

Globalization, CSR and Business Legitimacy in Local Relationships

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Abstract

The business–society relationship is commonly viewed from a legitimacy perspective and refers to how society grants power over resources needed by business for survival and success. With globalization, business’s need for traditional societal legitimacy has changed, which has made the social consequences of business actions more obvious. Corporate social responsibility (CSR) has emerged as a global trend, presenting various social motives and economic gains for business to voluntarily establish and maintain relationships with society. Confusion remains, as to whether corporations’ engagement in social issues is based on altruism or whether they act out of their own self-interest to increase profits. Because globalization has changed business’s need for societal legitimacy, this thesis proposes that economic motives play a central role in how businesses take social responsibility.

The aim of this thesis is to investigate how globalization affects the local relationships that previously legitimated businesses, and how these changes initiate processes and responsibilities that affect both business and societal development.

This thesis is based on case study research and central to the thesis is company towns with their long tradition of close socioeconomic business–society relationships, which are influenced by a new economic situation. For company towns, globalization with the ensuing reduced need of local labor has meant *decreased* economic motives for business to maintain local relationships. To contrast the findings regarding company towns, cooperative enterprises (CEs) cases are also looked at. For CEs, increased competition has meant *increased* economic motives to engage in CSR arrangements.

The findings show that as long as the economic benefits of local relationships are positive, businesses engage in CSR to legitimate their business. If business economic motives and commitment to CSR cease to exist (legitimacy transformation), local relationships react passively (Paper I) and shift to philanthropic efforts and seek interests outside local community (legitimacy transition, Paper II). The more stable business and local relationships are, the easier it is for business and local stakeholders to collaborate and share experience to solve social issues (legitimacy maintenance, paper III). The more complex business economic motives are (Paper IV), the more collaborative and flexible efforts are required to take CSR (legitimacy differentiation). The findings in particular also show how business benefits from CSR collaboration since their economic resources can be directed and used more efficiently.

Keywords: globalization, social consequences, business–society relationships, legitimacy, CSR, case study research, economic motives, collaboration.

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Dedication

To myself, for finally finished the thesis.

Ingenting är svårare för människan att uthärda som ett liv utan uppgifter och mål.

·
Blaise Pascal

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List of Publications

This thesis is based on the work contained in the following papers, referred to by Roman numerals in the text:

- I Agneta Sundström and Akmal Hyder (2007). Local Management Response to Corporative Restructuring: A Case Study of a Company Town. *Business and Society Review*, 113:3 377-403.
- II Agneta Sundström (2008) Corporate reassessment of labor, traditional local relationships and CSR's role in legitimizing business. Submitted to *Journal of Business Ethics*.
- III Agneta Sundström and Akmal Hyder (2008) A case of a successful company town: Partnership between top management, local government and civil sector institutions. Submitted to *European Journal of International Management*.
- IV Maria Fregidou-Malama and Agneta Sundström (2008) Emerging Corporate Social Responsibility: Consumer Cooperatives in Sweden. Submitted to *Journal of Sustainability*.

Paper I is reproduced with the permission of Wiley, the publisher.

The contribution of Agneta Sundstöm to the papers included in this thesis was as follows:

- I In paper I, Sundström was responsible for design and implementation of the study and was the main author of the paper. Hyder reviewed the emerging manuscript and contributed with valuable suggestions on the contents.
- II In paper II, Sundström was responsible for design and implementation of the study and was the main author of the paper.
- III In paper III, Sundström was responsible for design and implementation of the study and was the main author of the paper. Hyder reviewed the manuscript and contributed with valuable suggestions on the contents.
- IV In paper IV, Fregidou-Malama and Sundström was responsible for design and implementation of the study. Fregidou-Malama was the main author of the paper. Sundström assisted throughout the study.

Abbreviations

CC	Corporative Citizenship
CEs	Cooperative Enterprises
COM	Communication of the European Commission
CSR	Corporate Social Responsibility
ICA	International Cooperative Alliance
OJC	Official Journal Communication
SPSS	Statistical Package of the Social Science

1 Introduction

The business-society relationship is commonly viewed from a legitimacy perspective and refers to how business needs society's acceptance for survival and success. Legitimacy implies that society grants power over resources needed by business, which motivates social engagement. With globalization, competitive pressures, restructuring and labor reductions, business's need for traditional societal acceptance has changed making the social consequences of business actions more obvious and complex to manage. During the last decade, the European Commission has imposed rules and put pressure on business sectors to take their share of responsibility in areas such as health care, employment and environmental issues. The Commission (COM 2001:366) presents several arguments for increased, explicit and targeted efforts for expanding corporate social responsibility (CSR) based on general business motives as well as a response to society expectations.

CSR has emerged as a global trend relating to one of four legitimacy levels of business responsibility (Carroll, 1979), and how businesses manage institutional, organizational and managerial issues (Wood, 1991). The CSR literature presents various economic and social motives for business to establish and maintain relationships with society that sustain societal development at the same time as rewarding the business itself. The rewards of taking CSR as a business concern are commonly based on normative stakeholder, philanthropic, citizenship and collaborative motives and arguments. These arguments share the view of social responsibility as a voluntary undertaking that goes beyond economic motives. Common arguments are that if businesses engage in social issues because of ethical concerns, giving them legitimacy in society, then, implicitly, this is good for business. These social motives contrast the economic argument of Friedman (1990) and Prahalan and Hammon (2003), that profitability is enough to increase social wealth in society. Confusion remains, as to whether

corporations engage in social issues based on altruism or whether they act out of their own self-interest to increase profit. This thesis takes a third direction, proposing that, as globalization has changed business's need for societal legitimacy, economic motives play a central role in how businesses take CSR. A business's motives to engage in CSR are instrumental but could, in cases of business's need for societal legitimacy, contribute to social wealth.

Even if business corporations are global actors and are globally legitimated, their operative presence is always local, which raises expectations on corporations to take CSR for communities with various economic and social conditions. According to scholars of corporate citizenship, CC, it is important for corporate firms to seek acceptance as citizens in similar ways to any individual: in a relationship where corporate managers engage proactively and on equal terms in building and maintaining the infrastructure in each community in which they are located (Vidaver-Cohan and Altman, 2000). This is rewarding for the business itself since cooperation creates stability, facilitates decisions and attracts new labor (Turban and Greening, 1997). As legitimacy is closely connected to the processes that institutionalize norms, values, beliefs and definitions (Scott, 1991), much attention has been paid to business's host country relationships and how to build acceptance in new and unfamiliar cultures. Kostova and Zaheer (1999) argue that the greater the institutional distance, the higher the need for business to understand and meet host country requirements in its operations. Whether more familiar home country local relationships have the same degree of significance for business legitimacy, or not, has received less interest.

Central to this thesis are company towns, as they have a long tradition of close socioeconomic relationships between the company and the community. In company towns, globalization and reduced need of local labor has meant *decreased* economic motives for business to maintain local relationships. As CSR has emerged to all sectors and organizations, a possible solution to company town problems could be cross-sector partnerships, in which the three sectors (private, public and non-profit) work together to find economic and social solutions for business and society development. To contrast the findings regarding company towns, cooperative enterprises (CEs) are also looked at, as these businesses share traditional local relationship features. Unlike in the case of the companies of company towns, however, increased competition with *increased* economic motives has put pressure on CEs to engage in CSR arrangements.

There are many theoretical, authoritarian and public pressure arguments for businesses regarding how they *should act* to take CSR, following ideals and behaving according to norms. Less attention is paid to how CSR efforts

are undertaken in practical work situations and particularly in relation to changing economic situations in traditional, local company-society relationships. In particular, whether sector collaborations can be a powerful solution to successful business and societal legitimacy in practical, changed economic situations remains an important issue to investigate.

