison of Spanish results with the United States is misleading due to the fact that Spanish and the US economies are different in size and also each

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\(^3\) R-project is a software environment for statistical computing and graphics

\(^4\) QGIS is a cross-platform free and open source desktop program of Geographic Information System
country has a different population. As data on the total number of organizations by country (companies and other kind) are not available, the results were corrected by GDP and population statistics for 2009 (UNEP GEO portal) as proxies. The number of participating organizations was divided by GDP\textsuperscript{5} and population statistics and multiplied by a coefficient (k\textsubscript{1}=1000000, k\textsubscript{2}=100000 consequently). In the end, six shapefiles were produced and visualized in QGIS program. For each dataframe classification of five intervals were established and represented by different colours; outliers were represented separately.

The biggest advantage of using GIS is the visualization of the results. We are able to associate geographical data (national boundaries) with non-geographical data (number of participating organizations, GDP and population statistics) and as a result, visualize the situation for all countries in the world. Graphs, charts and diagrams are not able to provide the same representation and visualization of data.

\textsuperscript{5} GDP was measured in purchasing power parities (PPPs). PPPs are commonly used when measuring and comparing the size of economies, since PPPs eliminate the differences in price levels between countries and hence provide a more relevant measure in cross-national comparisons (Shchreyer and Koechlin, 2002).
Figure 9. A. Number of organizations accepted the UNGC by 2010
Figure 9. B. Number of organizations reported on GRI for 2009
Figure 9. C. Number of organizations in the UNGC corrected by GDP (2009)
Figure 9. D. Number of organizations reported on GRI corrected by GDP (2009)
Figure 9. E. Number of organizations in the UNGC corrected by population (2009)
Figure 9. F. Number of organizations reported on GRI corrected by population (2009)
7.3.2. Results and Discussion

The 1251 organizations included into the GRI database (reported on 2009 year results) were located in 64 different countries, and presenting all regions of the world. The highest amount of organizations, 575, were from Europe, 259 from Asia, 163 from Latin America, 140 from North America, 74 from Oceania and 40 from Africa.

On 31st of December 2008, the 5876 organizations from 126 countries were engaged into the UNGC. The leader region of UNGC participants was also Europe.

In fact, the results of both initiatives in absolute numbers (Figure 9. A, B) are lead somehow unexpectedly by Spain, represented by 125 organizations reported on the GRI and 600 organizations engaged into the UNGC. Spanish organizations are not generally known to be very active in CSR and it would be rather interesting to investigate this phenomena.

Also the active participation of 502 French organizations in the UNGC is surprising, while at the same time there is not such a high participation, only 22 organizations, in the GRI reporting. That shows that French companies were engaging in soft requirement initiatives and after all not aiming for continuous improvement.

While GDP is used as a proxy, the situation for the two studied initiatives is very different. Countries standing out in the first lines for the UNGC (Figure 9. C)
were those that are not generally known for their participation in the CSR discussion. For example, Moldova, Mongolia, Armenia, Georgia, followed by Latin American and some African countries. This result on one side proves that the UNGC initiative is open for all countries, organizations and industries, and not just for the best-in-class organization (Gjølberg, 2009). It also brings good news on the emerging issue of CSR in developing countries, step by step covering all countries in the world. However, on the other side, introducing GDP as a proxy gives us misleading results. Countries with relatively low GDP and at the same time with at least some participants come out in the beginning of the list. These results bring us to the conclusion that it is necessary to first classify countries by the level of economic development and investigate the situation in every interval separately.

Regarding the results of the GRI in relation to GDP (Figure 9. D), not the same countries stand out first. While more and more organizations were engaging with the UNGC initiative, only few were starting to report on their corporate responsibility issues. However, our result showed that some Latin American countries seem to already be active in sustainable reporting, such as Chile, Ecuador, Bolivia, Peru and Brazil. Among the reporting organizations in these countries were mostly the representatives of international companies, mining, energy utilities and agriculture sectors, which are always under the pressure and obliged to produce sustainability reports due to the critical issues of their activities.
Results related to population statistics (Figure 9. E, F) vary from GDP ones. For the UNGC we can distinguish the interesting leadership of Singapore, Spain and Dominican Republic. However, while Spain was the absolute leader in both initiatives and even relative to population, Dominican Republic is not reporting on the GRI and Singapore had only five organizations reporting.

While using population as a proxy, we also face the same problem: there are primarily countries with a relatively small population, which may account for their high scores, for example Andorra and Luxembourg. However, the result in general showed more of an expected trend in the CSR discussion. For example, the leadership of Nordic countries, which was also followed by Switzerland, took place for both initiatives related to the country’s population.

Switzerland has had a large number of corporations, which are under continuous scrutiny from media and non-governmental organizations watchdogs, and which therefore have a strong incentive to engage in CSR. Nordic companies are generally known for being subjected to strict social and environmental regulations, as well as for having a strong commitment to the international CSR initiatives. Also, Nordic countries are characterised by close, cooperative and consensual relations between state, business and labour, as well as a long-standing tradition for involving civil society in policy making (Gjølberg, 2009).
7.3.3. Selection of countries for further study

To my knowledge, this is the first study using GIS for representation of the spread of CSR tools. The method used gives us a possibility to visualize and compare all participating countries. There have been quite a few studies in which a national factor of CSR was raised and in fact, no studies comparing the UNGC and the GRI recent databases.

As in all empirical studies there are some limitations that should be considered regarding future research in that area. The main limitation is related to the proxies used; countries with relatively small GDP and population and at the same time with at least some participants come in the beginning of the list; however, such limitations could be solved by classifying countries in several groups by the level of economic development and compare results inside each group.

The leading region participating in the UNGC and the GRI was Europe. Latin American countries however, also show significant results in sustainable reporting.

I found out that the absolute leader participating in the UNGC initiative and reporting on the GRI was Spain and it would be rather interesting to investigate the causality of this phenomenon and general Spanish CSR context in the further development of the thesis. At the same time, population as a proxy (compared with GDP results) has shown more a predictable trend of Nordic countries (Denmark in
the first place) as the most active in the UNGC and the GRI. Those countries seem to have the highest commitment to the international CSR agenda. Therefore, I have selected Spain and Denmark for further analysis within the European context.

Chapter 8. European Union CSR policies

Before proceeding with the concrete analysis of culture and policies that determined the development of the CSR within Denmark and Spain, I would first like to introduce European Union (EU) policies regarding corporate social responsibility.

In general, within European Union Member States, a broader concept of CSR is gaining greater sway. European CSR combines ecological sustainability and stakeholder participation in corporate governance (Windsor, 2008). While many of the efforts have taken place at a national level within Europe, a particularly critical educational and promotional role has been played by the EU. On numerous occasions since the late 1990s, the EU has issued statements and reports that emphasise the importance of CSR. For the EU, CSR represents an integral part of its multifaceted efforts to promote European competitiveness: it represents both a strategy for companies to improve their long-term financial viability – and a way for Europe to become more innovative, dynamic, and competitive (Moon and Vogel, 2008).
The European Commission (EC) has played a pioneering role in the development of public policy to promote CSR ever since its 2001 Green Paper and the establishment of the European Multistakeholder Forum on CSR. In this influential Green Paper of 2001, the European Commission provided a comprehensive inventory of the various ways in which governments could promote CSR as well as an overview of the various detentions of the best CSR practices (EC, 2001). It was also the document, in which the first definition of CSR was formulated:

“a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (EC, 2001).

In 2006, the European Commission, along with several business leaders established the European Alliance for Corporate Responsibility, with the aim of promoting cultural change within businesses (Moon and Vogel, 2008). This policy also identified 8 priority areas for EU action: awareness-raising and best practice exchange; support to multi-stakeholder initiatives; cooperation with Member States; consumer information and transparency; research; education; small and medium-sized enterprises; and the international dimension of CSR (EC, 2011).

Ten years after the first CSR definition, in 2011 the Commission put forward an updated definition of CSR as “the responsibility of enterprises for their impacts on society”. In the renewed 2011-2014 EU strategy for corporate social
responsibility it is explained that respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders (EC, 2011).

Moreover, for companies seeking a formal approach to CSR and especially large companies, EU strategy emphasised the use of authoritative guidance provided by internationally recognised principles and guidelines, in particular the recently updated OECD Guidelines for Multinational Enterprises, the ten principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, Global Reporting Initiative for sustainability reporting, and the United Nations Guiding Principles on Business and Human Rights. This core set of internationally recognised principles and guidelines represents an evolving and recently strengthened global framework for CSR (EC, 2011).

At the same time, the Commission emphasized the importance of national and sub-national CSR policies. By 2011, 15 out of 27 EU Member States had a national policy framework to promote CSR.

The concrete example of CSR legislation under the current EU strategy is the directive on disclosure of non-financial and diversity information by certain large
companies and groups adopted on 15 April 2014 (EC, 2014a). Under this legislation, companies will need to disclose information on policies, risks and outcomes regarding environmental, social and employee-related aspects. The rule will be applied to large companies with more than 500 employees. In particular, large public-interest entities with more than 500 employees will be required to disclose certain non-financial information in their management report.

By the date of finalizing my PhD, the European Commission launched a public consultation in order to receive feedback on the implementation of its most recent policy on CSR (EU renewed strategy 2011-2014). The results of this public consultation will be summarised in a technical report and further inform the preparation of the plenary meeting of the multi-stakeholder forum on CSR, which is planned for November 2014. These two events will provide the most essential input for the Commission’s work on the direction of its CSR policy after 2014 (EC, 2014b).

Chapter 9. Danish way to CSR

Nordic countries are presented as frontrunners in the CSR initiatives being initially and ideally situated for the CSR success by the influence of national institutional frameworks (Gjølberg, 2009b). Nordic countries dominate the list of Responsible Competitiveness Index, scoping the top ranking out of 108 nations, demonstrating their effort in encouraging responsible competitiveness through advancing public policies and creating favourable social conditions (Zadek, 2006).
Particularly, the Danish CSR is being discussed as a “unique case” having the following prerequisites for moving the CSR agenda forward (Hofstede et al., 2010; Morsing, 2004):

- Social embeddedness of the economy
- Low power distance
- General compliance for dialog and negotiations
- Trust and Equality

The Danish government has been the first to introduce policies under the name “CSR”; and is considered to have the most ambitious CSR action plan in Europe (Gjølberg, 2010). Danish managers’ socially responsible actions are an inherent part of company culture (Morsing, 2004). Moreover, the Danish government actively promotes and supports CSR initiatives and markets Denmark as a “Responsible Nation” (Gjølberg, 2010).

Denmark did not achieve such success overnight. It has come from a long history and is based in complexities of the development of societies. Social responsibility and equality can be perceived starting from the stories by story-teller Hans Christian Andersen, as in observing Danish participation and ability to handle neutrality during the World War II, as well as the way Danes overcome contemporary crises (Lidegaard, 2009).

Looking back into history, three events deserve special attention: folk high
schools, cooperative and labour movement. The first one is the educational approach developed by Grundtvig. In the middle of the 19th century he questioned the sense in learning by rote, striving for better grades and training for exams, and instead proposed to educate children to become responsible and enlightened citizens (Lidegaard, 2009). Grundtvig and his followers introduced “folk high schools” in order to challenge the educational system and open new horizons for the pupils. At the same time the cooperative movement emerged, teaching “the Danes a lesson of lasting importance: by joining forces and by creating mutual bonds of solidarity, progress could be achieved and political influence obtained” (Lidegaard, 2009). Inspired by German social legislation, in 1891 the Danish government introduced an Old Age Pension Act that was based on a universal system, covering all citizens, financed by taxes, and administrated by local municipalities. This made Danes reconsider the role of a particular company in the determination of social security (Lidegaard, 2009). Those three changing processes turned the course of the whole Danish society and determined the ability of Danes to handle responsibility as citizens.

Researchers pointed out that the Danish participative democracy with the state as main provider of social services helps Danish society to keep its leading position on its way to sustainable development (Morsing, 2004). For example, in the context of high level of unemployment and social exclusion in Denmark, the Minister of Social Affairs, Karen Jesperson in 2000 initiated the ‘It Concerns Us All’ campaign to draw attention to the ways in which CSR could assist in addressing
public policy problems and formed the National Network of Company Leaders to provide advice to the government with respect to groups at risk of social exclusion due to long-term unemployment, lack of training, mental illness, and alcoholism (Røsdahl, 2001).

In May 2008, the Danish government published its Action Plan for Corporate Social Responsibility. It was the first action plan for CSR among all EU Member States. The aim of the action plan is twofold: to promote CSR among Danish businesses and to promote sustainable growth both domestically and internationally.

The action plan comprises 30 initiatives in four key areas: (i) propagating business-driven social responsibility, (ii) promoting businesses social responsibility through government activities, the corporate sector’s climate responsibility, and (iii) marketing Denmark for responsible growth. This action plan presents a smart mix of CSR instruments, ranging from informational web tools like the CSR Compass (http://www.csrcompass.com/) or partnering instruments like the Council on Corporate Social Responsibility to legal instruments such as the much debated legislation on reporting (Knopf et al., 2011).

Denmark, similar to EU strategy on CSR, strongly supports international CSR initiatives, as the UN Global Compact and the UN Principles for Responsible Investment (UNPRI).
Regarding the sustainability reporting practices, Denmark was the first EU state to make the publication of social and environmental information a formal legal requirement with its Green Accounting Law introduced in 1995 (Gonzalez and Martinez, 2004). Currently, in Denmark, the 1,100 biggest companies, as well as state-owned companies, institutional investors, mutual funds and listed financial businesses must provide information about their CSR policies on a “comply or explain” basis in their annual financial reports.

Among all policies and national strategies in Denmark, an important role is given to meeting global climate challenges by reducing energy consumption and greenhouse gas (GHG) emissions in their own and suppliers’ businesses, while also contributing to developing and disseminating global climate solutions. In 2009 the Danish government launched a business strategy focusing on Danish companies’ potential contributions to climate protection. The strategy encompasses several initiatives, including the “Energy Technology Development and Demonstration Programme”, the “Business Innovation Fund” for the market maturation of green solutions or business tools such as the Climate Compass (web-based tool, http://www.climatecompass.dk/index.php?id=353128), and business partnerships within selected sectors (e.g. the marine sector) which aim to facilitate and motivate green growth and reduce GHG emissions (Knopf et al., 2011).

In addition to being a frontrunner within all EU Member States, Danish government also intended to take a lead role in the promotion and discussion of social partnerships to meet the challenge on social exclusion not only on a Danish
scale but also on a European scale, as it was set out by the European Commission on the present and future role of social partnerships across Europe (Morsing, 2004).

Already being a “successful nation in terms of the CSR”, what does “CSR success mean for Danish companies”? Which Danish companies are considered to be successful? The 2012 Global 100 list of most sustainable companies was headed by Nordic companies, 7 out of 20 lead the list, where 2 out of first 5 most sustainable companies of the world are Danish (Novo Nordisk and Novozymes) (Corporate Knights Capital, 2012). Similarly, Danish companies also appear first in sustainability indices and rankings by DJSI, FTSE4Good, Great Place to Work and Reputation Institute etc.

Based on criteria such as international recognition, national recognition, sustainability reporting practices (GRI and COP reports), and presence in sustainability indices (DJSI, FTSE4good, Great Place to Work, Reputation Institute Index, and similar), the following tentative list of cases has been drafted:

Multinational, publicly held:
- **Novozymes**
- Novo Nordisk
- Maersk Line

Multinational, privately held:
- Grundfos
- Danfoss
- LEGO
- Arla Foods (Cooperative)
National (SME):

- Middelfart Sparekasse
- Creativ Company
- Frøs Herreds Sparekasse

Table 7. Responsible Competitiveness Index (RCI) 2007 (MacGillivray et al., 2007)

<table>
<thead>
<tr>
<th>RCI 2007</th>
<th>Position</th>
<th>General</th>
<th>Policy Drivers</th>
<th>Business Action</th>
<th>Social Enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark DNK</td>
<td>2</td>
<td>81.0</td>
<td>89.9</td>
<td>86.9</td>
<td>76.6</td>
</tr>
<tr>
<td>Spain ESP</td>
<td>26</td>
<td>63.7</td>
<td>73.3</td>
<td>61.4</td>
<td>63.3</td>
</tr>
</tbody>
</table>

Chapter 10. Spanish way to CSR

According to the RCI (Zadek, 2006), policy, business and social enablers in Spain are much lower than Danish ones (Table 7). Industry in Mediterranean countries is characterised by low scores on a new embeddedness indicators (Midttun Gautesen and Gjølberg, 2006). However, Spain scores fairly high in most CSR indicators, including the world leading position in participation in UN Global Compact and reporting on Global Reposting Initiative (GRI).

Spanish society is concerned about social issues related to labour, such as temporary labour contracts, work conditions of immigrants, safety in the workplace, redundancy and unemployment (Fernandez and Mele, 2004). While Spanish business communities have taken an active interest in CSR, but so far not achieved
results sufficient to qualify for the more demanding CSR initiatives (Gjølberg, 2009a).

Most of it is consequence of General Franco’s authoritarian regime that lasted from 1939 till 1975. Historians claim that Spain in 1939 and Spain in 1975 picture two entirely different worlds (Tusell, 2007). Franco took control and influence over all military, political and economic areas of Spain. If it was in Soviet Russia that for the first time in the modern world a system was generated in which the state apparatus used modern methods of violence against any who opposed it, it was in Franco’s Spain that such a system was first seen in Western Europe (Tusell, 2007). An essentially authoritarian vision, national Catholicism, and a certain populist social agenda would together constitute keynotes of the regime, which remained hostile to the disruptive pluralism and freedom of opinion associated with a liberal society. There was never freedom for trade unions, nor freedom of speech and free media. For example, newspaper editors were always government appointees.

Under such conditions, an autarchic economic system came into play, which was liberalised from 1959, opening the Spanish economy to external markets. In the sixties, sensible economic development began. During Franco’s time many regulations protecting workers from dismissal were promulgated and a wide social security system was developed (Fernandez and Mele, 2004; Tusell, 2007). At the same time, the hidden economy and tax evasion were relatively pervasive. Lack of
democracy was frequently offered as a pretext for tax evasion, but the cause was probably more complex (Fernandez and Mele, 2004).

In general, Spanish society is probably more tolerant than other non-Latin countries with themes such as tax evasion, lack of compliance with the law, and in developing certain underground economies in certain industries (Fernandez and Mele, 2004). Being a traditionally Catholic country, with the arrival of democracy in Spain, certain values related to individual freedom, such as tolerance, autonomy, awareness of one’s own rights and those of others, have increased, while a sense of solidarity, friendship and loyalty has probably diminished.

In 1986 Spain became a member of the EU. This was a turning point in Spanish recent history because it was the opportunity to introduce all the EU regulations and financial resources to update the infrastructures, the economy and all the topics that allowed Spain to progress until it reached the current position in the group of most relevant countries in the EU.

Until 2008, no governmental initiatives, other than creating a website within the Labour and Social Affairs Ministry’s, has tried to foster CSR as a whole. However, after long intents and debates, in February 2008 the State Council on Corporate Social Responsibility (Consejo Estatal de Responsabilidad Social de las Empresas (CERSE)) was established. It acts as an advisory and consultancy body for government, with equal representation from business, trade unions, civil society and government at all its levels (Knopf et al., 2011). The results of the work of CERSE came out in the approval of Spanish Strategy on CSR on 16th of July 2014.
The document contains 60 measures to promote CSR among all types of organizations, both public and private. Its lines of action are framed around: (i) promotion of CSR as a driver for more sustainable organizations, (ii) integration of CSR into education, training and research, (iii) governance and transparency, as tools for increasing trust, (iv) responsible management of human resources and employment promotion, (v) socially responsible investments and R&D+I (Research, Development and Innovation), (vi) relationships with suppliers, (vii) responsible consumption, (viii) respect for environment, (ix) cooperation for development (CERSE, 2014).

On this base, Spanish consumers and investors have not yet fully incorporated social and environmental criteria in their purchases and saving decisions (Gonzalez and Martinez, 2004). Initial consumer surveys indicate that the major social focus is on philanthropy (or corporate giving). Moreover, civil society is very fragmented and lacks coordination (Gonzalez and Martinez, 2004).

In general, Spanish companies consider corporate reputation a competitive advantage and the current tendencies of the industry as the major driving forces for CSR.

