



**Swedish University of Agricultural Sciences**  
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**Department of Forest Products, Uppsala**

**Case studies of Corporate Social Responsibility  
(CSR) in forest products companies  
– and customer's perspectives**

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**Keywords:** sustainability, ethics, forest products companies, customer's perspectives

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## **Abstract**

The concepts and practices of Corporate Social Responsibility (CSR) in forest products industry have been evolving since the 1970's, initially promoted by stakeholder criticism. As nature-based raw materials industries, the selected forest products companies aim to ensure that their business operations are ethical and that their company plays a role in sustainable development.

The researcher selected four forest products companies: Stora Enso, Korsnäs, Arctic Paper, and Sappi. In addition, the customer's perspectives were gathered from three selected customer-firms: Tetra Pak, Jernström, and Color Print. The selected forest products companies have CSR programs which address the three pillars of sustainability: environmental, social and economic aspects. The following CSR processes were identified in the selected forest products companies: community development and communication, corporate governance and law compliance, code of ethics and business conduct, environmental management, health and safety programs, human resources process, human rights, supply chain management, products and services quality, arts and culture programs, independent CSR organization, anti corruption policy, and CSR report.

In practicing their CSR programs, the selected companies were driven by different predominant factors such as the values, performance, and stakeholders of the companies. The results also show that there are similarities among the selected companies and yet different approaches in the profile of CSR processes. The differences in approaches are affected by the size of the company and the geographical position of operations; in which it is strongly correlated with different socio cultural condition and economic development of the given area.

Regarding the customer-firms, they perceive that there are more interests in their suppliers' CSR programs, specifically about environmental issues. However Swedish companies with local production operations do not really perceive CSR and the environment as predominant factors in selecting their suppliers. In addition, the customers mention that quality is the major driving factor in selecting their suppliers. The researcher also concludes that the organizational scale of direct customers; whether they are local or Multinational Corporation, also affect their purchasing behaviour.

**Keywords:** CSR, sustainability, ethics, forest products companies, customer's perspectives.

## **Summary**

**Introduction** At the present time, the concepts and practices of CSR have been growing rapidly and become more worldwide. The initiatives have been taken both at international and national governmental level. The literature considers CSR activities in the forest companies are basically designed and implemented in order to build positive images or reputations of the companies to the public and their main stakeholders, such as labor, local community, consumer and Non Government Organization (NGO). Specifically related to the customers, they are considered to be the major driver for product quality and innovation. However, when they are related to CSR, the literature considers it is still debatable in which extent CSR can help to drive customer loyalty. The purpose of this research is to analyze CSR perspectives in forest products companies with differing scope of geographic operations, from a marketing view point including the perspectives of their customers.

**Method** The method used in this study is qualitative approach. The case study approach is done based on the selection of a limited number of forest products companies. The researcher selected four forest products companies: Stora Enso, Korsnäs, Arctic Paper, and Sappi. In addition, the customer's perspectives were gathered from three selected customer-firms: Tetra Pak, Jernström, and Color Print. Data gathering took place according to a purposive sampling framework which can be used as a mean to capture both diversity and particular attributes (Arbnor and Bjerke, 2009). Since this study's purpose is to focus on marketing issue, it is necessary to clarify and gain another perspective from these companies' customers. The selection of "customer firm" as company's stakeholder in this study is because of the researcher's assumption that customer firm is likely to be the most important stakeholder.

When the case-study forest products companies are identified, the researcher conducted websites analysis and interviewed key personnel. The websites analysis emphasized formalised CSR reporting and information other sustainability or responsibility information. In order to gain comprehensive and robust information, the analysis is also conducted through the annual report, company's policies, and other relevant organizational documents. The documentation analysis in this study is developed based on the conceptualization proposed by Silberhorn and Warren (2007, p.359) and developed by Wotrich and Sastararuji (2008, p. 24).

The interviews are aimed to re-check and validate the findings from the formal organizational documentation, as well as gain additional information which may not be expressed in the documentation, and clarify some unclear information. Therefore it will reduce the biases of the researcher when reading the organization documentation.

**Results and discussion** The four forest products companies show the same profiles on the principle factors that motivate their firms' CSR practices. All companies consider that CSR practices are strongly driven by their specific company's corporate values and stakeholders. Although the findings can not be generalized as the number of the companies used in this study is small, it is implied that CSR has been evolving to be part of the general business values of the sector.

In this study, it is identified that all the forest products industries paying close attention to their stakeholders, especially to the customers and the local communities within which they operate. According to the selected companies, stakeholder engagement is part of building accountability into their business operations. Therefore, they have various CSR programs that target various stakeholders. If the firm succeeds, stakeholders will directly or indirectly

benefits the reputation of the company; as perceived by stakeholders will also support the company's competitiveness.

There are differences in the CSR processes addressed by the four companies. These differences may appear as the results of company's size and geographical scope of their operations as well as the specifics of the operational region. In the organizational documentation and interview process, all companies mention these CSR processes: "community development and communication", "corporate governance and law compliance", "code of ethics and business conduct", "environmental management", "health and safety programs", "human resources process", "human rights", "supply chain management", "products and services quality", and "anti corruption policy". Though all companies mention those processes, there are some differences in approaching the processes.

In this study, all the selected customer-firms mention that quality and price are the major driving factors in selecting their suppliers. According to the findings, it can be identified that Tetra Pak's customers have a significant interest in the environmental performance of their suppliers. All the selected customer-firms notice that interest in environmental performance is increasing. In addition, the findings in this study say that the customers are formally and/or informally involved in the communication process regarding their suppliers' CSR programs. In general all customers give a positive response to their suppliers.

**Conclusion** All the selected forest products companies mention that corporate values are inserted into their business strategy and consider that positive stakeholders' perception will support the company and their competitiveness in the market. In addition, all the selected forest products companies mention similar CSR processes; however they may emphasize unequally and have different profile in those processes.

The customers mention that quality is the major driving factor in selecting their suppliers. In term of the supplier's environmental performance, they consider that there are a lot of interests on certified products. However Korsnäs and Arctic Paper do not really perceive it as a predominant factor. The researcher concludes that the organizational scale of direct customers; whether they are local or Multinational Corporation, also affect their purchasing behaviour.

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I would say that this thesis is far away from perfection and does not answer every question nor gives solutions to all problems. However I do hope it will give a positive contribution for the good sake of our forest, environment and future.

Uppsala, 2 June 2009

Danang Ari Raditya

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# 1. Introduction

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This chapter is the introductory part of the thesis. Here will be explained the research background, discussion of the problem which lead to research objective and questions. The research limitation is also presented in this chapter.

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## 1.1 Background

CSR has been more debated recently due to increasing globalization of corporations, societies, and politics (Mikkilä, 2005, p. 2). The concept of responsibility has tended traditionally to be taken into account by firms in relation to the surrounding society. However, the aspects contained in the responsibility are developing and changing, reflecting the societal situation and debate in different places from time to time. Mikkilä further explained that historically, the economic responsibility of business industries was stressed during the rebuilding era in post-war Europe, while the environmental responsibility was started to be more discussed in the 1970-80's.

Currently, the concepts and practices of Corporate Social Responsibility (CSR) have been growing rapidly and become more worldwide. Initiatives have been taken both at national and international level. In the year of 2000, United Nation (UN) established the “Global Compact” program, which was a strategic policy initiative for enterprises that aim to link their daily business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption ([unglobalcompact.org](http://unglobalcompact.org), 2008). In a narrower scope, in 2001 European Union (EU) also initiated a discussion paper “Promoting a European framework for CSR” which was followed up by the establishment of “European Multi-stakeholder Forum on CSR” in 2002. This EU forum aims to provide a platform for discussion among the European stakeholders regarding CSR issues ([ec.europa.eu](http://ec.europa.eu), 2001). Those UN and EU initiatives are only a small sample of many other initiatives carried out in the international level, which have been also encouraging CSR practices at local and national levels.

Forests cover about 30% of the world’s land area (Global Forest Resources Assessment, 2006 in Mikkilä and Toppinen, 2008, p. 500). The raw material-based industries (e.g. mining, fishing, and forestry) are economically important, and socially politically sensitive in the worldwide context (Mikkilä and Toppinen, 2008, p. 500). The forestry industry brings direct impacts to the natural environment and is interconnected to the socio-culture condition wherever they are established. However, in the public view, there are still negative perspectives regarding the operations of forest products companies in different part of the world; for instance, when some NGOs criticized Stora Enso for jeopardizing the land reform in Brazil in 2008 (Stora Enso Sustainability Performance 2008, p. 10). Therefore there must be efforts from industry to involve social and environmental responsibilities within the companies’ business strategy as well as internalize CSR as part of companies’ operations for running their business.

When analyzing the predominant factors in practicing CSR, Silberhorn and Warren (2007, p. 359) identified three main types of motivations for companies to engage in CSR practices. Firstly, from value-driven perspective, company may perceive CSR as part of their culture or core values. The second motivation is performance-driven, in which CSR is perceived as part of company’s economic mission, or as an instrument to gain better financial performance and maintain their competitive positioning. Thirdly, from stakeholder-driven perspective, the company practices CSR in response to stakeholder’s concern or demand.

CSR activities in the forest companies are generally considered to be designed and implemented in order to build positive images or reputations for companies amongst the general public and their main stakeholders, including labor, local community, customer, and NGOs. However, it is important to note that CSR is about perspectives and ethics and “what is regarded as right, just and fair in one cultural setting may not be similarly viewed in another” (Carlisle and Faulkner, 2004, p. 143 in Wotrich and Sastarajuji, 2008, p. 2). Therefore, it can be assumed that CSR practices may be approached differently according to their various organizational sizes and where they operate in different geographical positions in the world.

CSR practices vary among companies and NGOs and may drive their NGOs and customers toward the companies and their products and services. Specifically related to the customers, CSR is generally considered to be major driver for product quality and innovation. However, when they are related to CSR, it is still debatable in which extent CSR can help to drive customer loyalty. Normally consumers give a positive response when they are asked if they are willing to pay for a more expensive product with good social and environmental qualifications, but they have failed to act when they do the purchases (ec.europa.eu, 2008. p. 109). It further says that even though consumers give more attention to the products which are socially and environmentally responsible, it does not mean that the tendency will remain the same. The trend may change when there are some risks which affect the customers' purchase, such as inflation and global economic crisis. In these situations, customers are likely to pay more attention to the price and quality, and less attention to the social and environmental aspects (ec.europa.eu, 2008, p. 110).

## 1.2 Objectives and research questions

Previous CSR research has tended to focus on the forestry aspects of companies' business operations (e.g Vidal and Kozak, 2008). There has been also learned some works assessing formal reports of forest products companies (e.g. Mikkilä and Toppinen, 2008). However there is a lack of work on CSR in forest products companies from perspective of customer-firms' perceptions in business-to-business relationship of CSR value and market drivers.

In order to fill the gap, the purpose of this research is to analyze the CSR motivations of forest products companies, from a marketing view point, including the perspectives of their customer-firms.

In order to reach this objective, key research questions are:

- *What drives forest products companies' CSR strategies and policies?*
- *How do forest products companies, with different geographical scopes of operations practice CSR?*
- *How do customer-firms perceive their forest product suppliers' CSR practices?*

Other specific questions to define this research area are:

- a) What are the CSR practices?
- b) What are the opportunities and challenges of the CSR programs?
- c) How do the forest products companies (with different operational scale) address CSR to their customers?
- d) What are the customer's perspectives of CSR programs?

### **1.3 Delimitation**

1. *Empirical delimitations:* The study is delimited by selecting only four forest products companies with different organizational sizes. Further delimitation is made when the researcher focuses on analyzing company's organizational documentation instead of other publications such as environmental group's statement.
2. *Theoretical delimitations:* The study is focused on the main types of motivations for forest products companies to engage in CSR practices; and types of CSR processes; which are adopted from Silberhorn and Warren (2007, p. 359) and developed by Wotrich and Sastararuji (2008, p. 24).
3. *Method delimitations:* For practical reasons, and since CSR is about perspectives, a case study approach will be undertaken. Cases will be constrained to: Stora Enso, Korsnäs, Arctic Paper, and Sappi. In order to analyze the customer's perspectives, the researcher studies Jernström, Tetra Pak, and Color Print. The researcher is aware that the number of samples is small and the findings could not represent the general overview of the population.

## 2. Theoretical Framework

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This chapter explains the theoretical perspectives; including the concepts and definitions relevant to the study. In addition, this chapter also provides basic approach to understand the topic of the thesis and the next chapters.

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### 2.1 CSR: Definition and terminology

The corporations in the world are aware of the emergence of CSR. However there is uncertainty on how CSR should be defined. According to van Marrewijk (2001, p. 96) several definitions exist are too often biased towards certain interests from different parties. The differences in term of the definition and terminology may lead to a problem as people will interpret and understand CSR differently. In addition to the very broad definition, there are also debates on the definition of CSR among academics, corporate executives, and consultants to present with a more ethical, more humane, and more transparent of doing business (van Marrewijk, 2001, p. 95). Those parties have created and criticized related concepts in term of conducting business in an ethical way as explained by van Marerwijk (2001. p. 95-96; 103-104):

- *Sustainable development*  
It is “a development in which present generations find ways to satisfy their needs without compromising the chances of future generations to satisfy their needs”. It was initially mentioned by the Brundtland Commission in The World Commission on Environment and development in 1987 (United Nations, 1987 in van Marerwijk (2001, p. 95, 103)).
- *Good corporate citizenship*  
Marsden’s and Andriof’s (2001 in van Marerwijk, 2001. p. 95, 103) study explained good corporate citizenship as “an understanding and managing a company’s wider influences on society for the benefit of the company and society as a whole.”
- *Triple bottom line*  
Elkington’s (1997 in van Marerwijk, 2001. p. 96, 103) study defined triple bottom line as “people, planet, and profit, which refers to a situation where companies carry out programs in order to be economically viable, environmentally sound, and socially responsible.”
- *Business ethics*  
Kilcullen’s and Kooistra’s (1999 in van Marerwijk, 2001. p. 96, 104) study explained that business ethics is “the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.”
- *Corporate social responsibility*  
European Cmmision (2001 in van Marerwijk, 2001. p. 96, 104) defined CSR as the integration of social and environmental activities in the companies’ policies and practices on a voluntary basis.

The latter definition is commonly used to reflect the ethical business of the corporations. However the definition explained by the European Commission on CSR is only one among many other definitions from different institutions. In his study, Dahlsrud (2006, p. 7-11)

mentioned definitions of CSR from 37 various sources and individuals. Some of them are shown in Table 2-1.

*Table 2-1. CSR definition according to various sources (Dahlsrud, 2006, p. 7-11)*

Source of definition	CSR definition	Dimensions
Jones, 1980 (as cited in Dahlsrud, 2006, p. 8)	“The notion that corporation have an obligation to constituents groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership.”	Voluntariness, stakeholder
Kilcullen and Kooistra, 1999 (as cited in Dahlsrud, 2006, p. 10)	“The degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.”	Voluntariness
Khoury et al. 1999 (as cited in Dahlsrud, 2006, p. 7)	“Overall relationship of the corporation with its stakeholders. This includes customers, employees, communities, owners/investors, government, suppliers, and competitors. Elements of social responsibility include investment in community area, employee relations, creation and maintenance of employment, environmental stewardship, and financial performance.	Stakeholder, social, environmental, economic success
European commission, 2001 (as cited in Dahlsrud, 2006, p. 7)	“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”	Voluntariness, stakeholder, social, environmental, economic
World Business Council for Sustainable Development, 2000 (as cited in Dahlsrud, 2006, p. 7)	“The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”	Voluntariness, stakeholder, social, economic
Foran, 2001 (as cited in Dahlsrud, 2006, p. 10)	“Set of practices and behaviours that firms adopt towards their labour force, towards the environment, in which their operations are embedded, towards authority and civil society.”	Stakeholder, social, environmental

At the end of Dahlsrud's (2006, p. 6) study, he concludes that there are five dimensions which formulate the various definitions of CSR: voluntariness, stakeholder, social, environmental, and economic. The biggest challenge for business nowadays is not how to define CSR, but it is more about how to integrate CSR as part of the ethical business into their business strategies (*ibid*). In addition to the five dimensions mentioned by Dahlsrud, Mikkilä (2005, p. 10-11) also mentioned the content of corporate responsibility as shown in Table 2-2. This framework may be applied when conducting a CSR analysis

*Table 2-2. Content of Corporate Social Responsibility (Mikkilä, 2005, p. 10-11)*

<b>Corporate responsibility</b>	<b>Content</b>
Economic responsibility	
1. Technical dimension	“Raw material issues, quality throughout the production chain, efficiency, infrastructure, location of the industry, including transport and logistics.”
2. Financial dimension	“Profitability, demand, services produced, shareholder value, influence of environmental requirements on investments.”
3. Economic dimension	“Role of the industry, monetary policy, sustainable development, globalisation.”
Environmental responsibility	
1. Natural resource dimension	“Renewability of raw materials, production and origin of raw materials, sustainability in the natural resource management, beauty of the landscape, diversity of nature, land tenure and use, conservation, energy sources.”
2. Industrial environmental dimension	“Solid waste, effluent, climate change, emissions, noise, ecological efficiency, including recycling of materials and products, origin of products.”
Social responsibility	
1. Employment dimension	“Health and safety at work, working conditions, permanence of work, internal communication, content of work, development and training, earned income.”
2. Societal dimension	“Transparency, charity, reputation, public relationship, welfare, image, communication.”
3. Cultural dimension	“Company culture, sustainability, cultural diversity.”
4. Political dimension	“Political participation, national and international legislation, slavery, child labour, freedom of speech, participation in trade unions, democracy in local decision-making, regulations and agreements, discrimination, human rights.”
Organizational responsibility	
1. Managerial/strategic dimension	“Selected strategies and policies, research and development, personal relationships, know-how, decision-making, management of operations.”
2. Business ethical dimension	“Honesty in business, respect for national and local values and norms, morale and values of the company and its employees, ethical investments, application of global values.”

Blowfield and Frynas (2005, p. 503) explained that CSR should be defined as an umbrella term instead of perceiving CSR as an exclusive terminology, thus it can be applied for different theories and practices. CSR as an umbrella term should recognize the following aspects: (a) the companies should take into account the social and environmental aspects into their business strategies, sometimes beyond legal compliance and liability of individuals; (b) the companies should ensure that the parties whom they make business with, must have responsible behaviours; (c) and that companies should add value and manage relationship to the society (*ibid*).

