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Swedish University of Agricultural Sciences

Department of Economics

Communication of CSR activities

- A case study in the dairy sector

Maryam Adldoost

Communication of CSR activities; a case study in the dairy sector

Maryam Adldoost

Supervisor: Cecilia Mark-Herbert, Swedish University of Agricultural Sciences,
Department of Economics

Examiner: Karin Hakelius, Swedish University of Agricultural Sciences,
Department of economics

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Summary

Recent corporate challenges require effective communication in order to secure a company's reputation. Companies as a result, need to be committed to a series of corporate social and environmental practices along with their financial commitments to their shareholders and investors. In fact, businesses are required to go above their ordinary operations and involve all potential stakeholders that can be affected by their strategies. Companies also need to communicate social, environmental and economic consequences of their activities along with their CSR commitments to their internal and external stakeholders in order to make a better corporate image and improve their market opportunities. Currently, non-financial reporting of CSR has developed and made CSR reports a more permanent part of business reporting context.

Through different industries, the food sector can gain increased insights about incorporation of CSR in its value chain, since food products are based on natural resources, such as animal and plants and they fulfil one of the basic human requirements. Moreover, this industry is very labour intensive that connects it with the argument of paying fair prices to the producers and improving the work condition for them.

This paper focuses on communicated corporate social responsibility reports of two case companies, Arla and Valio, in order to provide an overview about CSR themes and topics in the dairy industry as a significant part of the food industry. The paper intends to identify concerned stakeholders and communicated outcomes of CSR activities. A qualitative case study is applied in order to collect data, build a relationship and make appropriate interpretations. Besides, the triple bottom line, stakeholder theory and CSR communication framework is chosen as theories of data analysis and in order to generate results.

The secondary data of the case companies shows that these companies communicate same areas of responsibility and state similar activities with minor differences in the structure of their CSR reports. These areas are linked to six major themes that are: primary production, procurement, product safety as well as social, environmental and financial responsibilities. The key stakeholders of the case companies were also identified, since it is important for companies to observe the fluctuating and multidimensional environment of their business to serve and satisfy the needs of the society in which they operate. The analysis of the empirical data is concluded with identification of communicated outcomes of CSR activities.

Sammanfattning

Företagskriser förtydligar behovet tydlig kommunikation ansvarstagande för att bevara anseende. Grunden för denna kommunikation ligger i ett ansvarsfullt agerande som speglar medvetenhet om miljöaspekter och sociala aspekter av företagande. Ytterligare en dimension av ansvarstagandet är grundad i vilka intressenter som tas i beakta. Kraven på företag, att visa ansvar i en bred bemärkelse manifesteras i kommunikation genom så kallade CSR (Corporate Social Responsibility) rapporter som en mer eller mindre given del av företags regelbundna redovisning vid sidan om den traditionella ekonomiska redovisningen.

I likhet med många andra industrier söker livsmedelsindustrin grunder för sina ansvarsrapporteringar i hela tillverkningskedjan (värdekedjan / supply chain). Här blir det tydligt att livsmedel, som utgör ett basalt mänskligt behov, blir en angelägenhet för ett stort antal intressenter. Tillverkningen är dessutom relativt arbetsintensiv och global, vilket gör att maten inte sällan är tillverkad eller processad i en annan del av världen. Kraven på kvalitet, spårbarhet och rättvisa arbetsförhållanden för dem som arbetat med matproduktionen blir allt mer uttalade.

Detta projekt handlar om hur två större livsmedelsföretag (Arla och Valio) kommunicerar sitt arbete med ansvarstagande. Analysen av CSR-tema i ansvarsrapporter ger en bild av vilka intressenter företagen ser som viktiga. En jämförande fallanalys, baserat på sekundära empiriska data, i en Nordisk kontext utgör grunden för analysen. Utgångspunkten för jämförelsen är den klassiska ”triple bottom line” i vilken ekonomiska, miljömässiga och sociala tillmäts värde.

Jämförelsen mellan Arla och Valios kommunikation av sitt ansvarsarbete pekar på förhållandevis mycket likheter. De huvudsakliga områdena som båda företagen rapporterar inom är: primärproduktion, inköp, produktsäkerhet samt socialt, miljömässigt och ekonomiskt ansvar. Likheterna kan förklaras av att båda företagen möter en relativt medvetna kunder på sina respektive marknader och att förväntningarna på deras agerande och kommunikation därmed blir relativt likartade. Ansvarstagande (CSR) utgör i den här jämförelsen ingen grund för en tydlig differentiering – båda företagen kommunicerar sitt CSR-arbete mycket medvetet och väl strukturerat.

Abbreviations

AFMP	Arla Foods Milk Partnership
BBS	Behaviour Based Safety
BRC	British Retail Consortium
CFP	Corporate Financial Performance
CR	Corporate Responsibility
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
EC	European Commission
GDA	Guideline Daily Amount
GRI	Global Reporting Initiative
IFS	International Food Standard
ILO	International Labour Organization
NDCI	Nutrient Density to Climate Impact
NGO	Non-governmental organization
RSPO	Roundtable on Sustainable Palm Oil
RTRS	Round Table of Responsible Soy
SBD	Sustainable Business Development
TBL	Triple bottom line
TCA	Thematic Content Analysis
UNGC	UN Global Compact
UNIFEM	UN Development Fund for Women
WBCSD	World Business Council for Sustainable Development
WWF	World Wildlife Fund

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1 Introduction

This chapter presents a brief problem background with regards to corporate social responsibility terms and definitions. The research aim with subsequent research questions and an outline of the study is also provided to give the reader an overview about the structure of the paper.

1.1 Problem background

Much of the academic debate about **corporate social responsibility (CSR)** and its applications have taken place in the last decades. In spite of the debate, it is not possible to say that there is a generally accepted definition of CSR (Dahlsrud, 2006; Whitehouse, 2006). On the contrary, CSR is defined in various ways, from a number of perspectives and aims for different contexts. The most common perception of CSR can be described as the demand of society from companies to take the responsibility of social and ecological consequences of their performance (Morsing & Schultz, 2006; Durmaz *et al.*, 2011; Hartmann, 2011). One of the most popular definitions about CSR is related to **World Business Council for Sustainable Development (WBCSD)**, which continuously has brought up in different articles. It stated CSR as “*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 of the local community and society at large*” (1999, 3).

Nowadays CSR has become one of the most pressing issues in today’s corporate world (Dahlsrud, 2006; Du *et al.*, 2010) and it has gained an increased popularity as a feature of corporate strategies (McWilliams & Siegel, 2001; Whitehouse, 2006; Hartmann, 2011). It is also used for building a good corporate reputation via the corporates’ wide range of stakeholders (Roberts, 2003). The term corporate reputation “[...] *is usually defined in terms of the opinion that those with an interest in the company (stakeholders) hold about the company*” (*ibid.*, 160). Stakeholders of a corporation are considered as individuals or parties with ‘legitimate interests’ with corporations (Donaldson & Preston, 1995) and can mainly be categorized as authorisers, business partners, customer groups and external influencers and their subgroups (Roberts, 2003).

Debates about responsibility of corporations towards society can be followed back to acts of charity and fairness and higher attention on concepts as pricing for businesses before the extension of CSR application (Marrewijk, 2003). A classical view of the corporate responsibility embraces the duties to the owners, in most cases the shareholders. Being responsible translates in this paradigm as maximizing the returns on the invested capital for the owners with a relative short time frame in mind. A more modern view of corporate responsibility however, would argue a wide definition of stakeholder interests that needs to be addressed in a long term perspective (*ibid.*).

Corporations that are committed to CSR activities also have the responsibility to report social, ecological and economic outcomes of their actions to society (Perrini, 2005). Non-financial reporting of CSR responsibility has developed and made CSR reports a more permanent part of a business reporting context (Perrini, 2005). CSR disclosures act as a tool for stating corporations’ sustainable behaviours to stakeholders. Moreover, it can also attract consumers to responsible products in order to benefit from better market opportunities. For example, Vanhamme and Grobbsen (2009, 273) stated that “*consumer support for CSR suggests that corporate communication about social efforts could help a company build a reputation that*

might protect its image against negative publicity or help restore it". Thus, more firms are responding to the growing concern of society about social and environmental issues by reporting their CSR initiatives (Perrini, 2005).

There are many challenges and barriers for an organization to address CSR issues since there are embedded conflicts between corporate ethical and economic objectives. Classical economical perspectives offer grounds for interpreting CSR as an inadequate investment or waste of resources for a firm (Friedman, 1970). In several corporations, management still disagrees on how to allocate funds to CSR activities, believing that it would not be related to profit maximization purposes (Chin *et al.*, 2009).

Debates about incorporation of CSR issues also continue in different industries as they own different types of supply chains (Maloni & Brown, 2006). For example, the food sector may gain increased insights to address challenges related to its natural resource dependence, fulfilment of one of the basic human requirements and finally the increasing awareness of society about what they eat (Hartmann, 2011). Currently, globalized food systems and international supply chains offer more challenges associated with quality assessment, management and ethical aspects of food production. A number of corporations allocate their production in low-salary countries with poor working conditions for employees and weak environmental protection (www, Omiusajpic, 2011). These allotments cause low standards in manufacturing of raw materials and poor performances in aspects as quality and safety of products in some cases.

Industrial agriculture systems which use fossil fuel, pesticides and fertilizers in unsustainable ways also cause severe damages to environment and public's health (Horrigan *et al.*, 2002). This situation is more remarkable in developing countries which adopted western patterns in their food production and consumption. Currently, these countries experience an increase in diseases among their residents as a result of richer diets (*ibid.*), but unhealthy and insufficient in terms of vital essentials. Though, an immediate action of the internal actors in the food supply chains is essential alongside with the act different legislators.

1.2 Problem

Responsible behavior and sustainability of a firm through CSR approach can bring many benefits for society and businesses in positive ways, since companies are required to consider the outcomes of their activities towards society and environment (Hartmann, 2011). It also helps a business in building a good reputation that is considered as an important marketing tool (Vanhamme & Grobbsen, 2008). According to many real-life instances (e.g., IKEA, The Body Shop, Nike), corporate image can be very delicate matter when a corporation is suspected of misbehaviours that damage its reputation, because a broken trust can influence negatively on the firm's sales and financial benefits (*ibid.*).

The task of managing and communicating the message of social responsibility is very complex (Morsing & Schultz, 2006). Companies are expected to satisfy a wide range of stakeholders' expectations, which leads to a variety of perceptions of what CSR should entail. Consequently, CSR has changed its focus many times over the past decades (Perrini, 2005). Besides, an appropriate evaluation procedures and business measures for CSR activities are still lacking (Perrini, 2005; Hartmann, 2011).

Corporate responsible conduct assumes that companies are willing to enact and reveal their CSR activities for both internal and external stakeholders in order to be able to show the relationship between their responsible actions, developed competitiveness and improved economic results (Murillo & Lozano, 2006). On the other hand, researches that study CSR and its' impacts on business performance vary in their perceptions of the outcome (Chin *et al.*, 2009). As the experimental data is rather controversial, and there is no general agreement about items that should be employed in order to realise a corporate commitment to CSR or to identify the outcomes of such a commitment. Correspondingly, inconsistencies in research results can be explained by “[...] *flawed analyses by regressing financial performance on corporate social performance, and/or perhaps from several inadequately controlled variables*” (Chin *et al.*, 2009, 56).

Recently, researches have shown an increased interest in relating the financial and social position of different companies in order to quantify consequences of CSR activities. The relationship between CSR and **corporate financial performance (CFP)** has been one of the most important debates from 1960s (Cochran & Wood, 1984). As the existence of positive or negative relationship between these items is a significant concern for corporate management (*ibid.*). Furthermore, the need for support of shareholders requires good proofs that there is no waste of resources through managements' decisions or behavioural changes related to CSR enactments.

All organizations face expectations of responsible conduct. Both public and private organizations are required to be accountable for their conduct. The focus in this project is directed towards the dairy industry as a significant part of the food industry in Nordic countries. These companies have a long standing commitment towards social responsibility and perform transparent communication about their efforts. The case companies of this study, Arla and Valio are two international dairy producers that produce and sell their products on an international market. Moreover, both of them have implemented CSR as the main feature of their companies and communicate their CSR activities through their websites.

This paper offers a comparative overview of which CSR initiatives are communicated and measured in a sector that is challenged by social and environmental issues. This study will also try to identify the related stakeholders of these CSR activities and categorize outcomes of these CSR efforts. The finding of this study can offer framework to other companies in this industry which share struggles for communication of their CSR performance.

1.3 Aim and delimitations

This paper focuses on communicated corporate social responsibility reports of the case companies in order to provide an overview about CSR themes and topics in the dairy industry. In fact, the comparative analysis aims at describing the CSR actions taken and communicated, with a focus on the following research questions:

- What kind of CSR activities are reported in public corporate reports?
- Which stakeholders are concerned with the reported CSR outcomes?
- What is the communicated outcome of these CSR efforts?