Based on criteria such as international recognition, national recognition, general reporting practices (GRI and COP reports), and presence in sustainability indices (DJSI, FTSE4good, Great Place to Work, Reputation Institute Index, and
similar), the following tentative list of cases within the Spanish context has been
drafted:

Multinational, publicly held:
  - Acciona
  - La Caixa
  - Inditex

Multinational, privately held:
  - Danone S.A.
  - Grupo Agbar
  - Mondragon Corporation

National (SME):
  - La Fageda (Cooperative)
  - Supermercados Veritas
  - A&B Laboratorios de Biotecnología S.A.U.

The selected case studies within Danish and Spanish national contexts will be re-
evaluated after the selection of theory and the development of the model of analysis.
PART 4: MAKING SENSE OF THEORY
Chapter 11. Sensemaking Theory

**Academic research** trying to follow a model like that taught in medical schools. Scientists are translating data into theories, and promising to develop prescriptions from the theories. Data are like symptoms, theories like diagnoses, and prescriptions like treatments. Are not organizations as dynamic as human bodies and similarly complex? Theories do not capture all the information in data, and they do not determine prescriptions uniquely. Perhaps scientists could establish stronger links between data and prescriptions if they did not introduce theories between them. Indeed, should not data be results of prescriptions? Should not theories come from observing relationships between prescriptions and subsequent data? (Starbuck, 1993)

11.1. Introduction into theoretical part

Social science research has done relatively little to solve social problems. Nowadays, social problems and sustainability issues are being defined in such a complex manner that easily discourages possible solutions. For example, a problem related to domestic hunger in the world is presented as follows: in order to reduce domestic hunger we grow more food which requires greater use of energy for farm equipment, fertilizers, and transportation. So, we must add the cost of energy, which in turn, raises the price of food. Consequently, we mark the price of food out of the price range of the needy (Weick, 2000). It is an example of a problem calling for global responsibility and solution and at the same time it is an example of the materiality issues that a company in the Food and Beverage sector faces. It is a
vicious cycle, where the solution might well be to attend the problem with a sensemaking perspective and gain ‘small wins’ on the way to solution.

Much has already been said about CSR and the importance of sustainability integration into a company’s strategy and everyday activities. However, a too linear approach of the concept of CSR may end up in handful categorization, but it gives us no insights into the underlying reality of how people make sense of CSR within the organization. How exactly a company is making sense (attending (paying attention to), interpreting, acting and learning) from complex sustainability issues and its own CSR activities, is still unclear. In order to understand this complex problem of how people are making sense of CSR within the organization, we are using the sensemaking theory. By taking a sensemaking approach we can increase our understanding of how CSR strategies are influenced by the context specific sensemaking processes of an organization.

The objective of this part is to review primary literature in order to identify the fundamentals of the sensemaking theory and how it can be used for corporate social responsibility research in various national contexts.

However, before introducing the sensemaking theory, it is important to clarify that sensemaking relates to post-positivist stance. Postpositivists accept that theories, backgrounds, knowledge and values of the researcher can influence what is observed (Robson, 2002).
11.2. Background and approaches of the sensemaking theory

The origin of sensemaking theory can be found in the end of the 1960s in Karl Earl Weick’s works on organizational behaviours. There is more to sensemaking than Karl Weick, but sensemaking does not make a lot of sense without him (Colville, 2008). He is considered to be the “father of sensemaking”. In particular, the sensemaking perspective is considered more than any other perspective in organizational studies, closely associated with a single living person (Colville, 2008).

First, Weick conducted sensemaking thought laboratory group experiments. (Weick, 1967, 1969a, 1969b). Later, he elaborated his sensemaking perspective, where he introduced the concept of organizing (activities and processes of doing things in organizations) (Weick, 1979).

The result of more than 20 years of investigation culminated in the formal sensemaking theory in 1995, when Weick published a book Sensemaking in Organizations. Later, focusing on the cognitive nature of sensemaking, Weick published two book volumes: Making Sense of the Organization (Weick, 2000) and Making Sense of the Organization: The Impermanent Organization (Weick, 2009). Sensemaking is explained as the activity that enables us to turn the ongoing complexity of the world into a “situation that is comprehended explicitly in words and that serves as a springboard into action” (Weick et al., 2005).
After publishing the elaborated sensemaking theory, various discussions on organizational application emerged from it. Some important works on sensemaking include: Balogun, (2005), Blatt, Christianson, Sutcliffe, & Rosenthal, (2006), Fiss & Hirsch, (2005).

After Karl Weick’s input into the organizational studies, a second prominent theory of sensemaking appeared and was promoted by Dr. Brenda Dervin and spelled “Sense-Making” instead of “sensemaking” (Dervin, 1998). Dervin’s approach is a theory that explains information-seeking behaviour. The sensemaking theory was developed to help individuals bridge the gaps in cognitive challenges presented to them when they are trying to communicate an information seeking problem to others. This approach is mostly used in information systems and human-computer interaction studies.

Consequently, I chose Weick’s sensemaking theory for my investigation, because of Weick’s foundation in organizational science and the direct applicability of his approach to complex issues (such as sustainability issues within companies). Using Weick's theory enables researchers to understand how organizations adapt to environments and reshape them, what specific strategies facilitate this change process, and how multiple approaches of organizational actors create knowledge that makes sense of the uncertain situations.

Furthermore, Weick was compared to a poet and, as we know, it is impossible to imitate a poet (Colville, 2008). It is his voice and use of words that
make him unique; Weick has his unique Weickian style of presenting organizational experiences. His works are not structured and linear, they are philosophical and multi-interpretable. Therefore, here I present my interpretation of sensemaking theory through the Weickian style, and its connection to sustainability issues within an organization. Based on this interpretation, I derive a model for company analysis.

11.2.1. Definition of sensemaking

In general, sensemaking is a process where people give meanings to their experiences. Sensemaking is not about rules, options and decisions. Sensemaking does not presume that there are right answers on things like taking risks or following rules. Instead, sensemaking is about how to stay in touch with the context and at the same time not to be locked in by the context. Sensemaking is always ongoing as the terrain keeps changing. It can be compared to cartography. Indefinite number of maps that can be constructed, depending on what we are focusing on (Weick, 2000). However, at the same time maps only help in the worlds we are familiar with, in the worlds that have been explored. Is it possible to have a map for a problem that requires a solution? In this way, sensemaking can be compared to a compass. A compass is helpful when you are not sure where you are and can get only a general sense of direction (Hurst, 1995, p. 168).

McDaniel & Walls (1997) explain sensemaking in this way: because the nature of the world is unknowable (chaos theory and quantum theory) we are left
with only sensemaking. As humans we only have a limited capacity to absorb complex and different information at once, so organizing information and making our own order is the only way we can perceive the unknowable. Quantum theory helps us understand that the present state of the world is, at best, a probability distribution. As we learn from chaos theory, the next state of the world is unknowable, so we must pay attention to the world as it unfolds. Therefore, we can only try to understand the current world situation through sensemaking as it the only resource that allows to view the world in a more structured manner. Believing enables action, which leads to more sense, and taking action leads to more sense, and sensemaking connects actions to beliefs (Figure 10) (Weick, 2009).

Figure 10. Sensemaking connects action and beliefs

Successful sensemaking is more likely when people are in motion, have a direction, look closely, update often, and converse openly. This logic derives from the basic process that is involved; That process is embodied in the rhetorical
question: *How can we know what we think until we see what we say?* People need to act in order to discover what they face, they need to talk in order to discover what they think, and they need to feel in order to discover what it means.

At this point, I should provide an official definition of sensemaking. It is not quite easy. Weick provides numerous explanations in his writings and I cite the most commonly adopted among the academic community:

“Sensemaking is not about truth and getting it right. Instead, it is about continued redrafting of an emerging story so that it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism. As the search for meaning continues, people may describe their activities as the pursuit of accuracy to get it right” (K E Weick et al., 2005, p. 415).

“Sensemaking is the process by which social actors turn circumstances into situations that are comprehended explicitly in words that serve as springboards for action” (Weick et al., 2005).

“Sensemaking is a diagnostic process directed at constructing plausible interpretations of ambiguous cues that are sufficient to sustain action. Interorganizing, thus, is understood as a cue interpretation process that requires cognitive coordination in the interest of wise action” (Karl E. Weick, 2009, p.55).
11.2.2. Definition of the sensemaking theory

In particular, sensemaking is an interpretive theory in organization and management research. It is a theoretical approach to describe organizational events. Sensemaking theory focuses on the process instead of the structure and involves the on-going retrospective development of plausible images that rationalize what people are doing. However, it starts with chaos and is about identification and classification (attending), where communication is the central component of sensemaking and organizing (Weick, 1995; Weick et al., 2005). Dealing with complex issues, companies attending some parts and ignoring the others, in order to create their own interpretation of a complex issue. Afterwards, they take an action based on their own interpretation, and only then they proceeds with learning. It is grounded in the individual and organizational identity, while being retrospective in nature and fundamentally social, not just an individual process (Weick, 1995).

Sensemaking involves placing events within a framework, comprehending, redressing surprises, constructing meaning, interacting in pursuit of mutual understanding, and patterning (Weick, 1995). The goal of sensemaking is the feeling of order, clarity and rationality.
11.3. Main characteristics of sensemaking theory

Here, I summarise the main characteristics of the sensemaking theory (Weick, 2009, 1995, 2000) that have been developed and described during the last 40 years. At the same time, I present implications related to primary analysis of the company to later on proceed with the case studies.

11.3.1. Sensemaking is grounded in identity construction

Sensemaking begins with the sensemaker. Depending on who the sensemaker is, the definition of what is “out there” will also change. If taking into consideration individual and organizational images, it is important to remember that individuals are personally motivated to preserve a positive organizational image and repair a negative one through association and disassociation. Individuals alone have their own value system but as representatives of their collectivity, they embody the values, beliefs and goals of that collectivity. Sensemaking recognizes that the behaviour of an individual is more macro than it is presented through other organizational theories.

11.3.2. Retrospective

People can know what they are doing only after they have done it: “How can I know what I think until I see what I say”. The creation of meaning is an attention process, but it is attention to something that already occurred. In this way sensemaking is transforming the past (giving meaning to it).
Meanings change as current projects, goals and environment change. An organization’s sensemaking about CSR/Sustainability is also changing through time. Therefore it is important to see which definition the company gives to sustainability at a given moment in time. It is not so much about the amount of information. Some investigators wrongly think that in sensemaking people need more information, however it makes the process even more confusing. People do not need an excessive amount of information, they need values, priorities and clarity about preferences to help them be clear about which projects matter.

Therefore, sensemaking of sustainability and CSR related projects is different in organizations where sustainability is embedded into companies’ strategy and values.

11.3.3. Enactive of sensible environments

People create their own environments and these environments then constrain their actions. They act and in doing so create the materials that become the constraints and opportunities they face.

An organization can act in a two different ways: (i) thinking that the environment is analysable, therefore accepting it, or (ii) thinking that environment is unanalysable, therefore creating it through error and trial.

From one side, it is important to talk about Spanish and Danish environments in order to understand a context. However, depending on a
company’s characteristics the environment can be perceived or created. Environments exist inside the heads of the sensemaker that treats the reality metaphorically.

11.3.4. Social

Sensemaking is a social process. The decisions are made either with the presence of others or have to be understood or approved by others. The sense is built in social interactions, through talks, discourses and conversations.

11.3.5. Ongoing

Sensemaking never starts. Duration never stops. People are always in the middle of things, which become things, only when those same people focus on the past from some point beyond it (Weick, 1995). People are able to identify main challenges of the process only when they are paying close attention to what is going on around them. The identification of challenges and concerns are helping them to continue moving in the desired direction. However, it is not easy to identify the right challenges and concerns, it depends on frames and cues one is extracting from the process.

11.3.6. Focused on and by extracted cues

People usually shift their focus on products and results, not the process. Effortless sensemaking takes place where is more likely to see sense that has already been made than to see the actual making of it. Social context is crucial for
sensemaking, as it influences the process of noticing, by which the cues are extracted for sensemaking. If events are noticed, people make sense of them. Therefore, it is important to understand what actors are focusing on and where those cues are being extracted from.

11.3.7. Driven by plausibility rather than accuracy

Plausible reasoning is an essence of sensemaking. Sensemaking does not rely on accuracy, but it is about plausibility, pragmatics, creation, invention, and instrumentality. Managers are not always accurate about their perceptions of organization and environment.
<table>
<thead>
<tr>
<th>Main Characteristics</th>
<th>Short description</th>
<th>Company analysis implications</th>
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| 1. Sensemaking is grounded in identity construction           | Sensemaker and sensegiver; what is out there is defined depending on who I am.       | 1.1. Who are we as a company? Where are we coming from? Identity of a firm, history and national context;  
1.2. Values, beliefs and goals of the company                  |
|                                                              |                                                                                   | 1.3. Who is a sensemaker of sustainability issues within a studied organization?                  |
|                                                              |                                                                                   | 1.4. Who is in charge of a CSR/ Sustainability within the company?                                |
| 2. Retrospective                                              | Attention to something that has already occurred                                   | 2.1. What is CSR/ Sustainability for the company?                                                |
|                                                              |                                                                                   | 2.2. Where are we now in sustainability issues?                                                   |
|                                                              |                                                                                   | 2.3. What was our way till this point in sustainability strategy?                                 |
|                                                              |                                                                                   | 2.4. What changes have occurred during the company’s transformation?                              |
| 3. Enactive of sensible environments                         | Organization creates its own environment; environment exists in the mind of the sensegiver. | 3.1. Is the studied company proactive or reactive towards its environment?                       |
|                                                              |                                                                                   | 3.2. Where are the boundaries of the company?                                                     |
|                                                              |                                                                                   | 3.3. Which are the constraints that the environment puts on the organization? (Porter 5 forces?) |
|                                                              |                                                                                   | 3.4. Which behaviour belongs to the organization and which behaviour belongs to the environment? |
| 4. Social                                                    | Sense is built in the social interactions                                           | 4.1. Where is sensemaking exactly taking place regarding CSR?                                     |
|                                                              |                                                                                   | 4.2. Who are the social actors or stakeholders of the company?                                   |
|                                                              |                                                                                   | 4.3. Could it also be simultaneous sensemaking? On different levels and interactions between them? |
|                                                              |                                                                                   | 4.4. Does it happen during the interactions between organizations? How do they make sense?       |
| 5. Ongoing                                                   | Sensemaking never starts neither stops                                             | 5.1. In which period of time did CSR sensemaking within the case study company take place?       |
|                                                              |                                                                                   | 5.2. For how long was the CSR implemented in the company?                                         |
| 6. Focused on and by extracted cues                          | Process of noticing and extracting cues                                            | 6.1. What is the sustainability strategy of the company? Which topics are identified as “material” for the company? |
|                                                              |                                                                                   | 6.2. Which events are noticed for sustainability strategy?                                       |
|                                                              |                                                                                   | 6.3. What are sustainability references of the company?                                          |
| 7. Driven by plausibility rather than accuracy               | Sensemaking is not about accuracy, it is about plausibility                         | 7.1. What are the main beliefs of the company’s sustainability strategy? Are they accurate or plausible? |

Table 8. Main characteristics of sensemaking theory and implications for primary company analysis
11.4. Levels of sensemaking

According to Wiley (1988) there are three levels of sensemaking above individual level of analysis:

*Intersubjective level*: joined subject or merged subject, when I transforms into we.

*Generic subjective*: social structure implies a generic self.

*Intrasubjective*: pure meanings, level of symbolic reality.

Weick links institutions to the intrasubjective level of ‘pure meaning’, while sensemaking resides in inter-subjective processes among actors. In this framework, institution is akin to a coherent symbolic code, while sensemaking is the practice of using the code. The two levels are connected via the generic subjective level of organization, where institutionally defined roles and scripts connect the structures at the field level to the subjective meaning that arises from individuals enacting these structures in local practice (Weick 1995: 71–72; Wiley 1988: 259).

11.5. Instruments of sensemaking

“If people know what they think when they see what they say, then words figure in every step. To change a group one must change what it says and what its words mean. Language transformation can be a pathway to behavioural transformation.” (Weick, 1995)
The substance of sensemaking starts with three elements: a frame, a cue, and a connection. Past moments in a connection with a present moment results in a definition of a present situation (Figure 11).

![Diagram of sensemaking process](image)

**Figure 11. Definition of a present moment**

Frames represent past moments, while cues lead us to present moments. If the person can construct a relationship between those two moments the meaning is created. Then depending on who is a sensemaker, the frames and cues would be different, which gives us a different meaning. At the same time, a working organization creates its intersubjective and generic subjective level of sensemaking, a collective mind, which helps to establish common frames and cues for its members.
Weick (2001) suggests that the most important context in which definitions of organizational reality is created and shaped is the socialization of the new members when a whole new vocabulary of symbols, ideology is presented to new members. Once this vocabulary of symbols is in place, it becomes the language of justification (e.g. We are committed to… as it is part of our strategy). It is important to consider this phenomena for methodology, especially in a case of participant action research, where researcher is a new member of the organization (see Danone S.A. case).

Committed and uncommitted individuals examine things differently. Organizations that routinely create a context that is high in visibility, volition, and irrevocability should generate stronger commitments, richer justifications and should make more sense to members. Weak commitments make it easier for the organization to accommodate to the environment; strong commitments make it easier for the environment to accommodate to the organization.

Sensemaking involves *symbolic processes* through which reality is created and sustained. The *symbols of sensemaking are labels, metaphors and platitudes* (Weick, 1995).

1. **Labels:** tell us what things are, they classify (decentralization, leadership excellence).
2. **Metaphors:** indicate how things are, they relate, give life (personal development as gardening)

3. **Platitudes:** conventionalize, they establish what is normal (democracy must be built anew in each generation).

### 11.6. Sensemaking and Institutional Theory

Scott (1987) refers to an organization as a rational system, as a natural system and as an open system. *Organization as an open system goes together with sensemaking.* Openness to environment gives the organization more complex information to deal with. Therefore, an open system implies the shift of focus from structure to process, and from production to social and cultural aspects. Karl E. Weick (2000) assumes that organizations change more rapidly than environments do, explaining that we usually forget that the people that construct the environment are the same people that construct the organizations.

The environment of the organization needs to be conceptualized not only as a supply house of resources and target of outputs, but also as a source of meanings for the members of organizations (Scott, 2008). In the case where an organization is developing more rapidly than an environment, it may take some redesign to ensure that the organization has a more forceful impact on the environment and shapes it toward newly acquired competencies. Both organizational theory scholars,
Weick (2009) and Scott (2008), assume that *the advanced organization* confronting an outdated environment needs essentially to strengthen what it already has in place. Its needs to strengthen its culture, become more proactive, act like a true believer, intensify action rationality, and reaffirm its commitments, all in an effort to change the beliefs and actions of those people who comprise the environment.

In general, the juxtaposition of sensemaking and institutionalism has been rare. The limited role of institutional ideas in actual sensemaking research stems in part from a scholarly division of labour and focus: work drawing on institutionalism has focused primarily on extra-subjective macro-level structures, while sensemaking research has emphasized local and subjective micro-level processes (Weber and Glynn, 2006). However, when looking more closely at the role that the institutional context plays in sensemaking, it is claimed that the connection may be under-researched but that institutional ideas are certainly not incompatible with a sensemaking perspective (Weber and Glynn, 2006).

Klaus Weber’s (2003) findings suggest that while institutions in the form of public discourse define and impose the problems to which corporate actors respond, those public institutions do not appear to direct the solutions. *The use of corporate sensemaking vocabularies tends to be triggered by institutions, but institutions have less influence over what happens subsequent to triggering.*
In the framework of mechanism-based theorizing (Figure 12), institutions are both antecedent to, and emergent from, sensemaking processes.

The contextual influence of institutions in the sensemaking processes has largely been cast as institutions supplying the substance of sensemaking. In this model, institutions function to contextualize sensemaking by imposing cognitive constraints on the actors who do the sensemaking. Institutionalized roles and templates for action enter sensemaking as shared cognitive structures that are taken-for-granted and imbued with value. Institutions are part of sensemaking because they shape signification (meaning-making) via interpretation and communication. Institutions enter meaning-making processes in three ways: first, institutions serve as the building blocks or substance for sensemaking; second, institutions
dynamically guide and edit action formation; and third, institutions are continually enacted and accomplished in ongoing sensemaking processes (Weber and Glynn, 2006).

A socially constructed world is a stable world, made stable by behaviourally confirmed expectations. Beliefs are an obvious anchor in organizational sensemaking because they are found in ideologies, cultures, scripts, and traditions. “No organization can properly be understood apart from its wider social and cultural context” (Scott, 2001, p.151). Cultures as what we expect around here. Organizations are cultures rather than have cultures (Weick, 2000). Cultural-cognitive elements of institutions involve the creation of shared conceptions that constitute the nature of social reality and the frames through which meaning is made (Scott 2003).