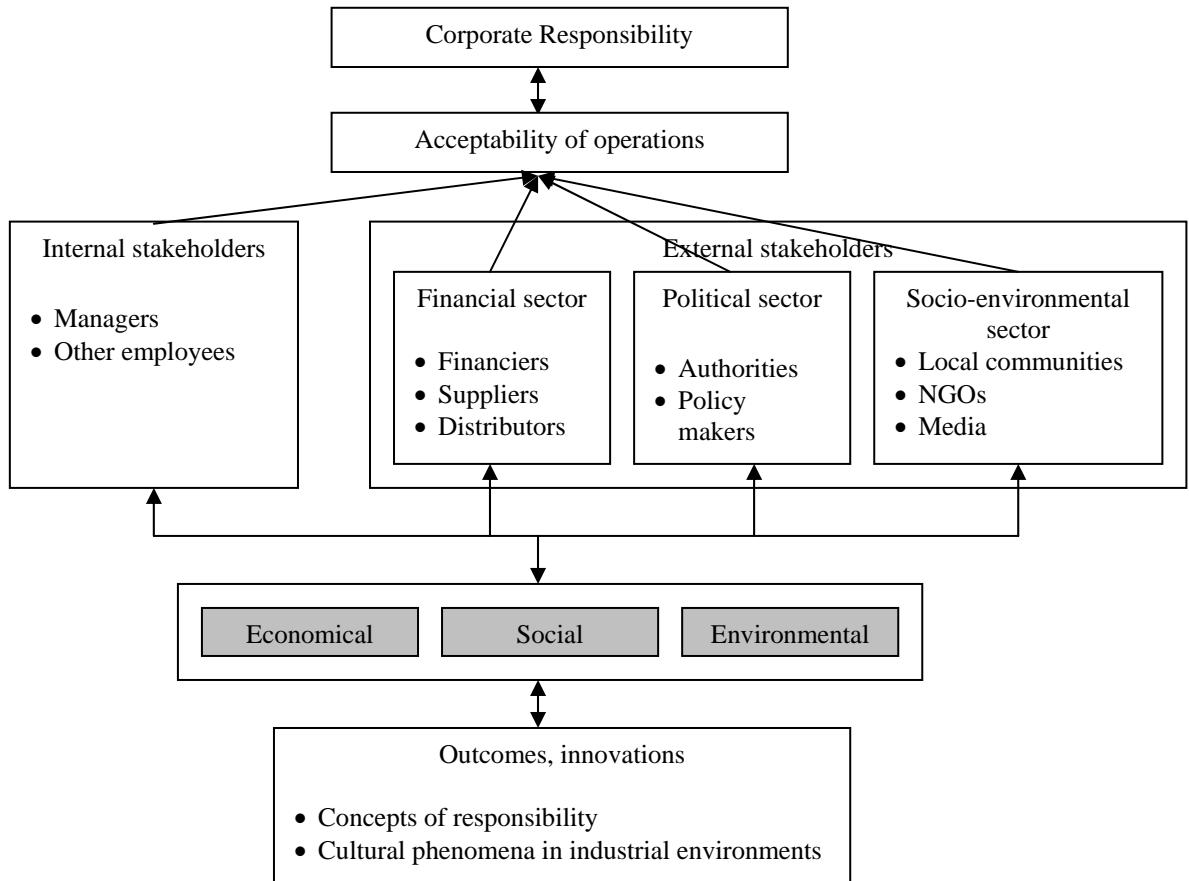


Figure 2-1. The conceptual framework for the responsibility study (Mikkilä, 2006, p. 217).

Mikkilä's (2006, p. 217) study explained a conceptual framework of responsibility which involves multiple actors related to the corporate responsibility (Figure 2-1). These multiple actors include internal and external stakeholders; and three different dimensions were covered in this corporate responsibility model: economic dimension, social dimension, and environmental dimension. This model also explains the outcomes and innovations as the results of corporate responsibility.

### **2.1.1 Motivations and influencing factors of CSR practices**

There are several studies have been carried out about the motivations behind the practice of CSR in the companies. According to Swanson (1995, as cited in Wotrich and Sastararuji p. 11), there are three main motivations that drive a company to carry out CSR actions: (a) utilitarian perspective, means that company perceives CSR as a tool to improve their financial performance, (b) negative-duty-approach perspective, means that company carries out CSR in order to obey the stakeholder's norm, and (c) positive-duty-perspective, means that company adopts CSR in order to give positive contribution to the society and environment. Wotrich and Sastararuji (2008, p. 11) states when a company perceives CSR as a negative duty; it means that they use CSR as tools to comply all regulations and expectation from stakeholders, whereas the positive duty means that company is adopting CSR as a component of their values. Silberhorn and Warren (2007, p. 359) used Swanson's ideas (as cited in Wotrich and Sastararuji, 2008, p. 11) in their further studies, and they categorize the companies' motivation into value-driven, stakeholder driven, and performance-driven; which relate to the positive duty, negative duty, and utilitarian approaches.

Wotrich and Sastararuji (*ibid*) summarized that there are some processes used by organization in adopting CSR. They mentioned several studies about CSR processes used by organizations based on Wood's (1991, as cited in Wotrich and Sastararuji, 2008. p 11) study: environmental management, issues management, and stakeholder management; Maignan and Ralston's (2002, as cited in Wotrich and Sastararuji, 2008. p 11) study: philanthropic programs, volunteerism, quality programs, management of environmental impacts, health and safety programs, sponsorships, and code of ethics; Silberhorn and Warren's (2007, as cited in Wotrich and Sastararuji, 2008. p 11) study: stakeholder engagement and communication, business operation human resources processes, supply chain management, corporate governance and compliance with law, risk management, employee community involvement, and corporate benchmarking.

There are several factors which influence the CSR practices in the company level, such as internal factors: strategic attributes, contingency attributes, and stakeholder pressure (Henriques and Sadorsky, 1996 in Wotrich and Sastararuji, 2008. p. 13). In addition, Hemingway and MacLagan (2004, p. 41) concludes that CSR is also strongly influenced by managers' personal values. At a national level, it is stated that significant differences in cultural, economic, environment, and political country contexts are the influencing factors which will be reflected in the CSR programs promoted by the companies in particular countries (Welford, 2005 in Wotrich and Sastararuji, 2008. p. 13)

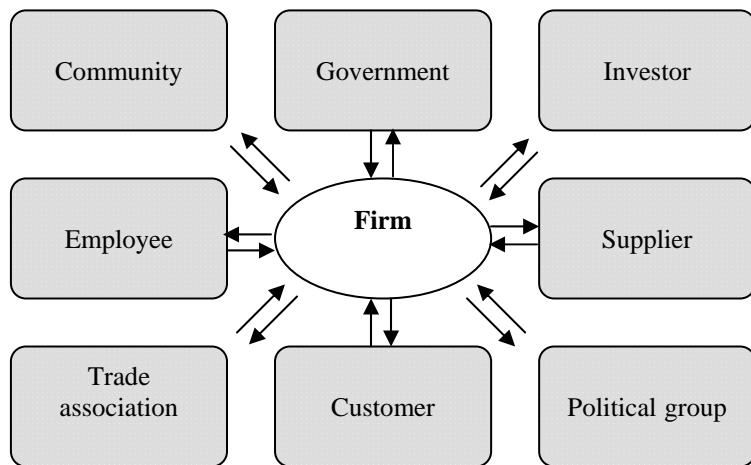
### ***2.1.2 Cultural diversity and CSR practices***

Cultural aspects have been discussed globally as influencing factors in the CSR practices, especially in some regions where local values, norms, and cultures are still highly valued. Ketola (2009, p. 2) states that multinational companies with worldwide operational activities; face dilemma when they practice CSR. The dilemma may occur since they have different culture to the culture in the regions where they operate their business. Lu *et al.* (1999, p. 1) states that the companies start to understand the effects of cultural aspects on their ethical business for avoiding potential business pitfalls and for as part of their marketing strategy. According to Lu *et al.* (1999, p. 92), culture affects what is perceived as right/wrong, ethical/unethical, and acceptable/unacceptable. The concept of culture is about people with different backgrounds and exposed to different religions, traditions, customs, heritages, and rituals which lead to major variations in beliefs, moral standards, and behaviors (*ibid*). In order to win their business, the managers in organizations of any size or scope must recognize and understand how ideas, values, and moral standards are different across cultures, and how they affect their marketing behavior (Laczniak, 1993 in Lu *et al.*, 1999, p. 92). In their study, Lu *et al.* (1999) analyzed the effects of culture on ethical decision making in the US and Taiwan based on Hofstede's five cultural dimensions: power distance, uncertainty avoidance, individualism, masculinity, and confusion dynamism (Hofstede, 1985 in Lu *et al.*, 1999, p. 93). However, there are also some empirical studies which examine if there is no influence of culture on manager's ethical behaviors (Christie *et al.*, 2003, p. 266-267). This difference may be caused of choice of sample size; selected countries; other personal, organizational, and environmental factors; and lack of rigor in statistical analysis (Christie *et al.*, 2003, p. 267). As a conclusion, Christie *et al.* (2003, p. 284) state that culture and individual integrity have significant influence on the managers' attitudes in India, Korea, and the US.

### ***2.1.3. Stakeholder theory***

One of the theories to analyze and explain CSR is stakeholder theory. This theory was introduced by Freeman (1984). He defined stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p.

46 in Moir, 2001). In their study, Donaldson and Preston (1995, p. 69) figure stakeholder model (see Figure 2.2) based on the stakeholder theory proposed by Freeman.



*Figure 2.2. Contrasting models of the corporation: The stakeholder model (Donaldson and Preston, 1995, p. 69).*

According to the figure above, all persons or groups have different interests in the corporation to obtain benefits and the arrows between the firm and their stakeholders go in both directions (Donaldson and Preston, 1995, p. 68); which means that there is no first priority of one set of interests and benefits over another (*ibid*).

Donaldson and Preston (1995, p. 69) explain that there are some alternative aspects can be used to present the stakeholder theory:

- *Descriptive/empirical*, the theory can be used to describe the corporate behaviors and characteristics.
- *Instrumental*, the theory –together with descriptive/empirical data–, can be used to describe the link between the stakeholder management and the performance of traditional organization's objectives (e.g., financial performance).
- *Normative*, the theory can be used to describe the function of the corporation. The moral and philosophical guidelines are also included in this aspect.

## 2.2 Empirical background

### 2.2.1 Forest industry in Sweden

According to Skogindustrierna (2008, p. 4), forest industry plays an important role in the sustainable development. Forest resources bring values with regard to climate as they can bind carbon dioxide, perform as renewable resources and can substitute the fossil based resources. In addition, forest industry also contributes a relatively large role to the Swedish economy compared to other EU countries (with the exception of Finland). It provides 10-12 % of job opportunities, 11% of Swedish exports, and 3% of Gross Domestic Product (GDP) (*ibid*). This sector also involves cooperation with different other sectors such as suppliers in the machine and chemical industries, transport sector, IT, construction and many other fields (Skogindustrierna (2008, p. 4-5).

Skogindustrierna (2008, p. 5-6) states that Sweden exports more than 85% of pulp and paper and 70% of sawn timber production; which place them as the second largest pulp and paper, and sawn timber exporter in the world. In EU, Sweden is the third largest producer of pulp and paper products after Germany and Finland (ibid). In Europe, Sweden largely exports their pulp products to Germany, Great Britain, and France (ibid). Sweden exports one fifth of the sawn timber products in EU, one forth of pulp and paper and 35% of the sawn timber products to countries outside EU (ibid).

### **2.2.2 CSR in forest products companies**

The critics to the operating methods and techniques for the pulp and paper industries have been started since the 1970's, at the same time the number of stakeholders was involved and the debates on forest industries was increased (Hellström, 2001 in Mikkilä, 2005, p. 215) stated that. The major reasons why the forest corporations started behaving ethically - not only focusing on economic aspect - were mainly because of the changing values, globalizations of corporations, societies, and politics, establishing a positive image, and compliance to future regulations and standards (Mikkilä, 2005, p. 215). However as forest products are natural resource-based industry, it arises some problematic facts which make it difficult to define a behavior that is ethically "right" (ibid). Forest industry, which is different in operational environment compared to other industries, really depends on natural resources and also to the local communities where they operate (ibid).

Panwar (2008, p. 37) states that in the 1970's the focus is more to the environmental aspects, and recently the trend is shifting towards the social aspects such as local communities and employee welfare. The increase of societal awareness and the expectations for a responsible business and transparency of its operations have created new standards to establish an ethical business in forest companies; as shown by the implementation of environmental and social policies to address these public concerns (ibid).

- *Economic responsibility*

For many companies, economic responsibility is still considered as the fundamental responsibility. The forest products industry - as any other industry - is however also still considering economic performance as a basic organizational responsibility. In recent years, the forest products industry has not sufficiently met investor expectations in term of financial returns. PriceWaterhouseCoopers's (2005) study (as cited in Panwar, 2008, p. 24) stated that the return on capital in forest products industries reach only 5.4% in 2004; which is under the expectation targeted by investors. Therefore, this sector must focus on economic responsibility to achieve their expected returns. In his study, Panwar (ibid) mentions that economic responsibilities of forest products companies also include their macro economy impact. In Scandinavian countries, forest industries bring significant role in providing job opportunity and improving regional economy (ibid).

- *Environmental responsibility*

Esrock and Leichty (1998) argued that companies which work in environmental sectors usually have to react more to external pressures and emphasize more the environmental action. According to Juslin's and Hansen's (2002) study (as cited in Panwar, 2008, p. 25), the forest products industries have evolved the environmental concern from time to time:

1970's – water and air emissions  
Mid 1980's – recycling  
Late 1980's – chlorine bleaching  
Early 1990's – forestry and forest management  
Mid 1990's forest certification  
21<sup>st</sup> century – global climate change and role of forests

In response to these environmental concerns, forest products companies start adopting various environmental standards such as ISO 14001, EMAS, and Forest Stewardship Council (FSC) and/or Programme for the Endorsement of Forest Certification schemes (PEFC) standards (Panwar, 2008, p. 25). In addition, they also start to use renewable resources and implement energy efficiency to prevent the climate change; and also implement the multiple-uses of forests; which means many different entities and interests can benefit from the forests (Panwar, 2008, p. 26).

- *Social responsibility*

According to Panwar (2008, p. 27), it is becoming critical that forest products companies should effectively balance their stakeholders' interests with social and economic responsibility; otherwise it may create a potential conflict such as cultural traditions and rights of indigenous people conflicts; for example, how to involve the local community, which will contribute to their income; and without disrupting their indigenous culture and value. One example of the conflicts happened in Brazil when there were campaigns from environmental NGOs related to socio-economic impacts of the production unit operated by Veracel Celulose, a joint venture between Aracruz Celulose of Brazil and Stora Enso. There were different perspectives of Veracel and their owners, and the NGOs. Therefore, Veracel looked for independent third party participation to resolve the debates (Panwar, 2008, p. 27-28).

Mikkilä (2006, p. 215) writes that the biggest pulp and paper industries worldwide are located in Asia, North America, and Scandinavia; and the criticism has been stronger on the Scandinavian companies than the Asian and North American companies. There are two major reasons: firstly, the Scandinavian pulp and paper companies are more globalised and have their business also in other continents; whereas the Asian and North American companies normally only expand their business in their own continents (*ibid*). Secondly, Scandinavian pulp and paper companies export the major part of their production; whereas the Asian and North American pulp and paper companies produce their own domestic markets (Mikkilä, 2006, p. 215-216). These reasons somehow explain why Scandinavian pulp and paper industries are considered more global compared to any other pulp and paper producers.

According to Skogindustrierna.com (2008), Swedish forest industry has defined their sustainability goals. Some of them are explained as follow:

1. By 2010, the extraction of bioenergy from forest should increase by 20 TWh.
2. Sawmills should produce carbon footprints for 80% of their products by 2010.
3. By 2020, the emission of CO<sub>2</sub> from transportation should be reduced by 20%.
4. The Swedish paper industry should achieve its target of 66% paper recycling by 2010 to support the European industry.
5. The accidents in the working place should reduce to a maximum of one accident per hundred employees by 2010.
6. The sick leave should be reduced to less than 3.5% by 2010, with particular attention to female workers.

### **2.2.3 CSR practices in different regions**

A number of CSR studies in different regions have been conducted (as cited in Wotrich and Sastaraji, 2008, p. 13-16):

- Situation within Europe (Aaronson, 2002; Perrini, 2005; Silberhorn and Warren, 2007 in Wotrich and Sastaraji, 2008, p. 13-16).
- Situation between Europe and the United States (US) (Maignan and Ralston, 2002 in Wotrich and Sastaraji, 2008, p. 13-16).
- Situation within Asia (Ang and Leong, 2000; Chapple and Moon, 2005 in Wotrich and Sastaraji, 2008, p. 13-16).
- Situation between countries in Europe, Asia, North America and other regions (Welford, 2005; Baughn *et al.*, 2007 in Wotrich and Sastaraji, 2008, p. 13-16).

Table 2-3 shows the CSR studies in various geographical positions and since different geographical positions may lead to different values, norms, and cultural contexts, it can be noticed that there are few findings related to the cross-cultural comparison.

*Table 2-3. Studies of CSR practices in various geographical positions (Wotrcih and Sastararuji, 2008, p. 13-16; Christie *et al.*, 2003, p. 280, 284).*

Source of study	Findings on CSR practices in different regions
Aaronson, 2002, in Wotrich and Sastaraji, 2008, p. 14.	<ul style="list-style-type: none"><li>• “Companies operated in EU level must publish their environmental and social reports in addition to their financial reports.”</li></ul>
Maignan and Ralston, 2002, in Wotrich and Sastaraji, 2008, p. 14.	<ul style="list-style-type: none"><li>• “Companies in the United Kingdom (UK) and the US are more often to discuss and publish CSR practices and code of conducts in websites compared to France and the Netherlands.”</li><li>• “Companies in the US tend to give contribution to the community by philanthropic programs and volunteerism.”</li><li>• “US companies introduced CSR as part of their organization values.”</li><li>• “Few European companies use their organizational values to justify their commitment to CSR. The reason may be they do not have time to integrate their role as community-involved social institutions into their organizational values.”</li><li>• “European companies perceive CSR as an activity to enhance the firm’s success and survival.”</li><li>• “European corporations focus more on the environmental activities in general as a reflection of the environmental movement in the EU levels and individual member states.”</li></ul>
Christie <i>et al.</i> , 2003, p. 280, 284.	<ul style="list-style-type: none"><li>• “There are more similarities and differences between Indian and Korean companies. Korean companies consider that business and ethics are more incompatible than Indian companies.”</li><li>• “Most of the managers agree that being ethical in their business is needed in achieving their success.”</li></ul>

- “Indian and Korean companies have more difficulties in practicing ethical business.”
  - “When practicing their business, culture has significant influence on the managers’ attitudes in India, Korea, and the US.”
  - “In addition to culture, individual integrity also brings strong influence on the managers’ attitudes toward ethical business.”
- Crane and Matten, 2004 in Wotrlich and Sastararuji, 2008, p. 14.
- “The concept of CSR in Europe is not as influential as in the US.”
  - “The European model is more capitalism which focuses on economic responsibility.”
  - “In term of the social issues, the European companies more focus on ethical responsibility and reaffirmation of their social legitimacy.”
- Juholin, 2004 in Wotrich and Sastararuji, 2008, p. 15.
- “CSR in Finnish global companies is driven by the corporate values and top management gives it priority position. In addition, CSR is also related to the long-term profitability and risk management.”
  - “CSR in Swedish companies has just to be recognized and acted upon at the organizational level.”
- Chapple and Moon, 2005 in Wotrich and Sastararuji, 2008, p. 15-16.
- “CSR in Asia is derived from the western ideas. However Asian corporations have their own norms and practices of CSR. The Asian values which strongly drive the CSR actions are both long-standing and embedded; and also a result of globalization adjustment.”
  - “The major challenges of CSR actions in Asia are poverty and wealth distribution, civil society organizations, labour rates and standards, corporate governance challenges, educational inequalities, access to natural resources, bases of governmental power and legality, and vulnerable to natural disasters.”
  - “Religion is part of the influencing factors of CSR in Asia.”
  - “CSR practices are more focused to the local community participation.”
  - “Thailand, Malaysia, and India underline CSR in community involvement, whereas South Korea emphasizes more to the production processes.”
  - “Japan is the leader of CSR practices in Asia and put environmental actions as the first priority.”
- Perrini, 2005 in Wotrich and Sastararuji, 2008, p. 14.
- “The social responsibilities in Europe are more focused on environmental protection and community programs, followed by CSR aimed to the workers and customers.”
- Welford (2005)
- In North America, Canadian companies are more engaged in CSR activities than the US and Mexican companies.
  - Northern European countries have more CSR programs than Southern European countries.
  - Norway has the most philanthropic programs than other Northern European countries.
  - Asia (with exception of Japan) has lower CSR actions than western countries. CSR actions in this region are very diverse as they are more to the localized issues, various cultural traditions within a country, and historical level.
- Peinado-Vara, 2006 in Wotrich and Sastararuji, 2008, p. 14-16.
- The corporate philanthropy in the private sector in Latin America has been done for a long time and has had a paternalistic view of its role in society.
- Puppim de Oliveira 2006 in Wotrich and Sastararuji, 2008, p. 15.
- “The biggest challenges of the social actions in Latin America are related to the Small-Medium Enterprises (SMEs) and special issues such as gender, informality, and corruption.”