The objective is to review the CSR communication of the case companies and identify concerned stakeholders and outcomes of CSR activities. However, this comparative case analysis offers a contextual understanding of corporate conduct with regard of barriers and

delimitations as follows. Although selected frameworks from the academic literature have been used by researchers for assessment of CSR activities, there is still no index for the measurement of how different corporations are committed to CSR (Hartmann, 2011). In this paper, an inductive approach is used in order to gather, summarize and build a relationship from raw data in order to develop a structure for the study (Thomas, 2006). Consequently, as a methodological delimitation, there is no normative discussion about how much these corporations are committed to CSR issues in view of their behaviours and actions.

The theoretical framework of this paper is involved of the triple bottom line, the stakeholder theory and CSR communication framework in order to show the broad responsibilities that all corporations carry through different groups of society. These groups consist of human resources, shareholders, consumers, suppliers, public authorities, local and global communities and environment (Perrini, 2005). However, “[...] *stakeholders’ low awareness of and unfavourable attributions towards companies’ CSR activities remain critical impediments in companies’ attempts to maximize business benefits from their CSR activities*” (Du *et al.*, 2010, 8). For example, there are some groups of stakeholders like consumers that have a higher attention on conventional concepts as price and quality (Maloni & Brown, 2006) or shareholders with profit seeking goals that might make problem for CSR commitments of a firm.

Another theoretical delimitation of this study is related to the CSR communication of different companies. A study of CSR communication by Morsing and Schultz; (2006) has shown that most of firms are practicing one way communication in their CSR reporting system and involve low contribution of their stakeholders. Communication strategies however, “*underline the increased necessity for managers to incorporate learning and techniques to support more stakeholder involvement*” (Morsing & Schultz, 2006, 328). In other words, the firms also need to involve their stakeholders in their CSR communication.

There are also many barriers that can make CSR assessment uncertain, even with a descriptive ambition. But, beyond all these limiting items, there are more boundaries and inaccuracies in this study itself, as the limited number of theories used for data analysis and subjectivity of the results. All indicators that are used for presenting outcomes of CSR efforts are based on subjective choices influenced on what is reported in the academic literature and availability of data. As a result, they may not offer an all-encompassing picture of CSR efforts, but simply a snap shot of what is currently being communicated.

1.4 Definitions

This part describes definition of three terms that are central in this study. The rest of this paper relies on these interpretations. A context for these terms is offered in the literature review chapter (3).

1.4.1 Corporate social responsibility

CSR is referred as broader series of responsibilities for firms compared to the past. As stated by McWilliams and Siegel (2001, 117): CSR refers to “[...] *actions that appear to further some social good, beyond the interests of the firm and that which is required by law*”. Some publications bring up the term of corporate responsibility (CR), to express wide corporate accountabilities among their stakeholders. In this paper however, the term of corporate social responsibility (CSR) had been applied to express different corporate duties and actions toward the society.

1.4.2 Corporate social responsibility communication

CSR communication emphasises on a firm's contribution in different social, environmental and economic activities and allocation of various resources to them (Du *et al.*, 2010). Currently, companies make more effort and assign additional funds to such activities in order to reach a better social responsibility degree between their stakeholders (*ibid.*). In fact, “[...] the increase in social disclosures represents a strategy to alter the public's perception about the legitimacy of the organization” (Hooghiemstra, 2000, 55).

1.4.3 Corporate financial performance

Corporate financial performance (CFP), defines as illustration of models from the business on economic basis (Marom, 2006) and it mostly concerns the financial position of firms. Besides, “the two concepts of CSR and stakeholder theory shared the position that social responsibility affects financial performance” (*ibid.*, 192).

1.5 Outline

This paper follows a classical structure for a thesis report, based on the presented problem and research questions about different aspects of CSR communication which was presented in *chapter 1*. Figure 1, offers an outline for the structure of the whole paper.

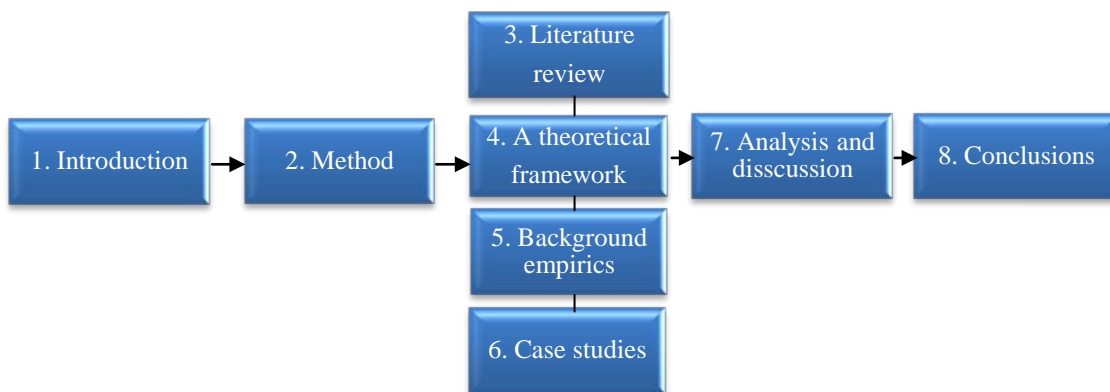


Figure 1. Illustration of the outline of the study

Chapter 2 presents the method approach of the study. It also presents the way of data collection and the methods that are intended to be used for data analysis. In *chapter 3*, by literature review, it is aimed to study the similar researches in order to build a solid ground to describe the CSR activities and their communication through a wide range of stakeholders.

Chapter 4 presents theories that are aimed to be used for empirical analysis. The theoretical framework explains the triple bottom line, stakeholder theory and CSR commitment outcomes in order to identify concerned stakeholders and communicated outcome of CSR efforts. *Chapter 5* gives an account for empirical data about dairy sector and its value chain, making a framework for introducing case studies in *chapter 6* which are two dairy producers, Arla and Valio.

In *chapter 7* empirical findings are analysed and a discussion based on the data analysis is presented. This paper ends with *chapter 8* for conclusions and suggestions for future researches.

2 Method

As stated by Bryman (2008, 30) “*research methods can be and are associated with different kinds of research designs*”, which highlights the need for different research strategies, quantitative or qualitative, for performance of different kind of researches (*ibid.*). This chapter first gives an overview about the process of literature review and continues by identification of theoretical framework and choices related to this study as well as procedure of empirical study for data collection and data analysis.

2.1 A literature review

The procedure of literature review in this paper is based on the academic articles from peer-reviewed journals. This procedure includes gathering an adequate amount of data from the most recent articles on this topic. A primarily idea for this study originated from my supervisor, Cecilia Mark-Herbert, which introduced me an article about CSR in the food sector (Hartmann, 2011). Moreover, a master thesis (Larsson, 2011) on assessment methods for corporate responsibility on the fashion scene has been reviewed along with current study to have an overall view about the subject.

The systematic approach for finding and following related articles and their ideas can be summarized in three stages: At first, literature recommended by the supervisor was reviewed. This literature was used in order to obtain a detailed knowledge about the study subject and choose a direction for finding further articles about the topic. This preliminary review also gave the chance to choose the research terms and their probable synonyms to include the most possible literature in this area for later steps. Table 1 lists the search terms which were used in the process of finding related pieces of literature. These terms were also used together in some points in order to make sure that significant material was not to be missed.

Table 1. Research terms

TX ALL Text	AND	TX ALL Text	AND	TX ALL Text
CSR		Report		CFP
Corporate Social Responsibility		Reporting		Corporate Financial Performance
Food Sector		Communication		Accountability report
Supply chain		Definition		CSR-CFP
Stakeholder		Theory		GRI
Triple Bottom Line		Standard		ISO 26000

In the second stage, key words from the first step have been used for finding related pieces of literature. Related articles were mainly obtained from databases such as JSTOR, SpringerLink, ScienceDirect, Elsevier and Sage Premier. The mentioned databases were used to search for articles from different publications concerning business ethics rather than other academic management journals. Finally, the reference list of some of the articles that were found in the premier stages were used in order to find other related articles, since it was necessary to trace some ideas and read detailed information from their original sources.

2.2 Identification of theoretical framework

A theoretical framework for performance of any kind of research is an important factor, since it extensively influences the data collection and its analysis (Bryman, 2008). Revisions of the literature and CSR reports of the case companies gave the ground for choosing **Triple**

Bottom Line (TBL), stakeholder theory, and CSR commitment practices and outcomes in order to analyse the empirical data and fulfil the aim of the study.

The triple bottom line has become a useful feature of investing, consulting and management (Norman & MacDonald, 2004) that represents the fact that success of a corporation should also be evaluated by consideration of “ethical/social” and “environmental” enactments rather than only concerning about conventional financial aspects. The triple bottom line theory has also become a valuable management tool to identify stakeholder behaviour changes and to react faster, in order to avoid misadventures for the corporations (*ibid.*).

Collecting data about sustainability effects needs a clear consideration of the responsibility area of an organization towards its stakeholders (Henriques & Richardson, 2004). However, “*in stakeholder literature, there are a few broad definition that attempt to specify the empirical reality that virtually anyone can affect or be affected by an organization’s actions*” (Mitchell, 1997, 854). This idea is broadly accepted nowadays and diverse ranges of stakeholders are considered as an organisation responsibility. These stakeholders are reached via CSR and sustainability reports as a part of CSR dialogue aimed at generating “[...] favourable stakeholder attitudes and better support behaviors” (Du *et al.*, 2010, 8). This paper studies the CSR communication of study units to realize the outcomes of CSR efforts by concentrating on stakeholder theory.

Communication of CSR activities generates long run benefits. For example, it can strengthen the corporate image among different groups of stakeholders and improve the loyalty of key stakeholders of the company such as consumers, employees and investors (Du *et al.*, 2010). In fact, engagement in CSR can bring a wide range of business gains rather than financial benefits to companies. A framework of CSR communication presents CSR commitment practices such as message content and message channels and relates them to CSR outcomes. However, the possibility of gaining favourable results in CSR communication is highly related to perceived congruence of social issues that a company involve in its business, as well as stakeholders awareness about these commitments (*ibid.*).

2.3 Choices related to the case study

Ethical aspect of this case study relates to the fact that the issues of corporate ethics and CSR have attained an increasing attention of different groups of stakeholders. These aspects affect the overall perception of the society about corporate behaviors (fukukawa *et al.*, 2007). In fact, “*Ethics are concerned with the types of behavior society considers right and wrong*” (Schroeder *et al.*, 2005, 19). Currently, business trades and ethical issues in the society have become more complex. Moreover, companies need to apply social and behavioral concepts that are related to their businesses and take the responsibility of the consequences of their activities among the society. In fact, any individual or business “[...] as a thinking person or [rational entity], is required to make value judgments concerning his or her own work and its consequences” (*ibid.*, 561). The following text describes further aspects related to the current case study which involves the reasons to choose this topic from different viewpoints. These aspects consider countries and industry of the case companies as well as a short introduction about the case companies.

2.3.1 Choice of countries

The cases were chosen from two Nordic countries, Sweden and Finland. As most companies in these two countries provide a wide array of reliable, publicly accessible data, which made

the performance of this study easier. Sweden is located in Scandinavian peninsula in northern Europe with approximately 9, 4 million inhabitants in 2012 (www, Sweden, 2012). *“Traditionally Sweden’s economy encouraged a high standard of living in combination with high-tech capitalism and extensive welfare benefits”* (www, economywatch, 2012).

A global reduction in export and consumption caused the Swedish economy to face the recession in the second half of 2008 which was also continued in 2009 (www, CIA, 1, 2012). However, it eventually returned to profitability from 2010 and continued till now by banking and governmental diplomacies for offsetting the effects of global changes and slowdowns (*ibid.*).

Finland is another Nordic country and it had the population of about 5, 3 million people in 2011. Finland also *“[...] has a highly industrialized, largely free market economy”* and *“[...] had been one of the best performing economics within the EU in recent years and its banks and financial markets avoided the worst of global financial crisis”* (www, CIA, 2, 2012). It is also the only Nordic country that has joined the euro system (*ibid.*).

2.3.2 Choice of industry

The cases in this project were chosen from food industry as it plays an important role in the social and economic aspects of one society (Maloni & Brown, 2006). Moreover, in recent years, people has got more aware about what they eat (Hartmann, 2011). The CSR prospect of stakeholders in the food industry has also extended in the way that involves the whole value chains and not only the part of retailers and distributors. The value chain for food industry includes following values: *“[...] animal welfare, biotechnology, environment, fair trade, health and safety, and labor and human rights”* (*ibid.*, 35). Some other common CSR issues as community and profitability can also be added to what has mentioned above.

Every industry faces many substantial risks from community criticism about its CSR issues. This situation is more critical in the food industry as it extremely relates to the public welfare of its consumers around the world (Maloni & Brown, 2006). There are also wide ranges of homogeneous products in this sector that makes the market for products of one company very vulnerable to their consumers’ insights. Consequently, there is an increasing tendency to represent an inclusive supply chain CSR model for the whole industry in the food sector (*ibid.*). More detail about CSR in the food industry is presented in chapter 5.