To fill this gap, *the aim of this thesis is to investigate how globalization affects the local relationships that previously legitimated businesses, and how these changes initiate processes and responsibilities that affect both business and societal development.*

The main questions are:

- How do businesses and local relationships, affected by globalization, initiate processes that legitimate business?
- What motivates business to take CSR for local relationships and community development in changed economic situations?
- Does active collaboration between cross-sector partners guarantee a successful outcome that benefits business and society development?

Local relationships are here defined as business-society relationships that affect and are affected by business economic motives in company town and CE contexts. This broad definition is used because both formal and informal societal relationships affect and are affected by business undertakings in these contexts.

By looking at business's need of legitimacy in these contexts, this thesis adds knowledge regarding the importance of economic motives behind CSR. The thesis also adds knowledge about how CSR is used in practical situations, which contrasts the normative element commonly adopted in CSR research.

This thesis is a collection of papers investigating whether and how businesses adopt CSR in local relationships while struggling with industrial restructuring, corporate mergers and cost reductions (Paper I), reassessment of labor and new skill requirements (Paper II), local community collaborations (Paper III) and business isomorphism and new CE member demands (Paper IV). Central to all of the case studies is the identification of activities and processes that have an influence on the business-society relationship.

2 Traditional Local Relationships

The objects of study in this thesis are two different business contexts with established, close local relationships that date back to the 19th century. These contexts are company towns (papers I-III) and cooperative enterprises (CEs) (Paper IV). A brief overview of the characteristics of their traditional local relationship and new problems is presented in sections 2.1 and 2.2, followed by a summary in 2.3.

2.1 Company Town Relationships

A company town is a local community that develops and survives through the direct and indirect support of a dominated company located in the area. In his edited book, *The Company Town*, John S. Garner (1992) presents several examples of how industrial communities can be found in countries that embraced capitalism during the Industrial Revolution. Between 1830 and 1930, many company towns were established in remote locations, and grew and prospered as a result of the growth of a single factory, mainly stemming from the resource-based industry (Ahlund and Brunnström, 1992). The initial poverty, isolation from the outside world, and prevailing dominance of one single enterprise gave company towns their unique socio-institutional characteristics (Garner, 1992).

Early on, company towns became marked by mechanical and labor-intensive production, an overall power distance between superiors and subordinates, and the paternalism of social engagement in infrastructure building and other programs. In the beginning, located in waste land most company towns were owned by a family or by a partnership, affording them great power at work and as citizens in the community as well. Later, this all-embracing power became a desired component of management associated with a leadership position. The resource-based industries with a

high degree of mechanization soon began to be criticized for fostering machine-enslaved workers. Although the social welfare aspect of paternalism was meant to improve the social conditions of workers, it institutionalized a giver-taker mentality that actually hampered self-initiatives of the labor force.

Social upheaval, strikes and outside criticism regarding the destitution of workers, along with the acute need for labor in production, were some of the reasons why the paternalism of company towns commonly extended beyond purely economic incentives (Garner, 1992). Infrastructure activities such as building housing, meeting halls, company shops, schools, and initiating educational and social welfare programs, were voluntarily undertaken by the owners (Ahnlund and Brännström, 1992; Candee, 1992). Wheat and Florian (2003) refer to company towns as an icon of American life in which the owners' infrastructure building efforts also dictated that their names be used on schools, streets, health care centers, etc. This long tradition of close socioeconomic relationships between the company and the community was a key prerequisite for company and community development (ibid.). Business's need of local community legitimacy was based on the need for local labor supply which required infrastructure building engagements (Roth, 1992).

The social consequences of globalization, changed ownership structures and industrial restructuring have been complicated issues to manage. In Swedish research, some attention has been paid to the consequences of structural crises following labor reduction and the approaches used to find solutions to sensitive economic conditions in the governance of the town (Höglund, 2001). In USA, newspaper articles witness of community mistrust and risks of company shutdowns and sell outs (*USA Today*, 20 Feb 2007). There are also reports of how business changes have raised expectations on civil society to accept and adapt to changes in new and unfamiliar ways (ibid., 11 Sept 2007). To be competitive, the corporation is required to consider global needs in several 'local communities' and to look for skilled labor from further field, not only in the town. Finding new solutions have become a serious challenge for company town survival.

2.2 Cooperative Enterprises

In Europe, the cooperative idea arose as a response to the industrial revolution and related periods of economic stress and social upheaval. Since the pioneers of the Rochdale Society in 1844, the central role of the member and the adoption of cooperative principles have been prerequisites for CE legitimacy. Cooperatives have a tradition of being locally established

and run by the members to meet their special needs (Zeuli and Cropp, 2004).

Over the years, various different types of CEs have been established, depending on the different needs of the members. Zeuli and Cropp (2004) claim that there are numerous definitions of what a CE really is, as cooperatives are defined and adapted to different conditions with great variation. According to the most commonly recognized definition by International Cooperative Alliance (ICA), established in 1995, a cooperative is an 'autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise' (ICA, 2008). This definition focuses on the voluntary membership, the autonomy of the cooperative and reciprocal member benefits and participation in business activities.

Ethical values of honesty, openness, social responsibility and caring for others, guide cooperatives and are transformed into seven principles that are integrated in CE activities (OJC 2003, L207 and L1987:667, EU, 2008). The seven principles have evolved through practical experience (ICA, 2008; OJC, 2003) and include: open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. The unique status of members and social principles integrated into business, have distinguished CEs in the field of business.

Globalization with increased competition, new markets and new economic situation has meant difficult challenges for CEs with respect to distinguishing themselves as 'making a difference' to the members. In an aim to sustain business, various chains of businesses use several techniques to attract member interest through special offers, member cards, dividends and financing support. This trend has led to a broad range of businesses becoming isomorphic (Meyer and Rowan, 1991) with the central ideas of CEs. The addition of CSR to most organizational agendas has also complicated matters for CEs trying to distinguish themselves socially in relation to other businesses. To be competitive, it has become more important than ever for CEs to accentuate their uniqueness by engaging in different social activities and being sensitive to members' economic and social demands.

The emergence of CSR has also put pressure on CEs to take responsibility for actions relating to the 'triple bottom line - people, planet and profit' (Elkington, 1997 and 2004), which go beyond traditional member interests. Fair trade, green production, gender equality, avoidance of child labor and counteracting global warming, are examples of

responsibilities aimed at a broader range of local and global stakeholder groups.

2.3 Summary of the Company Town and CE characteristics

Table 2.1 shows the characteristics of the main problems in company town and CE contexts.

Table 2.1 Main characteristics in company town and CE contexts.

	TRADITIONAL BUSINESS MOTIVES	TRADITIONAL LOCAL LEGITIMACY OR BUSINESS	GLOBALIZATION AND BUSINESS MOTIVES TO CHANGE LOCAL LEGITIMACY	MOTIVES TO MAINTAIN LOCAL INTERESTS
Company town cases (papers I-III)	Economic	Labor supply, infrastructure	Cost pressure and local labor reduction New demands for skilled labor	Business need of local resources decrease
	Social	Infrastructure building and society development	Global corporate attention	Business presence and CSR
Cooperative enterprise cases (Paper IV)	Economic	Membership	Business isomorphism and increased competition	Economic motives increase
	Social	Member role, principles and social responsibility	To make a difference for the members	Increased CSR

Table 2.1 shows that company town and CE contexts share institutionalized local relationship characteristics motivated by both economic and social concerns. In both contexts, globalization and economic requirements have raised new challenges for business with respect to how to manage their role and engagements in local communities.