Culture consists of socially established structures of meaning (Scott, 2008). **Cultural entrapment** means the process by which people get locked into lines of action, subsequently justify those lines of action, and search for confirmation that they are doing what they should be doing (Weick, 2000). When people are caught up in this sequence, they overlook important cues that things are not as they think they are. The example of reification of a collectively justified commitment: “That is a way we do business in this culture, in this firm”. People carry a slice of society in their minds.
The basic ideas of behavioural commitment are summarized by (Salancik and Pfeffer, 1978): “Commitment binds an individual to his or her behaviour. The behaviour becomes an undeniable and unchangeable aspect of the person’s world, and when he makes sense of the environment, behaviour is the point on which constructions or interpretations are based. This process can be described as a rationalizing process, in which behaviour is rationalized by referring to features of the environment which support it. Such sensemaking also occurs in a social context in which norms and expectations affect the rationalizations developed for behaviour, and this can be described as a process of legitimating behaviour”.

Karl E. Weick, (2000) provides an example of a hospital, where mortality rate is higher as a result of cultural mindset about risk, danger and safety. It was anchored by a process of behavioural commitment that shaped interpretation, action and communication within the hospital.

The idea is that we should not take for granted existing cognitive constrains. Oppositely, as suggested by (Weber and Glynn, 2006), the framework of cognitive-cultural institutions primes, edits and triggers sensemaking. In this way, sensemaking is not only a feedstock for institutolization, but the institutions are the feedstock for sensemaking.

My argument is that Frameworks for corporate CSR policies, management and reporting are set at the institutional level (see Part 2 International Level). However, those institutions have no control over what is happening inside the
organization, it is its own sensemaking process. At the same time, it is crucially important to understand cultural-cognitive elements in a studied National context (see Part 3 National Level).

11.7. Complexity perception as a central point of sensemaking

*The goal of sensemaking is the feeling of order, clarity and rationality.* How to achieve such a goal? The answer is an assumption of complexity. Dealing with complex issues, there is a need to focus, simplify and keep it simple (Schutz, 1979).

Perception of complexity is a core part of sensemaking. How to keep sustainability that is a very complex problem simple? Organizations should go through all stages of complexity.

1. *Superficial simplicity*

2. *Confused complexity*

3. *Profound simplicity*
Every organization perceives differently the complexity around it. Depending on this perception and interpretation, an organization can be situated at a different level (Level 1, Level 2 or Level 3). Karl Weick (2000, 2009) differentiates mindless organizations (Level 1) and mindful organizations (Level 3). Mindful organizations (level 3) should be the aim of every organization. However, no organization can achieve such a level without passing through the stage of Confused complexity (Organization in transition, level 2). When a company finds itself at level 2, its members look closer to their own failures and examine them. The business environment is complex, unknowable and unpredictable. Better simplifications of profound concepts and problems arise from deeper knowledge of the environment or deeper understanding of what the organization is and what it
can do. Deeper knowledge develops when people attend to more things, entertain a
greater variety of interpretations, differentiate their ideas, argue, listen to one
another, and commit to revisiting and updating the profound simplicities they have
to settle. Complexity is important because it forces adaptability. When we are
confused we pay closer attention to what is happening in order to reduce the
confusion.

If taking into account the assumption of complexity, it is certain that
benchmarks never work (Weick, 2009). Because an organization can borrow the
simplicities but it cannot borrow the confused complexity that gives meaning to the
profound simplicity. Without that background an organization has no idea why
simplifications are profound, why they work or what lesson they summarise. Hence
the borrowing is superficial (Schutz, 1979). Understanding of any complex concept
or problem evolves through there phases: simplistic, complex, and profoundly
simple. That is why it is very difficult to adopt a sustainability strategy and borrow
the developed model from one company to another. It is a process that each
company has to go through. In my understanding, on the way of developing a CSR
strategy and embedding sustainability issues, companies are passing through these
three levels. It is important to be able to identify at which level a company is at a
studied point in time.

We generalize in the interest of cohesion, but that generalizing is costly.

*Who has the power to simplify complexity?* Selective perception and editing are
inevitable and substantial. However, depending on how it is done, which cues are extracted, an organization transforms or not into a mindful one. The questions are:

(i) What are the variables that determine at which level of complexity perception is the organization?

(ii) What determines the transformation from a Mindless into a Mindful organization?

(iii) What is found between these three levels?

In order to answer these questions, and develop the complete model of complexity perception for a case study analysis, it is necessary to identify variables that determine the final result (level of the organization).

11.7.1. Wisdom

In order to understand the difference between a mindless and a mindful organization, we have to discover the concept of wisdom. Wisdom is an attitude taken by a person towards beliefs, values, knowledge, information, abilities and skills, a tendency to doubt that these are necessarily true or valid. To be wise is not to know particular facts but to know without excessive confidence or caution (Weick, 2000).

Why is the concept of wisdom important for sustainability? The relationship between sustainability and wisdom can be found in the concept of resilience (Walker and Salt, 2006). How do you approach a task of sustainable management
in this complex world? Do you assume things will happen in pretty much the same way tomorrow as they did yesterday? All this relates to resilience, a capacity of a system to absorb disturbance and still retain its basic function and structure without shifting to another regime (Holling, 1973). It is also related to the concept of sustainability and the challenges of servicing current system demands without eroding the potential to meet future needs. The role of wisdom is to provide a source of resilience (Weick, 2000). Wisdom is also the acceptance that things of the world go away, change, transform. Resilience thinking is necessary in order to understand and engage with a changing world, it is also one of the prerequisites for sustainable living. By understanding how and why the system as a whole is changing, we are better placed to build a capacity to work with change, as opposed to being a victim of it (Walker and Salt, 2006).

According to (Weick, 2000), extreme confidence or extreme caution can destroy what an organization needs most in changing times, such as curiosity, openness and complex sensing. Individual perceptual accuracy is curvilinear and reflects a trade-off between increasing confidence in one’s own judgement and decreasing openness to new information.

The attitude of wisdom is relatively rare in the organizational settings because people find it hard to doubt what they know or to admit to themselves that the knowledge they possess is only a small portion of what could be known.
Weick (2009) and Kramer (2007) argued that if the environment is dynamically complex it is impossible to know and understand everything in advance, therefore you need to be able to doubt your existing insights. Whether one accepts one’s ignorance and acts anyway while trusting to one’s resilience, improvisation, and attentiveness, or one accepts one’s ignorance and acts in order to shift it to another domain, the result represents an application of the attitude of wisdom. Fallible knowing replaces overconfidence. The important thing is that the action becomes infused with learning, and adaptation improves. The one problem associated with both of these scenarios is that they may occur mostly near the bottom of the organization, where information is filtered less fully. (Weick, 2000) argues that as we move higher up, more filtering and face saving downsizing that diverts attention from the effect of hubris in high places. When organizations ignore their ignorance, they mistake arrogance for good management. If this happens, wisdom could become the ultimate source of competitive advantage, since it is so hard to duplicate.

A mindless organization is characterised by ignorance. How could a manager make sense of a complex sustainability issue if he/she is ignoring the complexity and immensurability of the issue?
11.7.2. Mindfulness

“Be where you are with all of your mind”

Mindfulness means having the ability to pay attention to the current object. It comes from Buddhism and has a connection with consciousness, without which there cannot be a perception of object at all.

Langer (1989) explains mindfulness as: “the combination of ongoing scrutiny of existing expectations, continuous refinement and differentiation of expectations based on newer experiences, willingness and capability to invent new expectations that make sense of unprecedented events, a more nuanced appreciation of context and ways to deal with it, and identification of new dimensions of context that improve foresight and current functioning.” (Weick and Sutcliffe, 2001, p.21).

Mindful action is accomplished by refining one’s understanding of concepts, by enlarging one’s action repertoire, by more focus on relationships of respectful interaction and heedful interrelating, and by the implementation of principles for high reliability organizing (Weick, 2009). Oppositely, mindless action is relying on old often outdated categories and a reduced awareness of one’s social and physical world (Ie et al., 2014).

If all things are preceded by mind and if our current ideas about mind in organizational studies are too narrow, then the versions of conceptual mindfulness that we now use will prove too weak to improve organizational functioning. Too
much is expected from mindfulness directed solely at content, and too little effort is invested in observing the ways in which the conceptualizing of content is itself the problem.

Mindfulness has to be distributed more widely in the organization, supported more consistently, and executed more competently. As mindfulness decreases, there is a great likelihood that misleading abstractions will develop and still be treated as legitimate, which increases the likelihood of error. In the culture that is less mindful and more willing to simplify, abstracting is done superficially. In a culture that is less mindful and more insensitive to operations, abstraction is loosely tied to details of the present situation as well as activities under way and their potential consequences. These loose ties impair the situational awareness that can often detect and correct issues that soon turn into problems and finally into crises. A limited action repertoire coupled with limited knowledge of the situation predisposes people to rely heavily on old undifferentiated categories and to see little need to create new ones. The weak commitment to resilience reinforces reliance on past success, simplification, and strategy, all of which make it easier to lose anomalous details and harder to doubt one’s grasp of a situation.

It all starts with the “concept”. However, in order to see more clearly we have to understand how conceptualizing itself affects seeing, who is conceptualizing and how it is reflected in the organization’s strategy.
11.7.3. Ambiguity

When an organization is changing its perception about complexity, and moving from *superficial simplicity* to *confused complexity* (from level 1 to level 2), it is going through the stage of *Ambiguity*.

Ambiguity refers to an ongoing stream that supports several different interpretations at the same time. Ambiguity is perceived when a lack of clarity, high complexity makes multiple explanations plausible. The problem in ambiguity is not that the real world is imperfectly understood and that more information will remedy that. The problem is that information may not resolve misunderstandings (Weick, 1995).

Ambiguity can be found in changing and complex environments, no routine tasks, and networks that have dense interdependencies.

The characteristics of ambiguity (Weick, 1995):

1) The Nature of a problem is in itself unknown
2) Information (amount and reliability) is problematic
3) There are multiple, conflicting interpretations
4) Different value orientation, political and emotional clashes
5) Goals are unclear or multiple or conflicting
6) Time, money and attention are lacking
7) Roles are vague, responsibilities unclear
8) Success measures are lacking

9) Poor understanding or cause-effect relationships

10) Participation in decision-making fluid

Weick (1995) claims that ambiguity influences an organizations’ future. Organizations can reset themselves whenever there is important ambiguity that is resolved by someone whose actions have surplus meaning. Those actions may influence a set of values of the organization as an organization in times of ambiguity is learning from itself.

Ambiguity reduction occurs inside individual heads instead of between heads. Confused people do not tell anyone about their confusion. There is a negative relation between ambiguity and discussion.

Figure 13b. Three levels of organizational perception of complexity
11.7.4. Leader in a sensemaking process

Top management designs decision structures and divides an organization into segmented subunits. However, it does not manage the organization; it manages the process that manages the organization. Top management selects people who will be in a decision-making group and by doing this it creates a management of segmented complexity while delegating responsibilities to other managers under its control. Important questions are:

(i) What is the role of top management in the sustainability strategy of the company? What does this role tell us about the sustainability concept of the company and the perception of a complex interrelated world?

(ii) What is the structure of a sustainability decision-making group? What does this structure tell us about the sustainability concept of the company?

During the delegation of responsibilities, formation of a decision-making group and during decision-making process, top management makes assumptions. Those assumptions that top management makes about components within the company often influence enactment in a manner similar to the mechanism of *self-fulfilling prophecy* (causing something to happen by believing it will occur). For example, assuming that the product will have low demand, a moderate marketing budget is assigned. At the same time, a moderate marketing budget will not
stimulate that much demand. In this case, the product ends up having low demand. Many of these assumptions can increase and decrease the likelihood that small errors will escalate into major crises.

A mindful organization has to have a sensemaker as a leader, a leader that is able to step aside and make sense from the processes around and at the same time being able to see himself/herself as a part of a complex system. A person is more effective as a leader when he views himself as a sensemaker rather than a decision-maker. Parry (2008) argues that leadership is fundamentally about sensemakers and true leaders are sensemakers.

Why does a mindful organization have to have a leader as a sensemaker? Because a decision is something you polish and make perfect. Consequently, polishing takes time, investments of time build pressure to justify the time expenditure and justification makes it harder to drop a decision or revise it and harder to handle information that could undo it.

There are two types of thinking predominating in the organizations, such as automatic and controlled thinking. Automatic thinking is used for routine problems and requires low energy consumption. While controlled thinking is destined for non-routine problems and it is difficult and requires much effort, concentration, attention etc. However, more and more automatic thinking is imposed on problems that require controlled thinking.
A leader that is able to doubt and to admit, “I do not know”, is also a leader willing to accept an organization as an imperfect and complex system. In a way in the unknown situations, any old prescription, any old change program, any old mantra or guru or text will do, as long as that program stimulates people and gets them moving and generating experiments that uncover opportunities; provides a direction; encourages updating through improved situational awareness and closer attention to what is actually happening.

Figure 13c. Three levels of organizational perception of complexity
11.7.5. Strategy in a sensemaking process

A non classic definition of strategy says that it is good luck rationalized in hindsight (De Bono, 1984), where this means that the reasons for the current success of the company are hidden in its past experience. In management, strategy is the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962).

Weick (2000) sees strategy as a retrospective summary that lags behind action. However, it is the action which is responsible for meaning, even though planning and symbols mistakenly get the credit.

Weick (2000) provided an incident of a lost military unit in the Swiss Alps. During the snow, soldiers lost their orientation and were not aware how to go back to their base camp. Then one of them found a map in his pocket. That calmed them down, and with the map they discovered their bearings. Surprisingly, later on after survival, they discovered that it was not a map of the Alps, but of the Pyrenees. Weick (2000) explains that when you are lost any old map will work, any old strategic plan will do.

Dealing with complex problems within an organization, followers are often lost and even the leader is not sure where to go. Leaders know that the map and/or strategic plan in their hands are not sufficient. Their role is to install some confidence in people, get them moving in a general direction, and make sure they
look closely at what actually happens, so they learn where they were and get some better idea of where they are and where they want to be (Weick, 2000).

Weick (2000) believes that the substitute for strategy of the mindful organization should be confidence and improvisation.

11.7.5.1. Confidence as strategy

If considered that thought precedes action, the presumption of logic is a form of thought that is crucial in the organization’s life. Strong presumptions lead to strong actions that impose considerable order. Weick (2000) believes that presumptions should be especially prominent when beliefs about cause and effect linkages are unclear.

An example of effect of presumption: a musician who doubts the competence of a composer plays his music lethargically and produces the ugly sound that confirms the original suspicion. This is also an example of self-fulfilling prophesies.

Presumptions can substitute the strategy in some cases. Weick (2000, p. 350) explains:

“The plan served as a pretext for people to act forcefully and impose their view of the world. Once they imposed, enacted, and stabilized that view and once it was accepted, then more traditional procedures of strategic planning could be made to work because they are directed at more predictable problems in a more
stable environment. What gets missed by strategy analysts is that proaction precedes reaction. Strategic planning works only after forceful action has hammered the environment into shape so that it is less variable and so that conventional planning tools can now be made to work.”

Therefore, the role of a leader dealing with a complex problem is to inspire, to affirm realities, which then are more likely to materialize if they are sought vigorously. Enthusiasm and confidence can produce wisdom because action creates experience and meaning. Weick (2000) believes that sequence may be the essence of managing.

11.7.5.2. Improvisation as strategy

Dealing with a complex problem, a strategic plan is not sufficient. When it is assumed that survival depends on variation, then a strategic plan becomes a threat because it restricts experimentation and the chance to learn that old assumptions no longer work.

Weick (2000) explains that whatever direction strategy gives can be achieved by improvisation. He sees order within improvisation (in the same way there is order within jazz improvisation). To understand improvisation as a strategy is to understand the order within it. And what we usually miss is the fact that a little order can go a long way. For example, power of a corporate culture, a small logo or a corporate party gives direction.
In the hands of an ambitious and confident leader who has strong needs to control his/her destiny, general guidelines are sufficient to sustain and shape improvisation without reducing perceived control. Such a leader would invest more in general knowledge and in a larger repertoire of skills.

Figure 13d. Three levels of organizational perception of complexity

11.7.6. Organizational elements of a sub-strategy in a sensemaking process

It is not just the leader and the strategy that differentiate a mindless from a mindful organization. On the way of implementation of strategy, there are some organizational elements that also define at what level of complexity perception the
organization is. I call such elements to be a sub-strategy of organization. They are Façade maintenance, Information overload and Small wins.

11.7.6.1. Façade maintenance

Concept of “façade maintenance” is constantly appearing in the functionality of the organizations. It explains the events when more work is spent on other issues, such as measurement and metrics of performances (e.g. CSP) or appearance (reputation) than on the problem itself. Façade maintenance in the end of the day becomes the work of the organization.

In the strategy, façade maintenance is reflected when people create fiction of permanence by means of practices such as long-term planning strategy, reification of temporary structures, justification, investments in building and technology, and acting as if formal reporting relationships are stable.

Façade maintenance is a characteristic of a mindless organization, as the problem is perceived by superficial simplicity.

11.7.6.2. Information overload

Information overload describes a period of organization when its members experience a decrease in the quality of their attention because they feel overwhelmed by demands and limited in the time and resources they have to respond (Weick, 2009). Organizational scholars define overload as a state induced when the amount of input to a system exceeds its processing capacity.
Information overload characterises the organization in transition from mindless to mindful (level 2). Weick (2009) argues that when overload increases, there is an enlargement of understanding and perception of complexity.

11.7.6.3. Small wins

Weick (2000) proposes small wins as one of the steps toward the solution of a complex problem. A small win is a concrete, complete, implemented outcome of moderate importance. Small wins are like small building blocks. Small changes become big change in the long term: “the drops of the water on the rock – to change consciousness”. By itself, one small win may seem unimportant. However, a series of wins at small but significant tasks (e.g. sustainability integration into every day activities), reveals a pattern that may attract allies, deter opponents, and lower resistance to subsequent proposals.

Weick proposes to recast larger problems into smaller and produce visible results and in this way introduce immediacy, tangibility and controllability to complexity.
11.8. Critiques of a sensemaking theory

Weick’s theory has been criticized for its persistent view that sensemaking is retrospective in nature. (Gioia and Mehra, 1996) argued that the dimension of the possible (which is the future) is inseparably linked with sensemaking. It seems that Weick completely ignores the possibility that sense could be made prospectively. Life can be understood backwards but should be lived forwards. Pater and Van Lierop (2006) connects this phenomenological criticism with the definition of moral responsibility. Authors doubt that the concept of moral responsibility can
ever be constructed, that it does not involve the assumption that human actions are meaningfully oriented towards the future.

Another morally problematic characteristic of Weick’s approach to sensemaking is its inherent relativism. Weick seems totally unconcerned about the type of frameworks that help people make sense, as long as they work. There is no good or bad sense, only sense that works and sense that does not work (Nijhof and Jeurissen, 2006).

At the same time, Weick’s sensemaking approach has little consideration of the implications of emotion. The organizational world is as emotional world as well. Emotions affect how we make sense (Gioia and Mehra, 1996).

In general, sensemaking research consequently involves a fundamental paradox: it defines reality and meanings as socially constructed, yet it seeks to disengage from that experience and objectify it (Schwandt, 1994).

The theoretical distance of sensemaking theory from institutional theory may be related to criticisms of sensemaking that claim that the theory overlooks the role of larger social, historical or institutional contexts in explaining cognition. As a theory of seemingly local practice, sensemaking appears to neglect, or at least lack an explicit account of, the embeddedness of sensemaking in social space and time (Weber and Glynn, 2006). Making sense is not just a context-free networking. While using sensemaking theory, institutional context should be taken into account.
11.9. Sensemaking and Corporate Social Responsibility

The connection of corporate social responsibility and sensemaking theory is not deeply a studied concept. In this chapter I would like to discuss and present previous developments in the theory and practice of the connection of CSR and sensemaking before proceeding with the case studies.

Sensemaking can be considered as a continuous process oriented towards placing current experiences in a frame of references determined by past experiences (J. Cramer et al., 2006; J. Cramer, Van Der Heijden, & Jonker, 2006). Description of CSR might emerge from studying internal institutional determinants such as the mental frames and sensemaking processes within which CSR is embedded (Basu & Palazzo, 2008).