2.3.3 Choice of companies

Due to the existence of diverse approaches to CSR between large and small enterprises (Hartmann, 2011) and different legislation in different countries, it was preferable to choose samples in one or two countries that have not great difference in their laws and the lifestyle of their residents. As a result, two multinational dairy producers, Arla and Valio, that have active market in Sweden, were chosen. Both companies are also working actively with CSR and communicate their CSR activities in their CSR reports through their websites which facilitated the research.

Arla food is an international dairy cooperation which is owned by Swedish, Danish and German dairy farmers (www, Arla, 1, 2012). The weight of milk that was processed in 2011 to other dairy products is estimated to be about 9,250 million kilograms. Besides, the company has its production equipment in 13 countries and sells its products in more than 100 countries around the world (*ibid.*). The company has published its CSR reports under the

heading of “our responsibility” from 2007 till 2010 with an open access on its website (www, Arla, 4, 2011).

Valio on the other hand is owned by Finnish dairy farmers and is the largest milk producer in Finland (www, Valio, 1, 2012). The total amount of milk which is transferred to dairies is about 2,000 million liters annually (www, Valio, 2, 2012). It has 15 production plants in the country and it is stated by the company that there is the same level of quality control on all of these equipment (www, Valio, 3, 2012). The company has also been nominated as the “most responsible company in Finland” for couple of years (www, Valio, 4, 2012). Corporate responsibility reports of the company are disclosed from 2008 till 2010 and are accessible under the title of “sustainability” from the company’s website¹ (www, Valio, 5, 2012).

In the table 2 net revenues of both companies between the years 2007 till 2011 is presented in order to give a broad view about the size and financial position of the case companies. Rate of exchange between Euro (EUR) and Danish krona (DKK) is an approximate average of its changes in mentioned period which was about 7, 44 DKK for 1 EUR (www, fxtop, 2012).

Table 2. Net revenues of the case companies (www, Arla, 3, 2012; www, Valio, 6, 2010)

Year	Arla (DKK, million)	Valio (EUR, million)	Valio (DKK, million)
2007	47,742	1,713	12,745
2008	49,469	1,844	13,719
2009	46,230	1,787	13,295
2010	49,030	1,822	13,556

The reason of drastic difference between the amounts of net revenues is related to the size of two companies. It is understandable that Arla differs greatly in size from Valio. A closer look to the amount of net revenues of each company shows a fairly high decrease in the year 2009. This decline can be interpreted as a general recession in the economic situation of both countries. However, more significantly, world dairy sector witnessed a slowdown at this year as the low milk price and great input costs for dairy farmers (www, International Dairy Federation, 2010). The CSR strategy of these two companies, dimensions of their CSR enactment, and companies’ efforts in each dimension is presented in detail in chapter 6.

2.4 Empirical study

“[...] *Qualitative designs are aimed at collective qualitative data, such as interview or observational data*” (Bhattacharjee, 2012, 37). Sustainability methods are also based on qualitative perception (Dobon *et al.*, 2010). This study has chosen qualitative research design and the empirical data collection was observed from the general disclosure of the case companies CSR activities, since the CSR disclosure of this companies can be assumed “[...] *as the most direct expression of the companies’ attitudes and behaviors regarding social responsibility*” (Perrini, 2005, 611). Besides, case study or case research design has been used as part of qualitative approach. This method is performed by gathering detailed data considering the social or organizational processes in a company in order to recognize its performance towards the chosen problem (Cassell & Symon, 2004). The main steps of a qualitative research are outlined in figure 2.

¹ Sustainability communication database of the company was changed during the process of data collection in this study to one main CSR communication related to 2011.

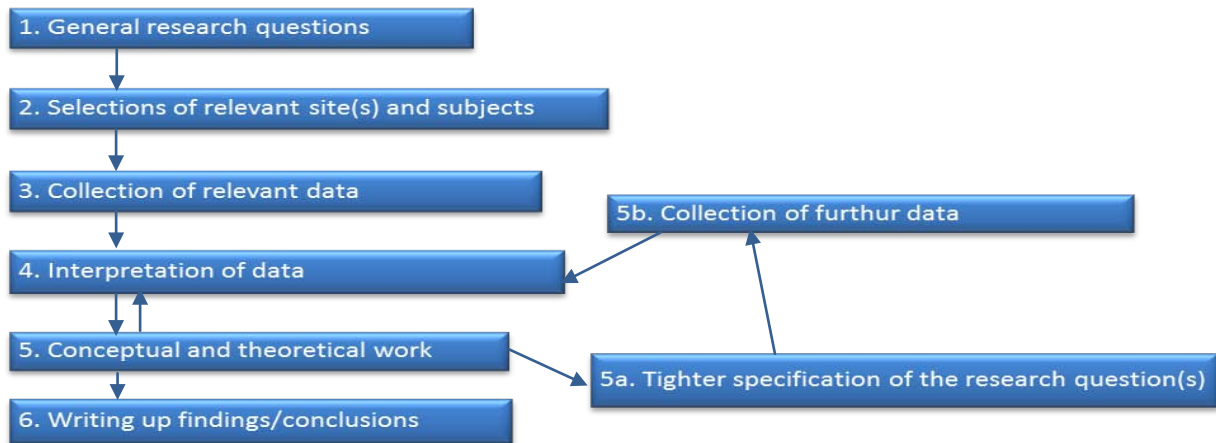


Figure 2. An outline of the main steps of qualitative research (Bryman, 2008, 370)

This figure summarizes the process of qualitative research in six key steps which can also be considered as a clarification for the outline of this project. It starts from posing research questions as the aim in the introduction chapter to writing up conclusions in the last chapter. As it is mentioned earlier and is shown in the picture, theoretical framework is playing a significant role in the process of interpretation of gathered information and drawing conclusions for any kind of research.

2.4.1 Case study

Case study research design is one of the most common procedures in business researches and it is also applicable for the purpose of testing or building a theory (Bhattacharjee, 2012). In fact, “*Case study research consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context*” (Cassell & Symon, 2004, 323). Different techniques can be used for collecting data in this method, such as interviews, prerecorded facts and figures, observations and secondary materials (Bhattacharjee, 2012). Case research method makes it possible for the researcher to use the wide range of data from multiple participants’ prospects, but it has some disadvantages as well. For example, it carries the weakness of some research methods as not having any internal validity or experimental control. It is also difficult to take a broad view from one case research to another as the interpretations are mostly subjective and correct within the studied companies (*ibid.*).

This study, as a qualitative case study is conducted by studying only two cases located in one small part of Europe. And its results cannot be generalized to other countries and industries due to the existence of many internal and external factors which influence CSR initiatives of different industries in different countries. However, the case study was chosen in this study, since it was the best procedure to gather qualitative data from secondary materials of the case companies in a specific period of time.

2.4.2 Data collection

According to Coffey and Atkinson (1996), diversity in data collection approaches in qualitative method and the research aim, affect data collection as well as data analysis. Primary data in this study was collected from secondary data in sustainability or CSR reports of the case companies which are disclosed in companies’ websites on annual basis in order to build a comparative case study within two study units. Secondary data from public reports of the company was applied due to the stakeholder based view in application of voluntary CSR (Utama, 2007). These kinds of information are available to all type of stakeholders from

customers to investors and make them to be able to value different activities of companies (*ibid.*).

The empirical data in this study was intended to be confirmed by the case companies' CSR segments in order to make the study more credible and generate more reliable results about the case companies. The process of credibility gives an internal validity to a research and it involves performances which provide an independent inspection to the process of data collection (Bhattacharjee, 2012). "*Qualitative research can be considered credible if readers find its inferences to be believable*" (*ibid.*, 112). Collected data about Arla Foods CSR enactments have been validated by the company Vice President of corporate responsibility, Ulla Nilsson. However, making contact with the other case company, Valio Ltd, was not promising.

2.4.3 Data analysis

Data analysis can be defined as the procedure which primary data is categorized to its basic components to understand underlying patterns (Coffey & Atkinson, 1996). This procedure involves "[...] *Analytic perspectives and techniques in order to make discoveries and generate interpretations of the social words we investigate*" (*ibid.*, 154). Thus, the results of a study are highly dependent to the data analysis procedure that enables an author to replicate appropriate results about the study objectives.

Different ways for qualitative data analysis have been suggested by different authors. However, all these techniques have similar steps for revision of data in order to realize the key factors or key patterns in the gathered data. In this study, the data analysis is performed by **Thematic Content Analysis (TCA)** which is a descriptive representation of qualitative data (Anderson, 2007). This form of analysis enables an author to recognize common themes upon the collected data (*ibid.*) and as a result make the interpretation of data easier.

The process of TCA is very close to the definition of Wolcott (1994) from data analysis. As he did not consider any interpretation of data at first stages of data analysis and stated that different interpretations of the author at primary phases of analysis may result in different outcomes (Coffey & Atkinson, 1996). His method of analysis is consisted of three steps: description, analysis and interpretation that are defined shortly as follows (*ibid.*).

- *Description*: In this method, the descriptive data is expressing itself and the analytical form of data would stay close to the gathered primary data.
- *Analysis*: Analysis in this process refers to the stage which the researcher identifies core issues and main relationships.
- *Interpretation*: This is the stage which the researcher presents his or her own interpretation about what is really happening around the study subject by deciding about name of the themes and explain them by several quotations from the empirical data (www, Subvista.wordpress, 2012).

According to the steps of TCA stated by Subvista.wordpress; (2012), the empirical data in this study is categorized to its main themes. These themes are connected to their main subjects at the same time in order to make the final interpretation of each theme easier.

3 Literature review

This chapter offers a broad context for understanding corporate social responsibility (CSR) and corporate efforts to address challenges related to sustainable development. It begins with introducing definition of CSR and the process of CSR communication with different (groups of) stakeholders. Public policies of CSR disclosure and items that are considered as the most important CSR activities are also presented. This chapter concludes with an economic model about the relationship between CSR and (CFP) and market reactions on corporate CSR activities and the need for transparency in communicating of sustainability data.

3.1 Corporate social responsibility

In spite of numerous efforts about presenting an all-encompassing definition for CSR, there is still ambiguity about definitions in the academic as well as corporate world (Dahlsrud, 2008). In fact, “*There are many available definitions of CSR and they are consistently referring to five dimensions*” (*ibid.*, 6). These dimensions are identified and categorized in Dahlsrud’s (2008) study of 37 CSR definitions in the time span between the years 1980 to 2003 as: voluntariness, stakeholders, social, environmental and economic responsibilities. Thus, CSR is defined as the deliberate commitment of companies to take part in activities with social and environmental objectives. Moreover, it can also be defined as considering ethical issues towards different stakeholders in companies’ performances (Durmaz *et al.*, 2011). These objectives are not contrary to profit objectives, but they will influence the way in which profit (value) is created. Therefore, it is also believed that in the profit pursuing view of the firm, there are additional long term benefits in investing in companies with a socially responsible conduct (*ibid.*).

Literature regarding incentives for CSR mostly focus on heavy industries such as mining, energy and chemical sectors, as well as service industries (Durmaz *et al.*, 2011). For example, the aviation industry as a service provider is more sensitive to financial developments and social fluctuations. Since this industry is a way of cultural and social growth via nations, and has the great environmental influence on air pollution (*ibid.*). Yet, more companies in various industries work with CSR for different reasons regarding their organizational principles (Maloni & Brown, 2006). They are often conscious about the damage that irresponsible behavior is bringing to the company’s reputation and the fact that “*a damaged reputation can impact on the company’s sales and profits*” (Vanhamme & Grobбен, 2008, 273).

“*Over the last fifty years, the concept of CSR has changed its focus many times – from an initial, vague awareness of the relationship between companies and their social-environmental reference context to an out-and-out identification of rules of conducts and management tools*” (Perrini, 2005, 611). Currently, more citizens are becoming aware of the concept of corporate responsibility, which leads them to demand companies to be accountable and take responsibility for the consequences of the companies’ activities (Hartman, 2011). The use of CSR for firms on the other hand, claims to act as an effective tool to face the harmful impacts of any disaster as a proactive risk management toolkit (Vanhamme & Grobбен, 2008). Respectively, CSR takes a prominent place on the worldwide corporate programs in current socially sensible market situation (Du *et al.*, 2010)

Recent developments in the field of CSR have highlighted the need for using stakeholder theory in order to study different aspects of CSR activities (Hartman *et al.*, 2007). Stakeholder theory also plays an important role in literatures regarding CSR communication and the

hypothesis about the linkage between CSR and CFP (Orlitzky *et al.*, 2003). Also, it “[...] has been a popular heuristic for describing the management environment for years” (Mitchell *et al.*, 1997, 853). That means the concept of stakeholders has been a part of management scholarship and managers’ thinking for a long while (*ibid.*). Furthermore, it is widely accepted in management literature that a full social report can be only built on the stakeholder model (Henriques & Richardson, 2004).

The basic notion for stakeholders of a firm can be referred to Freeman’s (1994) idea about recognizing who and what really should be counted important through corporations’ management strategies. This will clearly include a wider part of society in contrast with Friedman’s (1970) idea, as the most prominent exponent of CSR (Hartman, 2011), that considered shareholders and their interests as the most significant corporate social responsibility of an entity. Stakeholder theory is explained in detail in the theory part of this paper (chapter 4) as a tool for analysis of the empirical findings.