Schmidheiny 2006 in Wotrich and Sastararuji, 2008, p. 15.

- There is no general-accepted definition of CSR in Latin America; each organization has its own CSR definition.
- As social issues might be more acute, CSR in Latin America and Caribbean is more focused on social aspects than on environmental aspects.
- Brazil is the leader of CSR practices in Latin America as shown by a large number of companies publishing the citizenship reports. The motivations are the big gap between rich and poor and a strong willingness to be perceived as companies with good reputation and fairly healthy economy.

Baughn *et al.* 2007 in Wotrich and Sastararuji, 2008, p. 16.

- There are more concerns to the environmental issues in Asia.

#### ***2.2.4 Customer as part of company's stakeholders***

There are different stakeholders approached by the companies when they carry out CSR programs, such as customers, community, employees, shareholders, and suppliers (Maignan and Ralston, 2002 in Wotrich and Sastararuji, 2008, p. 12). Freeman's (1984) study (as cited in Wotrich and Sastararuji, 2008, p. 12) suggests that there are differences on types of stakeholders: not only from company to company, but also for the same company but with different situations, projects, or tasks. Crane and Matten (2004 in Wotrich and Sastararuji, 2008, p. 12) also mention other representatives of stakeholders such as government, competitors, and civil society.

García Rodríguez *et al.* (2006, p. 22) conclude that customers expect companies to provide CSR-related programs to the society; as they consider that companies are the institutions that should be responsible in solving social problems after public authorities. The importance of CSR is related to work quality, essential and safe products, and generation of wealth (García Rodríguez *et al.*, 2006, p. 15). However, they also concluded that when a business plans to implement CSR programs, they must think about segments sensitive to these initiatives as not all customers perceive CSR in the similar way (García Rodríguez *et al.*, 2006, p. 22). Some customers are sensitive to the CSR program that is related to cultural, social, or sport initiatives only; and on the other hand, there are large customers who are only interested on financial performance; which can deform the essence of CSR actions (*ibid*). Handelman and Arnold's (1999) study (as cited in Luo and Bhattacharya, 2006, p. 4) emphasized that companies should engage in CSR with good causes and provide a good product at the same time.

According to Becker-Olsen *et al.* (2006, p. 52), the expectations of customer on CSR have been increasing since 5 to 10 years ago in term of (1) the number of companies carrying out CSR is growing, (2) more companies are communicating their CSR activities, and (3) customer groups is publishing bad attitudes of the companies and doing large-scale boycotting. There is empirical evidence that companies with poor records CSR will be punished when their poor CSR records are published (Sen and Bhattacharya, 2001 in Becker-Olsen *et al.*, 2006, p. 52). One of the examples is CorpWatch, a consumer watchdog group, which have published their name-and-shame publicity programs for irresponsible companies (Becker-Olsen *et al.*, 2006, p. 52). However, even though the concerns of CSR are increasing, Mohr *et al.* (2001, p. 69) states that customer's beliefs about CSR are often contradictory with their purchasing behaviors.

According to the Handelman and Arnold (1999, p. 36), it is suggested that a company should not only act as an economic being, but also as a member of a family, community, and country.

According to this, there is a new term “generalized customer” proposed by Daub and Ergenzinger (2005, p. 1005-1006) to group people who are more pleased with products and services that come from companies that practice ethical business. Mohr et al. (2001, p. 70) states that it is necessary to understand customer’s expectations of CSR at the company level to develop and implement successful CSR programs. According to Panapanaan *et al.* (2001, p. 145), there are several research reports that customers are now starting to ask for social information, or product labeling. Kuisma’s (2004) study (as cited in Mikkilä, 2008, p. 506) stated that communication is a good method to build a good reputation of the companies in their activities that are possible to diverge from the related practices. In addition, Schrader and Halbes (2008, p. 53) observed that companies actually have a strong willingness to be transparent in their CSR practices; but there are some problems to inform customers with sufficient information due to lack of resources and limited accessibility to obtain information about companies.

### **3. Method**

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This chapter presents by which the research is completed in chronological order and describe how to organize and integrate the data collected into certain conclusion. The researcher will explain the research design, case study approach, including the organizational documentation and interview techniques. At the end of the chapter, the researcher also describes the method critics which may appear from the readers.

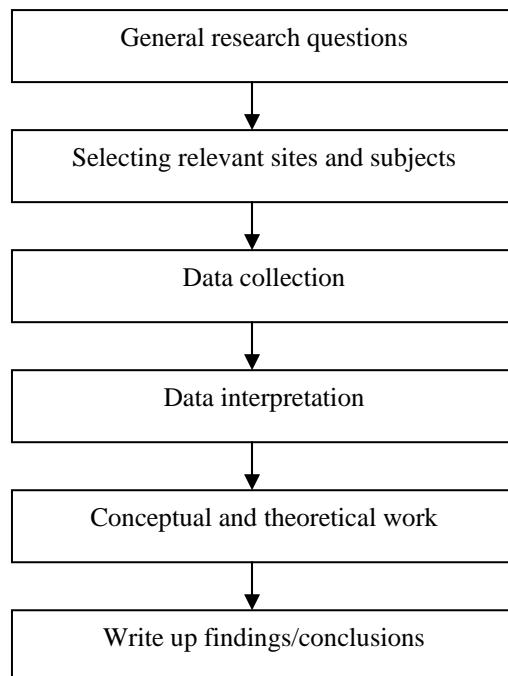
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#### **3.1 Research design**

The method used in this study is qualitative approach. According to Bryman (2001), the major research methods associated with qualitative research are:

1. Ethnography/participant observation; which refers to similar approaches in data collection where the researcher is mostly involved in a social setting for a certain period of time to gain an appreciation of the culture in a social group.
2. Qualitative interviewing. This term is a representation of a mixture of semi-structured and unstructured interviews. In the semi structured interview, the questions are frequently more general and the interviewer has possibility to ask further questions; whereas in the unstructured interview, the interviewer has an interview guideline and that contains a list of topics or issues and normally conducted in an informal way.
3. Focus group. It is an interview with several people on a specific topic or issue. This method has been used extensively in market research.
4. Language-based approaches to collect the qualitative data, such as conversation analysis and dialogue.
5. The collection of documents and texts.

Foster's (1995) study (as cited in Bryman, 2001) explained that there are six main steps in conducting qualitative research as illustrated in Figure 3-1.



*Figure 3-1. Main steps of qualitative research adopted from Foster's (1995) study (as cited in Bryman, 2001).*

As shown in Figure 3.2, the researcher uses case study approach and designs this research into five main steps.

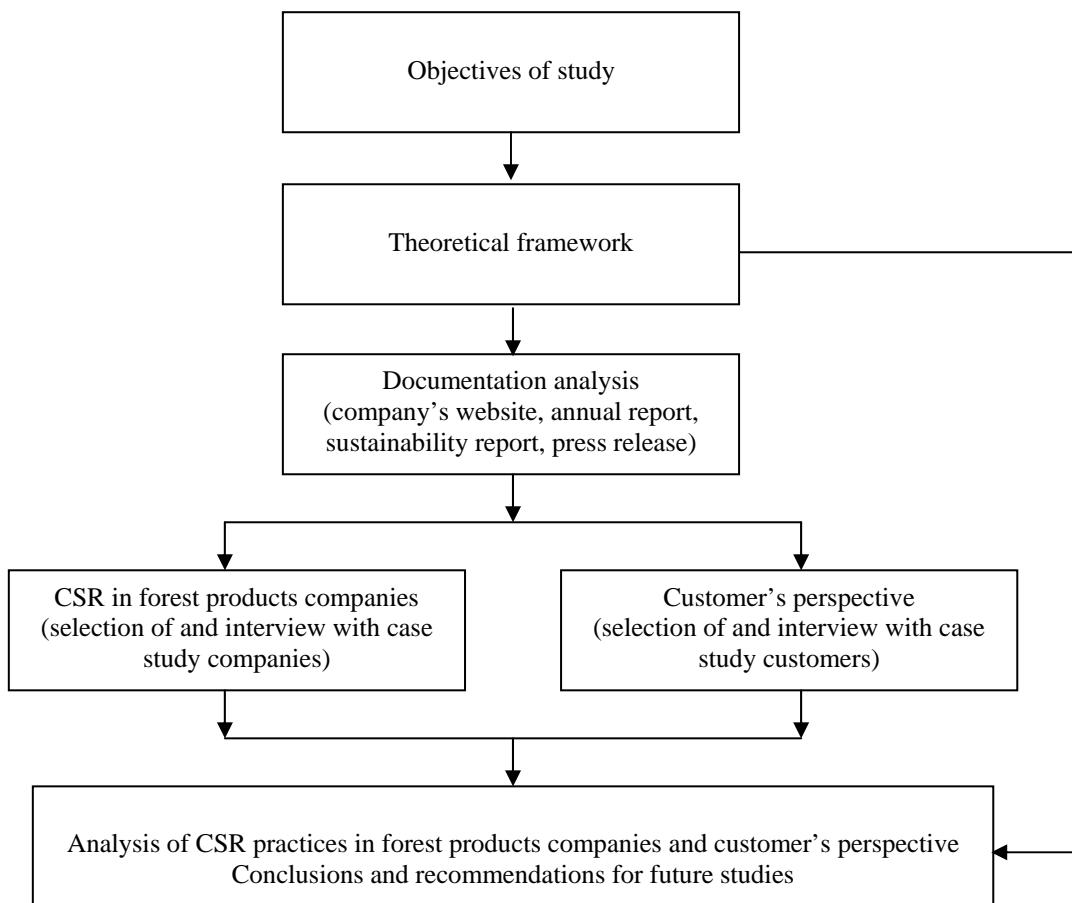


Figure 3-2. Research design.

In this study, the first step is designing the study's objectives and followed by analysing the theoretical framework. After the selected forest products companies are chosen, the researcher analyzes the organizational documentation and carries out interview process to gain the primary data. At the end of this study, the researcher concludes and gives recommendations for future study based on the findings.

### 3.2 Case study approach

Yin (2003 in Johansson, 2008, p. 7) states that case studies are one of several research strategies. A case study is an approach where we can investigate single or multiple cases to answer specific research questions from different range of kinds of evidence (Gillham (2005 in Nashr, 2007, p. 12)). In order to conduct this study, the researcher selected a number of forest products companies based on the following criteria:

- *Availability of CSR information to the public*

This is the basic criteria when the researcher selects the forest products companies. The researcher uses the company's website as the main indicator to identify the CSR information availability.

- *Location*  
The researcher sets the location of the selected forest products companies in Sweden and outside Sweden which represent two different geographical positions. The Swedish forest products companies are selected due to the practical matters such as time and budget constraints. For the non Swedish forest products company, the researcher selects Sappi as a South African company which has different socio cultural condition and economic development.
- *Company size and scale*  
The researcher selects multinational and local/regional forest products companies in this study. The multinational company is a corporation that operates in more than one country and may contribute a powerful economic development to the local region; whereas the local/regional company is a corporation that operates only in their country of origin or neighbouring areas.

Data gathering took place according to a purposive sampling framework which can be used as a mean to capture both diversity and particular attributes (Arbnor and Bjerke, 2009). Moreover, in this study, it is reasonable to assume that both selling and buying parties can give vital information about CSR marketing issues. Therefore forest products actors in diverse range of operations and customers are selected. However, in the case study method, there may be some obstacles that reduce the reliability of research findings, which is commonly used but applicable only for a certain sector or industry and thus the applicability is limited (Salzmann *et al.*, 2005 in Wotrich and Sastararuji, 2008, p, 21). In addition, it may be also a bias in the case of interviews with the managerial level; respondents tend to express their positive and proactive attitudes (*ibid*). The selected forest products companies and their supporting information are summarized below. The additional information is obtained from the companies' websites and other web pages.

1. Arctic Paper ([www.arcticpaper.com](http://www.arcticpaper.com))

The company was formerly known as Trebruk AB. Arctic Paper's business idea is in manufacturing, marketing, and selling pulp and paper products. They produce coated and uncoated paper. In addition, the company also offers paper audit services. Most of the customers come from printing industry, including book production, advertising materials and office materials. It was founded in 1990 with headquarter in Gothenburg, Sweden. It also has offices (including sales office) in Austria, Poland, Denmark, Finland, Central Europe, Benelux, the UK, and Hungary.

2. Korsnäs ([www.korsnas.se](http://www.korsnas.se))

The company was founded in 1855 as Korsnäs Sagverks AB. At the moment they are based in Gävle Sweden and have 1900 employees. In Europe, Korsnäs is the second largest producer of liquid packaging board and third when it comes to white top kraftliners. They also produce a large volume of premium carton board, sack, and kraft paper. This company is a subsidiary of Kinnevik AB ([www.kinnevik.se](http://www.kinnevik.se)).

3. StoraEnso ([www.storaenso.com](http://www.storaenso.com))

Stora Enso is a Swedish-Finnish company and was founded in 1998 as a merging company between STORA and Enso. The company has its headquarter in Helsinki, Finland and operates in different regions in the world such as Europe, North America, South America, Latin America, Africa, Australia, and Asia. The major products are grouped into six segments: publication paper, fine paper, merchants, packaging boards,

wood products, and wood supply. The group has 32 000 employees and 85 production facilities in more than 35 countries around the world. Their main customers are mainly publishers, printing companies, paper merchants, as well as the packaging, joinery, and construction industries.

4. Sappi ([www.sappi.com](http://www.sappi.com))

Sappi is a leading producer of coated fine paper. In addition to this product, they also offer uncoated graphic and business paper, casting release paper, and coated and uncoated specialty paper. The company was founded in 1936 and the business is growing with 17 400 employees in 17 mills in Europe, South Africa, and North America. Their customers are spread out in 100 countries worldwide. Sappi is the world's largest producer of chemical cellulose which is used in the viscose fibre manufacture, acetate tow and consumer, and pharmaceutical products.

Since this study's purpose is to focus on marketing issue, it is necessary to clarify and gain another perspective from these companies' customers. The selection of "customer" as company's stakeholder in this study is because of the researcher's assumption that customer is likely to be the most important stakeholder. The researcher selects the following customer-firms because they are considered as the key customers for their own suppliers. The selected customer-firms of the forest products companies and their supporting information are summarized below. The information is obtained from the companies' websites and other web pages.

1. Jernström ([www.jernstrom.com](http://www.jernstrom.com))

Jernström is a small Swedish printing company and buys their paper materials from Arctic Paper. The company was established in the mid-1960s. They buy their materials from Arctic Paper. Today, the company has 16 employees and sales in 2007 were around 37 million SEK. Their clients are not only the advertising agencies and their clients, but also direct customers such as H&M, Scania, Twilift, Bokförlaget, Kährs International, Apoteket, Synsam, and Atlantis.

2. Tetra Pak ([www.tetrapak.com](http://www.tetrapak.com))

Tetra Pak was established in 1951. It is now the leading producer of food processing and packaging solutions company. Tetra Pak is a customer of Korsnäs and Stora Enso. The company has expanded its business more in the packaging of liquid food products. Such as ice cream, fruits, vegetables, pet food, cheese, and dry food. The company has more than 20 000 employees and operates in more than 150 countries worldwide.

3. Color Print ([www.colorprint.se](http://www.colorprint.se))

Color Print Sweden is a subsidiary of Color Print group which is originally a Danish company. They focus their industry on large production of rotation paper with the same quality as sheet paper. The company's total purchase from Sappi in Denmark is around 10% and in Sweden is around 2.5%. Color Print is a customer for Sappi. However, Sappi hesitates to inform their customers due to confidentiality matters and business ethics. Therefore, the researcher uses business intelligence approach to identify Sappi's customer.

### **3.2.1 Documentation analysis**

According to Wottrich and Sastararuji (2008, p. 21), organizational documentation can be accessed publicly in form of annual reports, reports to shareholders, press releases, advertisements, company websites, mission statements, and any other printed-form public relation materials. In term of CSR publication, most of the companies disclose their activities in the company websites (Perrini, 2005 in Wottrich and Sastararuji, 2008, p. 21). The corporate websites are considered as valuable sources to gain the information because:

- They are good media to communicate the CSR programs to the company's stakeholders (Snider *et al.*, 2003 in Wottrich and Sastararuji, 2008, p. 21).
- They have a comprehensive perspective on the CSR programs based on various targeted stakeholders (Esrock and Leichty, 2000 in Wottrich and Sastararuji, 2008, p. 21).
- They are often not dictated by government regulations (Maignan and Ralston, 2002 in Wottrich and Sastararuji, 2008, p. 21-22)
- They also provide various organizational documents which are freely accessed and valuable sources of information related to CSR in the companies (Wottrich and Sastararuji, 2008, p. 22).

Based on the above justifications, Wottrich and Sastararuji (2008, p. 22) stated that by analysing the company's websites, it is possible to identify the company's perspectives and behaviours about CSR. This self-presentation method is also a valuable technique to identify the similarities and differences, and compare them among several CSR programs carried out by different companies.

The websites analysis is emphasized in the CSR and other sustainability or responsibility aspects. In order to gain comprehensive and robust information, the analysis is also conducted through the annual report, company's policies, and other relevant organizational documents. The documentation analysis in this study is developed based on the conceptualization proposed by Silberhorn and Warren (2007, p. 359) and developed by Wottrich and Sastararuji (2008, p. 24-25). Silberhorn and Warren analysed and compared the CSR practices in British and German companies through their official websites, whereas Wottirch and Sastararuji analysed the content of corporate websites on CSR practices in construction industry in Sweden, Brazil, and Thailand. Those mentioned authors summarize CSR perspectives into three different aspects: principles, processes, and stakeholder issues. In this study, the researcher summarizes the classification based on its appropriateness and relevancy to the forest products industry. Table 3.1 shows an overview of CSR perspectives classification.

*Table 3-1. Classification of CSR perspectives (Silberhorn and Warren, 2007, p. 359; Wottrich and Sastararuji, 2008, p. 24-25)*

Perspective	Definition
Principles of CSR motivation	
1. Value-driven CSR	“CSR as part of company's culture or its core values.”
2. Performance-driven CSR	“CSR as part of company's economic mission, as an instrument to gain better financial performance and maintain their competitive positioning.”
3. Stakeholder-driven CSR	“CSR as a response to the stakeholder's concern or demand.”
CSR processes	
1. Community development and communication	“The company expresses their dedication to improve life quality of the community and involve them in the process.”

2. Corporate governance and law compliance	“The company presents the issues of corporate governance and explains how they comply with law and regulation.”
3. Code of ethics and business conduct	“The company discusses the code of ethics and conduct of their business, and their implementation.”
4. Environmental management	“The company explains how they manage their business in order to diminish the negative impacts on the natural environment.”
5. Health and safety programs	“The company introduces health and safety programs aimed to their stakeholders.”
6. Human resources process	“The company discusses their programs to improve employee engagement, such as learning and development programs, employee welfare and care, and equal opportunity.”
7. Human rights	“The company shows their concerns in human rights issues in their operating areas.”
8. Supply chain management	“The company presents issue related to their natural and social responsibility in the service value chain.”
9. Products and service quality	“The company shows their commitment to give high quality products/services to their stakeholders.”
10. Arts and culture programs	“The company discusses their activity to support the art and culture in their operational regions.”
11. Independent CSR organization	“The company has a special organization to carry out CSR activities.”
12. Anti corruption policies	“The company clearly states their position against corruption practices.”
13. CSR report	“The company issues their CSR activities in a formal report.”