The Journal “Business Ethics: A European Review” has published an issue (Vol 15 N. 4 2006) completely dedicated to the debate on sensemaking and CSR. (Nijhof and Jeurissen, 2006) as editors of this issue argue that much can be learned from approaching CSR from a sensemaking approach. It attacks attention to some assumptions about CSR that have been taken for granted.

In this volume there are several theoretical contributes that give important stimuli to the topic.

Within this issue (Morsing and Schultz, 2006) studied the communication aspect of CSR from a sensemaking approach, developing a theoretical model that take in consideration different modalities of communication and interaction.
between companies and stakeholders. In this research, Morsing and Schultz expand the concept of interaction among organizational members including also external subjects as the stakeholders. The organizational environment becomes more sophisticated and more complex.

Both sensemaking and CSR build on the appreciation of the human element in organizations, especially the inter-human or social element. The two elements of sensemaking and CSR can also be seen as possibly reinforcing each other. In fact, we will argue that sensemaking can be used as a concept through which the incorporation of CSR into an organizational context can be better understood and therefore improved. As we shall see, using examples from Shell, the sensemaking approach to CSR helps understand the business challenges of CSR in an organizational context (Schouten and Remmé, 2006).

Golob, Johansen, Nielsen, & Podnar (2013) explain and show the complexity of CSR problems through the inspirational example of a company coming from a Scandinavian context, Danish company JYSK. Authors describe how the activities of different stakeholders helped JYSK to start making sense of the situation. The company’s approach illustrates how the complexities related to handling responsibility issues may take shape in practice.

An important study in this terrain of management was conducted by Gioia and Thomas (1996). They investigated how top management teams in higher education systems make sense of issues that that affect strategic change. Their
findings suggested that top management team members’ perception of identity are essential to the sensemaking process (Gioia & Thomas, 1996).

Also based on the widely explanatory sensemaking theory, other concepts were developed. Sensegiving is described by Gioia and Chittipeddi (1991) as the process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality (p. 442). While we consider CSR managers as sensemakers, we also have to take into account that the same managers are sensegivers of CSR and sustainability understanding company is using.

Basu & Palazzo (2008) developed a theoretical process model of organizational CSR sensemaking in order to understand a firm’s CSR character at present and predict it for the future. Their tripartite framework based on the set of cognitive, linguistic and conative dimensions, which allow us to understand what firms think, say and tend to behave (see Figure 14). This theoretical framework captures a lot of attention of researchers. However, no one until now was able to apply it to the practical cases. I consider using Basu and Palazzo’s framework for my research, but only in a combination with sensemaking theory. The adequacy of interests is a long and complicated process that is composed by a double tripartite model: Weick’s model that looks at how sensemaking identifies the most acceptable
activities and the Basu & Palazzo model that analyses how sensemaking works taking into account the relationships among the key participants.

Figure 14. CSR Character of the company (adapted from (Basu and Palazzo, 2008))

11.10. Theoretical models of analysis

In order to identify in what stage of complexity perception the studied company is at a given moment in time and analyse the company’s sensemaking towards its CSR/sustainability strategy, I am applying model for analysis 1:
In order to identify the level where the company is situated in a studied period of time within sustainability issues, I am going to analyse three variables as proxies of complexity interpretation:

- Type of a leader
- Type of strategy
- Type of sub-strategy

These three variables would give me a result: Type of organization.

1) **Is the organization Mindless, in a Transition or Mindful?**
   a. What is the sustainability governance and its design?
   b. What concept of sustainability does the organization have?
c. What frames and cues do members of the organization use while dealing with sustainability issues?
d. Is the organization characterized by **ambiguity or mindfulness**?
   
   i. **Ambiguity**:
   
   1. Are there any multiple conflicting interpretations of sustainability concepts?
   2. Are there different value orientations and political clashes?
   3. Are time, money and attention to sustainability issues lacking?
   4. Are responsibilities unclear within sustainability governance?
   5. Is success measuring lacking?
   6. Is there a poor understanding of cause-effect relationships?

   ii. **Mindfulness**:

   1. Does the organization encourage wisdom within?
   2. What prevails in the organization’s design, confidence or caution?
   3. Does the organization’s design enable people to be resilient in the face of interruptions?
   4. Does the organization’s design encourage curiosity and openness to the environment and new information?
   5. How is the organization conceptualizing sustainability issues and problems?
   6. Is the organization relying on past frames of references, or is able to make a connection between past success and present problems?

2) **Is the sustainability/CSR leader a decision maker or sensemaker?**

   a. Who is the leader of sustainability/CSR within the organization?
   b. What is the role of top management in sustainability/CSR governance?
   c. Does the design of sustainability governance encourage conversations/discussions?
   d. What is the structure of the sustainability decision-making group?
e. What is the level of commitment of the sustainability decision group with the organization?
f. How are the decisions regarding sustainability issues taken?
g. What type of thinking is predominating within the organization (automatic or controlled)?
h. Is the leader able to doubt his/her knowledge about sustainability issues and problems?

3) Does the sustainability strategy of the organization rely on planning, confidence or mindful improvisation?
   a. Is sustainability strategy planned in a long-term?
   b. Is the organization’s strategy based on façade maintenance?
   c. Is the organization characterized by information overload?
   d. How are the priorities defined within sustainability/CSR strategy?
   e. Does strategy of the organization accept the possibility of failure and change of plans?
   f. Does strategy of the organization take into account the unpredictability of complex issues?
   g. How does the organization implement small wins within their strategy?

Then, in order to identify CSR character of the organization, I am using

Model of analysis 2:
4) What is the CSR character of the organization?

a. Cognitive (What firm thinks):
   i. Identity Orientation of an organization:
      1. What is the mission statement of the organization? Is it pointing out its individualistic, relational or collectivistic character?
      2. What are the values of the organization?
      3. What are the CSR actions of the company, what is their emphasis?

   ii. Legitimacy:
      1. Who are main stakeholders of the organization?
      2. What type of relationship does the organization have with its stakeholders?
3. How does the organization motivate stakeholders to cooperate with it on sustainability efforts?

b. Linguistic (What firm says)
   
i. Justification:
   
   1. How does the organization justify immoral behaviour (if any) or CSR incidents?

   ii. Transparency:
   
   1. Are the CSR/sustainability reports of the organization biased or balanced?
   2. Is the information that the organization provides externally and internally about its actions biased or balanced?

   c. Conative (How firm tends to behave)
   
i. Posture:
   
   1. How does the organization learn from past interactions?

   ii. Consistency:
   
   1. What type of CSR/sustainability activities does the organization prioritize?
   2. Are CSR/sustainability activities consistent or inconsistent with the general strategy of the organization?

   iii. Commitment:
   
   1. Is the organization commitment coming from external incentives? Or does it come from internal moral considerations?
PART 5: METHODOLOGY
Chapter 12. Methodology

12.1. Methodology used in the sensemaking theory

Sensemaking has been studied through grounded theory to capture how individuals or organizations make sense for themselves and others (Gioia & Chittipeddi, 1991). Participant observation of story-telling used for sensemaking (Boje, 1991).

The majority of studies on sensemaking share the same characteristics:

1. Investigators make an effort to preserve an action that is situated in context.

2. Observers rely less on researcher-specified measures and more on what participants say and do. Participants texts are crucial.

3. Participants rather than observers define the work environment

4. Findings are described in terms of patterns rather than hypotheses.

Sensemaking theory was also accompanied by the adoption of micro/interpretivist methodological approaches such as (Allard-Poesi, 2005):

1. participant observation,

2. open interviews,

3. conversational analysis and

4. interaction analysis.
The most commonly used approach for data gathering in order to get understanding of cause maps were used:

1. Systematic coding of documents representing the writing or statements
2. Coding of verbatim transcripts of meetings where the individual participated
3. Interviews

(Allard-Poesi, 2005) analyses the methodological approaches used in sensemaking research. The author argues that sensemaking research relies extensively on grounded approaches that seek to grasp people’s understanding. However, orthodox social science methods exclude the human subjects from the research process. Consequently, sensemaking research involves a fundamental paradox: it defines reality and meanings as socially constructed, yet it seeks to disengage from that experience and objectify it (Schwandt, 1994, p.119).

(Allard-Poesi, 2005) presents two roads that can be developed in sensemaking methodology:

(i) the postmodern route, which invites through reconstructions to engage against the researcher’s sensemaking as a way of uncovering both constitutive and the undecidable character of sensemaking activities in an organization.

(ii) the pragmatist (or participative) route that suggests that through participative action research, the researcher fully engages in
sensemaking with the organization’s members and recognizes the socially constructed aspect of all sensemaking activities. Participative action research invites researcher to then fully engage in sensemaking processes with the participants of the organization under study and to reflect on those processes with them.

Though not without difficulties, these routes encourage researchers to make sense differently of sensemaking processes in organizations (Allard-Poesi, 2005). Participative action research seems a fruitful road to pursue for sensemaking research. The founder of sensemaking theory (Weick, 2000) also favours participant action research, but still has to find its place in the organizational studies.

12.2. Applying qualitative research

Following the theoretical path in order to approach CSR from Weick’s sensemaking theory (based on (Weick, 2009, 1995, 2000) together with theoretical framework of (Basu and Palazzo, 2008), I chose to conduct a qualitative research. The primary unit of analysis is a frontrunner organization situated in a particular chosen and previously justified national context (see Part 3 National level). Using a qualitative approach enables to take the context’s specific elements into account, and respect the uniqueness of CSR by frontrunner companies.

The empirical analysis is based on quantitative case study approach. Within each national context, one case study company has been selected from the tentative list of frontrunner companies (see Part 3 National level). In a Spanish context, I
have identified and got access to Danone S.A (Spanish subsidiary, of a French multinational company that was initially established in Barcelona and is only one from Grupo Danone maintaining in the property of Spanish shareholders). I would like to point out that it is extremely difficult to get access to a company in a Spanish business environment. Spanish companies are very closed for academic collaborations and the concept of industrial PhD is just starting to appear in Spain. It is extremely possible, that if I would get another chance, I would choose another company among Spanish sustainability frontrunners. However, due to my personal efforts I have got placement with Danone S.A., and benefited as much as possible from this case. In a Danish context, a company related to the same industry was selected, Arla Foods.

Cases are falling into the definition of critical cases, because both organizations have a reputation for excellence in the sustainability field. Their CSR activities are set as expository to other companies.

To address the nature of the research problem a qualitative approach using participant action research was planned for multiple case studies with embedded design (Yin, 2008).

However, the research design and research reality do differ. After conducting a one year a participant action research with Spanish CSR frontrunner (Danone S.A), chosen and previously negotiated case organization from a Danish context, coming from the same industry (Arla Foods) was unavailable for
participant action research due to the strategic changes within the organization. Then another extreme case was chosen within a Danish context, however coming from a different industry (Novozymes). Therefore, the two case studies are developed and presented separately within my PhD work, excluding the comparative design to be applied.

Within Danone S.A. case study participant action research includes:

(i) research position placement with direct involvement with CSR/sustainability issues during the period from May 2010 till June 2011
(ii) direct work on sustainability strategy and implementation with Head of sustainable development and corporate social responsibility of Danone S.A.
(iii) full access to the internal documents and meetings related to CSR/sustainability
(iv) gaining views from all organizational members involved in the sustainability strategy formulation and implementation
(v) making sense together with organizational members about the nature of the problem(s) during formal CSR meetings and during informal work conversations
(vi) participation in the building of consensual views regarding the sustainability issue
For the second case study within Danish CSR frontrunner, it was impossible to apply the same methodology and therefore, I chose in-depth-semi-structured interviews as the primary data collection method. This was explained to be the second (after participant action research) most appropriate methodology for gaining an understanding how the processes of sensemaking influence CSR/ sustainability strategy of the company. However, I do not exclude the fact that the case company controlled access to the organization which may inspire a bias towards success stories. As well as there could probably be an information asymmetry between the researcher and the interviewees which means that over-reporting positive and under-reporting negative practices may go unnoticed.

Within Novozymes case study the data collection method included:

(i) in depth semi-structured interviews with the members of sustainability board and managers involved in the development of the sustainability strategy and values setting of the organization:

Interview 1: Senior Sustainability Manager at Novozymes
Interview 2: Vice President Global Quality, Environment & Safety at Novozymes
Interview 3: Head of Corporate Branding and Online at Novozymes
Interview 4: Science Manager at Novozymes

(ii) participant observation of sustainability department work
(iii) access to the internal documentation: sustainability board minutes, reports

At the same time, planned case studies will triangulate data relying on multiple sources of evidence, in order to enable a balanced understanding by extending data (Yin, 2009) The external documentation data will consist of CSR reports, corporate websites, brochures of the organizations, external reports and scientific articles on the studied organizations. These secondary data are needed to develop a balanced understanding of the organization’s strategy on CSR.

I am going to analyse Novozymes and Danone S.A. in 5 blocks:

1) Main characteristics of sensemaking as a primary analysis of the company

2) Company’s frames and cues which give meaning to the present moment

3) Company’s labels, metaphors and platitudes

4) Company’s complexity perception thought leader, strategy and substrategy (model of analysis 1)

5) Company’s CSR character through its cognitive, linguistic and conative domains (model of analysis 2)

Then analytic generalization will be applied, using previously developed theoretical framework as a template to compare the empirical results of the case studies (Yin, 2009).
A summary of a Validity Network Structure (VNS) scheme is explained below in Table 9. VNS Scheme provides a procedure for distinguishing between observables, conceptual issues and corresponding methodologies.
<table>
<thead>
<tr>
<th></th>
<th>Conceptual Domain</th>
<th>Substantive Domain</th>
<th>Methodological Domain</th>
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<tbody>
<tr>
<td><strong>Elemental</strong></td>
<td>CSR/sustainability embeddedness within the firm and mental frames of managers</td>
<td>What gets noticed in sustainability strategy development?</td>
<td>Case study using multiple sources of evidence and data triangulation (aiming at corroboration the same phenomenon):</td>
</tr>
<tr>
<td><strong>Level</strong></td>
<td>CSR sensemaking elements:</td>
<td>How managers think, act and discuss in respect to CSR/ sustainability</td>
<td>• <strong>Documentation:</strong></td>
</tr>
<tr>
<td></td>
<td>- Cues</td>
<td></td>
<td>o  Internal: letters, notes, minutes of meetings, written reports of events, other internal records;</td>
</tr>
<tr>
<td></td>
<td>- Frames</td>
<td></td>
<td>o  External: studies available evaluating the same company; News clipping and articles in mass media; GRI and COP reports;</td>
</tr>
<tr>
<td></td>
<td>- Labels</td>
<td></td>
<td>• <strong>Interviews:</strong></td>
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<tr>
<td></td>
<td>- Metaphors</td>
<td></td>
<td>o  Semi-structured interviews</td>
</tr>
<tr>
<td></td>
<td>- Platitude</td>
<td></td>
<td>• <strong>Direct observations (sustainability board meetings)</strong></td>
</tr>
<tr>
<td></td>
<td>Complexity perception:</td>
<td></td>
<td>meeting of CSR department</td>
</tr>
<tr>
<td></td>
<td>- Leader</td>
<td></td>
<td>• <strong>Participant observation (Spanish company)</strong></td>
</tr>
<tr>
<td></td>
<td>- Strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Substrate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR character that is representative by tripartite process dimensions:</td>
<td>Firm behaviour in relationship to CSR incidence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cognitive</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Linguistic</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Conative</td>
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<td></td>
</tr>
</tbody>
</table>
| Relational Level | How and why embeddedness of sustainability issues within the mental frames of managers reflects in CSR character of the company? | What is the relationship between CSR character or CSR type of the firm and sensemaking processes of managers? | Multiple case study with embedded design analyzed by explanation building:  
- Initial proposition about CSR embeddedness and complexity within the companies  
- Compare the finding with the initial case  
- Revise the statement  
- Compare the revision with second case |
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</thead>
<tbody>
<tr>
<td>System Level</td>
<td>Institutionalization of the concept of sustainability within companies situated in different national contexts</td>
<td>Danish and Spanish characteristics of CSR framing</td>
<td>Analytical generalization</td>
</tr>
</tbody>
</table>
PART 6: ORGANIZATIONAL LEVEL
Chapter 13. Novozymes case study

13.1. Overview of Novozymes

Period of investigation 2011-2012

Documents from Novozymes:

1. Minutes from Sustainability Development Board meetings (2009-2012)
2. Internal presentations of the Sustainability Department
3. Environmental and Social Report 2001
4. Annual Reports 2002-2012
5. Novozymes website

Interviews:

1. Interview 1: Senior Sustainability Manager at Novozymes
2. Interview 2: Vice President for Global Quality, Environment & Safety at Novozymes
3. Interview 3: Head of Corporate Branding and Online at Novozymes
4. Interview 4: Science Manager at Novozymes
Table 10. Main facts and details about Novozymes

<table>
<thead>
<tr>
<th><strong>Facts</strong></th>
<th><strong>Details</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Bagsvaerd (Copenhagen, Denmark)</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Multinational, publicly held, NASDAQ OMX Copenhagen (NZYM B)</td>
</tr>
<tr>
<td>No of employees</td>
<td>6236 globally, where 2628 (Denmark), 1226 (North America), 1133 (China), 453 (India), 270 (Europe), 261 (Brazil)</td>
</tr>
<tr>
<td>Sales</td>
<td>10,510 DKK billion (2011), 11,746 DKK billion (2013)</td>
</tr>
<tr>
<td>Type of industry</td>
<td>Biotechnology &amp; Pharmaceutical</td>
</tr>
<tr>
<td>Activities</td>
<td>B2B biological solutions, R&amp;D and production of industrial enzymes, microorganisms, biopharmaceutical ingredients</td>
</tr>
<tr>
<td>Economic Market</td>
<td>Global, 48% share of the global industrial enzyme market</td>
</tr>
<tr>
<td>International CSR</td>
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<tr>
<td>President &amp; CEO</td>
<td>Steen Riisgaard (2000-2013), Peder Holk Nielsen (2013-present)</td>
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<tr>
<td>Head of Corporate</td>
<td>Claus Stig Pedersen (2006-present)</td>
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<td>Sustainability</td>
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<td>CSR awards recognition</td>
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<td>Ranked 10th in the Carbon Disclosure Project’s Nordic Carbon Disclosure Leadership Index</td>
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<td>Ethibel EXCELLENCE Investment Register</td>
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13.2. Identity Construction

13.2.1. General information

Novozymes is the world leader in bioinnovation, business-to-business (B2B) producing a great variety of industrial enzymes and microorganisms. The company headquarters are located near Copenhagen in Bagsvaerd (Denmark) with more than 6,200 employees involved in research, production and sales around the world. Novozymes currently holds over 7,000 granted or pending patents on six continents to safeguard all its research. Some tools on which Novozymes has based its business are protein engineering, fermentation technology, microbiology and high-throughput screening. The firm is constantly striving to expand its business to bring new innovations to the market. For this reason Novozymes tries partnering with a broad range of industries to provide their products. Nowadays, the company supplies five major global industries (Household Care, Food & Beverages, Bioenergy, Agriculture & Feed and Technical & Pharma). The alliances generated total sales of DKK 11,746 million in 2013.

13.2.2. History

Novozymes' history dates back to 1925 when Novo Terapeutisk Laboratorium was founded by the brothers Harald and Thorvald Pedersen. Some years before two Canadians - Banting and Best - had discovered how to extract insulin from animals for human use. Ten years after, Novo built its first factory at
Fuglebakken in Denmark. The basement of the factory was the place selected to begin production of Trypsin - its first enzyme product - in 1945. In the 1950s Novo set up the Novo Foundation, which main goals were to support scientific, social, and humanitarian causes among other functions.

During the 1960s Novo launched a wide range of new and improved enzyme products. The new products were intended for a large variety of industrial sectors, the starch industry became in its first big customer because they used enzymes to convert starch into sugar. In the middle of this decade, Novo moved part of its production to a new building erected on a 122,000 sq. mts. plot of land in Bagsvaerd. In 1969, the firm inaugurated a new plant in Kalundborg to keep up with the growing demand for industrial enzymes. The most important goal reached in the 1970s was creating its first environmental department, its first task was the study of obnoxious odors.

The year 1989 was one of the most important years to Denmark. Two of its major companies - Novo and Nordisk Gentofte - merged to create Novo Nordisk. It was a big step forward to reach higher improvements in Pharmaceutical and Biotechnology industries. Only some years later, Novo Nordisk became the first company in Denmark to issue an environmental report where its activities were evaluated in three different dimensions, social, environmental and economic responsibility, impact and viability. This new way of working allowed to expand the traditional reporting framework to take into account ecological and social
performance in addition to financial reporting. This kind of accounting is commonly known as TBL (Triple Bottom Line).