3.2 Corporate social responsibility communication

Companies’ disclosure of their CSR activities is stated within non-financial reports in order to direct their CSR message to different groups of stakeholders. Nowadays, “*CSR reports are becoming a more permanent feature of the business landscape*” (Perrini, 2005, 611). Any payback from CSR activities is highly related to stakeholders’ awareness of a firm’s CSR enactments (Du *et al.*, 2010). However, CSR communication is very challenging for businesses as “[...] stakeholder expectations regarding CSR are a moving target and must be considered carefully on a frequent basis” (Morsing & Schultz, 2006, 323). Stakeholder interest was ascribed to some particular industries and several specific aspects in the past. However, currently more extensive CSR communication is required by stakeholders. This is explained as the outcome of stakeholders’ rising awareness of companies and the socio-economic environment which includes other partners in the company’s supply chains (*ibid.*).

3.2.1 CSR communication strategies

CSR communication strategies are classified based on the degree of stakeholder involvement in CSR dialogue (Morsing & Schultz, 2006). These strategies are defined as informing, responding and involving in order of stakeholders’ contribution in management CSR strategies. Most companies are practicing one-way communication (informing strategy) or involve very low level of stakeholders’ participation in management decisions (*ibid.*). In table 3, three CSR communication strategies and their relative stakeholders’ activities and roles are defined in order to shed light upon the significance of engaging stakeholders in the CSR communication.

Table 3. Three CSR communication strategies (Morsing & Schultz, 2006, 326)

	The Stakeholder Information strategy	The Stakeholder Response strategy	The Stakeholder Involvement strategy
Communication ideal	Public information, one-way communication	Two-way asymmetric communication	Two-way asymmetric communication
Stakeholders	Request more information on corporate CSR efforts	Must be reassured that the company is ethical and socially responsible	Co-construct corporate CSR efforts
Stakeholder role	Stakeholder influence: support or oppose	Stakeholders respond to corporate actions	Stakeholders are involved, participate and suggest corporate actions

Table 3, clarifies the role of stakeholders in different kinds of CSR communication strategies. With informing strategy, one-way communication is experienced and stakeholder has the least influence on the CSR message. In responding and involving strategies on the other hand, two-way asymmetric communication is applied and corporations can take the benefit of stakeholder's feedback in their CSR enactments and communications.

3.2.2 What to communicate and communication channels

A firm's CSR communication is distinctly focused on two different categories of messages: "[...] *social cause itself or to a company's specific involvement in a social cause*" (Du *et al.*, 2010, 10). A hypothetical example of social cause can be defined as a company's support for building schools for children in some rural areas. While with the message of allocating a certain amount of sales, the company transfers social cause to its special involvement in that event. CSR communication normally focuses on involvement in social causes and stakeholders expect companies to involve only in those social issues that logically associate with the main activities of a corporation (*ibid.*).

There are a wide range of channels through which CSR messages can be released (Du *et al.*, 2010). These channels include formal ways as annual reports or allocation of a part in companies' websites, and other ways as press disclosures and product packaging. CSR communication has also a wide range of external CSR correspondents as consumers, employees and investors (*ibid.*). However, "[...] *the findings from the reputation surveys indicate the increasing importance of minimal release such as annual reports and websites as a preferred means of CSR communication by stakeholders rather than corporate advertising or corporate release*" (Morsing & Schultz, 2006, 336). By mentioned release channels, stakeholders have the minimum engagement and a limited number of communication channels in CSR communication. However, "[...] *it allows maximum flexibility and a strong focus on content*" (*ibid.*, 336) for corporations.

Companies can take control of their own CSR channels and the content of their CSR message which are communicated through the members of their own value chain (Du *et al.*, 2010). However, there is less control on those communicators who are not member in the company value chains as media, customers and observing groups. "*Moreover, there is likely to be a trade-off between the controllability and credibility of CSR communication; the less controllable the communicator is, the more credible it is, and vice versa*" (*ibid.*, 13). In fact, stakeholders are tending to trust more to the messages that the corporations have the least control on them.

CSR communication is always challenged by the stakeholders' uncertainty (Du *et al.*, 2010) and as a result brings many hardships for managers who are involved in CSR communication (Morsing & Schultz, 2006). On the other hand, it can help companies to build a good reputation and often, good relationships with their stakeholders which bring many pecuniary and non-pecuniary benefits for corporations in the long term. Public policies for CSR reporting are discussed in following in order to shed light upon diverse efforts of different organizations to assist companies in achieving their sustainability and economic progress.

3.3 Public policies for CSR reporting

CSR as one of the top concerns of stakeholders and businesses in the last decades has attained significant attention of authorisers such as governments and other organizations which have been concerned about sustainable development and environment (Albareda *et al.*, 2007).

“Considering work is being done on CSR issues by academics, non-governmental organizations, institutes and business groups, especially in North America and Europe” (WBCSD, 1999, 19). Examples of these organizations are **World Business Council for Sustainable Development (WBCSD)** and **Global Reporting Initiative (GRI)** which are also connected to set voluntary policies for different aspects of sustainability and CSR reports.

Many governments in recent years have increased their effects in encouraging organizations and businesses to actively engage in sustainable development (Albareda *et al.*, 2007). In fact, they set new political relationships with companies and collaborate with other organizations and the private sector in order to make businesses accomplish their responsibilities towards the civil society (*ibid.*). In addition, organizations such as WBCSD and GRI contribute with support to corporations which aimed at achieving shared objectives of sustainability or economic progress (GRI, 2011; WBCSD, 1999).

Corporate sustainable development has been the subject of interest for a wide range of internal and external stakeholders (GRI, 2011). To support these expectations and to perform a clear and reliable sustainability communication, a standardized and credible framework is required. GRI is one of the organizations which provided a trusted structure for sustainability reporting that can be used by a diverse range of industries and companies. “*The GRI reporting framework is intended to serve as a generally accepted framework for reporting on an organization’s economic, environmental and social performance*” (*ibid.*, 3). It provides different principles, guidelines, protocols, and standards to define the way and the content of sustainability reports (*ibid.*). GRI with WBCSD have also the responsibility of managing and monitoring the corporations’ performances and assessing the degree of their sustainability by means of their reports.

3.4 What is CSR all about

The core values of CSR are described in different bodies of literature. However, most authors refer to similar topics and definitions. For example, Perrini; (2005) states that corporations’ communication of CSR messages is regulated to specific CSR themes which are linked to “[...] *operational efficiency, maximum safety, environmental protection, quality and innovation, open dialogue, skill development, and responsible citizenship*” (*ibid.*, 611). In food sector however, different issues such as sustaining the resources, maximizing standards of animal health and welfare, safety and hygiene of the workers, operating within biological restrictions of natural resources get priority for sustaining the supply chains within the industry (Smith, 2007). Altogether, an informing procedure is needed to be conducted by actors inside and outside of food supply chains about nutrition, health and safety of the products towards different stakeholders of the food industry.

According to Sustainability Reporting Guidelines (RG) of GRI; (2000-2011) and WBCSD; (1999) sustainability reporting is a broad term for CSR reporting of corporations, which involve in social, environmental and economic aspects of business conduct. The central sustainability and CSR guidelines by the two multinational organizations of GRI and WBCSD are stated in table 4. These values give a broad view about the main CSR activities that are intended to be communicated in corporate reports.

Table 4. The central sustainability and CSR guidelines by GRI and WBCSD (WBCSD, 1999; GRI 2011)

Sustainability reporting guidelines by GRI	Company core values by WBCSD
Economic responsibility	Human rights
Environmental responsibility	Employee rights
Labor practices and decent work	Environmental protection
Human rights	Community involvement
Society	Supplier relations
Product responsibility	Monitoring
	Stakeholder rights

Both of these organizations, GRI and WBCSD refer to the same themes and topics for CSR and sustainability activities and communication of them, with minor differences in their classification. However, WBCSD expresses the business responsibility via each core value more explicitly than GRI guidelines. In table 5, company core sustainability values by WBCSD are presented with explanation and examples, to identify the main businesses' tasks towards sustainable development and CSR in particular. The GRI reporting guidelines, disclosure approach, and organizational responsibility is summarized in Appendix 1.

Table 5. Company core values, adapted from WBCSD (1999, pp.6-10)

Value	Meaning and related activities	The business responsibility
Human rights	Human rights are the universal rights that every person is entitled to enjoy and to have protected. It covers two broad sets of right according to United Nations in 1948: civil and political rights and social and cultural rights.	<ul style="list-style-type: none"> • Expressing their support for human rights and provide awareness training for staff • Providing support for human rights in all countries around their operations and include employees' families and local community • Being aware of their whole supply chain in other part of the world and learn from others' good practices. • Following the international conventions as a valuable guidance on their responsibilities
Employee rights	Employee rights include the freedom of association and the right to collective bargaining, elimination of all forms of forced and compulsory labor, ending of all child labor, and the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> • Freedom of association and the right to collective bargaining for the employees • Making clarification for the process of different strategies of the corporation which related to its' employees such as down-sizing, mergers and layoffs • Exercising a higher level of stewardship with employee rights • Respecting the local customs and applying cultural and gender diversity in the work place
Environmental protection	Environmental protection is referred to protecting the environment from the impact of corporate operations. It also includes the legal obligation of protecting the physical environment of the company supply chains. Companies should also commit to continuous improvements in eco-efficiency and manage the full life cycle of their products or service.	<ul style="list-style-type: none"> • Being proactive on the environment and seek solutions that can lead to competitive advantages. Environmental issues are inter-linked with many aspects of CSR.

Table 5. (continued): Company core values, adapted from WBCSD (1999, pp.6-10)

Community involvement	Community issues cover a broad range of activities, including community assistance programs, supporting educational needs, development a shared vision of a corporation's role in the community, ensuring community health and safety, sponsorship, enabling employees to do voluntary work in the community and philanthropic giving.	<ul style="list-style-type: none"> • Focusing on core business impacts and interactions as well as on more traditional philanthropy • Dealing with the tension between the priorities of different communities such as those of employees and local residents • Understanding the community concerns and letting the community know that they are taking seriously by the company • building trust with the community demands and having the long term commitment to the society
Supplier relations	Supply chains are mostly complex interrelationships between wide ranges of companies. Corporations are affected by the actions of their direct and indirect suppliers.	<ul style="list-style-type: none"> • Applying a full life cycle approach to the products of the company • Extending their responsibility in both ways of up-stream and down-stream through their supply chains
Monitoring	Managing, measuring, monitoring and Assessing are referred to quantifying the social and environmental performance of a corporation by third parties. However, performance in the social area is inevitably more difficult to quantify than commercial or even environmental performance.	<ul style="list-style-type: none"> • Within the company, the need has been recognized for proper social responsibility management guidelines and reporting systems to be introduced and objectives set.
Stakeholder rights	The argument that the company should satisfy a wider group of interested parties that called stakeholders. These include not only shareholders, but also employees, customers/consumers, suppliers, communities and legislators. These stakeholders have different degree of rights and influence from shareholders. However, they still need to be respected.	<ul style="list-style-type: none"> • The business responsibility to stakeholders has mentioned in classified groups of stakeholders in this table.

The mentioned framework by WBCSD is applied by the businesses which are intended to move towards sustainable development (WBCSD, 1999). It is widely considered that the CSR enactments would bring long term competitive advantages for a corporation (*ibid.*). It helps companies to build a good reputation and receive the trust of their stakeholders that can be considered as goodwill for a firm (Vanhamme & Grobbsen, 2008). However, the general success of CSR is highly dependent on the period of time that a company has published its CSR records (*ibid.*).

WBCSD also thinks towards development of solutions for quantifying the commitment of companies to sustainable development. It cooperates with other organizations such as the GRI, the institute of Social and Ethical Accountability, the Coalition for Environmentally Responsible Economics (CERES), and the Association of Chartered Certified Accountants (ACCA) to expand new metrics or reporting standards in order to fulfill this objective (WBCSD, 1999).

3.5 CSR and Corporate Financial Performance

The relation between the two concepts of CSR and corporate financial performance (CFP) has been the subject of various debates in the past three decades (Marom, 2006; Orlitzky *et al.*, 2003). Nevertheless, “*despite the different viewpoints, these studies are very similar, and address the same issue; how moral conduct by firms toward their stakeholders affects the firms’ wealth*” (Marom, 2006, 193). In most of academic literature about the relationship between CSR and CFP, the term **Corporate Social Performance (CSP)** has been used instead of CSR that mostly reflects the societal relations of CSR activities (Orlitzky *et al.*, 2003). In fact, “*by integrating social responsibilities, social responsiveness, and social issues the CSP model provides a valuable framework for overall analyses of business and society*” (Wartick & Cochran, 1985, 758). CSP has a holistic view to all social responsibility principles and policies of an entity through the society (*ibid.*).