In company towns, the need for labor and local infrastructure has given rise to the need for businesses to engage in social issues. Globalization and associated cost pressures have had a negative effect on business economic

motives (labor) and it is uncertain whether business presence is a sufficient motive for businesses to engage in CSR.

In CEs, the member's role and adoption of social principles have institutionalized member expectations on business to be sensitive to their demands. Globalization, business isomorphism and competitive pressure have raised CEs' economic motives to increase their CSR engagements. To gain legitimacy in local society, CEs must manage both increased economic pressures and increased social pressure.

3 CSR Framework

A database search reveals the abundance of CSR research (over 11,000 articles in ScienceDirect), which makes the concept difficult to condense and update. The following sections present CSR aspects that have theoretical relevance for the questions addressed in the thesis and related to business local relationships. The discussion shows that the granting of legitimacy to businesses who take CSR is not only related to their overall contributions to various shareholder and stakeholder interests (Adams and Frost, 2008) but also to society in a broader sense (Vidaver-Cohen and Altman, 2000) and their contribution as collaborative partners (Googins and Rochlin, 2000). The different CSR perspectives found in the literature are summarized in Section 3.7.

3.1 The Legitimacy of CSR

European Commission (COM, 2001, 366) defines CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’ According to Wood (1991), the legitimacy of CSR derives from the ideal that business and society are interwoven entities, which is why society places expectations on corporations to behave ethically. It is well understood that to legitimate business, businesses need society’s acceptance of their overall contributions to different stakeholders (Adams and Frost, 2008).

The legitimacy of business in society has its roots in Carroll’s (1979) classical four-part typology of economic, legal, ethical and discretionary (also called ‘philanthropic’ or ‘altruistic’) responsibilities. In short, Carroll’s definition states that: 1) corporations are economic institutions and their prime role in relation to society is economic, 2) as such conducted within

the framework of legal requirements, but that 3) since society has expectations over and above the law, corporations need to define ethical norms for how to behave, and 4) due to individual judgments and choices, business leaders experience discretionary responsibilities (also referred to as ‘philanthropy’ or ‘altruism’). While economic and legal responsibilities relate to businesses’ imperative role, ethics (if not specifically legislated) and philanthropy relate to their voluntary role and responsibilities in society.

3.2 The Profit-Only Shareholder Perspective

The legitimacy of business in society is commonly illustrated by the expression ‘from Friedman to Freeman’ (Kakabadse and Rozuel, 2006), with a discussion spanning from a profit-only shareholder view (Friedman, 1990) to the inclusion of a wide range of stakeholder considerations into the debate (Harrison and Freeman, 1999).

The discussion of CSR escalated after Milton Friedman’s (1990) claim that the sole ‘social responsibility of business is to increase its profits’ (p. 273). According to Friedman, corporate executives are employees, hired to act in response to the owners for one purpose – to achieve as fair a return as possible on their investments. Building on economic and legal imperatives, Friedman argued that social wealth is provided through job opportunities, offering products consumers want, taxes paid to society, upholding legal requirements, and following business ethics founded on fair practices and free competition (Galbreath, 2006). Although Friedman (1990) acknowledges that corporate executives have a moral obligation to act in a socially responsible manner, he also maintains that this is performed ‘only at their own expense’ (p.279).

3.3 The Stakeholder Perspective

The stakeholder theory discussion has largely concerned the problem of definitions (Mitchell et al., 1997, Freeman, as cited in Mitchell et al, 1997) and the problem of different research approaches (Donaldson and Preston, 1995). While definition problems relate to what stakeholder really counts, the problems of approaches concern different descriptive (as a model), instrumental (as a relationship), normative (legitimacy and interests) and managerial (as a priority) approaches in how to investigate stakeholders in research. Because of the broadness in stakeholder discussions, the research ambition has been to move toward a stakeholder theory that is more salient

(Mitchell et al, 1997) and mutually supportive (Donaldson and Preston, 1995) than earlier theories.

Particularly stakeholder theory in relation to CSR has been a difficult issue to define. Freeman's broad definition of a stakeholder as 'any group or individual who can affect or is affected by the achievements of an organization's objectives' (Freeman, 1984, as cited in Mitchell et al., 1997, p. 856), rests on strategic management arguments. Harrison's and Freeman's (1999) commonly accepted stakeholder theory builds on the instrumental premise that 'if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes' (p.234).

Because stakeholder demands are often exclusive, the stakeholder perspective involves a discretionary dilemma (Sethi, 2003, cited in Galbreath, 2006) as it is impossible to treat all stakeholders as being of equal importance – especially in a global and corporate perspective, where stakeholders are often ranked as of primary or secondary importance (Clarkson, 1995, cited in Galbreath, 2006). Business leaders need to determine which stakeholder or stakeholder group to prioritize.

To find out who (or what) is a stakeholder and what really accounts, Mitchell et al. (1997) identifies seven typologies based on power, legitimacy and urgency attributes: *dormant stakeholders* are based on power but lack legitimacy and urgency; *discretionary stakeholders* are based on legitimacy but lack power and urgency; *demanding stakeholders* are based on urgency but lack power and legitimacy; *dominant stakeholders* have both power and legitimacy but lack urgency; *dangerous stakeholders* have both power and urgency but lack legitimacy; *dependent stakeholders* have both legitimacy and urgency but lack power; and, finally, *definitive stakeholders* have all three attributes – power, legitimacy and urgency. The authors claimed that only one can fulfill definitive stakeholder salience. By definition, stakeholders are those with legitimate claims on the business as definitive stakeholders (p. 878) and owners of all three attributes. According to Mitchell et al.'s findings, managers only take into consideration the claims of those stakeholders who possess all three attributes (ibid., p. 853-857).

How businesses adapt to normative, ethical motives in prioritizing a stakeholder has been a difficult question to answer (Harrison and Friedman, 1999). Although CSR research addresses local community as a key stakeholder, to whom businesses have social, moral and reciprocal obligations (Lantos, 2001), most ethical concerns have concentrated on local community as a stakeholder from a host country perspective.

3.4 Corporate Philanthropy

Corporate philanthropy has been connected to corporation's voluntary role in society (Collier and Esteban, 2007) that builds on the premise that, as members of the community, corporations want to do good. Philanthropy has been seen as a moral obligation rather than an expectation to get something in return, which derives from the ideal of doing, what is expected because it is the right thing to do. Through managers' participation in sponsorships, donations and charity, philanthropy has also been seen as a way to improve corporate goodwill. The voluntary nature of philanthropy is criticized as generating contributions that are too short-term (Galbreath, 2006), or as being too poorly defined (Porter and Kramer, 2002). The philanthropic approach is also criticized for strengthening the attitude of a caretaker mentality (Boehm, 2002), increasing the power imbalance between the 'giver' and the 'taker'. According to Wood (Aupperle, Carroll and Hatfield, 1985, cited in Wood 1991), philanthropy has received the least interest in research and is the most difficult responsibility to ascertain and evaluate.

More recently, it has been claimed that philanthropy as a strategy, especially when grantees are contextual selected (Porter and Kramer, 2002), or based on forceful collaborative actions (Lantos, 2001), can achieve successful long-term effects. It is argued that companies in local partnership agreements become better qualified to select critical grantees, than when acting on their own in isolation.