Novo Nordisk published its first social report in 1999. Only one year later, the firm split into three independent companies: Novo Nordisk A/S, Novozymes A/S and Novo A/S. The same year Novozymes launched an online platform where customers could buy enzymes. In the first decade of the XXI century, Novozymes expanded its business to USA, Canada, UK and Australia where it started to work with microorganisms, biopharma products and biological products for the agricultural market. On the other hand, Novozymes opened the largest enzyme fermentation facility in China in 2008.

For the last 3 years, Novozymes has continued growing globally. The acquisition of a German company turned Novozymes into one of the major players in bio-fertility solutions for agriculture. Novozymes has also inaugurated new plants in China, Nebraska (USA) and Italy (Novozymes, 2014a).

13.2.3. Evolution of Values

When Novozymes separated from Novo Nordisk in 2000, they continued to have the shared values, such as

- accountability,
- ambition,
- responsibility,
- engagement,
- honesty,
• vision

However, it was critical for Novozymes to find out how they were different from Novo Nordisk. It seems that at that time Novo Nordisk was a safe place to be in if you were an employee, when the split occurred: “everyone knew that the will make a lot of money for a long time and it will be a good place to work, but what happens when you start working for Novozymes. We just been small division inside big pharm company. We were in process to find out who we are as a company. It was like a young person moving away from home and trying to find out its individuality.” (Interview 3). Novozymes came up with a metaphor and compared the situation with the one of two siblings that have grown up in the same family. They would share the same vision on things in life but the personality would be completely different. At that stage Novozymes needed another personality although having shared values with Novo Nordisk. During this search, sparkle, science and passion as their new direction were identified: “we had to be wilder, not like clean suits and ties like Novo Nordisk were. Quicker, maybe more aggressive and funnier.” (Interview 3).

In 2007, Novozymes developed Touch the world, their guiding principles, values, vision and mission. “we were looking for new values not because every company has values, but because we wanted them to drive our decisions”. 1400 employees (from which 600 were from Danish headquarters) participated in the workshops related to values and principles. “We asked what is Novo soul and DNA
from this Danish company that we should never let go off and what kind of new values we will need to meet the business course to be set up”.

*Touch the world* describes where Novozymes is heading, how they will act to get there, and what they believe in and are committed to. Reading the guide clarifies the main strategic points of the company, these are:

**Mission:**

Drive the world toward sustainability

**Vision:**

A future in which their biological solutions create the necessary balance between better business, cleaner environment and better lives

**Company idea:** Rethink Tomorrow

**Current Values:**

- Dare to lead, because the future is created by you
- Trust and earn trust, because nothing beats a circle of trust
- Connect to create, because the world is full of ideas
- Unlock passion, because passion makes dreams come alive

*(Novozymes, 2014b)*

The Head of Corporate Branding and Online (interview 3) explains the values: “*some new things that came out were connect to create value. If we really*
want to change the world we need to be much more extrovert, we need much more to be engaged with stakeholders. I think we are doing very good job, but here is still so many things compared to what we could do”.

“Trust and earn trust, it is a key values for Novozymes, because it talked about both the way we should work (not checking on everyone but just trusting that everyone is doing their job), we do not want 10 people making the decision just one person takes the decision and move on. If we want to be quick we cannot spend too much time on taking a decision, on consensus.”

“We work on gene technology and a lot of people do not like them, we need to be a trustable partner, to be able to have good arguments, good sounds, our licence to operate. We need more speed, that’s why this dare to lead, again it has many meanings, inside the organization. We also should act in a scientifically smart and sound way.”

The employees of Novozymes identify themselves with Novozymes’ set of values: “I am very much agree that the values are the right ones. I am very much impressed that Novozymes developed a culture around those values. I am very proud to be part of Novozymes and I respect the company very much” (interview 1). According to the Vice President for Global Quality, Environment & Safety at Novozymes: “Values that we have are equally important and they can be used in very different situations. It is like our DNA expressed in values.” (Interview 2)
13.3. Retrospective

Novozymes’ overall vision and understanding of sustainable development is the balance between better business, cleaner environment, and better lives. However, it was not like this from the very start. While still being part of Novo Nordisk, during the 1970’s, some events in their history pushed Novozymes to start being concern about the integration of sustainability. At this time in the UK, a report came out about a possible allergenic reaction to enzymes. It concluded that people working with enzymes in the factories could have some health issues including allergies. At the same time, it was misinterpreted and understood as it was dangerous for customers to use clothes washed with biological detergents, for which production enzymes were used. For the first time, sales of Novozymes dropped and Novo had to lay people off as no one wanted to buy enzymes. Later on scientific studies proved the opposite. Novo also conducted their own studies to make sure that there is no threat to the health of their employees and customers. The Head of Corporate Branding and Online (interview 3) explained: “what we learned from it, that it is clear for Novozymes that we have to be engaging with our stakeholders, much more than we were at the time, and it was really really important that we had dialog with scientists that we had dialog with consumer organizations, NGOs and so on, to see what is on their mind and we can continue working together. So at that time I think we were one of the companies doing roundtable meetings, once a year we would invite NGOs and we would have these
sessions where we would talk about what we do in our use of technology and what they think about, what they would like us to do in order to improve.”

From this example from Novozymes’ history, it is obvious that Novozymes was pushed earlier to learn from the interaction with the stakeholders. They faced the problem with an open posture to learn from the interactions and at the same time scientifically justified their actions.

Nowadays every employee of Novozymes is aware of their sustainability strategy and goals. Each of them is able to identify what sustainability is and how it is reflected in their everyday work: “All employees of Novozymes know that Novozymes wants to be responsible, they know that we want to do business in a descent way.” (Interview 1).

13.4. Enactive in sensible environments

Novozymes is proactive towards its environments, even though they define it as “challenging environment” (Novozymes, 2012, Interview 2) due to the ever-changing world in which they operate:

“In an uncertain environment such as the current one, we keep our eyes on long-term value creation without being naïve, we are respectful to what we see out there. Flexibility and vigilance are our best tools for weathering potential storms.” (Novozymes, 2012a)
Being a proactive company, Novozymes defines its boundaries outside their company, and even outside their industry. They are focusing on innovation and therefore they shape their environment and it is not the environment that shapes Novozymes:

“We remain focused on executing our strategy and developing our core business through innovation and sustainability, but it is not a matter of business as usual. We continue to challenge ourselves and to challenge convention, as we are convinced this is the best way to create value both today and tomorrow” (Novozymes, 2012a).

The way Novozymes relates to their competitors also demonstrates the degree to which company controls its environment:

“Another way to counter the competition is to stay ahead in product innovation and continually launch new and improved products” (Novozymes, 2012a)

It is also explained in terms of changes, the way how Novozymes would like to influence the environment and speed it up: “Even though we have these fantastic products and ideas, it is still moving slower that we would want it to be. We could do much more. The environment around us, the legislation, the ability of our customers to change into biological and environmental friendly solutions will take time. We would like it to move much quicker.” (Interview 2)
“Things are changing around the company and we cannot enjoy the good ride, we have to nourish culture” (Interview 2).

13.5. Social

First of all, Novozymes tries to stay in touch with the needs of a society. For them cooperation with all parties is crucial:

“I enjoy that doing my work I come across a lot of people internally, with whom we cooperate. I am in regular contact with R&D, Production, Sales, Marketing.” (Interview 1)

“I think we have cooperative relationships with all stakeholders. I think people are willing to work together. We have some pretty ambitious targets in Novozymes regarding that” (Interview 3).

They conduct open dialog with their stakeholders while they communicate with them in an open and honest way through their stakeholder-oriented sustainability activities. Novozymes uses different categorizations to sort their stakeholder relationships. They distinguish between internal (employees of the organization) and external stakeholders (suppliers, customers, competitors, and business partners). Novozymes has representatives in organizations such as the World Business Counsel for Sustainable Development (WBCSD), Nordic Network of UNGC, and other civil society organizations like Business for Social Responsibility (BSR).
“Stakeholders are central because responsibility and business must evolve with stakeholder relations” (Novozymes, 2001).

Stakeholder thinking in Novozymes makes part of Novozymes’ sustainability development efforts. It is also representative how they divide routine and non-routine situations in management and link it to stakeholders groups (see Figure 17). When Novozymes faces a diverse group of stakeholders, they implement in depth analysis of the situation when management is based on routine, or stakeholder mapping when management is based on new ad hoc business activity.

Figure 17. Stakeholder engagement in Novozymes (source Novozymes)
Novozymes goes for cooperation even when there is negative perception and disagreement on the issues. The most important for Novozymes is the shared vision that is to *drive the world towards sustainability*:

“If you are going to cooperate with stakeholders it is important if you got a shared vision or shared goal. At one point in time we had a close partnership with NGO to inform the debate about genetic engineering and the NGO was negative towards genetic engineering, because they focused on the risks. And at Novozymes we agree that you have to be careful when you are using genetic engineering, because it can be dangerous but our focus is within the opportunities. However, our common vision was to have a very good debate about genetic engineering based on facts and science. So we had an excellent cooperation. Although we disagreed about lots of things we were able to work perfectly.” (Interview 1)

In general, Novozymes enjoys cooperative relationships with most of their stakeholders: “Some NGOs are very pragmatic and like to cooperate with businesses. But some NGOs have another approach to business, like Greenpeace or Friends of the Earth. They are not that cooperative. But anyway, it is a friendly atmosphere, we have a discussions but not projects in common to work on” (Interview 1).

In 2009, Novozymes cooperated with the World Wild Fund (WWF) on the topic of industrial biotechnology. Experts from both organizations calculated that industrial biotechnology could generate between 1 and 2.5 billion tons of
greenhouse gas reductions per year by 2030, as well as building a new green economy that cleverly works with nature to meet human needs (Novozymes, 2009). Through such cooperation other projects were implemented along with WWF. For example, in 2013 WWF conducted the EU event on advanced biofuels and indirect land use in Europe, where Novozymes was a main co-operator and organizer (WWF, 2013).

Novozymes is sure that NGOs can bring new views, new inputs and opinions. That is why they are not afraid to engage into dialog with stakeholders even when the stakeholder’s perception of Novozymes or its activities is not positive. An example of Novozymes’ cooperative efforts on how they turned antagonistic relations into cooperative ones is reflected through the case of antibiotic resistant markers and the debate around it back in 1998-2002. Antibiotic resistant markers are used in genetic engineering. The Senior Sustainability manager at Novozymes explains (Interview 1): “is very critical when you add antibiotic to microorganism and let it out into nature. It might be dangerous to humans. It could cause infections and people might die. It was a debate back then in 2000. That is a fact, it can be dangerous and it was acknowledged by Novozymes and the Board.”

Science manager at Novozymes (Interview 4) describes the cooperation and the way Novozymes faced the problem: “we had meetings every year with NGOs such as Greenpeace, where they actually raised that concerns, as a responsible
company we listened some of their questions and what they were afraid of and one thing was that when you work with the bacteria you often have antibiotic resistant markers, so in that times to make production streams we used that method, and made some of production streams, but we never used the markers”.

In order to demonstrate that antibiotic resistant markers cannot be spread to other organisms, Novozymes conducted scientific studies to demonstrate that it was not possible (e.g. the use of the enzyme production for fertilizers questioned whether it was possible to spread antibiotic resistant markers to other organisms on the field where fertilizer is used). However, all results were negative. Science manager (Interview 4) explained: “but even the science show negative results you anyway have to take public opinion into account. We agreed with authorities that we will take from the use antibiotic resistant markers and we made a plan so today we do not have any antibiotic resistant markers. We were not able to see a concern, but we took a concern very very serious.” (Interview 4).

The actions of Novozymes were the following: “We did two things. First, we had to document that the way we use antibiotic markers is not influencing the amount of resistance in nature. Second, we had to get rid of them, its uncertainty. It was a very wise decision as Novozymes managed to stay out of debate. We were not a target of NGOs on the criticism of genetic engineering. We managed to build trust. They trusted that we will use genetic engineering in a responsible way. We had peer reviewed articles published about the consequences of our use of
antibiotics and also a new method of selecting microorganism was developed and applied.” (Interview 1)

13.6. Ongoing

Novozymes has been working sustainably for more than 60 years since they decided to produce microbiological enzymes. But in reality its first big step forward to become a sustainable company was when Novo opened its first environmental department in the 70s (Novozymes, 2014c). Since then, Novozymes has advanced in most corporate sustainability issues. However, as a proactive company towards its environment, Novozymes sensemaking towards sustainability is ongoing, it never stops. During the period of investigation of Novozymes (2011/2012), analysis showed the following challenges and concerns of Novozymes in its way to sustainability:

(i) Be attentive to the new concerns and not miss them:
“CO2 emission back in 2005 was not so high in the agenda, but now we have very good policies internal and external and I hope we find these new concerned much earlier and handle them in a good time” (Interview 2)

“And I worry that we live a globe which is very difficult to foresee that so many people live on it for new generations to come” (Interview 2)

(ii) Global warming:
“My big concern is will we in the global community be able to handle big environmental challenges we have and what I see is unfortunately we are not doing well. Global warming is a major concern for me.” (Interview 2)

(iii) Challenging social issues in the world:
“Novozymes is very much focused on the environmental impacts of our activities. What is environmental impact of our activities are documented by LCA. We are focusing on our own emissions, and also emissions from our suppliers and we are very transparent on that. We are measuring, we set targets and we are transparent. But we are not that much into social consequences, socio-economic consequences. And when you want to grow into developing economics as China, India, Brazil, Russia, you have got very important social issues from human rights to hunger and poverty, food safety, safety at work. We have to focus on that but we are not good at it. We do not know how to approach it.” (Interview 1).

(iv) Knowledge sharing:
“We are not good in sharing knowledge. We do not have anyone in Novozymes responsible for knowledge sharing. We do not have a knowledge sharing department. Some people are doing search in the internet, some people trying out some search in media and brainstorming sessions in their functions but nothing coordinated. So we can do much better in terms of collaboration if we had better technologies to do. Now IT is realising it is a problem for them and we have 900 really smart scientists around the world. Of course it makes sense if one is
struggling with something it is better to ask a peer than have to read 100 books to understand what is the problem. So they are experimenting with various online tools.” (Interview 3)

13.7. Focused on and by extracted cues

Novozymes’ way to their current point in sustainability has evolved and three major steps have been identified in their development of sustainability issues:

Step 1) Risk management and compliance (1970-1990)

Step 2) Support to their current business. Novozymes has remained interested in LCA analysis and since 2004 started to apply LCA to their products. It served them to document what enzymes are and why enzymes are the best choice in a sustainable development context. (1990-2005)

Step 3) Innovation, creation of the new business model based on their knowledge about the world’s challenges, and in particular their customers’ challenges (2006- currently)

The following frames, cues and labels, metaphors and platitudes were identified for Novozymes given the studied period of time (2011-2012)
13.7.1. Frames

(Traditions and ideologies of the company)

(i) **Cooperation and partnership** is part of the company framing:

- “Bringing together manufacturers, ingredient suppliers and retailers to discuss industry trends” (Novozymes, 2012a).
- “Partnership with customers” (Novozymes, 2012a).
- “Through numerous annual meetings with our stakeholders, such as investors, politicians, customers, neighbours, and NGOs, we become aware of relevant issues and trends that provide valuable input for our strategic development- and have done so for many years” (Novozymes, 2012a).

(ii) Another framing of Novozymes is its **focus on the society and community in which they operate**:

- “Bio-based society where resources and energy are used differently, pollution is reduced and nature is preserved” (Novozymes, 2012a).
- “Strong tradition of community relations work” (Novozymes, 2012a).

(iii) **Innovation** is an essential ideology of past, present and future strategy of Novozymes:

- “Create tomorrow’s industrial bio solutions” (Novozymes, 2012a).
- “Rethink tomorrow” (Novozymes, 2012a).
• “Since 2000, Novozymes has invested more than 10 billion in R&D and has launched roughly 100 new products” (Novozymes, 2012a).

• “Novozymes is very innovative, science-based, out of 5000 employees 1000 are in the R&D unit, there are more researches that most universities have” (Interview 1).

• “Innovation. We are good at getting new ideas and think broadly” (Interview 2).

13.7.2. Cues
(Present moments, what organization extracts from the environment and situation)

Cues that Novozymes extracts from their current strategy and activities are focused on the following areas:

(i) Geographical coverage:
• “Novozymes now has improved geographical coverage” (Novozymes, 2012a)

(ii) Environmental impact:
• “We strive continuously to minimize our environmental footprint through a strong focus on energy” (Novozymes, 2012a).

• “Water is one of the focus areas” (Novozymes, 2012a).

(iii) Business integrity
• Business integrity (Bribery – No thanks!)
(iv) Employee satisfaction

- “Employee satisfaction and employee perception of development opportunities are the most important indicators of employees’ well-being. 


13.7.3. Labels

*(Tell us what things are, they classify)*

After analysis of Novozymes sustainability strategy and activities the following labels have been extracted:

(Novozymes, 2012a):

- *Challenging environment*
- *Innovation-focused solution provider*
- *Long-term value creation*
- *Universal values*
- *Unique industrial biotechnology platform*
- *Successful integration of sustainability*
- *Diverse workforce*
- *Sustainability leadership*
- *Radical innovation for tomorrow*
- *Satisfaction and motivation for employees*
- *Transparent and accurate reporting*
- *Material business impact*
• Precautionary approach to environmental challenges

13.7.4. Metaphors
(Indicate how things are, they relate, give life)

(Novozymes, 2012a):

• Sustainability as differentiator
• Not business as usual
• As the world’s premier industrial enzyme
• Rethinking tomorrow
• Business and sustainability – the perfect marriage (Figure 18)

Novozymes developed sustainability series for their employees and customers, in one of them (Figure 18), they compare the integration of sustainability into business activities with the dating process and marriage. It all starts with low awareness and risks and in their opinion, should lead to new opportunities, sustainability as a business creator.
Business and sustainability – The perfect marriage?
How business got attracted to sustainability

1. Forty years ago, there were no data on business and sustainability: no
   carrefills, no kisses, no backrub. But then it changed. Doing good started
   meaning doing well – and today leading investor indexes and benchmarks
   bless and encourage corporate efforts to bring sustainability and business
   together because the relationship – as in all good marriages – is mutually
   beneficial.

(from Risk...)

1. Low Awareness
   Sustainability equals own house. In order:
   Businesses are focused on their
   own needs only, and sustain-
   ability means avoiding risks
   such as spills or accidents.

2. Awareness
   Sustainability means cost
   across the value chain:
   Businesses realize that they
   also need to ensure respon-
   sibility of suppliers, for example
   avoiding child labor.

3. The First Date
   Sustainability as cost
   solver:
   Businesses realize that sustain-
   ability also means saving costs
   through reduced use of
electricity, raw materials, etc.

4. Marriage
   Sustainability as market
   driver:
   Businesses realize that more
   sustainable products enable
   differentiation and exper-
   tience a pull from retailers
due to pull from consumers.

5. Children
   Sustainability as business
   creator:
   The challenges of the world
   lead to new business ideas
   and new business models:
   trying to find solutions to
   address energy shortages,
   food insecurity, etc.
13.7.5. Platitudes
(Conventionalize, they establish what is normal)

(Novozymes, 2012a):

- Business more efficient and world more sustainable
- Competition helps us remain alert and avoid complacency
- Growth in a responsible manner
- Innovation essential for success

7) Driven by Plausibility rather than accuracy:

Novozymes is quite sure what issues are creating uncertainty and what issued should be paid more attention to. In many ways they always would check up issues with scientific approach. However, they see environment as challenging one, especially related to the resolving social issues. “Novozymes would like to make a difference. We see that is something wrong, the world the development is not sustainable. We need a change. We would like to change the world together with our customers or Rethink tomorrow. It is a political statement as well showing that it is something wrong in the world in its economic, social and environmental sides” (Interview 1).

“It is of course important to make profit. If you are not making a profit, you are out of business. But it is much important to the company to be part of the solution. It is very important to Novozymes to be a pioneering company and to make a
difference, to make products that will be the solutions to the world big challenges.

To be science based.” (Interview 1)

13.8. Leader in Novozymes sustainability integration

13.8.1. Governance of Novozymes

Two main governance bodies of Novozymes are Board of Directors and Executive Management. The goal is to have a management system in place that ensures openness and transparency at all times.