### ***3.2.2 Interview***

#### **Tools and documentation**

The type of the interview is semi-structured so that the interview is rather flexible; allowing the interviewee to explore his/her answers and allowing the interviewer to bring up more questions during the interview. It is necessary for the interviewee to read the interview guidelines and to know how long it will take (Kvale, 1997 in Johansson, 2008, p. 9). The interview guidelines are developed by the researcher together with his supervisors in order to gain critical questions and directed to all interviewees in advance, thus they will notice the direction of the conversation. Before starting the interview session, it is necessary for the researcher to study the organizational information, such as company's business idea, vision and mission, and other related-CSR activities; to be able to deliver the right questions to the interviewee. During the interview, the researcher uses a recorder to record all the conversation and to avoid misinterpretation. A recorder will help the interview process to focus on the dynamic and the subject (*ibid*). The researcher always asks permission to record the conversation and explains the reason which is mainly that it will help to concentrate on what interviewee says. After all interviews have been conducted, the answers are transcribed and classified into a written document. However, some statements may have been edited without changing the basic meaning and content. In order to clarify and validate the written document, the researcher sends the manuscript by email and kindly asks the interviewee to read through the whole manuscript, recheck if the information is correct and trustworthy, clarify when there is misinterpretation, and add additional information if necessary. For the validation process, the researcher gives time limit to the interviewee to read through the information. However, due to the fact that the interviewee is also quite busy, the researcher is rather flexible with the validation period. The interview analysis was developed based on the CSR related-aspects in the interview guidelines as shown in Table 3-2. The detail questions related to each aspect can be found in Appendix 1.

*Table 3-2. Interview guidelines on CSR-related aspects*

Forest products company	Customer
CSR and company	Factors influencing the selection of supplier
CSR programs	How customer defines CSR
Evaluation of CSR	Clarification on CSR as a value of customer's business
CSR and company's stakeholders	Customer's involvement in the supplier's CSR programs

### Performed interviews

The interviews are aimed to re-check and validate the findings in the organizational documentation, gain additional information which may not be expressed in the documentation, and clarify some unclear information. Therefore it will reduce the biases of the researcher when reading the organization documentation. In this study, the interview with the forest products company was conducted with the person in charge of CSR activities. The interviews with customers were conducted with the person in charge of supply or purchasing activity. However, due to the flexibility in the organizational structure, the researcher does not limit the interviewee's position. The detail information of the interview process can be viewed in Table 3-3.

*Table 3-3. Interviews performed with forest products companies and customer-firms*

<b>Forest products company</b>	<b>Interviewee</b>	<b>Position</b>	<b>Interview date and validation date</b>
Stora Enso	Weine Genfors	Senior Vice President	Personal meeting: 10-03-2009 Validation date: 09-06-2009
Arctic Paper	Eva-Lena Petersson	Plantations Business Manager	Personal meeting: 25-02-2009 Validation date: 08-06-2009
	Claes Gustafsson	Human Resources Manager	Phone interview: 05-03-2009 Validation date: 08-06-2009
Korsnäs	Bengt Brunberg	Environment and Information Manager	Personal meeting: 30-03-2009 Validation date: 14-06-2009
Sappi	Jens Kriete	Environmental Manager	Personal meeting: 16-04-2009 Validation date: 12-06-2009
<b>Customer-firm</b>	<b>Interviewee</b>	<b>Position</b>	<b>Interview date</b>
Jernström	Fredrik Fastlund	Platschef	Personal meeting: 02-04-2009 Validation date: 08-06-2009
Tetra Pak	Mario Abreu	Director, Recycling Supply Chain Support	Phone interview: 02-04-2009 Email: 15-04-2009 Validation date: 12-06-2009
Color Print	Mikael Lindell	and Managing Director	Phone interview: 19-05-2009 Validation date: 09-06-2009

### **3.3 Materials**

The focus of interest in this study is on forest products industries. This nature of business was selected due to three main factors: (1) its relevance to the GDP in the respective countries, (2) forest products industries are strongly correlated to the environmental and social issues, and (3) the personal interests of the researcher in this type of industry. As mentioned in the previous session, there are totally four forest products companies and three customers of forest products companies which will be the subject of analyses. In addition to the type of industry, this study also focuses on the comparison of different geographical positions. Swedish and non Swedish forest products companies may bring different perspectives in CSR practices and approaches.

### **3.4 Method critique**

Although the organizational documents, company's website, and interview process are likely to be authentic and meaningful, the researcher realizes that the findings are biased of the personal interests of the company's documentation writers and the interviewees. It occurs that the companies would attempt to leave a good impression to the researcher whether they have good CSR programs. In addition, due to time constraint, the researcher did not have the opportunity to do documentation analysis and interview with other non-Swedish forest products companies. Otherwise, the results of this study would be more robust and comprehensive. However, the researcher considers that the information obtained in this study is adequate and relevant in providing interesting overview of the nature and the differences among the selected forest products companies. Thus, those limitations mentioned above do not negatively affect the results of this study.

## 4. Empirical results

### 4.1 CSR practices in forest products companies

In this part, the researcher divides the CSR practices in forest products companies into two sections: (a) principle of CSR motivation and (b) CSR processes. Each section describes the findings of CSR aspects in each company based on the classification of CSR perspectives (see Table 3-1). This classification is adopted from Silberhorn and Warren (2007, p. 359) and developed by Wotrich and Sastarauji (2008, p. 24-25). In this study, the researcher summarizes the classification based on its appropriateness and relevancy to the forest products industry. The findings are obtained from the organizational documents and interview.

#### 4.1.1 Principles of CSR

##### Stora Enso

###### Value-driven CSR

In Stora Enso, CSR is embedded in their vision, mission, and values. As stated in their vision in the websites, “Today we as a company, people and planet face new challenges never before seen. The world needs a new approach to materials.” In addition to that mission, they also clearly states their concerns to the environmental responsibility by using renewable materials as mentioned in their mission, “We will win with solutions based on renewable materials.” As a value, sustainability is a fundament to build their future in their daily operational activity.

During the interview session, there are also supporting statements that the interviewee expresses about CSR and its relationship to their values.

*“Working internationally, we are steered by our corporate culture and value. And here I think that the tradition, religion, has a great impact on CSR. We have to adapt CSR based on local tradition and culture; and it is understandable, but the basic values, they must be there.”*

*“Our CSR programs are started with the values of the company. And then we use the values to implement our programs. The programs should also generate their own values.”*

*“There are internal rules, code of ethics, that you need to follow and if someone is not following that, either he is fired, or company is fired from the market.”*

*“It is the basic of the business success of the company. There is no other rule. There is no other way to act. Just imagine that we lift it for one or the other reason, which I think it's very unthinkable if the values sit under the skin and say that we are breaking it...what will happen? First, we don't have our competitive value anymore, trust will disappear, and the market will react.”*

(pers.com., Genfors, 2009)

###### Performance-driven CSR

In the company’s Sustainability Report 2008, it is mentioned that improving energy efficiency is good for business as it reduces the costs. By implementing the environmental programs which aims to reduce the carbon emissions, it will reduce the consumption of heat and electricity and reduce the energy costs; which will improve their financial target.

During the interview, it is said:

*"About the land reform conflict in Brazil, in short term it will not affect our revenue, but in long term yes. Because if we don't have a clean entrance ticket, why should we be asked by government or other areas to continue our expansion of plantation. Why should we be asked by the authorities in China, in Laos, or in Uruguay to continue our activities? I think it is more and very long term and it also when the whole community understands that forest products are needed in this planet for whatever. I am 100% sure that we need effective plantation around the world."*

(pers.com., Genfors, 2009)

### Stakeholder-driven CSR

In Stora Enso's website, stakeholder engagement is part of building accountability into business operations. It is important to establish dialogue with their stakeholders: customers, investors, employees, suppliers, local community and society; in order to hear and learn their needs, expectations, and concerns.

In the interview, the stakeholder-driven is emphasized to the customers and NGOs.

*"There are positive responses from our customer about our activities. But of course there is also negative response, for example when Greenpeace are having demonstration in Germany. It is affecting the advertisers to put their ads in the magazines. They don't want to have negative impacts on their business. So I would say that this to focus on the end customers is a very effective way to drive your political interest. So what we need to do is then be trustful and we have to prove it again with third parties evaluation. And we need to communicate our sustainability."*

(pers.com., Genfors, 2009)

### Korsnäs

#### Value-driven CSR

Korsnäs does not clearly express their sustainability aspect in their present company's vision that is under revision. However in the interview, it is mentioned that environment responsibility is part of their strategy in doing their daily business.

*"Environmental activity has been part of the strategies in Korsnäs for many years. Because Korsnäs was one of the first forest companies in the world that was certified ISO 14001 and FSC. From the raw materials to the final products. So it proves that Kosrnas wants to be in the front in term of environmental action."*

*"The reasons why we are going to this area are mainly that we would like to show picture about what culture we are standing for, what values we would like to be connected with, and the environment is the basic strategy."*

(pers.com., Brunberg, 2009)

#### Performance-driven CSR

In the Korsnäs environmental brochure, it is mentioned that they really care about the environmental issues. Korsnäs uses renewable resources to manufacture their products so that it will offer maximum benefit with minimum resource consumption.

### Stakeholder-driven CSR

In their environmental brochure, it is written that they have the same responsibility to the environment that they have to their customers, owners, employees, owners, and the society

around them. Especially about climate change questions, the customers will be the ones who will choose their suppliers in the future. At the moment, their customers are raising the bar in term of Korsnäs' environmental performance by requiring for certified products.

The similar ideas are also stated in the interview.

*"I think it's quite well known what we are dealing with and how we are acting in different ways. Stakeholders around where we have the forest are important for us. So maybe this is the most important stakeholders besides the customers, employees, and NGOs. So there are a lot of different stakeholders. And I think you have to communicate with them in different ways."*

(pers.com., Brunberg, 2009)

## Arctic Paper

### Value-driven CSR

As mentioned in their website, Arctic paper states their environmental sustainability aspect as their belief. Since the 1960s, they have put a lot of efforts on the environmental issues by regularly assessing and fine-tuning their production activities to ensure that they will bring low negative impact to the environment.

In the interview it is also emphasized that environment is the most important aspect to build their market share.

*"In everything we do, purchase, build, we always put demand on the environmental side. We have goals to work with Eco-Management and Audit Scheme (EMAS) and ISO and every year we have to achieve those goals."*

(pers.com., Petersson, 2009)

### Performance-driven CSR

It is written in the Arctic Paper Håfrefröms's 2006 EMAS report that the company has been working on reducing their total energy consumption for many years and it is continually growing. This is an area which combines economics and the environment and by saving the energy, the company can reduce the emission of greenhouse gases and costs.

Supporting the statement above, the interview also describes similar idea.

*"In many cases, it is a demand from our customers that they only buy paper which is FSC certified. It is an added value for us and it gives small orders that are paying better, so it is paid back. We are not really sitting down and seeing the result to our financial profit, but it is more about the feeling from the sales people. Thank to our environmental profile that we gain a lot from it."*

(pers.com., Petersson, 2009)

### Stakeholder-driven CSR

It is written in the Arctic Paper Håfrefröms's 2006 EMAS report that the company will keep on working to improve their environmental performance as an integrated part in their business. It is expected that it will retain the trust of their stakeholders and strengthen their environmental profile.

In the interview session, it is mentioned that some of the company's stakeholders influence the company's activities.

*“Customers and employees are very important, and also the cooperation with the local community as well.”*

(pers.com., Petersson, 2009)

## **Sappi**

### Value-driven CSR

According to their website, Sappi's codes of ethics are: excellence, integrity, and respect. The term *respect* refers to how Sappi recognizes the inherent worth of the environment and the people, while being impartial and avoiding discrimination.

The idea above is strongly supported by the statement in the interview.

*“Sappi has a very strong business ethics which you will see across the group. Sustainability clearly resembles our values. Forest companies should embrace sustainability otherwise it is not going to have any future.”*

(pers.com., Kriete, 2009)

### Performance-driven CSR

In Sappi's website, it is explained that Sappi's goal is to be the most profitable company in the paper, pulp and chemical cellulose sectors. Their goal is supported by a new global business strategy to significantly improve the company's profitability and rate of returns. One of the strategic key to achieve the goals is by reducing the carbon footprint by increasing energy efficiency and decreasing the dependence on fossil fuel. This effort is good not only to the environment but also to the economic perspective.

In the interview, CSR brings indirectly influence to the Sappi's financial performance.

*“CSR does not directly bring impact to our profit. I don't think that we would be able to measure that. But it's a long term investment.”*

(pers.com., Kriete, 2009)

### Stakeholder-driven CSR

Sappi's mottos on sustainability are: prosperity, people, and planet. These key factors are integrated in their sustainability performance and show their commitment to sustainable development. In the *prosperity* aspect, one of the key elements is *creating value for all stakeholders*. According to their Sustainability Report 2008, this value creation can be achieved, for instance, by adding economic value to the societies where they operate.

The idea about stakeholder engagement above is supported by the interview statement below.

*“There is no matrix to say that this stakeholder is more important than another. Of course customer is extremely important, shareholders also. But it doesn't mean that we should forget our local community and our employees.”*

(pers.com., Kriete, 2009)

#### **4.1.2 CSR processes**

##### **Stora Enso**

###### **Community development and communication**

In the Stora Enso Sustainability Performance 2008, plantations create job opportunities, business, and capacity building. The plantation benefits the local land owners through tree farming and land rental partnership. The examples of community involvement programs are land for grazing in Uruguay and piassava extraction and bee keeping in Brazil.

Stora Enso encourages the local community to practice land diversification. These activities give benefit to the local people, improve understanding and respect to their culture and indigenous rights. Stora Enso always practices dialogue with the local community and encourage their people to participate in local community activity. In Stora Enso's CSR report 2002, it is mentioned that the company has sponsorship programs to support the sport and cultural programs in the community.

In Veracel, Brazil, the company has developed cooperation and dialogue, as well as educational and development programs for the indigenous people. In addition, the company also has telecentres to bring communication technology such as internet so that the farmers will be able to access market information and obtain better farming and forestry practices.

In the interview, it is mentioned:

*"We have to involve the local communities. If you go to Asia, in China you will see that land use is more given back to the local community or the local villagers. So is in Laos, Thailand, Mozambique, Tanzania, and Latin America."*

*"We are developing new systems, agroforestry system with the community where the local community also gets something for them in building up our projects. And I think here we have started that track. And this track is a so much more intensive. That is what I learn from Laos."*

*"We need to react and comment if we have fatal accidents or if we are making a mistake somewhere we need to be proactive to go out and inform them about that to have a transparency in our actions."*

*"In the project we have kind of foundation and there is no rule how to handle this money but that the local community decides together with us how to use it."*

(pers.com., Genfors, 2009)

###### **Corporate governance and law compliance**

Stora Enso publishes annually their Corporate Governance Report. In the Corporate Governance Report 2008, it is mentioned that they believe in sound corporate governance and strive to apply best practices and the highest standards. The tasks and responsibilities of the various bodies in the company are determined by the laws of Finland and by the Company's Corporate Governance policy. In addition, they are also determined by the rules and recommendations of the Helsinki and Stockholm stock exchanges.

###### **Code of ethics and business conduct**

Stora Enso has code of ethics statement which contains the principles of the ethics to be followed by the management and employees of the group. This code of ethics is based on

policies and principles established by Stora Enso's sustainability management. The principles and practices in the code of ethics statement are found in the following documents:

Stora Enso Corporate Governance

Stora Enso Anti-Fraud Policy

Stora Enso Occupational Health and Safety Policy

Stora Enso Corporate Social Responsibility Policy

Stora Enso Environmental and Social Responsibility Policy

Stora Enso Competition Law Compliance Program

Stora Enso Communications Policy and Principles

Stora Enso Financial Code of Ethics

Stora Enso Electronic Communications Media Policy

Stora Enso also has set code of conduct that contains the essence of their policies, principle, and guidelines related to labours and human rights. This is aimed to promote that every employee has an equal right of safety, health, and freedom of discrimination and violation in the workplace.

### Environmental management

According to their Annual Report 2008, the company believes that the use of renewable raw materials is the key solution for controlling climate change. The company actively works to reduce the CO<sub>2</sub> emissions by using renewable materials that benefit people, planet, and business. In addition, Stora Enso also only uses wood from the sustainable forests and makes sure the forests are regenerated after the final cut. Sustainable forest management is the basic for their operations since it balances the economic, social, and environmental aspects. The environmental aspects include the conservation and the sustainable use of forest resources, biodiversity, soil protection, and maintaining water quality and quantity. According to the Sustainability Performance Report 2008, Stora Enso uses advanced technologies to minimize their emissions to air, water, and soil; and keep innovating ways to reuse and recycle waste. The company has set targets to reduce the environmental and climate change impacts by 2009. All of their pulp, paper and board production units have been certified by ISO 14001; and in order to verify that all activities meet the standards, the company promotes PEFC and PFC forest certification schemes.

There are some environmental projects carried out on different regions, such as conducting Environmental and Social Impact Assessments in Brazil and Uruguay, supporting WWF's voluntary conservation program in Finland, and restoring Mata Atlântica rainforest in Brazil with Veracel. Stora Enso establishes a fish farm at Imatra mills in Finland. The fish farm takes the water from the river. In addition, Stora Enso and Veracel own and manage the world's largest Natural Heritage Reserve which protects Mata Atlântica rainforest with more than 6000 ha under protection, including 400 animal species.

### Health and safety programs

Occupational health and safety is one of the main working priorities in Stora Enso. In the Annual Report 2008, it is mentioned that the company's target is to reduce the accidents and work-related illness rate in the workplace. The accidents cause human suffering and temporary disruption of production and other operational activities.

As mentioned in the Sustainability Performance 2008, the main human rights risks in Stora Enso are health and safety at work, the right to environment, the right to healthy and safe living environment, land rights, and indigenous people's rights. Stora Enso uses the latest

control technologies to minimize their emission to water, soil, and air; and keep innovating ways to reuse and recycle waste. As a proof of their commitment to keep their surrounding community safe from their operations, they stopped their production at Kemijarvi Mill in Finland at 2008 because their production contaminated the aeration basin.

In the interview, it is mentioned:

*"In some countries, we need huge investment to educate people to support our health and safety programs. For instance, some workers in China do not wear helmet and sometimes they are living in plastic tents outside, bad conditions from safety, health, transport, equipment, communication, etc. I mean it is a really huge task, huge investment, and it brings the cost of the initial project up to educate this people. Because first, giving them a basic education. If you take the basic education in China I think three days or half day to watch the instructor... that is a normal thing in China. Then you can operate the chainsaw. And we are bringing in instructors from Europe and teach them from the basic how to do, what to do, and bring real equipments like boot, helmet, etc."*

*"When I am talking in the plantation, I think it is very much connected to education. And bring up the scale of the workers. And where we have been active like in China and ready to set new standards... first is to define standards, and then in the education of the labours include the safety security questions."*

(pers.com., Genfors, 2009)

### Human resources process

As mentioned in the Annual Report 2008, Stora Enso is aware of the talents of their employees by provides opportunities to learn, develop, and the responsibility to succeed. The company has Our Top Talent Programme to recruit local people and provides the young potentials with extensive trainings. The programs about the company's business and provide networking opportunities. The development of each employee is emphasized on the performance culture that Stora Enso as a company wants and need to have. The company develops talents from all part of the organization, promotes their career path, and supports staffing decision with professional evaluation. In the middle and top management level, the development is based on tailor-made programs which cover customer perspective, strategy, business development and management, all in global context. Stora Enso also sends their experienced people to their regional operational area such as China and Latin America to help starting up the operation and transferring knowledge. The company also increases the share distribution of women in management and executive positions. There is also a program called Women in Stora Enso network (WISE) to strengthen their roles in the business.