In the following, it has been tried to bring an economic model in order to identify the relation between CSR and CFP. In other words, it is aimed to identify how much the commitment to the social bottom line in one business effect its economic bottom line in accordance with the triple bottom line theory. The final perception however, cannot be quantified and measured, but it can only be used as an interpretation of the relatedness between commitment of companies to social responsibilities and improvement of their financial performance.

3.5.1 Modification of the corporate performance measures

Constructing economic models between CSP and CFP has been argued in different academic researches (Marom, 2006; Orlitzky *et al.*, 2003). These models applied different indicators in order to illustrate a relationship between these two aspects. In this study however, a model which employs the two concept of CSR and stakeholder theory is selected and explained as it fits more to the aim of this paper. This economic model integrates the social responsibility and the financial performance of a firm. These two concepts can relate to each other in different ways; positive, negative or neutral (Marom, 2006). Moreover, it is constructed upon general business domains and its CSR activities (*ibid.*). Though, a revision on business basic domain is required initially.

The basic business domain discusses about the markets of different products (Samuelson & Nordhaus, 2005). These markets work all together in order to regulate a common equilibrium between prices of different products and the generated profits for the firms (*ibid.*). In fact, businesses are producing goods and services in order to fulfill the requirements of their customers (Marom, 2006). Besides, customers are willing to pay for the products that have more value for them. And the more customers are willing to pay for products, the more profit is gained by businesses (*ibid.*).

Marom’s (2006, 196) unified theory of the CSP-CFP link is “*concerning the relationship between the level of social outputs and financial performance, modeled on the economic theory, which describes the relationship between products (core business products) and financial performance (profits)*”. It assumes CSR activities of a firm as social products and constructs a business case for CSR activities of firms by relating CSR concepts and business areas to each other. In table 5, business domains, their corresponding CSR concepts, and their abbreviations and definitions are provided in order to give a holistic picture of the items of a mathematical model which is presented later.

Table 6. The economic principles and their corresponding CSR concepts (Marom, 2006, 196)

Business domain	Corresponding CSR concepts	Definitions
Core business products	Social outputs/social products (S)	Considered as the result of CSR application by the firms.
Consumers	Stakeholders (T)	Social outputs of the firms are satisfying the expectations of wide range of stakeholders.
Cost	Cost of social outputs (C)	The cost of producing social products such as capital investment or labor costs.
Consumer utility	Utility/stakeholder utility (U)	Stakeholders are receiving utility from social outputs, since they protected from negative effects of a business and/or better living condition is provided to them.
Revenues	Rewards/ firm rewards (R)	Satisfied stakeholders are willing to contribute more positively in all aspect of the business activity.

Although business domains and CSR concepts are parallel to each other, they differ in terms of payment procedure (Marom, 2006). In business domain, the payment for product is clear; the product price and the transactions are accomplished immediately between the consumer and the firm. While CSR values are not gained distinctly by a particular stakeholder and they normally take a longer period of time to be accounted for (*ibid.*).

Besides, in order to avoid the complexity of the concept of customers' utility, it is essential to consider that the business and CSR areas affect the financial performance of the firm separately (Marom, 2006). The reason for this separation is that the marginal utility from social products is hardly definable. In other words, it is not possible to identify a point where the stakeholders reach to the point of marginal utility from social products of an entity. Whereas, the customers' utility from core products of a firm is interpreted to have a reversed U-shaped function (*ibid.*). This reflects the fact that consumers support for core products of a company would decrease with increasing of their marginal utility.

In constructing the economic model Marom (2006) initially made an assumption about the basic case of the firm that creates one social output (S) and has one group of stakeholder (T). Besides, this firm carries the cost of (C) and earns the reward of (R) for its social product. The social product makes the utility function (U) for the mentioned stakeholder group, so the profit by the firm from its CSR activity would be as follows (*ibid.*, 197).

$$Profit_{CSR} = R - C$$

$$Profit_{CSR} = R - C = U_S^T \times S - C$$

However in real world situation, more than one social product and one group of stakeholder can be assumed. In following equation, the firm produces "M" social products and has "N" groups of stakeholders which each of them have the potential of gaining utility from any of the social products. As a result the total revenue of the firm from its social outputs is as follows (Marom, 2006, 197).

$$R = \sum_j \sum_i R_{ji} = [U]_{N \times M} \times [S]_{M \times 1} = [U] \times [S]$$

In order to calculate the social profit, we need to reduce the total cost of social outputs from its revenue:

$$Profit_{CSR} = \sum_j \sum_i R_{ji} - \sum_j C_j = [R] - [C]$$

$$Profit_{CSR} = [U] \times [S] - [C]$$

Thus, the profit related to CSR activities of a firm is resulted from the sum of “ $M \times N$ ” “rewards” directed from “ M ” groups of stakeholders that pay for “ N ” social outputs of the firm; minus the total cost of generating these CSR activities. This unified theory, contains two opposite CSR related components; costs and payments (rewards). As a result, it describes all possible relations concerning CSP and CFP (Marom, 2006). This means that mentioned relationship can take positive, negative or neutral direction based on the relation between marginal costs and marginal revenues (*ibid.*).

3.5.2 The relationship between CSP and CFP

Instrumental stakeholder theory proposes a positive relationship between CSP and CFP (Orlitzky *et al.*, 2003). “According to this theory, the satisfaction of various stakeholder groups is instrumental for organizational financial performance” (*ibid.*, 405). This considers the fact that corporations should recognize those stakeholders who are more interested in CSR enactments and perform those CSR activities that produce further utility among them (Marom, 2006). The exact estimation about quantifying how much CSR activities of a firm can influence the CFP is beyond the aim of this study. Also, few managerial models have been extended for evaluating the effects of CSR on stakeholder’s utility and firm’s profitability (Murray & Vogel, 1997).

This study offers a contextual understanding of two perceptions developed by Orlitzky *et al.* (2003), generated in a meta-analysis of 51 studies about the subject of CSP/CFP correlation. The first suggestion considered that CSP and CFP are positively related in different industries and study areas. And the second suggestion highlights the bi-directional relationship between CSP and CFP. In figure 3, the bidirectional relationship between CSP and CFP and their relation with corporate reputation has been outlined.



Figure 3. Interactive relationship among CSP, CFP, and CR (Carroll & Buchholtz, 2003, 58)

In fact, the later concept of Orlitzky *et al.* (2003), suggests that as long as a business is profitable from its normal operation, it can invest more in its CSR activities. The need to link the sustainability and/or social responsibility of an entity to its financial reports, rather than an assumption of a positive relation between CSR and CFP, originates from several points as follows. Firstly, financial reports are known to be reviewed by authentic groups and they are subject of attention for many stakeholders.

“What we do tend to know about organizations-with a high degree of reliability-is the extent to which they are acting with appropriate financial probity. And we know this because

organizations are required to provide full statements about their financial performance and these statements are subject to a usually fairly rigorous audit” (Henriques & Richardson, 2004, 70).

Secondly, the accounting data of a company reflects its economic performance, which is highly related to the strategies adopted by the management and the industrial environment in which a company operates (Alexander *et al.*, 2011). Finally, the economic element of sustainability considers the company’s effects on the economy of its stakeholders and society in general (GRI, 2011). Moreover, the economic responsibility or financial responsibility of an organisation is one of the main components of CSR enactments (WBCSD, 1999).

The financial performance of companies plays an important role in understanding their economic responsibility (GRI, 2011). However, it cannot be considered as the only way for evaluation of companies’ performance. Since companies are also responsible for other aspects of their activities through the society and the environment. And “*Organizations should answer justified questions from society and be open about their activities*” (Quaak, 2006, 295). In fact, stakeholders require companies to be accountable and transparent in their non-financial communications (*ibid.*). The notion of transparency along with its importance in CSR communication is discussed in the following.

3.5.3 CSR and transparency

Transparency is an increasingly important device for communication of sustainability data and CSR reports of companies. Since it provides specific disclosure framework to the collected data by reporting companies (Dingwerth & Eichinger, 2010). The need for data disclosure in order to have an efficient and effective performance can be followed back to the earlier need of markets from companies (Elkington, 1999). Businesses have struggled demands to apply wider transparency such as their responsibilities through triple bottom line elements for many years (*ibid.*). Nowadays, recent developments in the field of CR have led to a renewed interest in transparency systems (Dingwerth & Eichinger, 2010). Transparency schemes empower sustainability data of different organizations and make them valuable, available, understandable, and comparable. They also support stakeholders to make knowledgeable decisions about companies’ performances (*ibid.*).

The GRI, for example, is a nongovernmental organization (NGO) which provides structure for non-financial reports and define content and boundaries for reports along with provision of indicators in order to measure companies CSR activities (Dingwerth & Eichinger, 2010). The reporting structure of this company is called G3 and consists of indicators for different areas such as labour and human rights, product safety, and environmental responsibility. This organization also set different application levels namely A, B, and C for companies’ commitment to various G3 indicators (*ibid.*). The GRI however, has continuous development strategy and has generated new reporting structure (G4) which gives more attention to particular guidelines. These guidelines are currently in progress and are mainly related to “*application levels, boundary, disclosure on management approach, governance and supply chain*” (www, Globalreporting, 2012).

In the following chapter, relevant theories related to communication of CSR between businesses and society, are discussed. These theories will be used later in order to make an analysis about the communication of CSR activities of the case companies.

4. A theoretical framework

This chapter provides the theoretical framework for the analysis of empirical data. In this paper, the analysis of non-financial reports, including CSR or sustainability reports, is performed in agreement with the triple bottom line approach and stakeholder theory. A framework for CSR communication is also presented in order to assess what are the outputs of CSR communication above and beyond the financial benefits.

4.1 The triple bottom line

The triple bottom line (TBL) theory developed by Elkington (1999) is considered as a core concept for business's engagement in the SBD framework (Henriques & Richardson, 2004). "Today we think in terms of a triple bottom line, focusing on economic prosperity, environmental quality, and – the element which business had preferred to overlook – social justice" (Elkington, 1999, 70). Elkington suggests that corporations need to add social, economic and environmental concerns with the same weighting to their business strategies.

Currently more investors are screening social and environmental performance of a company instead of only focusing on financial items (Norman & MacDonald, 2004). Reporting structures such as the one suggested by GRI also encourages companies to implement the triple-bottom-line reporting structure with making significant changes toward social and environmental responsibilities (Fukukawa *et al.*, 2007). Besides, WBCSD (1999) has considered CSR as an important component of sustainable development. It adopted a major concept of corporate responsibility (CR) and divided it in to three components of the triple bottom line as the main corporate responsibilities. Figure 4 in following, presents a practical model of the mentioned idea about CR.



Figure 4. Relation of CR and sustainable development (WBCSD, 1999, 3)

Corporate responsibilities are closely tied to economic, social, and environmental bottom lines (Elkington, 1999) which are defined as following. Economic bottom line is considered the common area of concern for most businesses and it regularly described and assessed in terms of the financial facts and figures of one entity. Social bottom line historically states the matters related to resource use with a wide stakeholder perspective. However, it includes broader areas from social, political, and ethical issues such as knowledge, skills, and health of society nowadays. Finally, all topics related to the use of natural resources or natural capital is categorized in environmental bottom line (*ibid.*).

Monitoring the environmental and social outcomes of a business, rather than only focusing on financial aspects, has attained considerable attention in recent years. "[...] developing methodologies to account for the social and environmental impacts of business was a popular

pursuit during the 1970s” (Henriques & Richardson, 2004, 34). As a result, “sustainability accounting” is applied to establish a framework for the monetary effects of sustainability around the triple bottom line for a company. The basic argument for the sustainability accounting framework measures the value that an organization takes away from or contributes to the society in terms of TBL elements (*ibid.*).

“[...] there are two components to the sustainability accounting framework: a restatement of traditional financial accounts to highlight sustainability-related financial flows, and additional accounting to show the financial value of the economic, social and environmental impacts on external stakeholders” (Henriques & Richardson, 2004, 35).

A statement of traditional financial accounts in order to prepare a corporate accountability report involves more stakeholders in the information release process as it shows the paid price and paybacks of an organization’s sustainable programs (Henriques & Richardson, 2004). However, the latter technique for estimation of monetary value of an organization’s impacts has not developed principally (besides its substantial growth) since it is not possible to estimate the pecuniary worth of many intangible social and environmental impacts of businesses on their stakeholders. It is even more irrelevant to add up these measurements in order to achieve sustainable profit (*ibid.*). Table 7 shows examples of social, environmental and economic costs and benefits related to the few external stakeholders to make the argument of hardships or impossibilities of assessment for most of these items clear.