3.5 Corporate Citizenship

A somewhat different approach is offered by scholars of Corporate Citizenship (CC), who apply a holistic perspective and put the interests of community first. The ideology of CC is that corporations should act as citizens in *each* community in which they operate (Vidaver-Cohen and Altman, 2000). Business leaders should voluntarily rectify harms and establish sustainable, reciprocal community relations by proactively collaborating in programs and infrastructure building that goes beyond easy-going philanthropy efforts (Vidaver Cohen and Altman, 2000, Boehm, 2002). Scholars who adopt this approach propose a broad partnership program referred to as 'an architecture of excellence' covering a five-phase cycle beginning with identification of community threats and ending in formalized strategies inherent in both corporate and community procedures. Forward-thinking managers who form partnerships, build local infrastructure (schools, education and training) and engage in students'

learning activities are seen as a way to provide sustainable communities and create new business opportunities (Vidaver-Cohen and Altman, 2000). But, as CC research confirms, the ideology of the citizenship strategy is still a work in progress, as strive towards an ideal citizenship agenda in which 'local communities' are seen as a vital and integral part of the global economy.

In CC research, the benefits of collaboration and reciprocity are especially prominent (Galbreath, 2006) and even more so if social concerns evolve as an integral, indispensable part of corporate economic performance. Reciprocity creates win-win situations built, for instance, on partnerships, community activities and public relations provide value returns for society at the same time as providing economic returns for business (Galbreath, 2006). Even though reciprocity assumes mutual benefits, empirical evidence shows how corporate leaders commonly see such efforts as marginal, while the benefits are more salient for community leaders (Boehm, 2002).

3.6 Cross-Sector Partnership

Because CSR is emerging in organizations across all sectors and social issues concern a broader part of society (Sahlin-Andersson, 2006), an interest has been sparked in research focusing on CSR as a cross-sectional phenomenon. Cross-sector partnership is seen as an apposite technique to build sustainable corporate and local community relationships (Googins and Rochlin, 2000; Boehm, 2002, Burchell and Cook, 2006; Casey, 2007). Partnerships incorporate three-sector collaborations, constituted by private business, governmental bodies and local communities/civil sector organizations. The sectors share an interest in working together on social issues (Leach et al., 2008; Newell, 2005), and infrastructure-building investments (Vidaver-Cohan and Altman, 2000). Tri-sector partnerships are common in the extractive and natural resources industry (Newell, 2005). It is believed that if cross-sector partnerships rest on genuine motivation and all sectors having the legitimacy to achieve citizenship goals, then joint efforts will not only help to increase trust by reducing stakeholder conflicts, but also ensure sustainability in local community development (Learch et al., 2002).

According to Newell (2005), the motivations behind tri-sector partnership efforts are business benefits, social development, and good governance outcomes. Casey (2007) identifies shared goals, a common purpose, mutual respect, a willingness to negotiate and cooperate, and

shared decision making as motives for partnership collaboration. Googins and Rochlin (2000) define partnership as a commitment by a corporation or a group of corporations to work with an organization from different economic sectors (public or non-profit). Partnerships involve a commitment of resources, time and effort by individuals from all partner organizations. These individuals work cooperatively to solve problems that affect them all. The problems can be defined in part as a social issue: the solutions to which will benefit all partners. Social partnership addresses issues that extend beyond organizational boundaries and traditional goals, and lie within the traditional realm of public policy, i.e. in the social arena. Social partnership requires active rather than passive involvement from all parties. Participants must make a resource commitment that is more than merely monetary (Googins and Rochling, 2000).

3.7 Summary of CSR Perspectives

The main characteristics of CSR perspectives are summarized in Table 3.1.

Table 3.1 Main characteristics of CSR motives, legitimacy, orientation and limitations.

CSR perspectives	Motives	Legitimacy	Orientation	Limitations
Shareholder	Economic	Business, legal, fairness in business	Profit-only orientation	Ignores economic side of social benefits
Stakeholder	Economic and social	Affect and affected by business objectives	Putting the interests of business first	Priorities based on stakeholder power, legitimacy and urgency
Philanthropy	Altruistic	Sponsorships, donations, charity Good image	Putting the voluntary aspect and altruism first	Short-term effects Encourages giver-taker mentality
Citizenship	Business and local community development	Welfare gains from business's proactive infrastructure building efforts, partnerships and reciprocity	Putting the interests of society first	Ideology Need for long-term Engagements
Cross-sector partnership	Business and society as collaborative, social partners	Tri-sector partnerships built on shared social responsibility	Putting the interests of business and society first	Need sector motives and business legitimacy to act

4 Case Study Research

This thesis rests on case study research. Studies of multi-variable contexts make it difficult to use a standard experimental or survey design. Because of the use of different approaches in case research, Hartley (1994) sees case study research as a strategy rather than a method. The focus on historical events to understand the present context, were important criteria in this thesis in choosing a case study strategy.

Yin (1994) identifies three research approaches, which he discusses in terms of exploratory, descriptive and explanatory case study strategies. He suggests that three different conditions should generally coexist when choosing case study research: how or why question are being posed, the researcher has little control over events, and it is a contemporary phenomenon being investigated. According to Yin, these conditions favor an explanatory case research strategy (*ibid.*). Even if the current thesis follows Yin's recommendations, the main approach of the thesis is explorative as the findings of each study have raised new theoretical and empirical questions, which were added to the next study. To delve deeper into the research questions, however, this study also adopts descriptive (statistics, historical events, models) and explanatory ('what' questions searching for explanations) strategies. Yin (*ibid.*) confirms that this approach is rather common as there are case study situations in which all research strategies might be relevant (p. 9), referred to as data triangulation (*ibid.*, p. 92).

In addition to the three conditions mentioned by Yin (*ibid.*), I would also add that the complexity of a study (Halinen and Törnroos, 2004) calls for a case study approach. In this case, I had to deal with several dimensions of analysis while working on the four papers. To get a rich picture of the problems addressed, this thesis uses historical and contemporary events to identify economic and social processes, to analyse business-society relationships, and different data collection techniques in the form of

interviews, secondary materials, statistics and direct observation. This follows the case study principle suggested by Yin (ibid.) of using multiple sources of evidence for data triangulation.

According to Ghauri and Grønhaug (2002) models can be used to represent a phenomenon, to simplify the understanding of texts by reducing them to the number of factors that are important, and by including relationships between factors. To avoid digression from the subject and to show relationships between different complex dimensions, I make frequent use of tables and figures to abstract the text with summarizing models.

5 Data Collection and Analysis

Table 5.1 summarizes the four cases and the different data collection methods used.

	Interviews	Statistics	Literature
Paper I Company town case	11 semi-structured interviews with business managers, union and government representatives	Employment statistics and population statistics (Statistics Sweden, historical documents)	Historical books and documents
	Time-Series Research 1890 – 2007		
Paper II Company town case	12 semi-structured interviews with business managers, union and government representatives	Recruitment statistics 2000-2004	Recruitment strategy, annual reports, CSR policy, Sustainability report
	Historical influences on contemporary event 2000 – 2007		
Paper III Company town case	9 semi-structured interviews with business managers, civil society and government representatives		Historical documents, business presentation documents, CSR policy
	Historical influences on contemporary events 2008		
Paper IV CE cases	4 semi-structured interviews with CE Managing Directors		Business presentation and background data CE principles
	Historical influences on contemporary events 2008		

5.1 Selection of Cases

The cases selected are all located in Southern Norrland in Sweden, a region with many company towns and a long tradition of business local relationships. With a high rate of unemployment and associated societal economic problems, in public discussions it was often noted that the dependency on the region's big company and their internationalization was a vital part of the problem. This motivated me to select companies in company towns, as many of these companies have merged and undergone a transition from local to global management, resulting in new economic and social requirements. My objective was to understand how big companies with traditional local relationships take local CSR in a changed economic situation.