The Board of Directors participates in the overall management and strategic development of the company. In general, Novozymes strives for its directors to always have the best possible mix of competences and at the same time the relationship between the Board of Directors and the Executive Management is once again considered very satisfactory.

Top management is committed to Novozymes’ sustainable vision: “I love the fact that in cross business and top management see sustainability as very important issue. There is a lot of commitment to sustainability. In this way you are feeling it is important what you are doing in the company.” (Interview 1).

At the point in time of the analysis of Novozymes (2011-2012), Steen Riisgaard was its President and CEO. At the same time, he was a chairman at the WWF (World Wild Fund for Nature) Denmark. Since the beginning of his career, environment has been his priority. After finishing university, he founded the
environmental organization Noah (Danish subsidiary of Friends of the Earth). His main motivation for working for Novozymes is its positive impact on the environment and society. Employees of Novozymes credit their CEO for Novozymes’ ambitious vision: “Most people would like to do something that makes a world a better place, and our CEO always says that having a vision like that is a “rocket fuel for the organization”. People are enjoying getting to their job, because they are learning something new every day and also because they are doing something that would improve the state of the world.” (Interview 3).

13.8.2. Sustainability governance of Novozymes
Figure 19. Organization of Sustainability Governance in Novozymes (source Novozymes)
The Sustainability Development Board (SDB) is the main body within Novozymes decision making upon sustainability strategy. SDB is a cross-functional strategy group consisting of vice presidents from all key business functions (R&D, Finance, Sales & Marketing, and Business Development & Acquisitions), it is responsible for developing its sustainable development strategy and targets and support integration of sustainability in all key functions and geographies of the company. The SDB reports directly to Novozymes’ Executive Management, who challenge and approve the sustainability strategy and targets. Sustainability performance is reported to the Board of Directors on a quarterly basis, and selected sustainability issues are presented to the board twice a year. Financial, social and environmental results are reported quarterly, and achievements of performance and development targets related to sustainability are integrated in incentive programs for management.

SDB exists for more than 12 years in different forms. First, two separate boards were created, one for environment and bio ethics and one for social issues. Later on they were merged into one sustainability board.

SDB evolved in their prioritization: “*now sustainability board prioritize to make Novozymes communicate sustainability visions and targets and efforts made. As well as make Novozymes be able to claim sustainability benefits associated to targets. More external prioritization. Earlier they were very explorative in their*
approach. They were not eager to communicate. They would explore the issue, they would know it, and then they would document” (Interview 1).

SDB is taking sustainability seriously: “SDB members are critical about sustainability issues and they should be. We should make sure that we have order in our own house, we should make sure there is no discrimination in our factories and that we pay fair salaries” (Interview 1).

To provide qualified support for strategic decision-making and pursue an ambitious sustainability strategy, the SDB is presented with systematic surveys identifying and assessing trends that have a material business impact and are relevant to Novozymes’ stakeholders. The SDB uses these surveys to select key trends, assessing their relevance and importance to Novozymes’ business strategies. SDB sets ambitious short- and long-term targets for sustainable development across Novozymes’ value chain.

Sustainability trend-spotting makes a significant contribution to the annual strategy development and target-setting process within the SDB. To provide qualified support for strategic decision-making and pursue an ambitious sustainability strategy, the Sustainability Development Department coordinates the identification, analysis, and assessment of trends that have

a) Material business impact

b) Relevant stakeholder concern to Novozymes
On this basis, the SDB makes both a qualitative and quantitative selection of the trends, assessing their relevance and importance to Novozymes’ business strategies. This trend-spotting process is facilitated in close collaboration between each of our business areas and all our regional offices on an ongoing basis. Figure 20 represents a trend spotting process and Novozymes strategy development.

Figure 20. Novozymes strategy development (source Novozymes)

The purpose of Novozymes’ recurring trend spotting process is monitoring development and appropriately responding by setting targets for integrating sustainability development into the business strategy. Accordingly, the initial outcome of trend spotting each year is a list of themes/issues of relevance to
Novozymes business and potentially not adequately dealt with. Looking back at the sustainability trends SDB has had on its agenda as a basis for setting targets and developing strategy themes/issues are listed below.

Themes / issues marked “*” are considered material and should be dealt with as elements for the sustainability strategy.

- 2009
  - Industries’ and customer’ performance
  - Open innovation
  - Poverty
  - Health
  - Business integrity (corruption and bribery)*
  - Stakeholder engagement*
  - The water issue*
  - REACH – regulation
  - Trend spotting
  - Sustainability benchmarks

- 2010
  - Water management*
  - Waste management
  - Aging workforce
  - Diversity
  - Synthetic biology discussions / bioethics
  - Transparency on corporate governance
  - Transparency on tax payments*
  - Sustainability claims / greenwash*
  - Supply chain management*

- 2011
  - Employee volunteering
  - Position on catastrophe management
  - Employee health and wellness
  - Diversity
  - Target settings along supply chains*
  - Human Rights*
- Green economy*
- The price of ethics
- Business in Africa
- Sustainability in positioning

The general sustainability department prioritizes: “Target settings and strategy. Integration of sustainability into day to day business. It is important that sustainability is not just a subject for our department. It should be important to all parts of the business. Sustainability should be fully understood as a business activity” (Interview 1).

13.8.3. Head of Sustainability in Novozymes

The Sustainability department comprises specialists in the disciplines of social responsibility, environmental management, life-cycle assessment, bioethics and business integrity. It is led by Claus Stig Pedersen. Mr. Pedersen currently holds a position as Senior Director and Head of Sustainability at Novozymes, while also dedicating his time to teaching Sustainable business strategy at Aalborg University. Mr. Pedersen has a doctorate degree in Management and Sustainability from the Technical University of Denmark. Claus Stig Pedersen himself won the best CSR Professional award for developing and implementing successful CSR strategies within Novozymes (Novozymes, 2012b). His vision is “act according to our potential, not our size”. He defines sustainability as “finding right balance between people needs, the carrying capacity of our planet, the environmental carrying
capacity and making a good profit and good products to provide sustainable living for people on this planet”.

Figure 21. Sustainability integration into company activities (Claus Stig Pedersen)

Mr. Pedersen sees the way of sustainability as being integrated into a company through a process (Figure 21), where at the most basic level, sustainability is about compliance and avoiding risk, it is also a superficial way for covering a potential crisis. As a company begins to understand what sustainability is really all about, financial savings start to become apparent – especially as a result of efficiencies in resource and energy use, here the structure and some order plays an important role. At the highest level, sustainability begins creating new business segments, new products, and growth. He calls it system thinking, where new mindset in regard to world challenges is crucial.

In general, employees of Novozymes are showing also their individual concerns regarding sustainability issues: “I cannot understand people who are not involved and not caring about sustainability. It is our world and it is our globe, we
need to take care of it. And that both go on environment and also on the social side. So may issues that we have to have such much higher in the agenda: CO2, poverty, environment with low quality” (Interview 2).

“Most people would like to do something that makes a world a better place... I would not want to work in a bank or insurance company, maybe it is fine working I did not try but also it is not as fun as working with biotechnology and use business to be a player and also an actor in the changing world” (interview 3).

13.9. Strategy and elements of substrategy

13.9.1. Long-term targets

Novozymes sustainability strategy is focused on integrating sustainable solutions into its own organizational practices. They incorporate as many sustainable initiatives as possible, so its commitment to sustainability is integral to their business process. This practices help Novozymes to demonstrate its commitment with its business promises in front of partners, there is no a better way to gain its trust.

Novozymes strongly focuses on some activities to become the major leader in the sustainability field, its main goals are described below:

(Novozymes, 2013a):

- Annual organic sales growth of more than 10%
- EBIT margin of more than 24%
• Annual return of invested capital of more than 22%
• Enable a 75 million ton reduction in CO2 emissions by 2015 through our customers’ application of our products
• Improve energy efficiency by 50% in 2015 compared to 2005
• Reduce our CO2 emissions by 50% by 2015 compared to 2005
• Increase energy supply from renewable and CO2 neutral sources to 50% in 2020
• Improve water efficiency by 40% in 2015 compared to 2005
• Be recognized as a global leader within sustainability
• Be a preferred employer globally

To reach the planned goals Novozymes has established an energy master plan for each of its plants around the world. On the other hand, the company has already rolled out many saving projects. The biggest saving project is optimizing its energy supply either by producing its own energy supply or purchasing more CO2-neutral energy.

In 2011, Novozymes developed peer-reviewed environmental life cycle assessments in the animal feed, household care, textile, and leather industries, some in collaboration with customers. In addition, they also provided CO2 data on selected enzymes to customers and partners and advised them on changing their
product mix and shifting to more concentrated products with lower environmental impact.

Novozymes measures CO2 emissions on scope 3 \(^6\) because direct environmental impact from products is not an issue as Novozymes operates solely on the B2B market.

- CO\(_2\) : 54%
- Energy : 40%

Despite the successful implementation of all planned energy-saving projects, Novozymes was not able to meet the targets and openly communicated it. Their failure to meet the targets was primarily as a result of lower global capacity utilization following the inclusion of the American site in Blair, Nebraska, in global supply operations (Novozymes, 2013b).

- **Reducing our water use**

Novozymes wants to account for the overall water impact of its technology from a life cycle perspective and improve its technology in order to contribute to increased resource efficiency. Its main long-term target in this field is to improve water efficiency by 40% in 2015 compared to 2005.

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\(^6\) Scope 3 emissions – other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, etc.
Water efficiency was impacted by lower global capacity utilization following the inclusion of the Blair site in global supply operations, leakage from underground pipes at one of our facilities in China and product mix changes (Novozymes, 2013c).

- **Socioeconomic impact**

Novozymes knows the importance to contribute in the countries where they operate. For this reason, they reinvested 13% of total sales from last year and the rest 87% is returned to society, through the purchase of goods and services from our suppliers, wages and pensions to its more than 6,200 employees worldwide (Novozymes, 2013d).

Novozymes' work on social responsibility is based on a two-pronged model: on the one hand ensuring that Novozymes' minimum standards are met throughout the organisation, while on the other strengthening Novozymes' role as an active corporate citizen (Novozymes, 2013e).

- **Running a sustainable supplier program**

The objectives of the program are:

- To systematically assess opportunities to improve performance and mitigate risk in our supply chain
- To mitigate risks in order of importance and opportunity

- **Strengthening our social commitment**
Novozymes' work on social responsibility is based on a two-pronged model: on the one hand ensuring that Novozymes' minimum standards are met throughout the organisation, while on the other strengthening Novozymes' role as an active corporate citizen (Novozymes, 2013e).

Their overall strategy aims at:

i) Drive Innovation

ii) Expand opportunities

iii) Improve Productivity

Novozymes strategy is represented through confidence of their possibility to drive the world towards sustainability and improvisation regarding the challenges of an ever changing world:

“We continue to challenge ourselves and to challenge convention, as we are convinced this is the best way to create value both today and tomorrow” (improvisation as strategy) (Novozymes, 2012a)

“Novozymes holds some of the answers to the world’s most pressing problems, but we also realize that we are only part of the solution. We must all work together to challenge convention and find a way forward. Above all we need to rethink, not do business as usual!” Steen Riisgaard, President and CEO of Novozymes (Novozymes, 2012a). (improvisation as strategy)

“We drive the industry forward by rethinking how and where enzymes can be applied”. (improvisation as a strategy) (Novozymes, 2012a).
“Our aim is to be the market leader” (confidence as a strategy) (Novozymes, 2012a)

“We aim to drive the world toward sustainability” (confidence as strategy) (Novozymes, 2012a)

Novozymes defines risks as “events or tendencies that can prevent the company from achieving its overall targets – including financial, environmental, and social targets – or negatively affect our image or our future results or activities” (Novozymes, 2012a). Novozymes strives to identify risks as early as possible.

Novozymes SDB already incorporated the invitation of external parties such as representatives of NGOs or professors from universities for the discussion of materiality issues.

Novozymes’ continuous corporate sustainability integration constitutes a mix between a global and a local approach. On the one hand, Novozymes’ business units across the world have to comply with Novozymes’ corporate policies, standards and strategies to ensure international consistency. On the other hand, the business units clarify and interpret Novozymes’ corporate requirements by devising their own local rules, initiatives and strategies to adapt and appreciate local cultural conditions and to encourage targeted initiatives around particular local corporate sustainability issues and stakeholders (Hougaard Pedersen, 2006).
13.10. Reflection on Danish culture and Novozymes

During interviews, employees of Novozymes emphasised that Novozymes is a Danish company and it is organized according to the Danish way of doing business:

“In Scandinavia we are very flat in our relationships and very informal and sometimes it gives a difficulties in work. If you look at Spain and if you look at Latin America it is quite hierarchical and that is of course a little clash when we with our Scandinavian way of management, we do not want these high hierarchies, we want flat organizations” (Interview 2).

“Novozymes has a Danish way of management, and it is hard for us to work overseas. But we respect other cultures. However, talking about management we would like to have more style of lower hierarchies. It is also very valuable in the decision process. But in a balance we also try to learn from other cultures.” (Interview 2)

An example of a CSR incident involving the culture and perception of things was identified. According to the Environmental Protection Agency (2009) Novozymes’ subsidiary in Salem, Virginia was sentenced to three years probation, given a $275,000 fine and had to spend a minimum of $250,000 in community service projects after pleading guilty to a charge of illegally discharging pollutants into Masons Creek, a tributary of the Roanoke River, without a permit. Novozyme’s Salem plant manufactures, packages, stores and distributes a wide variety of
industrial microbiological products used for wastewater treatment, soil remediation, septic and drain line maintenance and grease degradation. The company dumped over 4,000 gallons of off-specification and outdated products through a floor drain at its Salem plant. The drain fed these waste materials directly to an adjacent creek. Approximately 6,670 fish were killed along the stream (EPA, 2009).

Managers from Novozymes explained the incident; first of all relating that it was a newly acquired company at the time, therefore the values and vision did not match: “we do not have so much of incidents, but ones we have we all remember. Novo Group for many many years worked to being a responsible citizen, being close to our neighbours and listening to NGOs. It is a kind of our way to work. When we buy a new plant, for instance in Salem, when we bought a plant we had environmental incident which we had a spill to a local river. Of course, it changed our relationships with authorities. There we had worked a lot to improve the relationships. But relationships only can be improved when you work responsibly. You act responsibly and you are open to discuss” (Interview 2)

It was Novozymes’ first major acquisition: “what we did not really realized is that it takes time to change a culture. We did not think of that they could actually act like that. We were not aware that other companies could have easier models, tend to do things simpler. They simply used a sewer as a way to dispose chemicals and unfortunately it was going to river so the chemicals went to the river. I am not trying to excuse it, it was absolutely unacceptable. What did we do? We woke up suddenly
and realize that we had a lot of work to do on introducing them to our culture. But first of all we made a lot of procedures to prevent that happening again. First install procedures and then working with the culture. So we had to earn trust from authorities starting from very very bad case. Our Board of Directors and our Top management worked a lot with this” (Interview 2).

Another manager explains his version of the events: “We had a case in USA when by accident chemicals went to the river and a lot of fish died. And it is something we really do not like. Because we see ourselves as sustainable. I think at that time we were struggling a little bit, because those people in the US wanted to isolate the project and just not talk too much about it (employees and managers of the factory). They said we fix it, but the case went in Danish media, because of course in Denmark Novozymes is quite well known. So we had to work with that in Denmark and we also were trying to find out what actually happened. A lot of procedures were changed. It was a company that we bought; they were coming from another culture so for them it was not so serious as it would be in other parts of Novozymes. It is more question when we acquire new companies and how do we make sure that people understand how important it is for a company that we want to be sustainable.” (Interview 3).
13.11. CSR Character

13.11.1. Cognitive (What the firm thinks)

13.11.1.1. Identity Orientation of an organization

Novozymes has very close ties to stakeholders and they also see themselves as members of a large group. They have already created close ties with their most relevant stakeholders and now define their mission in universal terms: “Drive the world toward sustainability”.

13.11.1.2. Legitimacy

Novozymes strives to co-create norms with their relevant stakeholders. They are proactive and together with NGOs and other organizations search for social legitimacy. Open tables and public consultations are a general practice for Novozymes. They are able to earn trust and turn antagonistic relations into cooperative ones.

13.11.2. Linguistic (What the firm says)

13.11.2.1. Justification

Novozymes incidents identified through its history: i) antibiotic resistant markers ii) Salem factory spill into Masons Creek. Being a science-based company, in most of cases Novozymes’ language of justification is scientific: “results are reviewed by a third party and published in scientific journals” (Novozymes, 2012a).
Through science they justified no harm of their use of antibiotic resistant markers. However, at the same time, Novozymes relays on ethical rules and responsibility. As from the example of antibiotic resistant markers, they change the way they work and abandoned the use of antibiotic resistant markers just because it was more a responsible action in a universal scale.

13.11.2.2. Transparency

Novozymes’ overall objectives for product responsibility can be summarised by the worlds “transparency” and “information”: “*We aim to be a transparent and responsible business where sustainability is an integral part of the way we operate*” (Novozymes, 2012a)

The reports of Novozymes are balanced: “*We also achieved all of our sustainability targets except for water efficiency*” (Novozymes, 2012a). Novozymes does not hide any negative facts, all risks and unsatisfactory results are represented in the report. Employees are not afraid to discuss challenges of their work and their concern about Novozymes.

13.11.3. Conative (What firm tends to behave)

13.11.3.1. Posture

Being a very open company, Novozymes is willing to listen to the ideas of their stakeholders and engage on projects together with them. They listen to and accept the alternative perspective of resolving situations. This allows Novozymes
to not only share solutions but also share its perception of issues with their stakeholders.

13.11.3.2. Consistency

The way Novozymes is embedding sustainability into their overall strategy is strategically consistent. Their vision is in accordance with their achievements and long-term actions. At the same time, it internal consistency was observed among all departments and managerial perceptions of sustainability. All employees are aware of Novozymes values and the direction of their journey.

13.11.3.3. Commitment

The internal sustainability leadership of Novozymes has achieved an integration of sustainability into their work. Their commitment comes from the internal identity of the company, their perception of world’s challenges.

The CSR Character is presented in the Figure 22.
13.12. Findings

Organizational mindfulness is the major reason why Novozymes has been successful in implementing CSR. Since the company’s early history it is seen that CSR has been part of the company’s vision, policies, and strategies. Novozymes is spotting all current trends and gathering all necessary information needed for measuring risks and advancing in sustainability issues. However, they are not overwhelmed by excessive amount of information. All they need for integrating CSR is already expressed in their current values and long-term targets.

Novozymes is proactive towards external environments. This is expressed in their innovative spirit. Novozymes is now consciously working on incorporating CSR into their day-to-day practices. Their understanding of sustainability and the
complex world around them is not steady, it is evolving all the time with every new trend spotting, every new project or even negative experience is taken as an opportunity to learn. Novozymes is developing its capacity to be in tune with the changing environment around them.

How Novozymes gives the meaning to sustainability and CSR is the result of frames from their past experiences and cues they are extracting from their present experiences. Through the interviews it came out that frames are very much influenced by the Danish culture and context. The company has often had to balance the need for global standards with an adaptation to local conditions. However, at the end of the day, Novozymes is a Danish company, although tolerant to other cultures. Their understanding of responsibility is influenced by Danish culture, where people trust and earn trust. Being a proactive company towards its environments, Novozymes extracts cues and focuses a lot on new opportunities, bringing something new and innovative to their business model. Therefore, their understanding of sustainability is very advanced and profound. Sustainability for Novozymes is not instrumental actions, it is systemic thinking and change. They are looking for new business models, where they will be able to turn world’s challenges into business. Novozymes is calling this thinking “outside-in”, measuring the state of the world and measuring existing challenges and then looking for their solutions through Novozymes’ expertise. This type of thinking is opposite to “inside - out”, which is doing business as usual.
The activities of different stakeholders helped Novozymes to start making sense of the situation. Its management tried to synthesise these external contributions with their own values and preferences. Novozymes is taking an integrated (holistic) strategic approach to implementing and practicing CSR. Most of its CSR initiatives are directly connected to its core business activity and values. Novozymes’ approach illustrates how the complexities related to handling responsibility issues may take shape in practice.

Their symbolic processes are shaping their innovative thinking and are very much focused on sustainability and world’s current challenges. It also demonstrates that thinking about sustainability is advanced in a sense that Novozymes is able to explain sustainability through comparison.

Novozymes has been involved with environmental and social issues for a long time and throughout all the process they went through, they found their feeling of order, clarity and rationality for sustainability. It seems that at first, in order to simplify, they explored all relevant issues, they documented and later they adjusted and updated. Though the work of sustainability department and interviews conducted, it seems that Novozymes is acting with curiosity and openness.