Table 7. Examples of external effects for key stakeholders (Henriques & Richardson, 2004, 38)

Examples of External Costs and Benefits			
	Environment	Social	Economic
Customers	Environment costs or benefits in the use and disposal of products	Ethical, social and health costs or benefits associated with the product	Consumer surplus over and above the market price
Suppliers	Environmental impacts associated with the production of purchased goods and services	Ethical, social and health costs or benefits associated with the production of purchased goods and services	Stimulation of economic growth through the supply chain
Employees	Environmental benefits or risks associated with the workplace	Workplace social costs (such as unpaid overtime) and benefits (such as training and development)	Employment creation through the economic multiplier effect
Community	Emissions, effluents and waste to land, air and water (local, regional, national and international)	Community health impacts: wider social impacts of redundancy and plant closure: nuisance and disturbance	Urban and rural regeneration: infrastructure (e.g. transport links and congestion)
Public sector	Environmental benefits from public-sector investment of corporate taxes in environmental protection	Social benefits from public-sector investment of corporate taxes in health, education and social programs	Public-sector economic multiplier effects
Investors	Risk to investors from poor corporate environmental reputation	Risk to investors from poor corporate social and ethical reputation	Risk to investors from poor corporate economic reputation

Table 7, illustrates external effects of business activities in relation with its stakeholders. Moreover, economic multiplier effect is mentioned several times in economic column of this table, this factor represents the economic consequences that the existence or absence of any kind of business can bring for an area (Hamilton *et al.*, 1991).

Stated challenges about sustainability accounting made a platform for reports as accountability reports which enclose qualitative data rather than only quantitative estimations. These reports present information that stakeholders of a business have the right to know about them (Henriques & Richardson, 2004). And a firm as an environmental and social entity more than only being a financial entity, needs to report important items “[...] giving the social and environmental interactions equal billing with the financial” (*ibid.*, 74) ones.

Currently, these reports focus on providing useful information to the community that is more concerned about quality of life rather than only monetary objectives (Alexander *et al.*, 2011). “Most environmental reporting tends to be narrative and descriptive with entities using the document as a public relations exercise rather than as a true measure of the environmental risks and liabilities they carry” (*ibid.*, 199). In fact, mentioned reports mainly carry qualitative data, since it is challenging to quantify most of social and environmental factors and apply accounting concepts among them (*ibid.*).

4.2 Stakeholder theory

Stakeholder theory has become a core concept for understanding the relationships between business and society (Carroll & Buchholtz, 2003). It is defined as the existence of different parties that have a reciprocal relationship and the same or contradictory interests with a firm. “In stakeholder literature there are a few broad definitions that attempt to specify the empirical reality that virtually any one can affect or be affected by an organization’s actions” (Mitchell, 1997, 854).

In different bodies of business literature, business is always entitled to businesses and its environment (Carroll & Buchholtz, 2003) which reflects the meaning of different ranges of stakeholders around the firm. Within this aspect, society is considered as “a macroenvironment, which includes the total environment outside the firm” (*ibid.*, 6). This aspect considers a wide range of components regarding the society in which a business resides (*ibid.*).

A stakeholder-based approach has different benefits for various stakeholder groups and firms (Perrini, 2005). For example, it allows for each group of stakeholders to identify and accomplish their task within company’s different policies and activities. Moreover, it allows companies to observe the fluctuating and multidimensional environment of their business to serve and satisfy the needs of the society in which they operate (*ibid.*).

Figure 5, shows different groups of stakeholders by categorizing them in to four main groups and their subgroups. All of these groups are considered to have particular interests in regards of CSR strategies of a company (Roberts, 2003).

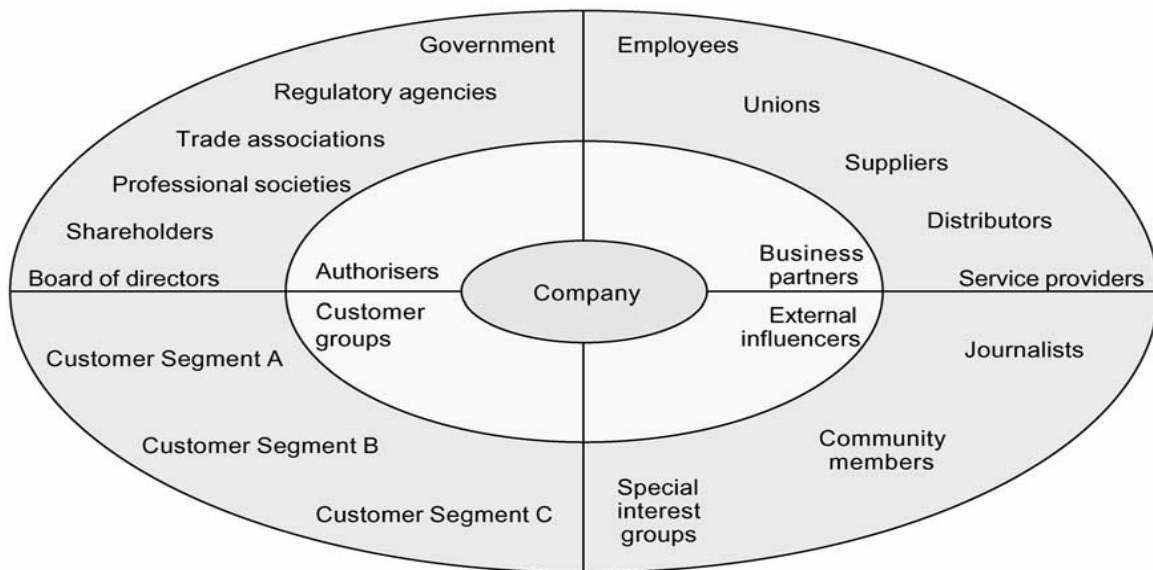


Figure 5. Corporate stakeholders, interpretation of Dowling (2001) by Roberts, (2003, 162).

Stakeholders also have specific interests and distinct expectations of the firms and as the picture shows, they consist of following categories (Roberts, 2003):

- *Authorisers*. They are involved of institutions or individuals which providing authority for business activities and supervise them in their performance. This diverse group of internal and external actors includes the board of directors of the firm and governmental or regulatory agencies, which represent the internal and external interests.
- *Business partners*. This group help companies in their operations in order to reach their objectives. They consist of internal actors as employees and external ones as unions and other parties in the companies' value chains as suppliers or distributors.
- *External influencers*. External influencers consist of external agencies such as NGOs or community groups that mostly show concerns for consequences of the firms' activities, stakeholders, and the external environment.
- *Customers*. The customers of a company are categorized to different individuals, businesses or organizations based on their diverse range of interests and expectations.

The stakeholder theory is categorized in three distinct groups with respect to the research aims: descriptive, instrumental, and normative (Donaldson & Preston, 1995). The instrumental use of stakeholder theory, considers the existence or the absence of connections between different stakeholders of a firm (Donaldson & Preston, 1995). It also studies the success or failure of corporate different goals as growth, profitability and stability (*ibid.*). In fact, this aspect "[...] is useful in establishing the connections between the practice of stakeholder management and the resulting achievement of corporate performance goals" (Carroll & Buchholtz, 2003, 77).

Instrumental aspects of stakeholder theory have been used widely in studies concerning the relationship between CSP and CFP (Donaldson & Preston, 1995). Since it consider causes, such as CSR activity and their effects, such as successful CFP in businesses relationships. This focus is originated from the perception that performing a good stakeholder practice by

management would result in financial performance improvements (*ibid.*). In general, it can be concluded that “*the two concept of CSR and stakeholder theory are fundamental to the study of business and society*” (Marom, 2006, 191).

Corresponding to the stakeholder approach of the firms, economics for environmental and ecological management defines economic as “[...] *the science which studies the allocation of scarce resources in society as a means to the satisfaction of human wants or desires*” (Tisdell, 1991, 2). The welfare of a society cannot be at its maximum when it is the possibility to create welfare for any individuals or groups by making others worse off (*ibid.*). As a result, businesses have a duty to fulfil the needs of their stakeholders in the best possible ways from economical view as well as stakeholder view. In the following section, corporate commitment to CSR and the outcomes of CSR communication is presented.

4.3 CSR commitment practices and outcomes

CSR communication is a voluntary commitment of companies among different groups of stakeholders which can also bring long term financial and non-financial benefits for different companies. CSR communication practices and improved internal and external outcomes of this communication are showed in a framework in Figure 6.

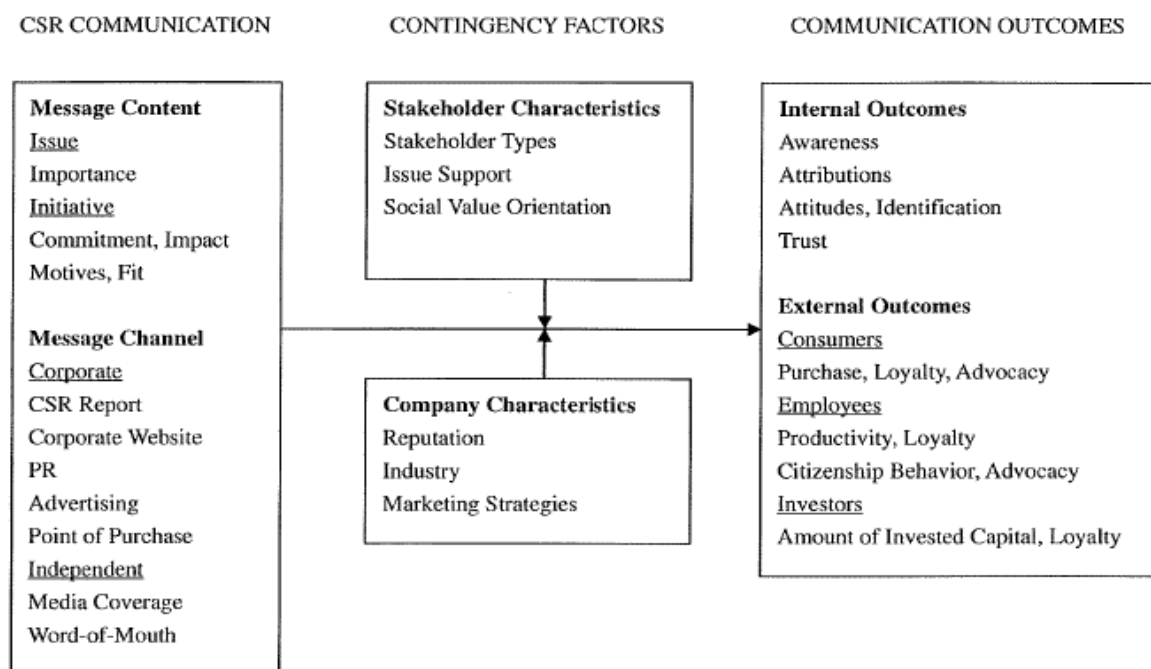


Figure 6. A framework for CSR communication (Du et al., 2010, 11)

Figure 6, presents different aspects of CSR communication such as message content and message channels. It also discloses the potential outcomes of this commitment in an entity. However, gaining favourable results from CSR communication is related to the support of main stakeholders of companies and their performed activities (Du et al., 2010). “*Stakeholders often expect companies to sponsor only those social issues that have a good fit, or a logical association with their core corporate activities*” (*ibid.*, 12). In fact, companies need to perform CSR activities which are related to their main business category. In the next chapter, the background empirics about the CSR dimensions in the food industry has brought up. The position of dairy industry as a significant part of the food industry is also presented in order to give a background about the empirical data in chapter 6.

5. Background empirics

This chapter focuses on corporate social responsibility in the food industry, of which the dairy industry is a significant part. It begins by presenting CSR dimensions in the food industry, and then goes on by introducing the main guidelines of sustainable farming and food by one of the leading organizations in this matter in Europe. The aim of this section is to give an overview on the empirical data of the case companies that are discussed in the next chapter (chapter 6). The case companies and their CSR strategy are also presented in this chapter.

5.1 CSR in the food industry

CSR in the food industry has attained an increasing attention of wide range of stakeholders. The significance of CSR in this industry is related to several factors as follows. Firstly, it constitutes one of the main parts of human being life and the health of people in each society significantly relates to this sector. Besides, it is an important element of economy in some countries (Maloni & Brown, 2006). For example, the Swedish food sector is the fourth biggest industry with “9% of total production value of Swedish industry” (www, Investsweden, 2011).

Other aspects of public concerns about CSR in the food industry are originated from the particular form of supply chains in this industry. Food products are based on animals and plants, and they get related to subjects such as animal welfare, biotechnology, environment and product safety. This industry is also, very labour intensive which connects it with the argument of paying fair prices to the producers and improving the work condition for them (Maloni & Brown, 2006). Figure 7, represents a model for the most important aspects of CSR in a food supply chain.

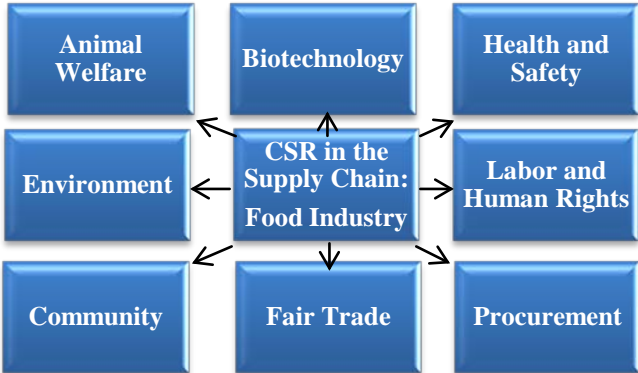


Figure 7. Dimensions of CSR in the food supply chain (Maloni & Brown, 2006, 38)

Aspects in figure 7 share some CSR issues with other industries, however they present the most important potential difficulties of the food sector (Maloni & Brown, 2006). For example, the aspect of health and safety in current globalised food systems is continued to be an important topic of concern (Murdoch *et al.*, 2000). Besides, customers relate significant issues of final products such as quality and nutrition with other nature related aspects in supply chains like biotechnology and animal welfare (Murdoch *et al.*, 2000; Maloni & Brown, 2006).