In papers I and II, the business unit of StoraEnso in Skutskär was selected because it had been involved in a comprehensive labor reduction program (1992), a merger between Stora and Enso (1998), and large-scale technical investments (1995-2000) requiring new workforce competence. As a part of the global StoraEnso Corporation the business unit studied, affects and is affected, by the corporate global economic situation and CSR undertakings.

In Paper III, Sandvik in the town of Sandviken was selected because of Sandvik's global importance, stability and good reputation in the industry, as well as its long-term engagements in CSR, especially in relation to being 'head office citizen' in this company town. Sandvik has kept its head office in Sandviken and local newspapers witness of a long tradition of close relationships with the local community. This case was also selected to contrast the findings in papers I and II.

In Paper IV, three consumer CEs in Gävleborg, Sweden – *COOP Gävleborg*, *HSB Gävleborg*, *Folksam* in Southern Norrland – were selected due to their belonging to national CEs exposed to increased competition from local and global markets and having long experience in dealing with social values and their influence on CE development. A fourth CE – *COOMPANION*, a cooperative development agency in Gävleborg – was selected because it collaborates in different projects with different institutions and less advantaged groups in local communities and has an important and central role in promoting the establishment and development of CEs in the region.

5.2 Interviews

The respondents were selected based on two criteria: firstly, their ability to make critical decisions based on their professional position, and secondly, based on their role as representative for an institution. In papers I-II, the business respondents were selected based on their professional knowledge of facts, their experience of traditional management tasks, and for having their own opinion of matters in their role as responsible managers, i.e. a management perspective. The union respondents were selected because they represent labor representatives, are responsible for union business in the company, and live in the community. The government representatives were selected to give a societal perspective to the studies. In papers III-IV, the business respondents were selected based on their authority to act and respond as representatives of their respective institutions, i.e. an organizational perspective. In Paper III, the sector representatives were selected due to their long experience in different social engagements integrating the multinational company with government and civil society.

Contacts with businesses and the municipality helped to provide access to respondents that met the criteria. Most interviews were performed on-site in the respondent's office or smaller meeting rooms and took between 1.5 to 2 hours.

According to Yin (1984), most case study interviews are open-ended in nature, which gives the researcher the opportunity to ask the respondent about factual details as well as their opinion of events. An interview guide with factual and open-ended questions was drawn up before the interviews, which could be followed up with additional questions. The open-ended questions provided the central part of the interview data as the respondents were free to talk, and follow-up questions could be asked whenever necessary, for clarification and to help with the interpretation of the data. According to King (1994), this kind of conversation and interviewer participation is a key feature in qualitative research and a prerequisite for looking at a matter in depth.

During the interview, the respondents' statements were written down instead of using a tape recorder. Even if tapes provide a more accurate rendition of an interview, the writing process forced me to listen more carefully to capture the necessary information. The interviews were transcribed immediately after the interviews took place. This quick transcription process helped me to recall the interview situation. All key informants have reviewed their part of the case study protocol to confirm the reliability of the data. In cases of where something has been misunderstood or where more information was needed, the case study

protocol has been changed to agree with the interviewee's intended meaning. Citations from the respondents are used throughout the case presentation, partly to show the authenticity of the data, and partly to attain a logical flow in the presentation of the information. In following with ethical standards, all respondents in this thesis were informed prior to their inclusion in the studies and although not requested, they are kept anonymous in the texts. Details that might disclose the identity of the respondents have been omitted.

5.3 Statistics

In Paper I, statistical information was gathered from various documents and Statistics Sweden (population statistics for 1985-2000 and historical documentation from the 1890s). The data was then coded in SPSS. The change in employment rate and population over time was calculated from actual employment rate and population figures, and provided information on correlation and covariance. The statistics yielded information on the positive correlation and covariance between employment changes in the company and changes in the population in the community. Statistics confirmed the close relationship between company changes and changes in the community. Graphs were used in the interviews to present data over time and connected to different periods.

In Paper II, recruitment statistics for the period 2000 to 2004 was received from the company's personnel department. The data was then coded in SPSS for further processing. To estimate the strength of and connections in and between different data sets, frequencies and cross-tabs were used to explore patterns in actual recruitments. Calculation of different recruitment choices over time provided information on the correlations between these choices. The statistics were contrasted to the interview data to add support and increase the reliability of the findings, and confirmed a substantial spread between recruitment choices, which was also obvious in the interviews.

5.4 Secondary Sources

The selection of literature is based on three criteria 1) understanding the importance of historical events in a changed situation (historical books and documents); 2) collecting background information to understand how businesses present themselves (i.e. business folders); 3) collecting data that

could be used for data triangulation and analysis (annual reports, policies, programs). As the cases in this thesis have a long tradition of local relationships, it was necessary to understand their historical background to understand the respondents' opinions of economic changes. This implies that in all cases the present situation is influenced by a 'before' and 'after' situation, which is commonly referred to as change(s). Business presentations provided background information and an understanding of how the businesses want to be looked upon, which reflects their image feature and future outlook. To identify and analyse underlying events (i.e. corporate changes, new recruitment strategy, CSR formalization) it was necessary to collect information on the standards expressed in different types of formalization.

According to Scott (1990), two fundamental criteria for secondary sources to consider when choosing a mediated or indirect access to a source are its authenticity (original) and credibility (free from error). All mediated sources used in this thesis are original sources. Historical books and documents were available through libraries or municipal departments, policies available from business departments, annual reports available from the business's national main office, and statistics from Statistic Sweden. The available data from different institutions and department representatives' credibility with respect to the sources used are not questioned here.

During the work with papers I and II, on several occasions I was invited to participate in municipal meetings and business meetings and presentations. Attending these meetings as well as workplace interviews enabled direct observations that were valuable for data triangulation, as the meetings in particular confirmed the reliability of data from other sources.

5.5 Analysis and the Problem of Generalization

In case study analysis, most authors suggest theory generation based on empirical evidence (Glaser and Strauss, 1967; Hartley, 1994; Strauss and Corbin, 1997). To avoid premature closure and too much focus on vivid, unusual and interesting data, Hartley (ibid.) suggests ways not to fall into those traps. In line with the suggestions of Glaser and Strauss (1967), she also suggests the development of categories drawn from processes and actions, and organized around topics and key themes. The same technique has been followed in this thesis. After each interview, the text was transcribed and key topics or themes were identified and organized in groups of similar topics in a scheme. The use of this technique is also evident in the summarizing of topics in this text and intended to abstract

text into categories that belong together in different ways. Identification of categories helped me to 1) keep to the groups of empirical data that belonged together in data presentation and interpretation, 2) search for similar patterns that could be used as broader descriptions, and 3) remain open and sensitive to the existence of paradoxes and contrasts.

In Paper I, a time-series design was used to identify critical events and changing management practices over time. By using an adjusted model developed by Barley (1986), the objective was to analyse how management conduct changed over time and how institutionalization of practices influenced managers' response to change, CSR undertaken, as well as their local relationship to the community. It was also shown in this paper how technological changes (investment) had an influence on social responsibility and business-society relationships. In papers II-IV, historical sources provided information to analyse the influence of institutionalization on business-society relationships and relate to contemporary events.

As the analysis was carried out in a structured manner, different opinions could be contrasted with the other respondents' perspectives. In this way, and based on the respondents' experience, similarities and differences in opinions in and between the company and local relationships respondents could be analysed.