The commitment of top management helps them to advance in sustainability issues. Without commitment from the key persons involved in the planning and implementation. Novozymes also has a very structured but at the same time open and flexible governance and leadership system for sustainability. It has all the
support and approval from the Board of Directors and top management. At the same time, the sustainability leadership of the company is crucial. The team knows in depth all the demanding CSR issues. Their knowledge and perception is far beyond just instrument level. The leaders of sustainability of Novozymes are able to step back and make sense of their activities. They are able to doubt their knowledge and the state of the world while also see the learning from past negative experience. Therefore, Novozymes sustainability leadership is represented by leader as a sensemaker.

The sustainability strategy of the company is very detailed but simple at the same time. The main aim is to integrate complex challenges into their business model. Their direction relies on the confidence on their good product and technology and innovative skills, but also at the same time in the possibility to look for new business models and improvise as there is still a lot to learn in the world. Their company idea holds a combination of confidence and improvisation: Rethink tomorrow.

Regarding substrategy, Novozymes is striving to spot the sustainability trends and then work with them. Observing their current and emerging topics for analysis it is seen that they are selecting material issues which have to be resolved every year. Novozymes, with confidence and improvisation is taking small steps at a time in their quest for driving world sustainability.
Therefore, the Novozymes perception of complexity results in defining Novozymes as a mindful organization (Figure 23).

Figure 23. Novozymes perception of complexity
“Insanity: doing the same thing over and over again and expecting different results.”

Albert Einstein

Chapter 14. Danone S.A. case study

14.1. Overview of Danone

Period of investigation 2010-2011

Documents from Danone S.A.:

6. Presentations and minutes from Sustainability Committee meetings (2008-2011)
7. Internal presentations of Sustainability team
8. Internal manuals and documents related to sustainability area passed from Headquarters in Paris
9. Economic and Social Report 2009-2011 (Danone Group)
10. Sustainability report 2011 (Danone S.A.)
11. Danone website

Participant action research 2010-2011:

5. Sustainability committees meetings 2010-2011
6. Measurement of carbon footprint
7. Corporate volunteering programs launch at the national level
8. Recompilation and presentation of data on CSR tool measurement
9. Every day work with Head of Sustainable Development, Carbon Master
Table 11. Main facts and details about Danone S.A.

<table>
<thead>
<tr>
<th>Facts</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Barcelona (Spain), Paris (France)</td>
</tr>
<tr>
<td>Property Rights</td>
<td>Multinational, privately held</td>
</tr>
<tr>
<td>No of employees</td>
<td>1416 in Spain</td>
</tr>
<tr>
<td>Type of industry</td>
<td>Food &amp; Beverage</td>
</tr>
<tr>
<td>Activities</td>
<td>Food processing</td>
</tr>
<tr>
<td>Economic Market</td>
<td>43% (dairy products, Spain)</td>
</tr>
<tr>
<td>International CSR Instruments</td>
<td>UNGC (since 2003), Danone Group GRI (since 2007) Danone Group</td>
</tr>
<tr>
<td>President</td>
<td>Javier Robles (president, representative of Spanish shareholders)</td>
</tr>
<tr>
<td>Sustainability governance</td>
<td>Sustainability Committee</td>
</tr>
<tr>
<td></td>
<td>Sustainable Development and CSR manager (position based in HR department since 2008)</td>
</tr>
<tr>
<td></td>
<td>Sustainable Development and Reputation manager (since 2011)</td>
</tr>
<tr>
<td>CSR reporting</td>
<td>Sustainability reporting in Spain (since 2009)</td>
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<tr>
<td>CSR awards recognition ratings</td>
<td>Company with the best reputation in Spain according to Reputation Institute (Rep Trak Pulse 2010, 2013)</td>
</tr>
<tr>
<td></td>
<td>Best Spanish Food Company (Environmental issues) 2006</td>
</tr>
</tbody>
</table>

14.2. Identity Construction

14.2.1. General information

Danone is the world leader in fresh dairy products which has its origins in Barcelona, Spain. The firm was founded by Isaac Carasso in 1919 in Barcelona and today it operates in nearly 140 countries where it employs over 100,000 employees around the world. Danone Group has four product divisions in which it does business: Fresh dairy products, waters, early life nutrition and medical nutrition. Danone assigns a a yearly amount of €257 million for R&D and the work paths for
innovation are: reliability, progress, well-being and cultures. The turnover is estimated at €20 billion in 2012, of which Spain has contributed 6% of the total.

14.2.2. History

The founder of Danone - a Sephardi Jewish migrant from Greece, Isaac Carraso - was the first who introduced yogurt to the Spanish market. He took this decision to treat children who suffered intestinal disorders. Yogurt was widely recognized for its health benefits in Balkans, yet unknown in Spain at the time. The first products were possible to buy at pharmacies only with medical prescription. Step by step, the doctors in Barcelona were incorporating the knowledge on lactic ferments researched by Elie Metchnikof, Nobel Laureate and director of Pasteur Institute.

Carasso named Danone after his son Daniel, whose nickname in Catalan was "Danon". Many years later, Daniel brought the brand to the French market. To win over consumers, he highlighted the health benefits, but also worked hard to ensure that Danone yogurt tasted better than rival brands. In 1942 Daniel emigrated from France to USA and he founded Dannon (official name of Danone in the USA). Later, during the following 25 years, all three companies (Danone Spain, Danone France and Dannon) grew quickly and in 1967 Danone France merged with Fromageries Gervais to become France’s leading fresh dairy firm.
During 1970s Danone Group was created when Gervais Danone merged with BSN. In early 80s, BSN-Gervais Danone began its expansion to the rest of Europe in food business when it bought companies in France (Belin), UK (Jacob's) and Italy (Saiwa). BSN-Gervais Danone became the Europe's third-largest food group in less than 20 years. In 1994, the company finally adopted the official Danone name. In the last years of the XIX century, Danone added its third line of business, waters. Due to all merger and acquisitions in France, Danone Group established its headquarters in Paris. However, Danone’s managers used to say: “Danone is a Spanish company with headquarters in Paris”.

2001 was the year selected by Danone to launch the Danone Way where they encourage all group companies to evaluate their own performance and launch initiatives that will combine business success with their responsibility to employees, stakeholders (from suppliers to consumers), and the environment. In 2008, Danone founded its own foundation for nature where they try developing and provide funding for innovative carbon programs. One year later, Danone donated €100M to finance the Danone Ecosystem Fund (It focus in expanding dairy farming, local distribution systems, packaging recycling networks, personal services, and socio-economic development in the regions around its plants).

Danone S.A. has its central office in Barcelona, 6 production sites, in Parets del Vallès (Barcelona), Tres Cantos (Madrid), Aldaia (Valencia), Sevilla, Salas
(Asturias) and Santa Cruz de Tenerife, as well as 72 distribution centres and 10 logistic bases around Spain.

**Mission and vision:** Bringing health through food to as many people as possible

### 14.2.3. Evolution of values

Through Danone’s more than 90 years history, the company has not always been consistent with its mission and vision; It owned biscuits and sweets brands as well as some beer brand. However, the management team was capable to turn their business back on a “healthy track”. As the Head of Sustainability explains: “*In other words, the core value proposition was for Danone to go back to its origins and become a company with a clear mission to produce healthy and sustainable products through innovation. This, in turn, translated into reconnecting with some of the original values that had shaped our company culture.*”

The new (and old) central values needed to be integrated back into the current culture, which meant translating these values into concepts that made sense to the employees. To achieve that, Danone developed policies to embed and integrate the corporate values throughout the organization (Kruglianskas and Vilanova, 2013).
Current Values:

- **Enthusiasm:**
  Danone strives everyday to find solutions that suit everyone, which is why they believe that challenges are also great opportunities. This world would not be possible without passion one brings to projects.

- **Openness:**
  Danone faces changes positively, and addresses them in a fast and flexible manner in order to achieve simple and effective solutions to meet the changing needs.

- **Humanism:**
  Danone works for the people and believes it is very important to consider tastes, opinions and claims. Danone is open to share its ideas with the customers, seeking always to respect different views and ideologies. Furthermore, Danone is a company responsible to the environment in which it operates.

- **Proximity:**
  Danone brand is defined as close and accessible to their consumers.

14.3. Retrospective

The future of Danone depends on the ability to invent new business models and not to loose their current path. That is why Danone Group has re-shaped its assets by selling profitable companies that manufactured beer and cookies, acquiring baby and medical nutrition companies, or focusing a large part of their R&D effort on healthy product development (Kruglianskas and Vilanova, 2013).
Looking retrospectively allowed Danone Group to rethink its strategy and focusing on integrating sustainability into their core business.

However, it is very difficult to identify negative outcomes in Danone’s strategy as the company almost never talked about it externally or internally.

14.4. Enactive in sensible environments

Danone S.A. is very focused on economic terms of their business and their definition of the environment they operate is seen through difficulties:

- “difficult economic context in Spain”
- “immigration, poverty, crisis”
- “unemployment situation in Spain”
- “economic crisis took hold everywhere”

As well as focused on some social issues:

- “more than 800 million people in the world do not have access to enough food and nutrition”
- “increasing demands of civil society”
- “global warming”

Danone perceives the changing world and it adapts to it.
14.5. Social

Danone S.A. tries very hard to integrate dialogue with their stakeholders and to communicate transparently and openly: “Dialogue among stakeholders is increasingly essential in the world now taking shape, and the way we have build up Danone business makes it more critical for us” (Danone, 2009).

However, there is no clear message to all their stakeholders. There is no full story to be told that would reconnect Danone S.A. with them. It is not clear if Danone S.A. is a leader in the stakeholder dialogue or follower.

It is interesting that Danone is focusing more on Key Opinion Leaders (KOL- experts and influences in each specific issue and topic) than on the cumulative direct or indirect stakeholders. KOL mapping is done per issue depending on stakeholder’s activity (high, medium, low) and its attitude vs Danone (favourable, neutral, unfavourable). The example of Danone Group mapping related to the issue of CO2 & Cow emissions is presented on the Figure 24.
In 2009, Danone Group sent a clear message to all its subsidiaries: “You decide whether to hold a defensive mode or proactive mode towards KOLs”.

- Defensive mode: protect from attacks
- Proactive mode: increase credibility with stakeholders support and endorsement

During that period, Danone S.A. did not have a clear idea what is their story to tell and
what their strengths and weaknesses are. Especially it was not clear how they can engage into dialogue and cooperative relationships with the stakeholders that are unfavourable towards Danone S.A.

Stakeholders categories identified for Danone S.A.:

- Materials
- Production
- Distribution
- Clients
- Consumers

If we analyse Danone S.A´s positive story-telling, there are a lot of successful collaborations with stakeholders that match Danone´s core business:

- Collaboration with Ashoka on social innovations
- Collaboration with Food Bank Spain on food donations and corporate volunteering
- Collaboration with Children hospitals on R&D and corporate volunteering
- Collaboration with sport schools on social integration and corporate volunteering

Most of Danone S.A. stakeholder engagements are focused on social issues and very much driven by branding opportunities, even through such collaborations are the fist step of changing a company mindset.

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14.6. Ongoing

According to the Head of Sustainable Development, the main challenges and concerns of Danone S.A. in its way to sustainability (Kruglianskas and Vilanova, 2013) are:

(v) Bringing top management on board
(vi) Reconciliation of short and long term objectives and results
(vii) Developing tools to implement and measure accurately new policies and actions
(viii) Developing reporting and communications schemes

Analysing this list, it is obvious that sustainability is not coming from within Danone S.A. since it was not initiate by its top management, but rather pushed and initiated by Danone Group.

14.7. Focused on and by extracted cues

Danone is very focused on their brand value and reputation. They establish close links with the Reputation Institute and the Forum of Corporate Reputation (Foro de Reputación Corporativa).

14.7.1. Frames
(Traditions and ideologies of the company)

Danone is perceiving itself as a unique company with a consistent strategy maintaining geographical network:

“what makes Danone special is the quality that makes all the difference – it is not always tangible. It is a state of mind, a willingness to ask questions, instead of
settling for answers, a way of looking at the world – in a word, a culture. A culture that our people are proud to share. A culture that gives Danone a competitive edge. A culture that our HR division cultivates as one of its main missions.” (Danone, 2009).

It is also believed to be an innovative company with qualities such as humility and imagination:

“We have what you can call the Danone model. And two things that go with it – humility and imagination. Humility because we know that food is all about culture and that makes each market unique. While our products are designed to meet defined nutritional requirements they also have to fit in with local habits and tastes. And imagination because in each country we have to invent solutions for affordable products that can be made readily available.” (Danone, 2009).

At the same time it is not a risk-taking company since they are very careful in their way of taking decisions:

“before we do anything else, we need to focus on the present and steer our way safety through the rough waters ahead” (Danone, 2009).

Reputation is perceived as a key framework in the way of Danone S.A to achieve success in sustainability:

“It is said for R&D that Reputation will be one of the key branches of the organizations in the near future... Reputation is not understood correctly if it is not
linked to all core subjects of the company, and fully integrated to the development of a new subjects as well” (Javier Robles, President of Danone S.A, Danone, 2011).

14.7.2. Cues
(Present moments, what organization extracts whom the environment and situation)

Cues that Danone S.A. extracts from its current strategy and activities are focused on the following areas:

- **Difficult economic context**
- **Risk assessment and its complexity**
- **It is an opportunity to convert efforts in sustainability into brand value**
- **Reputational risks**
- **Corporate governance in civil society and the public at large**
- **Changing demographics**
- **Eating habits**

14.7.3. Labels
(Tell us what things are, they classify)

Following labels has been identified through (Danone, 2009, 2011 and participant research ):

- **Danone Way Fundamentals**
- **societal innovation**
- **increasing demands of civil society**
• internalization
• change management driver
• value creation for a long-term
• co-creation
• disruptive innovation
• commitment for employees
• health for consumers
• renewal for the planet
• local opportunities
• Courage

14.7.4. Metaphors
(indicate how things are, they relate, give life)

• Nature, our path to the future
• Cultivating responsibility

14.7.5. Platitudes
(Conventionalize, they establish what is normal)

• Sustainability existence of business in a long-term
• Sustainable development is a voluntary consequence of our company’s mission
14.8. Driven by Plausibility rather than accuracy

Danone S.A. is quite unsure where they are moving due to multiple and conflicting goals and interpretations. There are still no clear established definitions of sustainability, therefore its perception by employees is based on different value orientation, which will be discovered through the analysis of sustainability leadership and strategy.

14.9. Leader in Danone S.A. sustainability integration

14.9.1. Danone Group sustainability leadership

In December 2006, Danone Group established the Social responsibility committee. It has a set of internal regulations defining its mission and organizing its operations. It is in particular in charge of considering the main environmental risks and opportunities for the group and reviewing its social policies. It also considers reporting, assessment and control procedures to ensure the reliability of the non-financial information of the group’s suppliers. The committee meets 3 times a year (Danone, 2009) and focuses on three main platforms: environmental, social and economic, for which they develop general guidance and policies. The Head of Sustainable Development of Danone S.A. explained:

- The Environmental Platform is developed through five strategic areas such as Measure, Reduce, Offset, KOL, Communicate, and is mainly measured by CO2 footprint.
• The Social Platform focuses on policies mainly for employees and local communities. The measurement of the Social Platform is based on different aspects of social impact, although measured through what is called “the labour footprint”, which focuses on managing responsibly of the positive and negative impact Danone has on all people whose job is directly affected by Danone, regardless of whether they have a direct contractual agreement with Danone or not (see Figure 25).

• The Economic Platform focuses on tangible issues such as financial performance or intangible ones, e.g., reputation management or brand equity.
14.9.2. Governance of Danone S.A.

Danone S.A. is the only company inside Danone Group that belong 50% to the local shareholders from Spain and other 50% to the Group Danone. The representative figure of the Spanish shareholders is the president of Danone, Javier Robles. Mr. Robes worked inside the Danone structure since 1973.

All strategic decisions are under the control of top management of Danone S.A, where the leading decision role is in the hands of the CEO.
14.9.3. Sustainability governance of Danone S.A.

In the beginning of 2008, with the changes in the sustainability discourse and the pressure from Danone Group, Danone S.A. has created a new position, Head of Sustainable Development and CSR. The person responsible for the sustainability structure was part of the Human Resource (HR) department, reporting simultaneously to HR director and CEO. At that time, Danone S.A. applied a rigorous search and selection process and employed a highly qualified professional with profound knowledge of sustainability issues and reputational management, with 10+ years of experience in management, marketing and sustainability consulting and as well as critical perspective on companies’ sustainability strategies acquired through the PhD research.

Placing the Head of Sustainability within the HR department demonstrated the little priority Danone S.A. gave to this topic. Having two bosses at once (the HR Director and CEO) showed to be a complication in the way of integrating sustainability. From 2008 till 2011, the HR director of Danone S.A. was giving full responsibilities and freedom of action regarding sustainability topics, and Sustainability Head was able to integrate a lot of changes in the perception and practice of the top management of Danone S.A.

First step that had been implemented was the creation of the sustainability committee, which was a modified version of Executive Committee, led and coordinated by the Sustainability Head. Initially, the Committee was formed by:
- President
- General Director
- HR Director
- Marketing Director
- Manufacturing Director
- Purchase Director
- Quality Director

The sustainability committee was a very new initiative for Danone S.A. The main idea was to initiate the discussion board and encourage different ways of thinking and viewing sustainability topics. The committee was meting every two month and one year after the creation of the sustainability committee the following functions/roles were incorporated:

- Internal communication,
- Logistic Director
- R&D Director
- Packaging Manager
- Environmental Manager

In July 2009, the CEO of Danone saw a value in the Sustainability committee and asked to have a larger meeting and more hours in order to understand the issues better.

In September 2009, through the work of the Sustainability committee, the proposal for creation of Nature advisory board in order to discuss separately all environmental issues was initiated (e.g. CO2 emissions).
In July 2010, the clear structure of issues in the area of sustainability was perceived, which was divided into three areas: People, Nature, Reputation. At the same time, the Head of Sustainability proposed to invite external stakeholders to participate in the sustainability committee, in order to provide their views and opinion on issues that would serve for the future development of the committee. Unfortunately, such changes were not welcomed due to the closed character of Danone S.A. management team and potential reputational risks.

The final composition of Sustainability Committee (2011):

**Permanent members:**

- President
- General Manager
- HR Director
- Marketing Director
- Manufacturing Director
- Supply Chain Director
- SSD Director
- R&D Director
- Sustainable Development Manager
- Carbon Footprint Master
- External Communication Director
- Internal Communication Manager

**On request members:**

- R&D Managers
- Supply Green Managers
- Quality Director
• Environment Manager
• Sales Director and Managers
• Milk Director
• Brand Managers
• Danone Nations Cup Coordinator

Its mission was defined as following: “To build Corporate Social Responsibility and Sustainable Development strategy that will develop internal and external reputation of Danone Spain, and ensure its implementation via realization and monitoring of the projects that affect any activity of the value chain involving management and employees of the company.”

According to the Head of Sustainability, the mission was to pass on the knowledge and vision on sustainability challenges and issues to the top management, while they would be responsible for integrating them into their department day-to-day activities. When this truly occurs, the position of the Head of Sustainability should disappear.

Only two employees were responsible for sustainability issues in Danone S.A. The Head of Sustainability and a researcher, while also getting help on social issues from the Organizational Development manager (who would later occupy the position of the Sustainability Head).

From the very beginning of the functioning of the committee nothing was clear, members were not possessing the knowledge of sustainability. They started
from general instrumental objectives and economically oriented social activities to improve image and reputation. The Head of Sustainability found herself in front of a difficult task— to introduce from scratch the concept of sustainable development. In her presentations, she would present the definition and explanations of concepts of sustainable development and social entrepreneurship, Ethos indicators, UNGC policies and social issues among others.

However, the main challenge was to earn respect and credibility, which was hard due to hierarchical subordination to the HR director and general hierarchical structure of Danone S.A. For example, it was perceived acceptable that the responsible of the sustainability report is External Communication & Public Relationship manager, who would not ask the approval or suggestion from Head of Sustainability.

Key leanings from sustainability committee according to the Head of Sustainability of Danone S.A.

- Obligatory assistance of the Top Management
- Almost all functions should be represented
- Creation of ad-hoc, satellite committees in case there is a need to focus on a project or area
- The Sustainability Committee should be an approval body and a discussion forum
Additional learnings:

- Create a platform to share information
- The Committee should identify the next steps and the accountable people

The following themes have been discussed by Sustainability Committee during the period 2008-2011.