In the interview, it is mentioned:

*"We need huge investment to educate people to support our health and safety programs."*

*"So mechanization is one, the other thing is that when you mechanize, you will have much easier to supply the mill and even flow. But the mechanization and such requires you to recruit bright people. A second degree person who also understands what economy is, what technology is, hydraulic, what impact does hydraulic oil give to nature. That lifts up these guys. And what I can see is ... if you look for example in Veracel ... they started the education that this project will have a very good development for those who have a good education. Their salary rises three - four times. They have position, education, and they can buy their house."*

(pers.com., Genfors, 2009)

### Human rights

According to their Sustainability Performance 2008, Stora Enso has given special attention to the human rights aspects by reviewing the biggest human rights risks in their operations which include safety at work, civil rights, labour rights and protection, and child labour and remuneration. The company also complies with the International Labour Organization's Core Conventions defining labour rights. As well as their commitment to the UN Declaration of human rights, the company uses management systems such as ISO 14000, EMAS, OHSAS 18001 health and safety management system, forest certification, and chain of custody certifications that involve independent party verification.

### Supply chain management

In their website, supply chain management is part of their innovations for sustainable packaging. Optimal material flows are important for the environment and business. According to the Annual Report 2008, risk management in supply chain; especially related to suppliers and subcontractors, is important to Stora Enso. It must be underlined that suppliers and subcontractors must be able to meet quality stipulations and delivery times in order to achieve the efficiency of production and investments. In addition, they also have to fulfil the sustainability requirements as they are part of the Stora Enso's value chains and affect Company's reputation.

### Products and services quality

Customer's trust to Stora Enso's products and services is highly valued by the company. Stora Enso is fully committed to high performance standards in both quality and service to their customers. The company has innovative approach by establishing Stora Enso PrintNet where their customers can get the knowledge, guidance, and support they need. In addition, PrintNet also enables the company to develop strong products and solutions by listening to what customers tell them.

Their customers are increasing their demand on lighter packaging materials. Stora Enso has achieved lighter and stiffer boards by using advanced technologies in their production process, as well as using raw materials more efficiently and consuming fewer resources. In addition, the location of corrugating packaging plants is also an important point to enable the company to offer their just-in-time deliveries, fast response responsibilities, and local service; which are vital to continue their business success, helping Stora Enso to build trust and long-term relationship with their customers.

In Stora Enso, product safety is very vital to ensure that food, food packaging, and other sensitive packaging materials are safe to use. The company applies certified product safety hygiene management systems based on risk and hazard analysis. In addition, all Stora Enso mills have ISO quality management systems.

### Arts and culture programs

In Stora Enso's CSR report 2002, it is mentioned that the company has sponsorship programs to support the cultural programs in the community. In the Sustainability Performance 2008, it is also mentioned that the partnership between Stora Enso and the local people will foster the understanding and help the company to respect the culture and rights of the local people who live around the plantation.

### Independent CSR organization

During the interview, it is mentioned:

*"In order to carry out our sustainability programs, we are working more on matrix organization. When we are evaluating our projects, we bring all these people together in the matrix and create a sustainability group and we also have a global sustainability team. There is a meeting once a month. Bringing up questions on the agenda, and then we will have a special group for occupation health and security, and so on. The most special thing in the project is the implementation. We need to have people out there in reality and work."*

(pers.com., Genfors, 2009)

### Anti-corruption policies

In the Sustainable Performance 2008 report, it is explained about the code of conducts that is Stora Enso do not allow bribes or corruption when doing business.

The idea above is also supported by the following statement:

*"And we can understand the big difference when we come to Asia. That makes our actions so slow in the movement, because we are not "buying" any documents. That's a difference if I compare to our competitors in Asia."*

(pers.com., Genfors, 2009)

### CSR report

Stora Enso's CSR report is part of the sustainability report. The Sustainability Performance 2008 report follows the standard of the Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative (GRI) as far as it is appropriate and applicable to Stora Enso. The report is published annually and includes the ten principles of the UN global compact.

### **Korsnäs**

#### Community development and communication

In their environmental brochure, Korsnäs states that the community's needs for recreation and business opportunities must be taken into account in running their daily business. In addition, Korsnäs also manages forest for small, private owners, and buys wood from them.

In the interview, it is stated:

*"So we have some different types of activities to help people to train their skills. One is called the best practice in Sweden. For example here we have outside Uppsala, during one or two weeks every year we have a group of people go around this area and visit some companies that are operating around. One day in each place, with different topics everyday. And when they are going on that education, they should practice for 15 weeks during that 3 years education. Then we are trying to help them to get out there and trying on the machines. It is not very easy because it is costly and some of the people are not so well prepared for doing that work. They are still quite young. We hope that students will come to our company and contractors. School is a way to have a good reputation out there. And we are trying to help them and also to have potential employees. We also have a programme especially for kids before they enter school, like 5-6 years old to introduce the forest. It is important for them to get an early experience from forest that might be found there. Swedish people really like to be outside in the forest. So they really appreciate this opportunity. So it is a time to have a good feeling about forest land."*

*"We keep a good relation with local people. When you are a big company of course you are dominating the situation in the local community quite a lot. So it is important to listen and take care. I think it has been more important earlier than nowadays because forest companies have been situated in rural areas. Today we are really aware of the importance of having a good*

*dialogue and not negative impression. It is not good for the companies to be involved in any bad stories.”*

*“We recruit the local people as well, but also in a normal procedure, invited from all over the country. But when it comes to Gavle area, but when you are more out in the rural areas, then it could be important that they are from the local areas because they know the forest owners around and that they have a good reputation in the area which is good for us. It is good to have people who have personal contacts with small forest owners.”*

(pers.com., Brunberg, 2009)

### Corporate governance and law compliance

Korsnäs is a subsidiary company of Kinnevik AB. In their CSR policy, it is mentioned that the compliance with all local and national legislation and international conventions are some of the basic criteria for all companies that Kinnevik invests in, including Korsnäs.

In the interview, it is said:

*“There are admissions from the authority that we are not allowed to pass the emission limit. If we do that, we will get a penalty from the authorities.”*

(pers.com., Brunberg, 2009)

### Code of ethics and business conduct

In the Kinnevik's CSR policy, one of the main points is “*compliance with law and business ethics*”: which means that Kinnevik and their subsidiaries must conduct their affairs in compliance with all applicable laws and carry the highest standards of business ethics: integrity, honesty, forthrightness and fairness.

### Environmental management

In their environment brochure, Korsnäs emphasizes that working in sustainable balance with nature is a never-ending commitment. In carrying their operational activities, Korsnäs always minimizes the amount of waste produced and maximizes the recycle materials or energy from the residues. All Korsnäs' products are based on renewable materials from the forest to minimize the impacts on soils, air and, water. Korsnäs also uses the raw materials from forests that are well managed financially, economically, and environmentally. In their official website, it is stated that one of the major steps is that Korsnäs is constantly looking for new ways to reduce the environmental impacts during the transportation of their raw materials and products. During 1990 to 2007, the company has reduced the fossil carbon footprint of its production through more efficient energy use and the use of biofuels. Their long-term goal is to reduce their carbon footprint by 25% between 2007 and 2020. in order to measure its emission reduction, the company always conducts regular monitoring of the treatment process. The company has been certified by FSC and PEFC for many years for their environmental performance such as biological diversity preservation and land protection.

In Korsnäs, all of the operational activities are conditioned in which all different species of flora and fauna can survive. It is not allowed to damage trees, soils or features of unusual natural value. Their felling activities must be based on high-level area ecological plans that consider the special environmental protection requirements. In order to perform those activities, the operators are trained in the care of both natural and cultivated environment, and in responding to the specific biotopes requirements. In addition, the forest machines use biodegradable oils and the diesel fuel tanks must be placed only where they do not produce a hazard.

In the interview, it is stated the similar ideas:

*"Our packaging products are made from fibre which is a renewable material and produces lower CO<sub>2</sub> emission. When you have those boxes, you will have a lot of advantages. You can pack them more easily, denser, lower cost, in transportation and whatever, and you will also have better environmental performance. 75 percent of the box is made from wood fibre and we are trying to develop bio-plastic solution. And more agenda today is to have a good recycling system. It has been part of the strategies in Korsnäs for many years. Because Korsnäs is one the first forest companies in the world that was ISO 14001certified from the raw materials to the final products. As well as Korsnäs is one of the first forest companies in the world certified with FSC. So it proves that Kosrnäs wants to be in the front in term of environmental actions."*

*"When we are talking about forestry, one thing important is about the competence to identify high conservation values. We are not going for logging if there are such values."*

*"We have internal auditors to check all activities as sample what we are performing on environmental work out there, like planting, cleaning, and logging. We are also checking every contractor in that work so that they could get feedback about their performances."*

(pers.com., Brunberg, 2009)

### Health and safety programs

According to the Kinnevik's CSR policy, safe workplace is one of the key points in operating their business. All employees must perform their work in a safe manner so that it will not cause harm to the others. All works must also comply with applicable environmental standards and regulations.

In their environmental brochure, Korsnäs mentions that working conditions of forest workers are constantly monitored and they strive to create the basic conditions to enable operators and other forest workers to maintain the quality and efficiency of their work.

In the interview, the interviewee also mentions:

*"Another important thing is the health concepts of our employees in Korsnäs. As far as I understood, CSR is also including this type of thing. We have a health care to rehabilitate employees that have some kind of problems like sickness, drugs, alcohol."*

(pers.com., Brunberg, 2009)

### Human resources process

In their website, Korsnäs states that the company offers the employees a wide range of opportunities whatever their career ambitions. In addition, Kinnevik and their subsidiaries maintain a strong policy of equal opportunity for all employees and applicants for employment for applicants. They hire, train, promote and compensate each employee based on individual's performance, ability, competence, and potential. The companies also treat equally their employees regardless their race, colour, religion, sex, sexual orientation, national origin, citizenship, age, marital status, or disability.

In the interview, it is said:

*"We organize development talk between manager and employee to find the way to develop the individuals. We also arrange trainings on environment, for instance to the operators so that they can identify high conservation value area."*

(pers.com., Brunberg, 2009)

### Human rights

There is no specific human rights aspect stated in the interview process. However this aspect may be indirectly linked to the human resources process and health and safety programs.

### Supply chain management

According to the Korsnäs' environment brochure, the traceability of their materials was certified according to FSC and PEFC Chain of Custody; which means that they can trace the origins of all wooden materials and not use materials from controversial wood. In addition to the wood sources, the transports are also a big concern in the operational activity. According to their website, Korsnäs has made great effort to achieve energy efficiency, better engines, and more environment-friendly fuels. In their website, it is also mentioned that in 2008, they replaced their sea transport to rail transport, and rerouted its transports to customers. By changing the distribution structure, they have reduced the distance by 30% which is good for the environment and customer satisfaction.

Korsnäs only works with suppliers that have the same value on environmental considerations. There is a contract that is signed by their suppliers, stating that they commit themselves to follow Korsnäs guidelines. Before accepting them, Korsnäs also conducts an internal audit of their suppliers' working methods.

In the interview, there are similar ideas:

*"We started to use train instead of sea vessel. Cheaper, lower emission; better just in time practice and so on."*

*"We also demand our contractors to be certified. We have been certified to give a mandate to certify our contractors. So we are acting as an umbrella organization for the contractors that we are dealing with."*

(pers.com., Brunberg, 2009)

### Products and services quality

There is no specific products and services quality aspects mentioned in the documentation and during the interview process. However, according to the Korsnäs environment brochure, the company always emphasizes that their products have good quality in term of the environmental consideration; which are mostly required by their customers. In addition, this aspect is strongly related to the supply chain management. By gaining significant value-added on supply chain management, the customers will get more precise deliveries and less transport damage.

### Arts and culture programs

There is no specific documentation and discussion on arts and culture programs.

### Independent CSR organization

In the interview, the interviewee says:

*"There is a department of environment and information, and then we have people working in this department in our two mills. And in the industry, we have many environment controls."*

(pers.com., Brunberg, 2009)

### Anti corruption policies

In the Kinnevik's CSR policy, it is mentioned that the company and their subsidiaries are not allowed to directly or indirectly offer, give, or accept any money, privilege, or other value for the purpose of obtaining special treatment for the company. The use of receipt of bribes or any other illegal payments in the business are strictly forbidden.

### CSR report

The company does not have a specific CSR report. However in their website, there is an environment brochure to communicate their sustainability activities to their stakeholders.

In the interview, it is explained:

*"We don't have full document when it comes to external communication. It is not really like a concept yet but we are heading to that direction. We have websites, brochures, meetings, seminars, workshops, and advertising."*

(pers.com., Brunberg, 2009)

### Arctic Paper

#### Community development and communication

In the interview, it is mentioned:

*We have a primary school and high school. We have integrated a program for high school students for three years studies to study the process industry, and it is linked to the company and it is integrated in the company. They are having theoretical and practical lessons in the company. Every year we take 15 students to study. It is a very good education because we learn people and the people can learn how we are working. And after they are studying for three years, we will have a good relation and that will end with an employment. We can recruit them. We are working quite near with the community and they like it very much. It is good for the community and the young people in the community. The history was started 11 years ago; we had this school for 11 years. The school built this community because of the mix demand of community and company. Company wants to have well educated people and the company also have problem with unemployed and uneducated youngsters."*

(pers.com., Gustavsson, 2009)

*"We communicate to the community by allowing them to come to the mill and see our environmental centre."*

(pers.com., Petersson, 2009)

#### Corporate governance and law compliance

The researcher can not identify any finding about corporate governance and law compliance in the organizational documentation and interview. However, the company's products are certified by FSC and PEFC which means the company follows the law regulations.

#### Code of ethics and business conduct

In the company's official website, it is mentioned that all of their measures are based on the environmental policy and every company within the corporation must actively preserve a good external and internal environment.

In the interview it is mentioned:

*“Environmental action is very important for us. In everything we do, purchase, build, we always put demand on the environmental side.”*

(pers.com., Petersson, 2009)

### Environmental management

According to Arctic Paper Munkedal's Environmental Report 2007, it is mentioned that their products are FSC and PEFC certified. Their vision is to create a totally closed water system in their production process which will eliminate discharges to water. Their environmental management system is certified in accordance with ISO 14001 standard. During 2007, chemicals handling and energy saving were prioritized. During 2008, the focus was on energy saving measures and reducing the risk of environmental accidents.

The report also states that the company's environmental management system focuses on the areas which cause greater impacts. Therefore, regular monitoring, environmental assessment, and continuous improvement are performed during their daily operation. In order to guide the environmental impact, they have adopted an environmental policy. Based on this policy, they target the areas where have the environmental impacts. They conduct regular checks in relation to their environmental targets and other environmental parameters.

According to the company's official website, they also only purchase pulp that comes from certified forestry. Their environmental goals are energy saving, reuse of water, discharges to water, certified pulp, waste products, reducing emissions to air.

There are some environmental projects carried out by Arctic Paper: (1) *Kristineberg Marine Research Station*, which is committed to independent research into salt water, (2) *Nordens Ark*, a sanctuary to preserve endangered species, and (3) *The Warta Mouth National Park*, a national park where Arctic Paper actively involves in birds preservation.

The similar ideas are also expressed in the interview:

*“We work very hard with the water we use as it is coming to the Fjords so it is important that you don't just let anything out. So we were one of the first ones who started cleaning it up. We work with the biological cleaning plant. We built a house as a pump station which aims to close the loop of the water so that we don't let any water out but circulated within the mill. So what we let out into the river and then into the Fjords are very little.”*

*“We have bio plants and we start using fuel from biomass.”*

*“We have ISO 14001. They come and audit, check us. We have EMAS report where you have to send your values and those official figures where you can read. And in the ISO you have your goals and they will check us and make sure that we improve. FSC also has their own auditing and they come to us once in a year and go to our books and records and check and ensure that we are doing what we suppose to do, same with PEFC. And we also have our own environmental guide. Once in a quarter, we have our management team that goes through to our different environmental questions, so that it all comes up what we can discuss and put down the goals for the next years from suggestions from our environmental manager. We bring it up and discuss it once in a quarter on the management level to make sure about what we decide and then what training we need or different things.”*

*“We make cooperation with an environmental NGO to breed threatened animals and put them back to the nature. This NGO approached us because they are relying for sponsoring. They are also working with animals that are dying. Many of these animals are dying because of the*

*human being, so they are trying to make these animals to survive. They need us for sponsor. And for us is also a good thing to have a connection with. We are taking the pulp from trees which are also important for the animals as part of their habitat."*

*"We are the adopting parents for the lynx.. We also have cooperation with. Kristineberg Marine Research because they are located next out to the Fjord. They are doing research in the Fjord and the marine area. In Poland we also have a bird research."*

(pers.com., Petersson, 2009)

### Health and safety program

According to the Arctic Paper Håfreström Environmental Report 2006, all of the operational activities must be permeated by a thorough safety performance so that it will create a safe workplace for their employees. In this company, occupational health and safety is focused on the prevention and readiness for accidents and incidents, for example all chemicals used in the production must be approved by the mill's Chemical Group so it will not bring negative impacts to the internal company, and community and external environment.

In the interview, it is expressed:

*"We have safety and security, safety and life insurances for every employee. We have an agreement with a private health centre in the neighbourhood. And we have nurse to stay half of the week, and the whole day of Wednesday we have ergonomist who will guide how to sit on your desk when you are in the office, how you work without injuring your back. Thursday afternoon there are doctors who come to our company."*

(pers.com., Gustavsson, 2009)

### Human resources process

In the Arctic Paper Kostrzyn's website, the company mentions that employee development is an important action to enhance their motivation and job satisfaction. They create a good career opportunity for their employees according to the company's need and environment development considering employees' personal needs. The company also promotes a good communication to the individuals on continual basis and provides remuneration according to their qualifications, experience and value that they contribute to the company.

In the interview, it is stated:

*"All employees have to go to the course and make sure that you know the environmental company policies that you have to go through. And you should how to sort things and so on. It is a training program for the whole company to know about what we are doing. Everybody has to do it."*

*"In Munkedal, people are really proud of what we are doing. They have that kind of feeling. When you start working you will get training about the culture of the mill, what we work for, our vision and mission, and those kinds of things. And there is always like a continuously training depending on what you work with. If you work in different part of the mill, there will be different training how to take care of certain things. So there is always some education and something to improve and you have the chance of course. Some of younger people they want to be promoted or go to the next step, they are going to different schools. The mills are helping out so that they are better trained and be able to work in higher position inside the mill. We always care all the people we have so that they stay here and develop and go to the next levels. Because there is always somebody who is retiring and we always need to put up somebody. So there is a development like that."*

(pers.com., Petersson, 2009)

### Human rights

There is no specific human rights aspect stated in the company' documentation and interview process. However this aspect may be indirectly linked to the human resources process and health and safety programs.