Hartley (1994) warns against the overuse of narratives. In the first drafts of each study, the text consisted of narratives, as these provided the basis for a storyline. As the work continued, a brief description of common phenomenon was put together and the narratives could be reduced to specific statements to increase the reliability of specific situations. I also found help in Strauss and Corbin (1997), showing how case studies could be presented in practice, by using broader descriptions of similar data, while specific issues were clarified by narratives. When applying a managerial perspective (papers I-II), managers' opinions were frequently presented as narratives in the text, to contrast different opinions and possible conflicts in a matter. When applying an organization perspective (papers III-IV) narratives were used less and the story consisted of how the organization took care of an issue of matter.

The analyses in this thesis differ from grounded theory in two important ways. Firstly, Glaser (1978) suggests that theory should be used – but *after* generating theoretical ideas. Hartley (1994) instead emphasizes the explicit need for theory to examine, contest and to find supporting or conflicting evidence in the texts. In all of the case studies, theoretical literature has been frequently used and referred to in the analyses. Secondly, Strauss and Corbin (1997) claim that most studies integrate interpretations with the case story. To clarify what is empirical evidence and what is my

interpretation, the case story and analysis for the cases in this thesis are separated into two different sections.

Case study research is commonly claimed to be less desirable than quantitative research strategies (Yin, 1994; Hartley, 1994) due to generalization problems. These problems are more obvious in single case study research. Harley claims that the problem of generalization is not exclusive to qualitative research. In quantitative data, information on typical or average situations also makes it difficult to determine what is unique or what a situation's general features are. Harley suggests that 'detailed knowledge of the organization and especially the knowledge about the *processes* underlying the behaviour and its *context* can help to specify the conditions under which the behaviour can be expected to occur' (p. 225).

In all of the case studies, I have paid careful attention to identifying processes that have an influence on the case conditions. To test the general features of the cases, I have discussed the case findings and conditions at conferences and research seminars, national as well as international (South Africa and Australia). As a visiting scholar in Adelaide, Australia, on two occasions in 2001 and 2003, I had the opportunity to visit the One Steel Company in Whyalla, and to reflect on the problems of Swedish company towns in relation to managers' experiences in Australia. Although the institutional and organizational situations in the two countries are quite different, my impression from all these discussions is that even company towns in other international contexts share general features with the cases discussed in this thesis. In Whyalla, economic changes and rationalizations caused a decreased need for labor, a youth movement, a decrease in population and social problems. Most business engagements are philanthropic or directed at areas prioritized by business, such as education.

6 Results

6.1 Paper I

Local management response to corporative restructuring: A case study of a company town.

This paper addresses a changed top management situation in the Swedish pulp industry at Skutskär. The company town case presents a situation where a certain level of local solidarity and a number of social relationships between the company and society are known and established as a part of the culture. Traditional relationships have created a number of expectations on the company and its management from the community with respect to shared interests, but mainly as a hidden business agenda.

After decades of proactive response to change, starting in 1976 the pulp industry underwent a rapid and significant restructuring. During a transition period, local managers supported a prolonged period of discontinuation of investments and pursued an inactive role relating to local development. With increased production costs, corporate top management was forced to implement large-scale labor reductions, which led to a local community crisis. The question addressed is: How does local management handle the transition from traditional citizenship requirements to today's citizenship requirements, by following the guidelines of the multinational corporation?

The aim of this study was to analyse how top managers of a local company town factory perceive and explain their citizenship relationship to the community during a transition period from 1976 to 2007.

The findings show how local managers lose control over conventional management arrangements based on a long past of heroic discourse and their social role and identity in society. Relying too heavily on corporate top management cost reduction demands and not caring about, or underscoring, local social concerns created gaps and local stakeholder

distrust. Prolonged local community distrust of the company to bear social responsibility, ended in a break-up of the relationship between the company and the local community.

6.2 Paper II

Corporate reassessment of labor, traditional local relationships and CSR's role in legitimizing business.

This paper addresses how reassessment of labor has become a key management concern with a continuous need of managers' attention to several dimensions of economic and social changes. Apart from the economic benefits of labor competence attributes, a reassessment of labor initiates both social processes concerning moral obligations to local society and image-shaping considerations to attract new labor from outside traditional local domains. The paper shows how corporate top management investment decisions put pressure on local management to adopt a new recruitment strategy based on cost-efficiency in labor selections and fairness in recruitment choices.

Reassessment of labor is a complicated management issue for local management, and especially after a long tradition of local recruitment, a large-scale labor reduction leads to a local community crisis (Paper I). Traditional vested local recruitment and relationships add a moral dimension into recruitment choices. Sustainability reports and incorporation of CSR as a business concern can offer guidance for managers to help circumvent conflicting social issues. The questions addressed are: How does local management balance its moral obligations to local community while reassessing the need for labor and employee skills? How does CSR guide managers in the transition from local recruitment to a wider recruitment strategy to follow?

With special attention to business's traditional local relationships, the aim of this study was to analyse how local business managers' perceive and apply CSR principles in adopting a new recruitment strategy.

The case shows how various economic and social processes work to dissolve relationships between the company and the local community and how weak CSR guidance gives vague support in the use of a new recruitment strategy and legitimization of the business in an 'extended local' situation. In the transition to global demands with new competence requirements, local resources become too scarce and the local community as a place loses its traditional importance. Four different processes are identified: 1) the lack of company information and the passive role of

politicians to take part in social issues early on, 2) weak support for corporate philanthropic efforts as local citizens, especially youths, have lost confidence in the industry and seek jobs outside the local community, 3) the reinforcement of local recruitment and accusations of nepotism by ethical rules relating to business fairness requirements, and 4) vague CSR guidance regarding how to solve social issues and build new 'local' partnerships outside the community. On the whole, traditionally loyal and secure local community relationships are replaced by a struggle for business to gain legitimacy through regional and national CSR partnerships in a new recruitment landscape.

6.3 Paper III

A case of a successful company town: Partnership between top management, local government and civil sector institutions.

This paper addresses how CSR has emerged in organizations across all sectors and can be seen as a cross-sectional phenomenon. In CSR research, the concept of 'cross-sector partnership' has long been regarded as an apposite technique to build sustainable corporate and local community relationships. Major CSR researchers believe in either formalized relationships between actors or dealing with immediate context-related problems faced by the partners. Both views concern well-developed strategies, but neither emphasizes the social responsibility that can develop through natural partnerships between actors. This study fills this gap by focusing on a company town case that shows how social responsibility can function as a natural way to successfully develop and sustain the relationship between actors in a local community.

The absence of civil sector and government motivation and legitimacy to engage in social problems addressed by business, makes it difficult to collaborate to solve problems that involve a broader segment of society (papers I and II). As successful cross-sector collaboration is rare, this company town case illustrates how stable local cross-sector collaborations develop and maintain trust and sustainability in business and local community development. The questions addressed are: What motivates each sector organization to establish cross-sector partnerships in local community collaborations? Do all sectors have the legitimacy to act on social problems identified by other sector organizations? Does an active collaboration among all sectors guarantee the successful outcome of a cross-sector partnership?

The results show that corporate initiative is not enough; it is also necessary for other local actors to contribute and join forces to make the relationship successful and sustainable. Establishment and growth of civil sector institutions, and related societal gains, are the concrete outcomes of cross-sector collaboration. Economic motives and social responsibilities have been identified as two frequent goals in local community collaboration. All sectors, including the business sector, recognize the importance of social relationships and responsibilities to achieve economic benefits. Indeed, economic motives and social responsibilities are interrelated issues. Even if the main stakeholders differ in their goals, responsibilities and distinct roles, the case provides an example of how cross-sector partnership can be constituted built on legitimacy, cross-sector economic motives and social responsibilities.