In the food sector, production processes involves ingredients from diverse origins (Smith, 2008) which is a challenge for CSR management of supply chains (Maloni & Brown, 2006). Thus, different organizations in different parts of the world challenge the matter of

sustainability and/or CSR in the food industry. Department for environment food and rural affairs (DEFRA) is one of those organization which was formed in 2001 from the merger of ministry of agriculture, fisheries and food (MAFF) with part of department of environment, transport and the regions (DETR) in the UK (www, DEFRA, 2012). This organization has published various publications about food and farming matters. However, one report from 2002, offers a combination of different stakeholder views. It, presents eight principles for a global definition of sustainable food supply chains (Smith, 2008). Table 8, shows these guidelines, the key aspects in each classification are underlined.

Table 8. Key principles for sustainable farming and food (DEFRA, 2002, 12)

1-	Produce <u>safe, healthy products</u> in response to market demands, and ensure all consumers have access to nutritious food, and to accurate information about food products.
2-	Support the <u>viability and diversity of rural and urban</u> economies and communities
3-	Enable viable livelihoods to be made from <u>sustainable land management</u> , both through the market and through payments for public benefits.
4-	Respect and operate within the <u>biological limits of natural resources</u> (especially soil, water and biodiversity).
5-	Achieve consistently high standards of <u>environmental performance</u> by <u>reducing energy consumption</u> , by <u>minimising resources inputs</u> , and use <u>renewable energy</u> wherever possible.
6-	Ensure a safe and hygienic working environment and high social welfare for all employees involved in the food chain.
7-	Achieve consistently high standards of <u>animal health and welfare</u> .
8-	Sustain the resource available for growing food and supplying other public benefits over time, expect where alternative land uses are essential to meet other needs of society.

These principles were regulated for England, however, they can be generalized to any other part of the world, due to the global characteristic of sustainable development (DEFRA, 2002, 12) and globalised food systems as current food supply all over the world. These principles along with CSR dimensions in the food supply chain (indicated in figure 6) present main CSR concerns of the food industry. Thus, different ranges of stakeholders inside and outside of the food chains are needed to work simultaneously in order to obtain sustainable farming and food systems (Smith, 2008).

The stakeholders within the supply chains can be categorized to farmers and growers, transport and distribution (before and after processing procedure), processing and manufacturing, retailing, and consumers and citizens. While outside chain actors are consisted of governments and research and development organizations. The premier responsibilities are related to the actors inside the chains. Processing and manufacturing and retailing units as an example, play an important role in the matter of product safety and handling information. Meanwhile, government and research and development organizations take the secondary responsibility of putting limitation on natural resource practices on production of food products (Smith, 2008).

Most studies in sustainability and CSR performance have carried out in the food industry with little specification about the dairy sector. In the following, different characteristics of dairy supply chain is presented in order to give the reader a better understanding of dairy supply chain and aspects that should be considered in performance of CSR activities.

5.1.1 Dairy industry as a component of food industry

Dairy products are considered to have conserved supply chain and conserved products. The process of food conservation has been an important way of food production, and it contains a series of actions in order to make food products more stable and allow people to profit from more healthy and varied diet within the year. These processes typically involve drying, salting, smoking, pasteurization, canning and freezing of the products or more modern technologies such as packaging under controlled atmosphere and chilling. Therefore, “conserved foods” are capable to be transported, stored and traded in remote places far from where they are produced or processed (Smith, 2008). Table 9, shows the position of conserved food supply chains by ranking important issues via different food supply chains.

Table 9. Typical features of four types of food supply chains (+, low; ++, medium; + + +, high) (Smith, 2008, 850)

	Type of food supply chain			
	<i>Local</i>	<i>Conserved</i>	<i>Manufactured</i>	<i>Commodity</i>
Overall complexity of supply chain	+	++	+++	+ / + +
Transportation distance “food miles”	+	++	++ / + + +	+ + +
Number of processing steps	+	++	+++	+
Storability of finished products	+ / + +	+++	++ / + + +	+ + +
Size of market for finished products	+	++	++	+ + +
Seasonality of finished product on market	+ + +	+	+	+ +
Volatility of market price	+ / + +	+	+	+ + +
Demand for further processing by end user	+ +	+ / + +	+	+ + / + + +

Dairy supply chain as conserved supply chain has medium level of complication. Complexity of supply chain is connected to the number of transaction between farmers and producers and the number of ingredients which have been used through production process. Higher complexity in supply chains results in more difficulty in traceability of the raw materials and the flow of information along the chains. Producers and retailers on the other hand, are held accountable both for their procurement and products (Smith, 2008). In consequence, carrying out sustainability would become more challenging in supply chains with higher complication. CSR performance of case companies in this study presents more detailed information about various phases of achieving sustainable supply chains in the dairy industry.

5.2 A presentation of the case companies

The case companies in this study are selected from the dairy sector of two Nordic countries with markets in several parts of the world. In the following text, these companies are introduced and their CSR strategy is presented briefly in order to give a background for case studies that are focused on their CSR performance in the next chapter (chapter 6).

5.2.1 Arla

Arla Foods is an international dairy producer (www, Arla, 1, 2012), which is owned by 8,024 milk farmers in Denmark, Sweden and Germany (www, Arla, 5, 2012). The central markets of Arla products are located in Denmark, Sweden, the UK, Finland, Germany and the Netherlands. However, well-known brands of the company such as Arla, Lurpak, and Castello are sold in more than 100 countries all around the world (www, Arla, 1, 2012). The company tends to create a basis for its CSR program by bringing health and welfare to the society and “[...] engender confidence and security within a wider society over the long term” (www,

Arla, 2, 2012). This requires the company to apply the core CSR values in to its daily activities and fulfill the needs of a wider society in which it operates (*ibid.*).

Arla has joined to the Global Compact initiative from 2008 in order to increase ethical aspects in its business performance (www, Arla, 6, 2012). The 10 Principles of Global Compact are presented in appendix 2. Commitment to Global Compact initiative in holistic view brings the meaning of concerning about human rights, work force, environment and anti-corruption (www, Unglobalcompact, 2011), combined with communicating these efforts to different stakeholders of the business (www, Arla, 6, 2012). This study is based on the most recent CSR report of this company which was available in January 2012, in order to fulfill the aim of the study and generate the results.

5.2.2 Valio

Valio is owned by approximately 8500 Finnish milk producers. These producers are the members of the co-operative in which the co-operative possess the shares of Valio Ltd. (www, Valio, 7, 2012). Valio is a leader brand in Finland, moreover, it has strong markets in adjacent countries such as Sweden, Russia and Baltic states (Estonia, Latvia, and Lithuania). It also own subsidiaries in Belgium, the USA and china (www, Valio, 8, 2012). The company, as a responsible Finnish company aims to make nutritional and financial welfare for Finnish people by producing local and healthy dairy products, and allocating all gained profits to dairy farmers (www, Valio, 9, 2012).

Responsibility in Valio is directed by UN Global Compact initiative. It also applies SFS-ISO 20000 and SA 8000 standards as company's compulsion for acting responsibly. Moreover the company goes beyond its legal enforcement by application of SFS-ISO 26000 seven principles as "*accountability, transparency, ethical behavior, respect for stakeholder interest, respect for the rule of law, respect for international norms of behavior, and respect for human rights*". SA8000 Standard also picked by Valio in order to establish a context for basic rights of workers in the company while it has not been certified for its performance in this area yet (www, Valio, 10, 2012).

In the next chapter (chapter 6), the empirical data from corporate responsibility of the case companies are presented. This information considers the main CSR activities of the case companies which relays on dimensions of CSR in the food industry and key principles for sustainable farming and food, stated earlier in this chapter.

6. Case studies

This chapter presents the empirical data of the case companies regarding their online CSR publications. This data involves the main CSR values, activities and involved programs relating to each CSR dimension. Methods of control such as involved organization and attained certifications are mentioned. This chapter also includes improvements and/or failures in some aspects of CSR enactments.

6.1 The CSR strategy of Arla

Arla, as one of the biggest milk purchasers in Europe and the largest provider of organic dairy products in the world, applies all local regulations of the countries in which it operates. The company is also committed to its Code of Conduct which is based on the 10 principles of the United Nations Global Compact (Arla, 2010). “[...] Arla has been a member of the UN Global Compact initiative and since 2009 Arla has participated in the organisation’s Nordic Network” (*ibid.*, 6). Moreover, Arla is committed to a series of strict legal enforcements as well as it’s voluntarily commitment to CSR enactments. Table 10, provides a suggested classification of CSR dimensions for Arla.

Table 10. Dimensions of CSR as identified for Arla

Supply chain	Social responsibility	Environmental responsibility	Financial responsibility	Product safety
-Agriculture -Procurement	-Work place -Community relations -Human rights -Market conduct	-Environment and climate	- Business principles - Operational principles	-Food safety -Food and health

Arla applies the principles of United Nations Global Compact (UNGC) in its CSR communication (www, Arla, 6, 2012). In this section, however, it was tried to bring the communicated items of the CSR report based on the components of the triple bottom line concept, supply chain, and product safety. This identification helps the readers to understand CSR aspects more clearly. It also gives consistency among communication procedures of the case companies and makes the data analysis process easier. All communicated items in CSR reports can be structured as triple bottom line elements as suggested by GRI (GRI, 2011). In this section however, supply chain and product safety dimensions have been considered separately due to the importance of the issue of health and safety in the food industry. Besides, as stated by Maloni & Brown (2006), issues such as agriculture and procurement obtain higher attention in the upstream supply chain of the food sector, since the final products are “[...] animal or plant based consumables that are required for existence” (*ibid.*, 38). Dimensions of CSR as suggested in table 10 are elaborated in the following text under the headings of 6.1.1 to 6.1.5.

6.1.1 Corporate responsibility in the supply chain

Corporate responsibility in the supply chain generally brings the perception of integrating CSR principles in to the daily operation in different companies. In this section however, it is connected to aspects of agriculture and procurement due to the sensitivity of the food products to their supply chain upstream (Maloni & Brown, 2006).

Agriculture

The dimension of agriculture in the CSR report of Arla focuses on areas such as animal welfare, milk quality, and the environment (Arla, 2010). The company, as a result, performs

different activities in order to fulfill the requirement of each area. Table 11, summarizes CSR enactments in the agriculture dimension in Arla, identifying the main subjects of concern and main activities in each area.

Table 11. Examples of CSR enactment for agriculture in Arla (Arla, 2010, pp. 20-21)

Area	Main subjects	Activities
Animal welfare	-Animal food and health -Increase public awareness on farm management	-Public farm visits -Online farmers blogs
The environment	-Decreasing the carbon footprint on farms -Becoming a member of Round Table of Responsible Soy (RTRS)	-Taking part in collaborative projects -Focus on responsible soya production for cows feedstuff
Milk quality	-Higher quality standards for the milk supplies -Applying long term activities for milk quality	-Adhere to different standards in different regions -Better price and reward for better milk quality suppliers - Providing training package for farm consultants - Investing in research with other organizations

Milk suppliers in Arla are expected to follow the applicable programs for milk quality in different countries. These programs however, are different in Denmark and Sweden compared with the UK. Arla applies the Arlagården quality program for milk production procedure and raw milk quality in Denmark and Sweden, while it applies the Red Tractor Farm Assurance to all its milk suppliers in the UK. Local regulations are applied for other regions where milk is procured (Arla, 2010).

Arlagården and Red Tractor Farm Assurance reflect values for milk quality in mentioned regions. Arlagården is the quality assurance program which regulated by Arla with the core values of milk composition, food safety, animal welfare, and environmental protection. This quality policy is updated continuously by company due to different demands of customers and shareholders (www, Arla, 2012). Besides, the Red Tractor Farm Assurance considers the same areas as the Arlagården program to inform customers that the product has been made under the high quality standards “from farm to pack” (www, Redtractor, 2012).

Procurement

Potential barriers in procurement aspect of different supply chains highlight the need for more inclusive social behaviors. These barriers generally include the problems related to contract periods, lack of appropriate information, and the need for quick response to customers’ demands (Maloni & Brown, 2006). Arla encourages its suppliers to adopt the same code of conduct with the company in order to assure that all the ingredients are produced in a sustainable way. However, the company needs to identify its supplier groups before further arrangements. Arla is defined its suppliers based on the worth of annual transactions from 2009, thus suppliers were identified as the ones “[...] from whom [Arla] make annual purchases of DKK 100,000 or more” (Arla, 2010, 23).

The company also attempts to create its own procurement procedure in order to include wider criteria for risk assessment with further attention on social and ethical responsibility and product quality (Arla, 2010). However, this project has been postponed due to different reasons such as the need for an approach that matches international rules and the variety of tasks that are required to be tested. Also, fewer audits have been done in 2010 waiting for new assessment system (*ibid.*).