### Supply chain management

According to the Arctic Paper Munkedal's Environmental Report 2007, the company requires their suppliers and contractors who promote raw materials, products, transport activities, and services do their operational activities in an environmental-friendly way. The company starts to choose transports with lower emissions. In doing their environmental assessment, they carry out a holistic approach where the entire chain from the production to the delivery activity are taken into consideration.

In the interview, it is express a similar idea:

*“Customers want an on-time delivery. If we want to win the orders so we have to think about the transport. And it is also about the emission produced from the transportation.”*

(pers.com., Petersson, 2009)

### Products and services quality

In the Arctic Paper Håfreström EMAS report 2006, it is mentioned that the company commits to develop, produce, and deliver high quality coated fine paper. In addition, all chemicals used during the production must be approved by the mill's Chemical Group to meet the safety standard for the company's products. A decade ago, the company made an innovation “the paper revolution” by proving that their uncoated paper is perfect for 4-colour printing.

The company also provides services to their customers by providing a special column for them in their website so that the customers can access the guidelines and information on Sappi Paper's products.

In the interview, it is stated:

*“We sell and market coated and uncoated fine paper in a very high class. We produce a very top class paper in different areas.”*

(pers.com., Petersson, 2009)

### Arts and culture programs

There is no specific documentation and discussion on arts and culture programs.

### Independent CSR organization

In the interview, it is stated:

*“We don't have a particular CSR organization, but each mill has an environmental department, at least one man is responsible and has contacts with PEFC, FSC, EMAS, ISO, deals with all of the environmental questions and we also have cooperation in the area and so on.”*

(pers.com., Petersson, 2009)

### Anti corruption policies

The researcher can not identify any finding about anti corruption policies in their organizational documentation and interview. However this process is strongly related to the corporate governance and law compliance and business ethics and code of conduct.

### CSR report

Arctic Paper does not have a special CSR report. However they publish their EMAS reports in each mill in their official website. In addition, they also have their Challenges bulletin for their customers.

The similar ideas are also expressed during the interview:

*“We have bulletin and send it to our customers twice per year and also others to inform about news and changes on the company’s activity and there is always at least one article about environment to talk about. We also have the mailings every year, web campaign, etc. We have a lot of press releases and they use it. We have contacts with the media and inform them about our activities.”*

(pers.com., Petersson, 2009)

### **Sappi**

#### Community development and communication

In Sappi Sustainability Report 2008, it is mentioned that they adopt a participatory approach to identify the needs of individual communities, consulting effectively with the community, its leader, and local government to tailor appropriate programs that meets the environmental and social standards. In South Africa, there was a community-based ecotourism business ventures in 2000. In Europe, Sappi contributes their support to the local communities by implementing some projects such as youth clubs, community centres, vulnerable groups, music festivals, sports club, and environmental education. In North America, Sappi’s employees are encouraged to volunteer in the community and there is a Community Connections Committee in each site to support local programs and initiatives.

In the interview, it is stated:

*“We are dealing with substances and it must be controlled very well. If you are operating in a community, it is necessary to inform the people that there is a hazard.”*

*“We are hiring young people from local communities to learn and to offer apprentice program in our pulp and paper industry.”*

*“So in Africa even we have something which is called the Black Economic Empowerment which means we give away plantation land. Sappi owns plantation land. We give it to small woodland owners and they are acting as a contractor. So they are coming up with the round small businesses. And this is our important raw materials. It is helping local and regional economic growth. This is not only a benefit for us but also for the whole regions.”*

(pers.com., Kriete, 2009)

#### Corporate governance and law compliance

In Sappi Sustainability Report 2008, it is mentioned that the company has established a sustainability governance framework and continued to promote transparency and

accountability by following in the Carbon Disclosure Project, the Dow Jones Sustainability World index, and the JSE Socially Responsible Investment index.

In performing their business, Sappi always complies with all applicable laws, industry regulations, and Sappi policies. In addition, the Sappi Code of Ethics also supports the local laws where the company operates. Sappi also encourages their employees, contractors and suppliers to report any illegal activities.

In the interview, it is expressed:

*“Our responsibility is legally in compliance. We have processes in place of course. In Europe it is exceeded by beginning EMAS registered. I mean they have to have spotless compliance record to become EMAS registered. And then you have to be really looking in the process how you can improve continuously and then follow it with the detail assessment about the processes, about the products, how you can improve and then defining in environmental action plan.”*

(pers.com., Kriete, 2009)

#### Code of ethics and business conducts

It is stated in the Sappi Sustainability Report that the company has Code of Ethics which defines their commitment to ethical behaviour in their operational business. The Code is applied to all employees, contractors, and suppliers. It is also a working framework to set up company's actions and decisions. The code contains clear guidelines and can be applied by all Sappi people in all regions.

In the interview, it is stated:

*“It is a company that is very honest. It is communicated in a very clear and straight forward manner. From that perspective, I think it is a very strong business ethic which you will see across the group.”*

(pers.com., Kriete, 2009)

#### Environmental management

In Sappi Sustainable Report 2008, the company mentions their commitments on environmental actions: (1) reducing the green house gases emissions and increasing the use of renewable materials, (2) maintaining biodiversity by implementing sustainable forestry, (3) continuing their commitment to independent certification systems, (4) reducing solid residues and improve water quality, (5) promoting the recovery and use of recycled fibre, (6) matching with the best environmental practices and legislation. Sappi is also actively working in the biodiversity preservation. Since 1997, Sappi has been organizing an annual event. The Sappi Great Birding Adventure to record bird species on Sappi's lands in a certain period of time.

In the interview it is mentioned:

*“Part of our roles is providing environmentally sensible products and I think those products we have all enough portfolio. We used to be the 1<sup>st</sup> company in Europe to have cross border groups certification in FSC and PEFC. We think that the certification schemes are credible and we think about certification scheme will help to sustain the forest. So this is also the important role of us that the forest product industry has the chain of custody.”*

(pers.com., Kriete, 2009)

### Health and safety programs

According to the company's Sustainability Report 2008, Sappi applies international health and safety systems to ensure their people's safety. This point is also mentioned as part of their value of excellence; which is maintaining a safe and healthy operation and workplace. Sappi has comprehensive general health and wellbeing programs to suit the individual needs. Health programs include diabetes, smoking, heart health, and sexually transmitted diseases. Whereas wellbeing programs include self defence, stress management, and help with drug and alcohol abuse. In addition to their employees, in Africa, Sappi also has health and safety programs to the community which is focused on HIV/AIDS.

The similar idea is also stated in the interview:

*"We have HIV/AIDS program in Africa and fitness program that we get discount price. This has been discussed between fitness club and the mills. And we have even some mills have fitness centre. We do a lot in regard to our safety of our employees. And I think we are a good example for Europe. We are coming from a level where you can be really proud of. We have globally project in place which is called project zero which is the idea to achieve zero accident. If they have problem with family they can also discuss with our experts in our mills. So that goes very far. And the fitness programs, they are also good for the ergonomics. I mean the people especially in the offices when they are sitting the whole day and maybe not in the ideal shape then it will create a back problem. And this is of course something we would like to address as well that people keep fit. This is part of health management we offer to our people."*

(pers.com., Kriete, 2009)

### Human resources process

According to their Sustainability report 2008, training initiatives definitely play important roles in a developing country like South Africa. In 2007, the company conducted an Employee Engagement Survey in order to know the level of employee's satisfaction in the company. The result shows that the majority are moderately engaged. Based on this survey, in some regions, there are more flexible approach to remuneration and working conditions. The Chief Executive Officer (CEO) also organizes regular communication to the employees.

Individual development is also part of the company's culture. The performance management systems, leadership development initiatives, and training support are performed in accordance with the organizational requirements. In Sappi the performance management is driven by the relevant manager. The system underlines the company's core value, integrates departmental, business unit and corporate objectives. In addition to the performance management, Sappi also supports their leadership talents and focuses on the competencies required at the different levels of the leadership pipeline. Sappi has a Leadership Academy where high potential employees in South Africa, Europe, and North America participate in leadership programs. In Southern Africa, there are some training on basic education, literacy, and financial skill training. Workplace training and development initiatives take place across all operations. There are also mentoring and coaching programs to transfer skill and knowledge.

In term of diversity, there is an increase of the number of females in the managerial positions in North America and in Sappi Trading, but less in South Africa and Europe.

In the interview, it is expressed:

*"We approach every employee that is not only something that you are doing in a board room with your staffs. But maybe even discuss them with the management clusters, the experts from*

*the different locations. We want to role it out throughout the organization. So that everybody in the organization knows exactly what they are doing. What we are standing for. And that everybody can participate.”*

(pers.com., Kriete, 2009)

### Human rights

It is written in their Sustainability Report 2008, that respect as one of the Sappi's core values, contains some points about human rights such as treating people equally and respecting their human rights, providing working environment free from all forms of discrimination and harassment, and respecting diversity.

### Supply chain management

In their Sustainability Report 2008, Sappi expresses that they are really confident in their supply chain management. Sappi has achieved three forest products certification schemes: FSC, PEFC, and Sustainable Forestry Initiative (SFI) that guarantees their paper-making value chain by ensuring environmentally responsible, socially beneficial, and economically viable management of forests.

In the interview it is mentioned:

*“Part of our roles is providing environmentally sensible products and I think those products we have all enough portfolio. We used to be the 1<sup>st</sup> company in Europe to have cross border groups certification in FSC and PEFC. We think that the certification schemes are credible and we think about certification scheme will help to sustain the forest. So this is also the important role of us that the forest product industry has the chain of custody.”*

(pers.com., Kriete, 2009)

### Products and service quality

In the Sappi's Sustainability Report, it is stated that the company commits to achieve their strategy by putting concerns on customer service, innovation, and reliability. Excellence, as part of their values implies a meaning that Sappi is delivering goods and services of the highest standards, including product safety for all stakeholders; and taking responsibility for all decisions and actions.

### Arts and culture programs

According to the Sappi Sustainability Report, in 2008, Sappi allocated funds to CSR activities. One of the activities is on arts and culture, which provide an opportunity for talents to develop, especially in public events in natural management. There are also some music festivals in Sappi's mills in Europe.

### Independent CSR organization

Sappi has their sustainable governance structure which plays a key role in establishing sustainability by allocating responsibilities, monitoring progress, setting targets, and driving communication around the issue and integrates the principles of sustainable development into the everyday business. The Group Sustainable Development Council is chaired by the Group Corporate Counsel and has Regional Sustainable Development Councils in South Africa, Europe, and North America.

It is also supported by the following statement in the interview:

*"We don't have isolated department. We are working in a matrix. My responsibility is as the chairperson of the regional sustainability committee in Europe. And there are also the representatives in South Africa and North America."*

(pers.com., Kriete, 2009)

### Anti corruption policies

In the Sustainability Report 2008, Sappi states that they signed the UN Global Compact, a strategic policy initiatives for the CEOs which give a platform to establish ten commitments to sustainability and corporate citizenship. One of the commitments is working against all forms of corruption such as extortion and bribery. Sappi has independent operated Hotlines as a tool to report any illegal activities which will be followed up by the audit committee. All callers will be treated anonymously.

The statement above is also supported by the interviewee:

*"We will not take any present from customer or supplier which offers certain values. This is a Sappi's policy. I see everybody in the company is taking to it. This is very good in accordance with the business ethic."*

(pers.com., Kriete, 2009)

### CSR report

Sappi Sustainability Report is published annually in accordance with the GRI standard, a framework endorsed by the UN for organization to report their economic, social, and environmental performances.

The statement above is supported by the interviewee:

*"We also produce our sustainability report in brief and we distribute it to our customers."*

(pers.com., Kriete, 2009)

### **4.1.3 Other CSR-related aspects**

In addition to the findings developed from the CSR perspectives, the researcher also identify some aspects during the interview. These following aspects will not be specifically discussed but they are considered important as additional valuable information to analyze the findings.

### Stora Enso

#### CSR history and development

*"It has been a part for many years. In 1980's, it started with value questions in forestry and we described what we should stand for to be a good employer. It is more less the same, but now it is more structured."*

(pers.com., Genfors, 2009)

#### CSR and local tradition

*"I think that the tradition, religion, has a great impact on CSR."*

(pers.com., Genfors, 2009)

#### Third party involvement

*"We are in Western market, and we have shareholder that demand us to follow the CSR, but we have also a market place that demands us to follow this CSR. The way we have to say so is to invite the third parties for the evaluation. Meaning that we are going through sustainability*

*index, you have Dow Jones, you have a range of sustainability index that we are taking. The background is that we want a worldwide known organization to evaluate us, because the customers don't always trust us. So we need independent organizations to evaluate. That is the way we are doing that we are taking this independent evaluation when we are starting up the projects. We are searching for cooperation then; it can be with WWF, the United Nations Children's Fund (UNICEF), or other organizations."*

(pers.com., Genfors, 2009)

### Company and environmental NGO

*"I think that NGO that has ability to communicate and discuss. NGO that is ... from our side is trustworthy and can see the complex situation. The more we can cooperate, with the proactive NGOs, and then I think it would bring the tasks much quicker and further and can be an advantage also for our business."*

(pers.com., Genfors, 2009)

### CSR implementation process

*"It starts with the values of the company. And then we use the values to implement our programs. Before you entering a project, first you should do a baseline study about the situation. And then start with an operation, having third parties evaluation to see if you can handle the situation. And then set up a local action plan. And take it step by step."*

(pers.com., Genfors, 2009)

### CSR evaluation

*"There will be identification of the hotspots that may come up, hot questions and discuss them how to solve these and I would say that in this sustainability program we have internal audit, and as I said we have also third party evaluation where you can be member of index. And in order to get this you have to have continuously evaluation of our company. I think it is about quality system and continuously evaluation when this question comes up."*

(pers.com., Genfors, 2009)

## Korsnäs

### CSR history and development

*"Our customer demands our products to be certified, more and more. It is really interesting to find that the last two years; there has been tremendous increasing interest of this thing, for example is certification. We have been certified since 1997 but it took like 10 years before the market really start to look at it."*

(pers.com., Brunberg, 2009)

### CSR cost

*"There is no exact figure, but as I mentioned, it was a very big cultural and organizational change when we introduced this. Now they are integrated in all activities we are performing. So we are not calculating in that way nowadays... but of course it is a big cost. And we are also paying extra for certified wood that we are buying from other suppliers. And when we buy the certified wood we have to pay extra. There is a market price for that. So it means that we are paying continuously to give the opportunity to our customers to buy the certified products."*

(pers.com., Brunberg, 2009)

### CSR evaluation

*"We have internal auditors, and they are checking all activities as sample what we are performing on environmental work out there, like planting, cleaning, and logging. We are also checking every contractor in that work so that they could get feedback about their performances. And we put together in the internal report. We are also discussing it in the yearly management*

*review as it is demanded in ISO 14001. We are also certifying contractors, we are evaluating a lot of performances what they are dealing with, if they are fulfilling the demands coming from the legislation. We are also evaluated by our customers. So they are also asking us about CO2 emission, certification, and at the end they are also ranking Korsnäs with the other pulp and paper industries.”*

(pers.com., Brunberg, 2009)

### CSR challenge

*“Our major challenge is on the environmental side. We want to achieve our goal to reduce 25% CO2 until 2020. And this is a challenge for us because it is more important out in the market also. I guess there will be product declaration, more and more common when different competitors are showing their performances to their customers, when it comes to CO2 and also other types of emissions. So we have to have a good performance.”*

(pers.com., Brunberg, 2009)

### CSR communication to stakeholders

*“It depends about the topic will be discussed, is it a specific or general information. But the politicians are invited now and then to Korsnäs. We are also arranging some field excursion every second year in a cooperation around the Dalarna river, where is very important in conservation term. That’s a good way to not to sit around the table to discuss with them, show them how it is like, how we are working. We also invite them to our company, have a presentation, and we have press media which is interested in what is happening in Korsnäs because it is such a dominant player. We have quite often articles in the paper. They are interviewing and writing about our activities. So these are stakeholders we could say. We also have people in general that are also interested in our work. And it is often that we got phone calls and asking what are you doing there? And why are you doing like that? Can you modify the way you are acting? Consultation may come to the logging activities is also very important. We are not interested to have conflict.”*

(pers.com., Brunberg, 2009)

### Arctic Paper

#### CSR history and development

*“Actually it started in 1960s where we polluted very badly in the area and was forced to close down our pulp mill. They were not so happy about it, but then we saw that we could take it into advantage. We were the first mill who started with the chlorine free coated paper. At the beginning it was not a choice, and it was a situation with the Fjord and we were forced to do it. We could turn it to something good and we turn it around since then.”*

(pers.com., Petersson, 2009)

#### CSR cost

*“Of course cost is important and we invest a lot in the environmental side to improve something. So it is an important aspect in everything we do.”*

(pers.com., Petersson, 2009)

#### CSR challenge

*“Cost, we need a lot of money. Is it really worth it? It is worth it from the environmental aspect but can we afford it?”*

*“Supply chain management, a challenge in doing on-time delivery and reducing the emission.”*

(pers.com., Petersson, 2009)

## **Sappi**

### CSR history and development

*“Before 2003, we don’t have CSR programs in a consolidated way. Sappy doesn’t exist in the structure as it is now since a very long time. The take over of 4 embryos has increased the complexity in the organization as well and how many ties you have with external stakeholders. This is making our business more complex as well. The basic principle is the same. Our values have just been more broadly discussed on more levels or put into the structures that are delivered in easier and more understandable way. But the basic values have not changed.”*

(pers.com., Kriete, 2009)

### CSR cost

*“It costs millions. We have initiative that called ideas that matters. It is a charity that they can get the grant from us. They apply for it and if they can come with a good story then they will get grant from the project. It can be a social project; we had for disabled people, abused children, and sick people.”*

(pers.com., Kriete, 2009)

### CSR evaluation

*“Sappi’s CSR program is dealt by regional sustainability development council and also discussed by the group council. We are discussing the annual target, if they make sense or not.”*

(pers.com., Kriete, 2009)

### CSR future plan

*“We will give a little more focus from the formal organization point of view. That is role out for the whole organization. We approach every employee that is not only something that you are doing in a board room with your staffs. But maybe even discuss them with the management clusters, the experts from the different locations. We want to role it out throughout the organization. So that everybody in the organization knows exactly what they are doing. What we are standing for.”*

(pers.com., Kriete, 2009)

## **4.2 Customer’s perspectives on CSR**

### Tetra Pak

#### CSR as an influencing factor in selecting supplier

*“Our driving factors in selecting supplier are environmental performance, quality, and price. We look at all different aspects of evaluation performance such as quality, quality of the products and delivery. On time delivery and quality is important. We also look at the service provided to our company. How responsive, how friendly, how accurate the suppliers are. And also the environment as it is the main criteria in liquid packaging. We also look at the issue of long term partnership; look at the strategic view of Stora Enso and Korsnäs in term of the liquid packaging. I mean if Stora Enso and Korsnäs commit to work in long run then they must improve their product in term of finding better solution for our liquid packaging board needs in term of improving stiffness, weight of the paper. Price commercial condition also has value. The way we evaluate the price is by looking all these criteria. All these factors are important.”*

*“In term of environmental issues as far as we can remember, Tetra Pak is also committed to environmental issues since long time. And whenever we present to our customers and so on, we always keen on our environmental activities and all of these. So the interest has been there since many years ago. That is difficult to measure but it is increasing. I could not say exactly when. By all means, there is more currently within ten years ago, but it doesn’t mean that there was no interest before ten years ago.*

(pers.com., Abreu, 2009)

### End consumer's demand on CSR

*"There is a lot of interest from customers due to climate crisis. And we work together with customers through our local operation. Some customers have publicly in supporting environmental products and so on."*

(pers.com., Abreu, 2009)