6.4 Paper IV

Emerging corporate social responsibility: Consumer cooperatives in Sweden. This paper addresses how globalization has meant some difficult competitive challenges for cooperative enterprises (CEs) in distinguishing themselves and ‘making a difference’ to attract members. CEs have taken economic and social responsibility for local community development, for the benefit of their members. Various chains of businesses increasingly apply traditional CE practices to sustain business, leading to a broad range of businesses becoming isomorphic with the central ideas of cooperatives. At the same time, CEs face pressures to take CSR, with respect to new demands from members, stakeholders and society in a broader sense, a business concern. The questions addressed are: How do CEs engage in activities to respond to local members’ interests and local society’s requirements? How do CEs engage in activities to take responsibility as global citizens? How can CSR facilitate CEs’ engagements to legitimate and sustain the business?

The aim of the study was to analyse arguments and identify activities relating to how CSR can legitimate a CE’s business in relation to its members, while remaining sensitive to demands of other stakeholder groups.

The study shows that in order to meet new business challenges and society demands, CEs adopt various collaborative solutions in response to member demands, collaborate proactively in local and global partnerships to facilitate new social undertakings, and put pressure on key stakeholders to take CSR for social issues. Through collaborations and putting pressure on other stakeholders to participate in CSR engagements, the CEs contribute

to the emergence of CSR in society. This implies that a good image can be gained by putting pressure on others to take corporate social responsibility.

7 Discussion and Conclusion

Legitimacy in business literature is commonly viewed from a business perspective as a resource that can be used to increase profit (Zimmerman and Zeitz, 2002). As businesses need resources from their environment, the *motivating* factor for society is to offer resources that the business wants. This builds on the premises that society sees a business as appropriate and needed by its environment (ibid.). By viewing the findings from the cases from a legitimacy perspective, considering also a business's economic pressures and motives, the findings indicate that the stronger the economic motives to engage in local relationships are, the more businesses engage in CSR, as it is seen as appropriate and needed to legitimate business with respect to local relationships. By examining how society grants legitimacy to business, this thesis adds knowledge on how businesses take CSR not only because of social motives such as sanctions (Wood, 1991, citing Davis, 1973), societal obligations (Vidaver-Cohan and Altman, 2000) and managerial discretion (Wood, 1991), but also because of profit motives, which may also be rewarding for society if it has the resources that business is willing to pay for.

Papers I-II show that in situations where the foundation of economic motives are weakened, the business's motives to engage in local CSR relationships and need for legitimacy become less important. In crisis situations, companies with a smaller need for local relationship resources, local relationship responses to corporate philanthropic efforts are passive (Paper II). This is in line with Ashforth and Gibbs' discussion (1990), that if a business espouses social values to appear consistent with expectations but acts in the opposite manner, its actions become symbolic gestures. Philanthropic efforts experienced as *symbolic gestures* are not understood as a serious attempt to maintain local relationships. In Table 7.1, this situation is defined as *legitimacy transformation*, as traditional citizenship is replaced by a

split between business and local society, where traditional local relationship legitimacy ceases to exist.

Paper II describes an economic situation in which a business needs to build up legitimacy outside traditional domains to attract new labor competence. With no previous experience in how to deal with CSR efforts and weak corporate CSR policy support, the business's efforts become more *seeking* than strategic. In Table 7.1, this situation is defined as *legitimacy transition*, as both business and society begin to *seek* new solutions to establish legitimacy outside the local community.

Paper III presents a situation in which a business's engagements in local relationships are built on and maintained by cross-sector partnerships, sharing the responsibility to solve social issues. According to Ashforth and Gibbs (1990), legitimacy maintenance occurs in situations that are non-problematic, builds on routines, and requires a low intensity of activities to be maintained. In this described case, citizenship is based on *stability* in cross-sector partnerships and maintained by sector legitimacy, collaboration and distinct sector roles. In Table 7.1, this situation is defined as *legitimacy maintenance*, where collaborative sharing of social undertakings and experiences creates space for each sector to be efficient within their own assigned tasks for the benefit of business and society.

Paper IV shows situations in which businesses experience competitive pressure to adopt different CSR approaches and collaborative forms. Traditional legitimacy expands through member, stakeholder and societal collaboration, defined in Table 7.1 as *legitimacy differentiation*. Here, CEs use different flexible ways to collaborate in CSR. As CEs put pressure on other stakeholders in society to take responsibility for different issues, CSR is emerging in different part of society. Legitimacy differentiation shares features with what Ashforth and Gibbs (1990) call 'extending legitimacy', as the situation is problematic and requires scrutiny to find solutions and proactive engagements. The difference is that CSR *emergence* implies not only extending responsibilities within the business, but that the handling of complex situations is achieved through spreading the responsibility to engage in social activities and other commitments to other stakeholders.

Table 7.1 shows traditional local relationship legitimacy and how economic motives affect the need to practice CSR in local relationships, to legitimate business.

Table 7.1 Business and local society motives and legitimacy characteristics.

		Business motives and legitimacy	Local society motives and legitimacy	Legitimacy defined	CSR
PAPER I	TRADITIONAL LEGITIMACY Institutionalization – business and local society relationships	Economic, shareholder motives	Survival, decreased resource dependency	<i>Transformation</i>	<i>Weakened</i>
		Increased need of global legitimacy, decreased need of local society legitimacy	Lost identity and business legitimacy in society		
Business and society legitimacy divergence.					
PAPER II		Economic, shareholder motives	Passive, scarce resources	<i>Transition</i>	<i>Seeking</i>
		Local altruism	Passive response to CSR		
		Increased need of wider 'local' society acceptance	Increased need for wider acceptance in society (youth)		
Business and society search for legitimacy outside local community.					
PAPER III		Economic through social engagement	Society benefits	<i>Maintenance</i>	<i>Stability</i>
		Tri-sector partnership and infrastructure building	Tri-sector partnership and infrastructure building		
Sector motives and legitimacy.					
PAPER IV	Economic through social engagement	Weakened member interest through business isomorphism	<i>Differentiation</i>	<i>Emerging</i>	
	Different CSR approaches and collaborations	Pressure on stakeholder to collaborate			
Business legitimacy expands through business-society collaborations.					

In summarizing the findings, the cases show that:

- a) As long as the economic benefits of local relationships are positive, businesses engage in CSR to legitimate their business (papers I-IV).
- b) If a business's economic motives and commitment to take CSR cease to exist (Paper I), local relationships react passively to philanthropic efforts and interest moves to finding other solutions (Paper II).
- c) The more stable business and local relationships are, the easier it is for business and local stakeholders to collaborate and share experience to solve social issues (Paper III).
- d) The more complex business economic motives are, the more collaborative efforts are required to take CSR (Paper IV).
- e) The more collaborative efforts that are undertaken, the more freedom business has to be efficient within assigned tasks, while being rewarding for societal development (papers III-IV).

7.1 Theoretical Implications

Corporate social responsibilities are commonly discussed as voluntary engagements that go beyond a business's economic requirements (Carroll, 1979). This thesis contrasts this discussion by showing how economic situations increase the need for businesses to take CSR and use it as an economic tool. Together, the papers in the thesis show that taking CSR is not voluntary but builds on business's need to legitimate business in accordance with its *economic motive* to improve profits and to survive. If the foundations of economic motives cease to exist, business social engagements likely lose economic interest as the gains of local relationships engagements are marginal for business legitimacy. This indicates that businesses' CSR engagements vary depending on economic motives and the need for legitimacy. These findings contrast the traditional static feature of CSR by emphasizing the dynamics of economic changes, related changing legitimacy requirements, and the changing need for businesses to take CSR.