It is indicated by “*” what themes/issues were considered material and should be dealt with as an element of the sustainability strategy.

- **2008**
  - Danone Way Fundamentals*
  - Social Innovation*
  - Health & Nutrition
  - Diversity at a work place
  - Employment for people with disabilities (internal and external)
  - Efficient driving
  - Carbon Footprint*
  - Sustainable leadership
  - Environmental indicators
  - Sustainability task force

- **2009**
  - Measurement and reduction of carbon footprint*
  - Waste management
  - Water (reduction of consumption)
  - Forum of corporate reputation
  - Havas Sustainability Study
  - Identification of environmental stakeholders*
  - Collaboration with Food Bank
  - Development of the Sport schools
  - Corporate Volunteering Programs*
2010
- Danone Way Fundamentals measurements*
- Carbon Footprint measurement and plan for reduction
- Water
- Food Bank donations
- Stakeholder mapping*
- Communication on environmental topics
- Social projects
- Professional volunteering program
- Sustainability report
- Green Supply

2011
- Danone social networks presence
- Farmers*
- Materials for packaging
- Carbon Footprint reduction
- BioMaterials
- Sustainability Roadmap
- Reputation plan*

14.9.4. Changes in the Sustainability leadership in Danone S.A.

During the research period, the initial Head of Sustainability left the company and another specialist from the HR department occupied her position. Her vision and understanding of sustainability differ due to the lack of experience and educational background with sustainability issues. Her sustainability vision was very business driven and her definition of her work was the following: “we will accomplish the reduction of our CO2 emission regarding 2008. Regarding social innovation, we have also done projects in long-term to integrate directly to the value chain, create social enterprises that are working as our suppliers. As well as everything related to our core business: how we are taking care of our farmers,
how we are dealing with our suppliers, how we are working with our responsible supply chain in all areas of the company. Regarding our work with the Food Bank it’s to organize ourselves internally to treat Food Bank as one more of our clients. What we are doing is to plan every week donation to them, see the refrigeration capacity and distribute between NGOs. The key is to integrate into business, it is just one more client for our business, we just do not issue invoices to them.” (Corresponsables, 2013).

New leadership changed the Sustainability Committee and the selection of the topics to be treated. It was no longer a discussion forum, but just a presentation of the ongoing projects forum. Everything was done in the fast-moving business rhythm without any time to be given for making sense of the sustainability direction Danone S.A. was moving.

14.10. Strategy and elements of substrategy

Four principles of sustainability from Danone Group:
To be sustainable a society we must:

1) eliminate our contribution to systematic increases in concentrations of substances from the Earth’s crust. (for example, heavy metals and fossil fuels)
2) eliminate our contribution to systematic increases in concentrations of substances produced by society. for example, dioxins)
3) eliminate our contribution to systematic physical degradation of nature. (for example, over-harvesting forests and paving over critical wildlife habitat)
4) eliminate our contribution to the systematic undermining of people’s ability to meet their needs. (for example, unsafe working conditions and not enough pay to live on).

In general, Danone Group focuses its growth in five key areas: People, Health, Innovation, Danone for All, and Nature. Danone’s sustainability strategy is based on three pillars: the Environmental Platform, the Social Platform and the Economic Platform. A big part of Danone’s organizational strategy is to decentralize, understanding that they need to manage operations differently according to contextual differences, and therefore that different units, offices and subsidiaries need to be able to develop distinct and unique solution based on social, cultural and economic differences. In this context, the sustainability strategy is no different, where the corporation establishes some general guidelines and goals, but each country business unit develops its own way of implementing these ideas into specific strategies, policies and actions (Kruglianskas and Vilanova, 2013).

In particular, the sustainability structure of Danone S.A. is focused on the three main areas: Nature, People and Reputation, where a lot of planning occurs (see Figure 26).
14.10.1. Nature

Protecting resources that Danone possesses, maintaining their quality, and keeping them safe are central to corporate responsibility in the dairy industry as its sustainability and renewability. Objectives of the Nature area is to:

(i) monitor and track category risk and Danone’s brands environmental perception

(ii) reduce the overall carbon footprint via cut per kilo and via innovation
(iii) explore how to turn that concern into major business opportunities among consumers and key stakeholders

(iv) contribute raising awareness in Spain on the environmental challenges resulting from human activity, cultivating values of environmental responsibility

(v) promote environmental education activities with the focus on employees, promoting participation and discussion

(vi) support and participate in educational projects in partnership with NGOs and environmentalists

The main measurement used for the Nature area is CO2 emissions. Danone S.A. is applying Scope 2\(^7\) in their measurement of CO2 emissions. Danone Group established that emissions needed to be reduced by 30% by 2012, but at that time did not provide any action plan. Each local unit was responsible for working on their reduction alternatives. Danone S.A. developed a series of policies geared toward reducing CO2 in the areas of manufacturing, packaging, supply chain, and suppliers (Kruglianskas and Vilanova, 2013).

The process for achievements of the results in the area of Nature was composed by the three steps:

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\(^7\) Scope 1: Danone Plant+ Losses for milk+ Raw materials and packaging

Scope 2: Scope 1+ Transport+ Stock+ End of life+ Finish product
1) Learn: benchmark analysis of environmental issues
2) Explore: build long-term brand strategy
3) Communicate: KOL endorsement, NGO partnership

14.10.2. People

The main attention of Danone S.A. under the area People is focusing on collaboration with the Food Bank, Children’s Hospitals and Sport Schools.

In October of 2009, Danone Spain signed an agreement with the Spanish Food Bank to go from being a punctual donor of products, as most food producers are, to being a continuous donor. In terms of the amount of food given by Danone Spain, the agreement calls for an increase from 5 to 10 million units per year, or from 600 to 1,200 tons per year approximately. As well as a corporate professional volunteering program was developed to help the Food Bank to better plan, manage and distribute the donation, which is currently its main problem as it is very difficult to estimate when a company will give donations.

Professionals from Danone were helping Food Bank in the following areas dealing with the following issues:

HR and CSR
- “Food raising”: partnership with companies
- HR and Change management
- Organizational analysis
- Emotional salary: Motivation & Engagement

Supply Chain
- Tracking inputs and outputs
- Managing distribution of fresh products
- Managing peaks of supply and demand

Marketing and Communication
- New ways of communication
- Planning a campaign

Another project was based on financial donation to the local Children’s hospital (Sant Joan de Deu). From a business perspective it was important to maintain the support and work together with the medical community on issues related to children’s obesity and malnutrition. However, there was also a need to address the internal aspect, involving employees and the community (Kruglianskas and Vilanova, 2013). Therefore, as a result, an innovation was developed by the implementation of emotional volunteering program, Storytelling for children (Cuenta Cuentos), where employees would visit the hospital weekly, interact with the team of volunteers and feel proud and connected to Danone’s initiative. The initiative was supported by top management team and presented by President of Danone S.A. However, it attracted the interest of just few socially responsible employees.

Another important social project to support children from socially excluded areas in Spain was based on the idea of the Sport Schools (Escuelas Deportivas). It is a program existing from 2004 and involving 17 after-school schemes for children between 6 and 12 years old (around 3000 children), where they receive academic and social support through sports, play and health matters. Through CSR initiatives
and a sport volunteering program, the company created awareness of the issues and offered the opportunity to its employees for participation.

14.10.3. Danone Way Fundamentals (DWF)

Danone Way Fundamentals are the Danone Group’s sustainable development standards, also known as “Corporate Social Responsibility (CSR) Principles”. DWF help the Executive Committee strength intangible assets and build Sustainable Foundations for the business. The tool:

(i) is based on international texts (Universal Declaration of Human Rights, Conventions of the International Labour Organisation, guidelines of the Organisation for Economic Development and Cooperation...);

(ii) is inspired by wide-known sustainability standards, certifications and international initiatives (ISO 9000 and 14000, GRI, UNGC);

(iii) takes into account the commitments on sustainability issues that Groupe Danone has taken externally (by participating, for instance, in Global Compact and other similar initiatives) and internally (by fixing group objectives on energy consumption, reducing the number of accidents at work, etc…).

Danone Way Fundamentals establishes specific objectives in five areas (Kruglianskas and Vilanova, 2013):
• Human rights: the goal is to ensure trust wherever Danone operates through controlling basic issues such as forced labour, diversity and safety.

• Human relations: the goal is to build a solid base to achieve business success and social project (the double project) through issues such as social dialogue, working time, benefits and personal development.

• Environment: the goal is to reduce the footprint in operations, including the supply chain, through issues such as environmental risk management, raw materials, or packaging.

• Customers: the goal is to be in tune with consumer needs, through issues such as quality control, nutrition or health.

• Governance & relations with external partners: the goal is to provide a clear reference system that established a framework on how Danone conducts business, through issues such as business conduct policies, suppliers and local communities.

14.10.4. Reputation

Danone S.A. participates in the Forum of Corporate Reputation (Foro de Reputación Corporativa). In their way of managing its reputation, Danone S.A. was relying on the analysis of external tools such as Rep Trak and HAVAS Sustainable Futures. For Danone S.A., reputation serves as a major issue in their sustainability task force as Danone’s excellent reputation is based on positive perceptions about:
- Innovation
- Quality
- Product differentiation.

This reputation has ensured demand for its products ("pull") and a favorable predisposition towards the brand from different stakeholders.
Figure 27. Six axes of Danone S.A. Reputation excellence (source Danone)
Danone S.A. enjoys a lot of information provided from the headquarters on measurement and integration of CSR in their strategy. However, just having two employees responsible for the cause makes it difficult to process all the information in order to take upon the decision.

14.11. Reflection on Spanish culture and Danone S.A.

The company has a very hierarchical structure (typical for Spanish companies), which provoke difficulty in sharing ideas and a high sense of competitiveness inside the organization. All actions are of an individualistic character. It is rarely seen as a companionship, which in many circumstances is turning out to be a discrimination by nationality and language.

14.12. CSR Character


14.12.1.1. Identity Orientation of an organization

The identity orientation of Danone S.A. is very individualistic, as it is driven by self-interest of the company in general and by each employee in particular. Danone S.A. achieved the name of a company with the best reputation in Spain, which makes it “the best in class”. Danone S.A. has a competitive spirit and in their sustainability performance are choosing the best showcases to boost their reputation further.
14.12.1.2. Legitimacy

Regarding gaining acceptance by stakeholders, Danone adopts pragmatic and cognitive legitimacy. It is seen in a way of the company convincing its stakeholders of the usefulness of its products (giving emphasis on nutrition and health issues). Every publicity of Danone is relying on health benefits of the products. At the same time, the company is not controlling the environment they operate in, they adopt to the crises of the environment and external demands.

14.12.2. Linguistic (What firm says)

14.12.2.1. Justification

While justifying their actions to others, Danone relies on scientific arguments. Being a food company with dedication to R&D, Danone relies on scientific arguments made by their “neutral” scientists, demonstrating their commitment to science: “publications and studies representing tens of millions of euros in research spending in ten countries have confirmed Actimel’s beneficial impact on natural defences for people of all ages” (Danone, 2009).

“Danone made an active contribution to the preparation of the EU regulations on the issue of nutrition and health claims for foods.” (Danone, 2009).

“Danone researchers publish their findings in a variety of leading scientific journals with distinguished editorial committees and make presentations at leading symposia” (Danone, 2009).
“Danone is equally committed to share knowledge with general public, thereby enabling the consumers who are directly concerned by scientific progress to make their own judgements about a products benefits and impact on their health” (Danone, 2009).

Such arguments and publicity works well in Spain. However, it is quite interesting that Danone was penalized twice with fines in Denmark for what were considered erroneous claims of health benefits of one of its products to consumers in their publicity (Kloster, 2012).

14.12.2.2. Transparency

Danone accepts that it “needs more transparency” in their dialogue with stakeholders. However, current communication is only demonstrating favourable aspects of their activities. For example, throughout Danone’s reports, it is not demonstrated that the company has had a hard time achieving objectives regarding CO2 emissions.

14.12.3. Conative (How the firm tends to behave)

14.12.3.1. Posture

As the company is still learning how to engage in the dialogue with their stakeholders, especially how to turn antagonistic relationships with them to favourable ones, the company adopts a tentative posture. It feels insecure and unexperienced engaging with new stakeholders. Therefore, the first step is to
evaluate risks and opportunities. There is a lack of clarity in the action plan of Danone S.A. regarding how to cooperate in more close and effective way with their stakeholders and KOLs.

14.12.3.2. Consistency

Regarding the CSR strategy and overall strategy of the company, Danone S.A. is strategically consistent. The company is slowly learning to integrate CSR into their strategic conversations and bring top management on board. It aims to be a reputational leader and is working in all direction to develop policies and action plans to achieve it. However, at the same time, Danone S.A is not demonstrating internal consistency according to the systematic judgements applied of CSR frameworks. Every project, every trend in CSR is judged separately.

14.12.3.3. Commitment

As the company was pushed from their headquarters to develop their CSR strategy and to measure their CSR achievements according to already developed indicators, its commitment is purely instrumental. The CSR strategy and integration was not a natural process for Danone S.A.. Therefore, it led the company to enjoy a less integrated CSR, which is easily deducted from the firm’s other day-to-day practices.

The CSR Character is presented in the Figure 28.
14.13. Findings

In general, Danone S.A. is pushed by Paris for many projects. However, internally Danone Spain was not ready for it. As a first step, the company was benchmarking strategies and measuring reputational issues in order to advance in their sustainability strategy. The company was not naturally developing their strategy, that would come from the need within. Therefore, constant comparison to their competitors and asking themselves a question “does it pay to be responsible” characterised Danone S.A.

In Danone S.A. the process of sustainability can be described as ambiguity situation:
Table 12. Danone S.A. characteristics of ambiguity

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Description and comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of problem is itself in question</td>
<td>Sustainability is not defined and presented a reputational issues</td>
</tr>
<tr>
<td>Information (amount and reliability) is problematic</td>
<td>For Danone S.A. was problematic to categorize information related to sustainability. Data is incomplete and externally suggested and generated.</td>
</tr>
<tr>
<td>Multiple, conflicting interpretation</td>
<td>Players (president, CEO and other directors) have multiple conflicting definition of sustainability issues. New Head of Sustainability is seeing sustainability as a purely business concept.</td>
</tr>
<tr>
<td>Different value orientation, political, emotional clashes</td>
<td>Without objective criteria for sustainability trends and topics, people are not able to make sense of the proposed projects and are relying on their values and knowledge from their fields to make sense of the situation.</td>
</tr>
<tr>
<td>Goals are unclear or multiple or conflicting</td>
<td>Goals in sustainability are vague and externally provided and not understandable for many of the managers and some directors (Danone Way Fundamental)</td>
</tr>
<tr>
<td>Time, money and attention are lacking</td>
<td>The time and money are not sufficient to dedicate to sustainability integration</td>
</tr>
<tr>
<td>Contradiction and paradoxes appear</td>
<td>Inconsistent features in sustainability communication. Danone S.A. would like to be transparent in their communication with the stakeholders but continually providing only positive and favourable information for them.</td>
</tr>
<tr>
<td>Roles are vague, responsibilities unclear</td>
<td>Players do not have the clear defined responsibilities. External</td>
</tr>
<tr>
<td>Success measures are lacking</td>
<td>Danone S.A. is using Danone Way Fundamentals to measure and address the degree in which they were successful. However, in order to deeper understand their process towards sustainability Danone S.A. has to work on making sense of the whole picture.</td>
</tr>
</tbody>
</table>

Reputation is perceived as a major issue within Danone S.A. sustainability strategy, while also developing strong emphasis on social issues. The main focus within three areas of Danone S.A. sustainability actions (Nature, People, Reputation) is based on planning strategy.

Danone S.A. initially had a sustainability leader as a sensemaker, who was trying to understand the needs of the company and by error and trial lead and educated the top management in sustainability issues, and cause and effect relationships. However, the commitment and periodization of the top management was not enough to advance on companies way to the organisational mindfulness.

Naturally, the change in sustainability leadership occurred. The new sustainability leader suited more the current organizational type and the way they were perceiving complexity. The leader as a decision-maker was matching strategy as a planning and façade maintenance through the reputation and image Danone S.A. were aiming to preserve.
Therefore, Danone S.A. perception of complexity results in defining Danone S.A. as an organization in the stage of ambiguity with the characteristics of the mindless organization and organization in transition stage (see Figure 29).

Figure 29. Danone S.A. perception of complexity
PART 6: CONCLUSIONS
Chapter 15. Conclusions

Based on the introduction and development of this thesis I am going to present general conclusions from this research.

First of all it is important to point out that process of making sense of CSR is quite complex phenomenon. It is difficult to analyse the world’s ocean using a glass of water. However, it is the only option when our limited information-generating capabilities prevent us from grasping the actual complexity of the environment (Pedersen, 2006). My thesis is just a start in clarification the elements of the sensemaking of corporate social responsibility.

In the presented version of the thesis, I have achieved both general objectives (to analyse CSR holistically from international, national and organizational levels) as well as specific objectives of the thesis project proposal. At the same time, it is important to mention that throughout the progress of the thesis, the use and application of the theories in use was evolving despite the methodological difficulties. Case studies within two different national contexts were planned using action research framework. However, the real case scenario showed that only one was conducted using action research.
15.1. The contribution made by the thesis to current subject knowledge

The presented thesis is studying the corporate social responsibility from a holistic perspective. Within the study, different aspects of CSR such as international, national and organizational levels were analysed using organizational theories.

(iv) At the *international* level, it is the first study analysing the relationships between prominent CSR instruments, such as UNGC, GRI and ISO 26000, through the lens of institutional entrepreneurship and coopetition theories. This study contributes to the theoretical field by expanding the use of the theories outside of their typical application (in this case, coopetition theory was, for the first time, applied to analyse the relationship between standard-setting organizations). Moreover, it demonstrates that despite the common objective of sustainable development, standard-setting organizations of CSR instruments are not cooperating but instead competing for their “clients”.

(v) At the *national* level, developed research progresses beyond the commonly established academic debate on “explicit” vs “implicit” CSR and is focusing on differences within European countries. In
order to identify European country leaders by the use the prominent CSR instruments, I applied knowledge of GIS and R-project for statistical computing. It is the first study that unites the CSR concept with GIS representation.

(vi) At the *organizational* level, the study develops a comprehensive model of analysis based on Weick’s sensemaking framework (1995; 2000; 2009) and applies it to the two extreme case studies. The developed theoretical model of analysis explains the process of transition from mindless organization to mindful one in terms of sustainability integration into companies’ strategies.
15.2. Opportunities for continued research or extension of the work undertaken

This doctorate thesis offers a possibility to extend investigation at each level of CSR analysis:
(i) *International*: extend focus on wider range of CSR instruments as well as influence of integration framework.

(ii) *National*: extend focus to larger scope of companies within each national context. Based on criteria such as international recognition, national recognition, general reporting practices (GRI and COP reports), and presence in sustainability indices (DJSI, FTSE4good, Great Place to Work, Reputation Institute Index, and similar), the tentative list of cases within Spanish and Danish national contexts have been selected and divided into three categories: (i) Multinational, publicly held, (ii) Multinational, privately held, and National (SME). This broader project would also shed light on the nuances of sustainability strategy integration within frontrunner companies depending on their size and property type of the company.

(iii) *Organizational*: extend investigation of sensemaking theory to a deeper empirical understanding of relation between Institutional context and sensemaking processes within organization.
15.3. The opening up of new research areas

This PhD thesis opens opportunities for new research areas, such as:

(i) The analysis of CSR maturity and evolution through the lens of sensemaking theory and complexity perception by organizations

(ii) Identification and analysis of “mindless” organizations and explanation of How and Why they fail to make sense of complexity?

(iii) Investigation of the relationship between resilience and innovation inside organizations through sensemaking framework

15.4. The importance or applicability of the results

The current study offers a direct application of the results for both CSR policy setting for international and national organizational level and for companies struggling on their way to sustainable development. Making sense of CSR is a complex and ambiguous process companies facing. The sensemaking of CSR is not linear and it is retrospective process of change. There is no defined way in which company can advanced in sustainability. However, analytical generalization from empirical analysis of the cases confirmed that in a way to mindful organization, three elements are crucial. They are leader, strategy and substrategy.
The developed and expanded model of analysis of complexity perception by companies through the case studies, helps to understand why benchmarking of CSR practices and strategies does not work. At the same time, by following the proposed model companies would be able to identify their weak points and understand the logic behind achieving simplified complexity.
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