### Involvement in supplier's CSR program

*"We have a regular meeting with Stora Enso and Korsnäs and they have opportunity say concern, issue, It is a definitely two way opportunity for discussion. We also have a frequent sustainability report from them. We get direct reply to our questionnaire that includes also the environmental indicators."*

(pers.com., Abreu, 2009)

### General performance of supplier's CSR programs

*"Their performances are good. They are good in policy, management system, and the environmental performance. Normally Stora Enso and Korsnäs are responsible and responsive enough when there is a negative response on their environmental performance. They communicate back to the stakeholders and share their point of views. And of course we follow it up and we are always open to hear criticism from wherever the source and discuss with them."*

(pers.com., Abreu, 2009)

## **Jernström**

### CSR as an influencing factor in selecting supplier

*"When it comes to paper, I think quality and prices are two things when we get to choose the paper, we usually choose the cheaper one. However, if we talk about price, it also depends on the production scale, whether it is large or small production. When we talk about quality, Arctic Paper has a reasonable price."*

(pers.com., Fastlund, 2009)

### End consumer's demand on CSR

*"Our customers are more and more interested in environment issue. Some customers really demand FSC certificate. I think what customers know is that FSC is an environment label and easy to understand that the forest is treated well, also the people."*

*"Customers are not always aware of what kind of labelling there is but they say they want to make it as environmentally friendly as they can and want to label it in some way. So then I tell the customers that you should use FSC labelled products and then you need to use this kind of paper."*

*"Regarding FSC, you can see that customers start asking about FSC label. And they didn't do it six months ago. So some customers are now specifically asking. I think it is because of most of our customers are advertising agencies; want to use paper as the message carrier. They feel that they need to justify this in some way instead of using electronic media. So to justify it, they label it with environmental label. I think that's the reason. And there is a general think that paper is a bad thing for the environment and that all electronic media is good. So electronic media has no effect at all to the environment and paper is a very bad thing. Until we have convinced them about this fact that paper is also good to the environment, it will be important to show that we have done this environmental friendly in the most possible way."*

(pers.com., Fastlund, 2009)

### Involvement in supplier's CSR program

*"We are not involved in Arctic Paper's environment programs. We are informed regularly the information about their products. They often also inform about the environment aspects. We never give any feedback to their environmental actions."*

(pers.com., Fastlund, 2009)

### General performance of supplier's CSR programs

*"I can't really speak on what Arctic Paper is doing regarding CSR. What I know is that they have been marketing FSC quite heavily. And FSC is a good thing but I can't speak about the rest of the company, but they have had a green profile. I don't really seek that information. To be honest I am not that interested in that way. I mean, I read information that they send me but I don't seek information; so it means I don't know anything else. What I know is that they market FSC and they have a lot FSC labelled products. FSC labelling is doing the work for me, so if I buy an FSC label paper, I know something about the forest, where the timber came from. That's what I know."*

(pers.com., Fastlund, 2009)

## **Color Print**

### CSR as an influencing factor in selecting supplier

*"Our suppliers have the same offer for some paper qualities, but not for all. If they have we will always choose the cheapest if the customer does not demand a specific paper."*

(pers.com., Lindell, 2009)

### End consumer's demand on CSR

*"We demand our paper suppliers to be able to supply FSC certified paper as well as paper that meet the demands for Svanen-marking. We have some customers who normally put more concerns in the environmental issues."*

(pers.com., Lindell, 2009)

### Involvement in supplier's CSR program

*"I haven't really noticed if they communicate to our company about their environmental performance. But sometimes we get some questions from our customers about Sappi's certification and we inform Sappi what they want. At those occasions we get the information needed from Sappi and we forward it to the customer"*

(pers.com., Lindell, 2009)

### General performance of supplier's CSR programs

*"Sappi is good at their environmental performance. But the extra charge for FSC-certified paper is an obstacle."*

(pers.com., Lindell, 2009)

## 5. Analysis and discussion

### 5.1 Summary of findings

The findings of CSR practices in forest products companies are classified and summarized in Table 5-1. The analysis and discussion for the CSR in forest products companies will be based on the principles of CSR and CSR processes. The analysis and discussion for the customer's perspectives will be based on the main factors as shown Table 5-2.

*Table 5-1. Summary of findings on CSR practices in forest products companies*

Principles of CSR	Stora Enso	Korsnäs	Arctic Paper	Sappi	Profile
Value-driven CSR	●	●	●	●	Different in local value adaption
Performance-driven CSR	●	●	●	●	Similar in the energy efficiency to reduce costs
Stakeholder-driven CSR	●	●	●	●	Different in NGOs' pressure towards companies
CSR processes	Stora Enso	Korsnäs	Arctic Paper	Sappi	Profile
Community development and communication	●	●	●	●	Different in socio economic and cultural adaption
Corporate governance and law compliance	●	●	●	●	Different in socio economic and cultural adaption
Code of ethics and business conduct	●	●	●	●	Different in socio economic and cultural adaption
Environmental management	●	●	●	●	Similar in sustainable nature resource management
Health and safety programs	●	●	●	●	Different in socio economic and cultural adaption
Human resources process	●	●	●	●	Different in socio economic and cultural adaption
Human rights	●	●	●	●	Different in socio economic and cultural adaption
Supply chain management	●	●	●	●	Similar in the value chain from forest to customers
Products and services quality	●	●	●	●	Similar in guaranteeing customer's satisfaction
Arts and culture programs	●	●	●	●	Different in socio economic and cultural adaption
Independent CSR organization	●	●	●	●	Different in organizational size
Anti corruption policies	●	●	●	●	Different in socio economic and cultural adaption
CSR report	●	●	●	●	Different in organizational size

Legend:

- Clearly/frequently/directly mentioned in the documentation and/or interview
- Not clearly/not frequently/indirectly mentioned in the documentation and/or interview
- Not mentioned in the documentation and/or interview

*Table 5-2. Summary of findings on customer's perspectives*

Customer's perspectives	Tetra Pak	Jernström	Color Print
Influencing factors	Environmental performance, quality, price	Quality and price	Quality and price
Demand from customers	High interest from Tetra Pak's customers	Increasing demand, but they are not always aware	More concerns about environmental issues
Involvement in supplier's CSR programs	Regular meeting and regular sustainability report	Not directly involved, but Arctic Paper informs regularly by their bulletin	Sharing information with Sappi and Color Print's customers
General performance of supplier on CSR programs	Good reputation	Arctic Paper has a green profile	Positive assessment

According to Table 5.1, it can be identified that most of the selected forest products companies have similarities in the principles of CSR and CSR processes. However there are also differences in approaching each CSR principle and process. In Table 5.2, Jernström and Color Print are likely to have similar perspectives of their customers. In addition, the selected customer-firms have similar attitude regarding the general performance of supplier's CSR programs. The more detail analysis of the findings is discussed in the section below.

## **5.2 CSR practices in forest products companies**

### **5.2.1 Principles of CSR**

The four forest products companies show the same profiles on principles motivating CSR practices. As shown in Table 4-1, all companies consider that CSR practices are strongly driven by the corporate values and stakeholders. The result of the findings is similar to the study conducted by Wotrich and Sastararuji (2008, p. 54). They studied the CSR practices in the construction industries in Sweden, Brazil, and Thailand. Although the findings can not be generalized as the number of the companies used in this study is small, it is implied that CSR has been evolving to be part of the business values and strategies. This idea is also supported by Galbreath (2009, p. 122) who concludes that companies which have better understanding of the CSR practices and start to integrate their CSR into business strategy seem to gain more rewards in the future; both to the benefit of their shareholders and global society. Joyner and Payne (2002, p. 301) stated that there is an interrelation among values, ethics, and CSR. Values affect the level of company's perspectives on their CSR programs, and are affected by the societal activities and norms or standards. During the interview, the researcher also has impressions that CSR is attached as a value of the company and assumed as self-evident. That is why CSR practices are taken for granted in those companies. However, there is a difference in term of the values which drive the CSR practices in the four companies. In running their business in the host states, Stora Enso and Sappi as multinational companies are really influenced by the local values, such as religion, local culture and habit, custom law, and local norms. In some extends, they may adapt their corporate culture to the local values; but in some extends they also have to stand up with their core values.

In this study, it is identified that all the forest products industries are paying attention to their stakeholders, especially to the customers and community. According to them, stakeholder engagement is part of building accountability into business operations. Therefore, they have various CSR programs for various stakeholders. By doing well, the stakeholders will have direct or indirect benefits and it will reassure the stakeholders to have a good perception

towards company's business. In other way around, the good reputation of the company from the stakeholders' perspectives will also support the company and their competitiveness in the market. In this study, it is identified that NGOs, as part of the stakeholders, may also influence the CSR practices in Stora Enso and Sappi. The more globalized the more reaction from the NGOs to react the multinational companies. The environmental groups may have different agenda and they may also perform differently in delivering their campaigns. Stora Enso, for instance, they really love to be in partnership with NGOs who are trustworthy and have ability to communicate and discuss. The cooperation with cooperative environmental groups may give advantages to their business. The importance of stakeholders was discussed globally when Freeman (1984, p. 46) proposed the stakeholder theory in which a company should involve multiple constituencies or stakeholders in their increasingly complex environment as part of their management and business ethics that addresses morals and values in managing an organization. He also mentioned that the traditional approach to pay special attention only to shareholder may lead to activities which are unethical or immoral.

In term of performance-driven, though it is not clearly stated and mentioned about the contribution of CSR to the company's financial performance, there is an indirect link, especially when there are discussions about the use of renewable energy in order to reduce carbon footprint. The decrease of carbon footprint can be achieved by increasing energy efficiency and reducing the use of fossil fuel. These steps are good not only from the environment perspective but also from the economic perspectives as it can help in the stabilization of energy prices and lower electricity bills (Elliott *et al.*, 2007, p 33). This indirect relationship is coherent to the Wotrich and Sastaraji's (2008, p. 56). In addition, Aupperle *et al.* (1985, p. 446) stated in their study that there is no statistically significant relationship between social responsibility and company's profitability. It seems to be difficult to obtain sufficient facts to support the statement that companies with socially responsible business are more profitable than companies with less-socially responsible business (Aupperle *et al.*, 1985, p. 446).

### **5.2.2 CSR processes**

There are differences in the CSR processes addressed by the four companies. These differences may appear as the results of company's size and operational region. The differences are mainly on the stress given by the companies to certain processes. Based on Table 5-1, the researcher illustrates figure 5-1 which summarizes the differences of CSR processes emphasized by the four companies. In the organizational documentation and interview process, all companies mention these CSR processes: "community development and communication", "corporate governance and law compliance", "code of ethics and business conduct", "environmental management", "health and safety programs", "human resources process", "human rights", "supply chain management", "products and services quality", and "anti corruption policy". Though all companies mention those processes, there are some differences in approaching the processes.

In term of community development and communication, there are many CSR activities in which company can be involved. In this study, it can be identified that the most common community development program both in Swedish and non-Swedish forest products companies is on the category of institutional support; which includes education, training, apprenticeship, or internship for the students or communities. However, there are also differences regarding this process. Stora Enso and Sappi are operating their business in some developing regions where the economic development is different to Sweden and other Scandinavian countries; and their community involvement varies according to the needs,

nature, and structure of society in given country (Panapanaan *et al.*, 2003, p. 143). Sappi as a South African company has more community development programs such as philanthropic (e.g. donations, sponsorships, and grants) and black economic empowerment programs. Philanthropic activities seem to be carried out in the companies which originally operate in developing world (home country) or multinational companies who also have operational activities in developing regions (host country). This is the reason why Stora Enso, though they are a Swedish-Finnish company, they also have similar philanthropic programs. This kind of financial support from the companies may also contribute positively to the community development. This may differ to Korsnäs and Arctic Paper's approach in term of giving financial support to the community. This may be explained by the fact that Sweden is considered as a high-welfare state society, and the people are well cared by the government and the company may also wonder why and how to implement a financial aid program to the high welfare society like Sweden. In addition, the Swedish companies also contribute high tax structure to the maintenance of the welfare-state; and they perceive that the huge taxes they pay are more than enough to take care of community responsibility (Panapanaan *et al.*, 2003, p. 142).

All of the forest products companies in this study mention the importance of communication to the community, which most of them are performed by dialogue. The relationship between Korsnäs and Arctic Paper and their communities are normally good. The companies often receive positive responses from their communities and there are also many employees who work for the companies come from the surrounding areas. In case of Stora Enso and Sappi, as they also operate their business in the regions where the socio cultural condition of the society is different to Sweden, there may be some potential conflicts happen during their business operation. However, these conflicts are attempted to be solved in the most possible way which accommodates the interests of the companies, community, and other stakeholders. The communication during these conflicts may take a long process but there are always dialogues to obtain the best solution. This indicates that the companies really commit to communicate with their community as they are also part of the company's stakeholders.

<b>Processes mentioned in the four companies</b>	<b>Processes not mentioned in some companies or emphasized unequally in the four companies</b>
<ul style="list-style-type: none"> <li>• Community development and communication</li> <li>• Corporate governance and law compliance</li> <li>• Code of ethics and business conduct</li> <li>• Environmental management</li> <li>• Health and safety programs</li> <li>• Human resources process</li> <li>• Human rights</li> <li>• Supply chain management</li> <li>• Products and services quality</li> <li>• Anti corruption policy</li> </ul>	<ul style="list-style-type: none"> <li>• Arts and culture programs</li> <li>• Independent CSR organization</li> <li>• CSR report</li> </ul>

Figure 5-1. Different CSR processes emphasized by the four companies.

CSR activities in Europe is also linked to the legal framework established by EU Parliament and EU Commission on the environmental issues in the EU-level (Wotrich and Sastararuji, 2008, p. 57-58). In addition to the EU environmental regulation, Swedish companies are also obliged to comply with the national laws and regulations set by the authorities as bad practices will potentially damage the environment and society; and will directly impact to the company's business and cause extensive losses. This is the reason why the Swedish forest products companies in this study have the same profile in term of corporate governance and

law compliance. As a non-Swedish forest products company, Sappi also has a good corporate governance as this aspect is really developing fast in South Africa (Rossouw *et al.*, 2002, p. 301). In addition, he also stated that in order to participate in the global competition, South African companies must meet the global corporate governance standards without ignoring their commitment to the African community (*ibid*). Specifically about environmental governance, Figure (2005, p. 606) mentioned that there are overlap and poor coordination of regulatory bodies, and ineffective bureaucracy which make problems in regulating the environmental issues in South Africa. Another problem may potentially occur when multinational companies operate their business in the developing countries. One of the examples is about the child labour. In Sweden, it is strictly forbidden to employ children; whereas it is a common practice particularly in the developing regions. In order to deal with this issue, Stora Enso as a Swedish-Finnish company adapts with the local laws and regulations as basic standards and try to implement as much as possible the Swedish standards.

Code of ethics and business conducts are also mentioned frequently in this study. This process is strongly related to the value-driven CSR as one of the principles of CSR and also good corporate governance implementation. In the Nordic countries, CSR is associated with ethical business and morality; which are attached to the northern European way of thinking (Panapanaan *et al.*, 2003, p. 137). In South Africa, though code of ethics and business conducts are considered still young compared to Sweden; it has been developing in practical and theoretical level in order to compete in the global arena (Rossouw, 1997, p. 1541, 1545). According to Rossouw (1997, p. 1540), the practices of code of ethics and business conducts in South Africa are related to the apartheid practice in the past and corruption problems. Therefore when Sappi sets up their sustainability programs, they also consider these two problems as the targets to solve. Interestingly, there is a statement expresses by Figure (2005, p. 612) that Sappi fails to establish their fundamental ethics of the industry as the company continues to pay poverty wages, damaging the environment, and outsources production to remove their employees.

Based of this study, the majority of the environmental management activities carried out by the companies is on the renewable material, sustainable nature resource management, and origin of raw materials. Environmental management is gaining a huge concern and relatively approached in similar ways in the four forest products companies. The reason is obviously because of the business nature of forest products industry is strongly related to the environmental issues. During the whole production processes, from the plantation in the forests to the end-customer, it may happen that there are negative externalities. Thus, the forest products companies really concern in this CSR process in order to minimize the harmful environmental effects produced from their operational activities. Supporting this finding, Mikkilä (2008, p. 505) mentioned in his research that the typical characteristic of Scandinavian pulp and paper companies is on their environmental activities. In South Africa, before the end of apartheid, the South African companies seemed to commit big environmental damage in which the victims were black people. However, after the start of democracy, environmental management is becoming a focus as shown by the development of laws and strategies focus on this area (South African Government Information.com, 2008).

Interestingly, Figure (2005, p. 603) stated that environmental laws and strategies have not always been really implemented in the business. Nevertheless, the companies in South Africa implement the environmental management because they want to be perceived as companies who care of the environmental and social issues in the country (*ibid*). Figure also mentioned that

Sappi is one of the companies who implements CSR as a tool to construct a company's positive reputation (*ibid*). In the case of Stora Enso, there are also some critical studies toward their environmental performance. Ketola (2009, p. 5) states that Stora Enso is one of the controversial forest products companies when they are working about the biodiversity issues. In her study, it is mentioned that Stora Enso (a) operates logging activity in the primeval forests, uncertified forests, and illegal sources; (b) has an irresponsible certification system in managing their own forests; and (c) their massive eucalyptus plantations in Asia and South Africa (*ibid*). However, in another study, Lindfelt (2006, p. 14) states that actors may have different interests and expectations of Stora Enso. Therefore, it is understandable that Stora Enso may not be expected to perform the same identity as those various actors demand them (*ibid*). Weick (1995 in Lindfelt, 2006, p. 15) argues that the question of walking the talk is not relevant as "it is natural trouble in the multiple realities of organizational life" that the managers could not always do what they say in everyone's eyes. In addition, Lindfelt (2006, p. 15) also states that it is an utopia to expect companies to behave ethically as they also consist of human beings; which are not perfect and not always good in all actions.

Hedberg and Malborg (2003, p. 159) also explained that when a company, especially the global one, puts a CSR process as their major activity, it may be affected by their need to be legitimized by their stakeholders. In the case of this study, the forest products companies are sometimes criticized by the environmental NGOs as they are not doing well in their environmental performance. Therefore, when the companies are performing their environmental management in a good way, it can be also a good campaign for them to publish that sustainability is part of their business value. Based on the evidences in this study, it can be identified that all of the companies are certified with the international environmental standards and they are integrated as the company's marketing strategy. The environmental programs are becoming the norm at some levels and they are considered as an effective tool to market the products to another major stakeholder: customer. Panapanaan *et al.* (2003, p. 136) added another popular concept that CSR is attached especially to environmental responsibility. It is common in many corporations, that environmental management is strongly connected to the CSR management; which means it is easy for them to assume that their sustainable development agenda are in accordance with CSR already along with their environmental management (Panapanaan *et al.*, 2003, p. 136, 139). This is because of the natural relationship between environmental and social aspects (Panapanaan *et al.*, 2003, p. 136).

In the four forest products companies, health and safety are also the major focus and relatively approached in the similar ways. All of them have formal health and safety programs; and the basic reasons are to reduce the accident loss, cut absenteeism, improve profit and loss statement, and improve business profile, such as with employees, customers, and communities. Health and safety are powerfully well regulated in Sweden and other Scandinavian countries; and the states also sponsor these programs and the companies and labours really welcome them (Elgstrand, 2001 in LaDou, 2003, p. 306). This statement is in accordance with the findings that Korsnäs and Arctic Paper have good health and safety programs. In case of Stora Enso and Sappi, as multinational companies, they also have a comprehensive health and safety programs to the community in the developing regions where they operate their business. The level of health and health awareness in these regions is lower than in Sweden. For example is the high rate of HIV/AIDS cases in South Africa; which becomes one of the Sappi's targets to solve and part of their health and safety aspects. This effort is coherent with LaDou (2003) who mentioned that occupational health and safety program development is indirectly important to the economic success of industrializing countries and its industries; though it requires a stable legal and economic system in such countries.