If businesses become too *shareholder* profit-oriented (papers I-II), the social consequences of economic actions are difficult to rectify. According to Friedman (1970), 'the business of business is business.' The business takes responsibility by offering jobs, products, etc., that society needs. This may be true from a global perspective, but from a local society perspective, and especially in traditional locations with scarce resources, Friedman's claim of profit-only social values has lost its traditional appeal.

It is also evident that if business's economic motives and engagement to take CSR cease to exist, local relationships react passively to *philanthropic* efforts, and interest moves to finding other solutions (papers I-II). This confirms the criticism that the effects of philanthropic efforts are too short-term (Boehm, 2002), especially in times of crisis and where citizenship engagements are lacking (Paper II). Philanthropic efforts after crisis are seen as a symbolic gesture creating harm that is difficult for a business to rectify.

Paper II also observes how the definition of 'local community' commonly refers to physical places in which 'the firm maintains an operating presence', 'the firm operates' or 'is located', which is too static. As the importance of business's local relationships diminish, the case studied shows that the business moves its interest to a wider 'local' area outside the immediate community. There is a need for a more dynamic definition of business-local, society relationships. In this paper, the term 'local relationship' is frequently used to define business's relationships with stakeholders *and* citizens that affect and are affected by the company's objectives, expanding the sense of 'local' beyond a geographically defined area.

The dynamic nature of CSR is also evident when viewing the findings from a *stakeholder* perspective. Even if stakeholders as groups (government, investors, political groups, suppliers, trade associations, employees, costumers, communities) are stable (Donaldson and Preston, 1995), who is a stakeholder (Mitchell et al, 1997) varies depending on the economic situation and legitimacy needs. In the *legitimacy transformation* situation (Paper I), the local community loses its traditional importance as stakeholder (labor); in the *legitimacy transition* situation (Paper II), the business needs to seek new stakeholder collaborations (education); and in *legitimacy differentiation* situations, businesses need other and, occasionally, stakeholders unknown to them to engage and share CSR (i.e. customers). Only Paper III presents a situation in which local community meets the description of a sustainable stakeholder, since cross-sector collaboration creates a situation in which each sector legitimates the other. In all, the findings show that the economic situation and business's need for legitimacy have a major impact on who counts as a stakeholder.

According to *corporate citizenship* theory (Vidaver-Cohen and Altman, 2000; Boehm, 2002), corporations should take initiatives and be proactive in local community infrastructure building engagements. Paper III confirms the importance of collaborative sector engagements but shows that corporate initiatives are not enough to achieve CSR. Other local actors must also be proactive, contribute and take part in joint efforts to make collaborations successful and sustainable. Each sector has a social responsibility to take initiatives, which requires sector legitimacy to take

part in a changing economic situation, which is in contrast to the business-only situation in papers I and II.

7.2 Managerial Implications

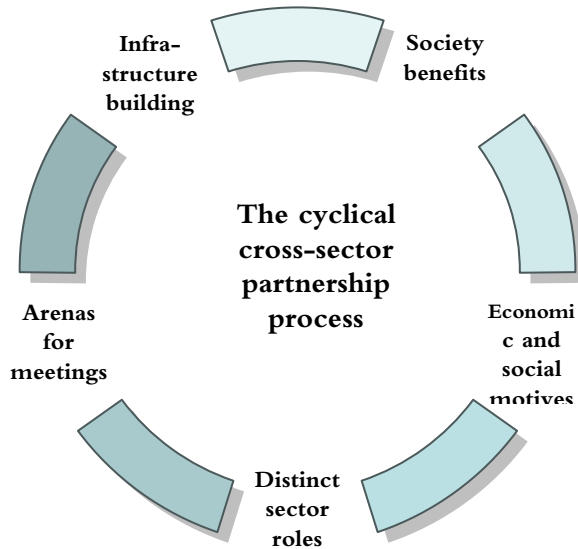
Dealing with the social consequences of labor reduction and building local relationships in a wider society have, as in the cases presented, been difficult management tasks to perform. This indicates at least two problems that must be handled to iron out conflicts in times of crisis and to achieve more successful CSR results in unfamiliar situations. First, the traditional control-oriented management view is too narrow and not adjusted to today's citizenship reality, including how to handle CSR in different situations. Second, the findings suggest that the needs conceived at a global corporate level may lead to situations that obscure local needs and consequences. Often, critical situations cannot be planned for and are commonly managed by top management, making it difficult for local management to control. More complex situations coupled with the need for business to use social issues in a 'rational' way, requires preparation through education and practical training. Many universities are aware of these shortcomings and offer education and management training and CSR courses.

7.3 Local Community Implication

This thesis shows the importance of collaboration and early engagement, as joint efforts facilitate, stabilize or prevent situations of economic pressure. Different collaborative forms as those adopted by CEs are an excellent way to put pressure on others to engage in social issues. As economic engagements are a complex issue to manage, the CEs benefit since their own resources can be directed and used more efficiently.

From the company town case in Paper III, tri-sector partnerships are seen as a way to collaborate to handle common social issues in a community, but are then restricted to the specific community in question. Figure 7.1 illustrates the cyclical benefits of the cross-sector partnership process.

Figure 7.1 The cyclical cross-sector partnership process.



The developed model from Paper III illustrates how tri-sector partnership's economic and social motives are integrated as a cyclical cross-sector partnership process based on different sector engagements. Each sector takes responsibility for issues related to its distinct roles, which opens up space for other sector organizations to take note of their main concerns. Paper III shows that:

- historical events have institutionalized a tradition that legitimates each sector (public, private and civil sector institutions), providing *economic and social motives* to collaborate,
- each sector has *distinct roles* in collaborations and in relation to assigned tasks,
- over time *arenas for meetings* – both formal and informal – are established, in which representatives communicate social and infrastructure issues,
- the concrete outcome of these meetings are *infrastructure building* (education, sports and entertainment arenas, social foundations),

- the infrastructure building is used by and benefits the citizens, which creates benefits for society.

As in the case of the CEs, businesses benefit since their resources can be directed and used more efficiently.

7.4 Discussion and Fields for Future Research

From the findings of the papers, four legitimacy situations are identified, which raises questions for future research.

Paper I shows a situation of *legitimacy transformation*, in which traditional citizenship is replaced by a split between business and local society, where traditional local relationship legitimacy ceases to exist. What occasions constitute a need to rebuild local relationships previously destroyed? Is it possible to rebuild business–society relationships after drastic changes? Can sector collaboration be a sustainable solution to rebuild business–society legitimacy?

Paper II shows a situation of *legitimacy transition*, in which local managers lack experience in how to deal with CSR efforts and seek new solutions to establish legitimacy outside the local community. Paper III, shows *legitimacy maintenance*, and a situation in which businesses share social responsibility through cross-sector partnerships. The benefits of cross-sector partnership are moreover observed as being concentrated on the home community. Building on the findings of papers II and III, future research could look at: How can collaborative CSR benefits be extended to include stakeholder concerns outside the community?

Paper IV, shows *legitimacy differentiation*, and situations in which CEs use flexible ways to collaborate in CSR. As the benefits of emerging CSR are viewed from a management perspective, it is necessary to reflect these findings against members' and stakeholders' views of these actions: Can legitimacy differentiation be a model other companies can use to integrate CSR approaches into other forms of business?

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