Regarding human resources processes, most companies focus on training and development, employees' welfare system, and equal opportunities to their employees. This finding is coherent to Wotrich and Sastararuji's (2008, p. 58) study. The most common trainings conducted in the selected forest products companies are trainings on organizational values and environmental aspects. It implies that the company desires to introduce their values to the individuals as the fundaments in their daily operations; and also to socialize that environmental issue is also part of the values. Kjellberg *et al.* (1998, p. 213) studied that in Sweden, training and development is becoming increasingly important and the focus has changed from the formal school system towards informal system, such as in-company training and learning at work. In this study, it can be also identified that transfer of knowledge is also crucial, especially to the multinational companies like Stora Enso and Sappi which operate their business in the regions where the level of education is less developed than Sweden. Specifically related to the equal opportunity, in Sappi, it is also influenced by the local issues, such as apartheid practice in the past. Sappi is following the regulation of black economic empowerment which is focused on readdressing the inequalities of apartheid by opening up economic opportunities, such as job employment to the disadvantaged groups (Wikipedia.com, 2009).

Human rights process is also implemented in all the four companies. In Korsnäs and Arctic Paper, this process is not mentioned directly in the documentation and interview. However it does not imply that they do not apply human rights aspect in running their business. The researcher considers this aspect is correlated to human resources and health and safety processes. According to the Swedish Government's Human Rights websites (2007), human rights are primarily protected by constitutional regulations and they include many aspects such as anti discrimination, women's rights, Swedish child policy, national minorities, rights of persons with disabilities, and right of non-discriminated based on gender and sexual orientation. Sappi's CSR programs are also influenced by the socio culture condition such as the apartheid practice in the past in South Africa. As multinational companies, Stora Enso and Sappi endorse the principles in the Universal Declaration of Human Rights (UDHR); and they also follow the International Labour Organization's Core Conventions defining labour rights. UDHR recognizes the equal rights of living standard, social security, rights to work and positive conditions of work, rights to access education, equality and non-discrimination, and rights of traditional civil and politics (Welford, 2002, p. 4). However, Ketola (2009, p. 7) argues that forest companies seem to concede UDHR only as a guideline. They even ignore the UNESCO Declaration on Cultural Diversity and UN Declaration of the Rights of Indigenous People as the forest products companies consider that they have different interests to the indigenous people (*ibid*). Nowadays, there are alliances between the environmental groups and indigenous people; and forest products companies are also monitored by these alliances regarding their operational activities related to the socio cultural impacts (*ibid*).

Supply chains in the forest products industry are usually more complicated as they are typically interconnected among different companies such as logging companies, contractors, and pulp and paper industries (Panapanaan *et al.*, 2003, p. 143). In this study, all the forest products companies mention that supply chain management is also part of their CSR programs. This finding is coherent to Wotrich and Sastararuji's (2008, p. 59) study. They mentioned all Swedish companies grow their attention in behaving responsibly in the value chain and start to require partners, suppliers, and subcontractors regarding this matter (*ibid*). Panapanaan *et al.* (2003, p. 143) mentioned that good supply chain is part of the responsibilities from both the party asking for supplies and the party providing the supplies. In this study, evidence that supports the importance of good supply chain management is the

environmental certification such as FSC, PEFC, and ISO 14001. There are demands to trace the sources of raw material and other flow information regarding the supply chains. This finding is in accordance with Roberts' (2003, p. 165, 168-169) study that certification is one of the proofs to show a good supply chain management.

The selected forest products companies consider products and services quality is also a driving factor to increase the customer's satisfaction and maintain their competitiveness in the market. According to result of the study, the products and services quality can be in form of high-quality products, just-in-time delivery, product innovation, environmentally friendly, and product safety. All of the selected forest products companies also provide information about their products in their website. This is basically to support the customers regarding their products knowledge. All of the efforts carried out by the companies aim to provide products that guarantee the customers' satisfaction and meet their expectations (Panapanaan *et al.*, 2003, p. 145).

Kinnevik, as Korsnäs' mother company, mentions anti corruption policy process in their CSR policy. Therefore, it also binds and is applied to all Kinnevik's subsidiaries. In Arctic Paper, it is not mentioned but the researcher considers that this process is implicitly included in the corporate governance and law compliance and code of ethics and business conduct processes. Similar to them, Stora Enso also has anti bribery policy as this company operates in the regions where corruption practices may be relevant in such regions due to the local socio economic condition. Sappi as a multinational company which is originally from a developing country with similar local socio economic condition and vulnerable to corruption practices; also includes anti corruption aspect in their code of conducts. In addition, as multinational companies, Stora Enso and Sappi support the ten principles of United Nation Global Compact; in which one of them is anti corruption action.

Figure 5-1 shows the processes which are not mentioned in some companies or emphasized unequally in the four companies. Those processes are "arts and culture programs", "independent CSR organization", and "CSR report". Arts and culture programs are mentioned in Stora Enso and Sappi but not mentioned in Korsnäs and Arctic Paper. This process is not mentioned in those two companies as the typical characteristic of Scandinavian pulp and paper companies is on their environmental activities (Mikkilä, 2008, p. 505). Stora Enso, though it is a Swedish-Finnish company, they have arts and culture programs since they also operate in the developing regions where local socio cultural conditions are still highly valued. The similar reason is also applied to Sappi when they carry out arts and culture activities in their local operations.

Korsnäs and Arctic Paper do not have a special department that work with CSR practices as CSR programs are more associated with environmental activities in these companies. In Korsnäs, CSR activities are mainly under the responsibility of Department of Environment and Information. Interestingly, in Arctic Paper, environmental activities are mainly under the responsibility of Sales and Marketing Department. The reason is because good environmental performance is considered as a good marketing tool for the company. This finding is also related to Mikkilä's (2008, p. 505) study that typical characteristic of Scandinavian pulp and paper is on their environmental activities. In case of Stora Enso and Sappi, both of them are different in term of their country of origin but are the same in term of the company's scale. The more global the more complex of the sustainability aspects they have to work with. Therefore it is necessary for them to have a special department to work with CSR practices or

sustainability aspects and work with such issues around the world where they operate their business.

In term of CSR reporting process, Korsnäs and Arctic Paper do not have a formal CSR report which includes environmental, social, and economic aspects. However, they publish their environmental report regularly. As mentioned before, this is due to the typical characteristic of Scandinavian pulp and paper industry on their responsibility; which is focused on environmental performance (Mikkilä, 2008, p. 505). On the contrary, Stora Enso and Sappi have a robust and comprehensive CSR report which contains all aspects of sustainability. However, they call this report as sustainability report instead of CSR report. The reason is because of the unclear definition of CSR which may mislead only for social aspect. In publishing their sustainability report, they follow the GRI guideline which includes vision and strategy, company's profile, governance structure and management systems, economic performance indicators, environmental performance indicators, labour practices and decent work, human rights, society, and product responsibility (Sappi Sustainability Report 2008, 2008, p. 58-60). By using the worldwide business language in the reports, Stora Enso and Sappi can express their goals of globalization (Mikkilä, 2008, p. 505). According to Fig (2005), the GRI guideline also has attracted some larger firms in South Africa in order to compete and win in the global competition. However, Mikkilä (2008, p. 504) explained that there are more challenges to measure and assess the social performance compared to economic and environmental performance. It is also the reason why local Swedish forest products industries in this study do not follow this GRI guideline as their corporate responsibilities are more focused on environmental aspect.

### **5.3 Customer's perspectives on CSR**

#### ***5.3.1 CSR as an influencing factor in selecting supplier***

In this study, all the customer-firms companies mention that quality and price are the major driving factors in selecting their suppliers. In term of quality, it does not only apply to the products but also the services such as on time delivery and long term partnership. In addition to those factors, Tetra Pak also mentions the supplier's environmental performance as one of the driving factors. This company is the only one corporation who mentions the importance of environmental performance; whereas Jernström and Color Print consider that supplier's environmental programs are not their priority to select the suppliers. This finding is coherent to study conducted by Stávková *et al.* (2008, p. 283). The authors concluded that quality and price are among the third major priorities in customer behaviour. This study took ten different groups of commodities in Czech Republic. Tetra Pak as a multinational company considers supplier's environmental performance is part of good supply chain management and their business values.

#### ***5.3.2 End consumer's demand on CSR***

According to the findings, it can be identified that Tetra Pak's customers have a lot of interests on CSR activities done by their suppliers. Tetra Pak as a large scale company with multinational operations have some consumers which also have the same profile in term of the business scale such as Coca Cola Global and Nestlé. These consumer good industries are very well-known and have a competitive positioning in their markets; and they also apply sustainability aspects in their business. Therefore these Tetra Pak's consumers also require their products to have values of sustainability through good supply chain management, good environmental performance, etc. On the contrary, Jernström and Color Print stated that there is no significant demand from customers about CSR activities. However they notice that the interest is increasing, especially about the environmental performance. This growing interest

on environmental issues may imply that in the long-term future there will be more demands about such issues. This finding is in accordance to Carrigan and Attalla's study (2001, p. 572). They stated that there are only minor customers in the short future who have ethical purchasing behaviour and search for information on CSR. In addition, Carrigan and Attalla also mentioned that customer actually has strong desire to behave ethically but they do not want to be troubled to do so (2001, p. 575).

In Jernström, it is mentioned that the trend of certified products has just started and it may be related to their customer's business. Many of their customers are advertising agencies who use paper as their major raw material and the advertising agencies want to justify that paper is not only associated with environmental degradation. In order to justify that paper can be environmental friendly as well, they need their products to have environmental label. In Color Print, environmental label is considered good for their business and the company demands their suppliers to be able to supply FSC certified and Svanen-marking paper.

### ***5.3.3 Involvement in supplier's CSR programs***

Mohr *et al.* (2001, p. 70) stated that there should be an understanding of CSR's customer expectations at the industry in order to develop and implement successful CSR programs. The findings in this study say that the customers are formally and/or informally involved in the communication process regarding their suppliers' CSR programs. Tetra Pak has a regular meeting with Stora Enso to discuss their concerns and issues related to their products and CSR aspects. It is mainly due to both companies have similar commitment to do their business in ethical ways. This regular meeting do not exist in Jernström and Color Print. The communication between these companies and their suppliers is conducted in rather informal way and seems that it is less intensive compared to Tetra Pak and Stora Enso's communication. Another communication tool is by distributing communication media such as bulletin and environmental or sustainability report. Interestingly, even though Arctic Paper regularly provides their environmental report, Jernström actually do not really seek such information and they also never give feedback to Arctic Paper's performance. This fact implies that many customers may show their interest in ethical purchasing behaviours, but their actual behaviours are often unaffected by ethical concerns (Carrigan and Atalla, 2001, p. 575).

### ***5.3.4 General performance of suppliers' CSR programs***

Based on the findings, in general all customers give a positive response to their suppliers. However, Jernström and Color Print could not give detail evaluation about their supplier's CSR programs. The researcher considers that this aspect is also influenced by the communication activity between supplier and customer. Though there are customers who are not really aware and do not consider communication regarding CSR as an important information, it is believed that the trend of sustainability issues is growing. Therefore, it is the role for suppliers to identify the customer's knowledge on their CSR performance and communicate their CSR programs more effectively to their customers (Mohr *et al.*, 2001, p. 68).

## 6. Conclusion

This chapter answers the objectives of the research mentioned in chapter one and provides suggestions for future study.

### 6.1 CSR practices in forest products companies and customer's perspectives

The four forest products companies have been practicing CSR programs in their business. The predominant driving factors are mainly the companies' organization values and addressing stakeholders' concerns. All selected forest products companies mention that CSR is inserted into their business strategy and consider that positive stakeholders' perception will support the company and their competitiveness in the market.

In term of the CSR processes, all the selected forest products companies mention CSR processes in the areas of "community development and communication", "corporate governance and law compliance", "code of ethics and business conduct", "environmental management", "health and safety programs", "human resources process", "human rights", "supply chain management", "products and services quality", and "anti corruption policy". However, as shown in figure 6-1, forest products companies place different emphasis on each area and have different profiles regarding CSR processes: the two Swedish companies with local/regional operational scale, Korsnäs and Arctic Paper, really focus on their environmental performance; Stora Enso, a Swedish-Finnish company with multinational operations, has a robust CSR programs as proven by their commitment to sustain their environmental, social, and economic performance; similarly Sappi has wide-ranging CSR activities for the environment, community, and economic.

Korsnäs and Arctic Paper (Swedish company with local/regional operations)	Stora Enso (Swedish company with multinational operations)	Sappi (Non-Swedish company with multinational operations)
<ul style="list-style-type: none"><li>Focus on environmental performance</li><li>As companies which are originally from a post welfare state, they do not really emphasize their social responsibility programs in the community issues.</li></ul>	<ul style="list-style-type: none"><li>Have robust CSR programs which are focused on environmental and social aspect</li><li>The corporate values are the fundamental basics in operating their business in other regions. However adoption to local values may be applied</li></ul>	<ul style="list-style-type: none"><li>Have robust CSR programs which are focused on environmental and social aspect</li><li>The social responsibility is really influenced by the socio cultural and economic development in the home country.</li></ul>

Figure 6-1. CSR focus in different companies.

The challenge for companies with worldwide operations, each of which have different of geographical concerns, is to adopt their CSR programs to specific local conditions. Different geographical locations may imply to different socio cultural and economic developments, which will also play their roles in the CSR practices in such regions. Hence, the roles of the corporate values are really important when they are operating in different regions where local values are different to the parent company's values. As a company which is originally from a developing country, Sappi's CSR programs are really determined by the socio cultural and economic condition such as the apartheid in the past and HIV/AIDS epidemic.

Korsnäs and Arctic Paper, whose production operations are constrained to Sweden which has a strong welfare stated, broadly associate CSR to environmental performance and do not emphasize social performance. This is considered to be the reason why they do not have “arts and culture programs”, “independent CSR organization”, and “CSR report”. The challenge for these companies is how to address their customer-firms growing concerns about CSR and CSR reporting.

Among the 13 CSR processes identified within the selected forest products companies in this study, “products and safety quality” has a direct and strong relationship to the customer as the major company’s stakeholder. The companies commit and strive to produce the high quality products and services to achieve high customer satisfaction. Coherent with company’s commitment, their customers also mention that quality is the major driving factor in selecting their forest product suppliers. In term of the supplier’s environmental performance, Tetra Pak stated that it is a driving factor since there is an in turn significant environmental interest from their customers. Korsnäs and Arctic Paper consider that customers are interested in certified products but they do not really perceive it as a predominant factor for customers to select them. However, if their customers really demand such performance this aspect can be given renewed focus.

The researcher also concludes that the geographical scope of customer-firms’ organizations, that is whether they are local or Multinational Corporations, also affect their purchasing behaviour. In general, the customers in this study consider their suppliers are doing well in their CSR programs, especially regarding environmental performance. However, it is important for the suppliers to be more active in communicating their CSR programs to their customers as there is increasing interest about CSR and CSR reporting.

## **6.2 Suggestions for future research**

With the conclusion mentioned above, it is necessary to take further research in the future in order to obtain more comprehensive and robust results. If the aim of the research is to compare the CSR practices in different regions, the researcher suggests that there should be several selected forest products companies from each region and should be similar in term of the organizational size. In addition, it is also necessary to receive different perspectives from other company’s stakeholders, such as the employees, environmental groups, competitors and local community.

## **Epilogue**

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This chapter describes the limitations and challenges occurred during the process of carrying out the research.

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This research does not answer every question nor provide solutions to all problems related to the CSR practices in forest products companies. The researcher is fully aware that there are still many aspects to be improved regarding the method, analysis, and this thesis as the physical output of the research. During the process of finishing this research, the researcher also received some inputs and feedback. One of the inputs is to study the comparison of CSR practices in Sweden and Indonesia. Regarding this matter, the researcher actually had an ambition to do so at the beginning of the study by selecting two Indonesian forest products companies and starting to do correspondences by calls and emails. However, the process of setting up appointment to have interview session really took such a very long time. It is likely that those forest products companies hesitated to share the information of their CSR practices. In addition, the ineffective bureaucracy of proposing time for interview with the selected forest products companies in Indonesia is another problem faced by the researcher. Due to these barriers and the time limitation, the researcher decided to drop them and selected another company as the selected forest products companies.

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## Appendices

### Appendix 1. Interview guideline with forest products company

Question	Checklist	Objective
What is your company's business idea?	- Core of business? - Company's vision & mission?	- Establish a dialogue - Set discussion of CSR in its context
What do you see as your company's social and environmental responsibilities?	- How does your company define CSR and sustainability? In line with company's objectives? - What is the history of CSR in your company? - Why does your company work with CSR? Benefits, costs? - Voluntary or mandatory? - Who is responsible for CSR?	- Motivation to do, drivers of CSR - CSR and its relationship to company's objectives
How does your company work to ensure it takes care of its environmental responsibilities	- Does your company have a formal environmental policy and environmental processes? If so what are these? - Sample of company's environmental responsibilities programmes?	- Company's environmental responsibilities - Working process on environmental responsibilities
How does your company work to ensure it takes care of its employees and its other social responsibilities?	- Does your company have a formal social/human resource management policy and social/human response management processes? If so what are these? - Sample of company's social responsibilities programmes?	- Company's social responsibilities - Working process on social responsibilities
How does your company see the performance of its social and environmental responsibilities?	- Result? - How to evaluate? - What are the future plans? - Need to develop more extensive CSR? Why? How? - Challenges and barriers? - In line with GCG practices?	- Evaluation of CSR
How do you communicate the responsibilities that your company takes to the stakeholders? Have you received any comments from stakeholders?	- Target groups? - Stakeholders' roles? - Reports to stakeholders? (magazine, newsletter, etc?) - Response from stakeholders? - Company's reaction?	- Stakeholders' roles and their perspectives

## Appendix 2. Interview guideline with customer

Question	Checklist	Objective
What is your company's business idea?	- Core of business?	- Establish a dialogue
Why do you select company X as your supplier?	- What factors are influencing you to select your suppliers? Why? - How do you see company X regarding those factors?	- Factors influencing purchase behaviors
How do you perceive Corporate Social Responsibility?	- How does your company define Corporate Social Responsibility and sustainability, especially related to your suppliers?	- Defining Corporate Social Responsibility
Do you think that Corporate Social Responsibility of your suppliers is a value for your business?	- Do you think that environmental and social responsibilities of your suppliers are also an influencing factor? Why? How important? - If so, in your opinion, how far company X has developed their Corporate Social Responsibility programmes? - Do you think that the global concern on Corporate Social Responsibility has changed your business climate, especially in selecting your suppliers? - Is there any demand from your end-consumers on Corporate Social Responsibility? e.g. your products meet the environmental standards - Is there any influence to your revenue? - How influential to know that company X meets global standards (ISO, PFC, PEFC) for being environmentally/socially responsible?	- Suppliers' Corporate Social Responsibility as a customer's value and belief behavior
How is your company involved in the company X's Corporate Social Responsibility programmes?	- How do you work with company X in Corporate Social Responsibility matters? What are your roles? Do you consider your company is actively involved? - How to ensure that the business of company X complies to the environmental standard and other good corporate governance aspects? - Do company X communicate their responsibility? Regularly? By what? Bulletin? Magazine? Newsletter? - Have you given any response (positive/negative) to company X related to their responsibilities?	- Customers' roles - Communication of environmental and social responsibility

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