Additional CSR enactment for procurement in Arla is connected to the act of purchasing the ingredients such as cocoa, tuna and palm oil. For instance, the company has not succeeded in

visiting the cocoa suppliers in Ivory Coast in 2010, but purchased 97 percent of its required cocoa from Cocio brand with UTZ certification (Arla, 2010). UTZ is an institute that provides certification based on social, environmental and production standards to cocoa production. Earth Island Institute approval for tuna suppliers and membership in Roundtable on Sustainable Palm Oil (RSPO) for palm oil producers are other examples of sustainable procurement in Arla (*ibid.*).

The recent developments in procurement process have heightened the need for reviewing the latest CSR report of the company. Arla has improved the communication procedures with its external suppliers in order to decrease risks in the company. During 2011, the global procurement department of the company made significant assessments about different suppliers of the company. As a result, Arla has terminated its contracts with almost 25 percent of its suppliers and only accepted 950 suppliers as its preferred suppliers (Arla, 2011, 19). Moreover, 83 percent of these suppliers accepted the code of conduct of the company (*ibid.*). Arla was also recognized as one of the most responsible palm oil purchasers by World Wide life Fund organization (WWF) in 2011 (Arla, 2011).

6.1.2 Social responsibility

Social responsibility is connected to the social bottom line of the triple bottom line concept. Traditionally, this aspect contributed to the concept of efficiency in resource allocation. However, nowadays it includes broader ethical, social and political issues (Elkington, 1999) and according to the sustainability reporting guidelines of GRI; (2000-2011) it also includes areas related to labor practices, human rights and product responsibility. In the following, different aspects of social responsibility of Arla are presented.

Work place

Improving the work place environment plays an important role for different businesses. Since it brings more job satisfaction for the employees and increases their commitment to the company. The issue of work place has also grown in importance in light of recent concerns about health and safety. Researchers have shown that improved safety at the work place not only brings welfare for employees, but also has financial paybacks and other benefits such as increasing the product quality (Arla, 2010).

Arla as an international company with 16,200 employees in 30 countries in 2010 needs to identify the same goals for the whole company in order to be able to work through different places with different backgrounds and cultures (Arla, 2010, 24). In addition, it needs the support of its employees in order to be able to make further improvement in achieving its targets. The company applies several management approaches in order to improve its work place condition in health and safety matters and to increase the productivity in its production process. For example, it has applied Lean methodology to collect data, develop the business, and carrying out further job satisfaction. Application of this method generally assists companies to make long term decision and realize additional techniques to improve efficiency, production capacity, and make better usage of resources. It also helps them to transform the management practices and eases the employees' involvements in different work processes (*ibid.*).

Other activities of Arla for improving the work place environment can be summarized as workplace awards, colleague surveys, and different training programs for managers and colleagues. The company has organized a course for all employees and managers on the Behavior Based Safety (BBS) program. The objective of this course is stated as protecting

employees from accidents as a result of inappropriate reactions in different situations. Arla has reported an increase in health and safety aspects in its work environment, which was reflected in a decrease in sick leaves, fewer numbers of accidents and improvements in cost efficiency and product quality (Arla, 2010).

Community relations

Community relations in Arla is defined in the context of building stronger relationships with different stakeholders and considering wider interests of society which are related to business activities. The company inspire its “[...] *local businesses groups to contribute to their local communities in a way that best suits their operation*” (Arla, 2010, 31). One of the most important commitments of the company in this area can be considered as knowledge sharing. Arla arranges different programs in order to increase the knowledge of natural ingredients via society and to build a stronger relationship between society and nature. For example, it organizes farm visits in Scandinavia and the UK, arranges different form of cooking and chef competitions, and communicates different messages on products packing in Denmark and Sweden (Arla, 2010). It also performs various charity programs in different countries. In general, these programs support peoples’ health based on performed researches about the role of dairy products on people’s health (*ibid.*).

Human rights

Human rights activities in Arla are connected to inspections and dialogues of the company with suppliers in developing countries such as Nigeria and Bangladesh with a specific emphasis on child labor and working situation. The company also signed a statement with UN Global Compact (UNGC) and the UN Development Fund for Women (UNIFEM) for women’s empowerment supports. It has also improved different features of its work environment such as gender equality and diversity in different parts of the organization and management groups (Arla, 2010).

Market conduct

The area of market conduct in Arla is connected to the responsibility of the business to its customers in order to obtain their trust. As a result, the company needs to perform its activities in a responsible way and make an ongoing communication processes. Arla connects with its customers through different channels such as consumer contact service, the media and other new channels such as Twitter, YouTube, Facebook, and finally by carrying out annual surveys. The company answers questions by email, letter and phone through its consumer contact service, informs the company developments through the media, and finds out about customers perceptions via surveys (Arla, 2010).

Communication with customers is also used as an important tool to make an improvement in different aspects of the business rather than an only being an informing option, since the company needs to satisfy the wide range of stakeholders’ expectations and adjust its action according to highly competitive international market. Communication also enables the company to recognize stakeholders’ prospects and perceptions about its market conduct and its products. For example, customers had asked the company to release more information about different aspects of sustainability issues in company’s supply chain in 2010. Besides, a survey that carried out at the same year showed decreased market conduct and consumer perception in Finland and Sweden. The same survey illustrated a better consumer perception in Denmark (Arla, 2010).

6.1.3 Environmental responsibility

Environmental responsibility or the environmental bottom line in the triple bottom line concept is related to the protection of the environment as natural capital in different industries (Elkington, 1999). This aspect has attained higher attention in the food sector because of the potential harmful effects of food production on the environment. Polluting factors in this industry generally results from distribution, packaging materials, agriculture processes, and food production. As a result, different areas are required to be considered by retailers and other actors in the food value chain in order to present environmentally friendly products to customers (Maloni & Brown, 2006).

Environment and climate

Production and transportation of food products consistently contaminate the air, the fields and the water. Arla makes different investments in its whole supply chain to minimize the effect of its discharges on environment (Arla, 2010). Table 12 summarizes the company efforts in achieving efficiency in production procedure with consideration of controlling systems and applied technologies. Involved segments and results of these efforts are also mentioned.

Table 12. Examples of CSR enactments for environmental protection in Arla production procedures (Arla, 2010, pp. 16- 17)

Enactments	Segment and Country	Results
New investments for saving energy in production	Milk powder plant in Denmark and Sweden	53,900 MWH energy saving per year with decrease in greenhouse gas emissions of 10,600 tones CO ₂ -equivalent
1-Improved transport efficiency 2-Minimize emissions during transportation (reduction of water content in whey) 3-Training eco-friendly driving and revising transport routes 4- Applying speed limiter in distribution vehicles	1-300 vehicles in the UK 2- The whole company 3- Distribution employees in Sweden, the UK and part of Denmark 4- Denmark	1-Involving Arla in Freight Transport Association cooperative project. 2-Increased the volume transported and decreased the sum of miles travelled. 3, 4- fuel Saving
New packaging system, decrease the packaging materials and increase recyclable quantities	Packaging division in the UK, Sweden and Denmark	15% increase in usage of recycled plastic in the UK, 10% decrease in usage of plastic containers for catering products in Sweden and Denmark.
Investing in new LED lightning system	Warehouse in Denmark	Energy saving equal to 95% for warehouse lightning
Establishing a new water purification plant	Denmark	Water quality improvement and better ecosystem in the river, financial benefits in own waste treatment facilities.

Arla has considered different goals in order to achieve an acceptable level in energy consumption and emissions reduction. It has also applied different methods and standards to continuously quantify these amounts and make comparisons with previous records. For example, the total carbon footprint from transport, packaging and production has decreased to 1.28 million tonnes of CO₂-equivalent in 2010 from 1.40 million tonnes in 2005, as calculated by Green House Gas Protocol International Standard (Arla, 2010, 17). Nevertheless, considered objectives by the company were not reached regularly due to the intervention of new factors such as extension of new plants, products and methods of packaging that often need more energy consumption and produce more discharges (*ibid.*).

Although, the company applies different methods for reducing emissions and carbon footprint in different aspects of transport, production and packaging, there is an intense requirement to

consider emissions at farms level as a large amount of emissions are produced in this level. In recent years, Arla has concentrated on the area of sustainable agriculture by focusing on finding out about the main sources of emissions and discovering new ways to reduce them. The company as a result needs to search for flexible methods that can be applied in different places, as there are diverse prerequisites for food production in different countries and markets (Arla, 2010).

Arla has developed new environmental strategy in collaboration with external farming consultancy and AFMP's environment working group in December 2010. This method includes both supplying members of (AFMP) in the UK and Arla processors in order to support them to decrease greenhouse gas emissions by performing a long run environmental program at farms. Diverse criteria such as the usage of feed, energy and fertilizer rather than new ways of producing biogas from manure need to be considered in this program. Moreover, the company states that this program would not only decrease farm emissions, but also make progress in other aspects such as animal health and welfare (Arla, 2010).

6.1.4 Financial responsibility

Financial responsibility is connected to the economic element of triple bottom line and considers not only organizations' effects on the financial position of their stakeholders, but also companies' performances in wider economic systems from local to global level (GRI, 2011). Fundamental data related to financial performance of companies is disclosed in financial reports, however when it comes to financial responsibility, there is an absence of accepted indicators (Elkington, 1999). GRI; (2011) suggested different areas to release information on management approach such as financial performance through market and economic activities. It also suggested some complementary data disclosure such as main changes, risks, opportunities, successes and short comings in CSR reports (*ibid.*). The main aspects of financial responsibility for both companies are presented in CSR strategies of companies and their introduction.

6.1.5 Product safety

Product safety is one of the major issues in the food industry supply chains as it has a direct relation to health and well-being in each society. Besides, the issue of traceability of different ingredients in final products attained significant attention in this area in order to enable the companies to respond more effectively and quickly in case of difficulties (Maloni & Brown, 2006). The process of product safety in Arla involves two main topics of food safety and food and health areas. As stated by the company, each product should fulfill the standards of product quality and food safety in order to increase consumer trust in the company (www, Arla, 7, 2012).

Food safety

The food safety area considers the efforts of the company to prevent consumers from injuries as a result of any defect or inefficiency in production of the final products. Moreover, full traceability of the ingredients in finished products has enabled the company to act immediately in case of any problem or deficiency (Arla, 2010). Table 13, shows examples of CSR activities in the field of food safety in Arla, with identifying the main subjects of concern and the places in which the activity is accomplished.

Table 13. Examples of CSR enactment for food safety in Arla (Arla, 2010, pp.12-13)

Activity	Segments, Country	subjects
Training	-The UK employees -Juice production and technical colleagues at Rynkeby foods subsidiary -Dairy fruit subsidiary	Hygiene, food safety, foreign substances, allergens, pasteurization, and safety and sensory testing
Knowledge sharing with stakeholders	-Supplier meetings in the UK -Supplier of ingredient -The UK ingredient suppliers -Specific risk assessment of new products in Denmark and Sweden	Managing allergens, traceability, monitoring of bacteria, equipment used for metal detecting and preventing contamination, and documentation of the HACCP system
Decreasing the amount of discarded raw milk	-Applying Strict rules on dairy farms.	Testing the antibiotic residues in milk at farm level and monitoring the level of other contaminants.
Focus on product packaging	-Increased monitoring of Danish, Swedish and Finnish Authorities.	Monitoring of packaging materials in order to prevent negative influences and transition of any substances to products.

“Arla has important overall knowledge and experience of food safety” (Arla, 2010, 13). It also collaborate with Fonterra (a major dairy producer and a leading supplier of analysis tools) to develop methods for detecting contaminants, (e.g. melamin) in milk more accurately (*ibid.*).

Arla has reached new food safety certifications in all of its sites. For example, 51 of the 65 sites of Arla were certified in accordance with the ISO 22000 by 2010, and the rest of its facilities fulfilled national food safety standards. Moreover, it has 42 British Retail Consortium (BRC) and International Food Standard (IFS) certifications as required by customers. Arla is also seeking for new possibilities to reach more uniform certifications in order to change the two latter certifications to FSSC 22000 (Arla, 2010).

Arla continuously finds ways to improve on its CSR enactments in food safety area in day by day operations and has reached new statistics which showing improvements in different aspects of product safety. For instance, according to the CSR report of the company (Arla, 2010), it has progressed in presenting farm advisory services in Denmark and Sweden. Moreover, testing performances in order to detect antibiotics and contaminators from farms have decreased noticeably. Discarded milk has reduced to 27 cases in 2010 from 32 in its previous year, and there was no product recall in this year.

Food and health

The aspect of food and health is related to reliable nutritional declaration of the ingredients and to make diverse range of products available for different tastes. For example, Arla has responded to demand in different markets for lactose-free products. Arla sells 92 different kinds of lactose free products in Finland and 19 types in Sweden. It also increased the sale of these kinds of products in the UK and provides lactose free milk in Danish market (Arla, 2010).

Researches in Arla also play an important role in food and health dimension. This enables the company to provide reliable information to consumers. Researches in Arla are involved a variety of subjects such as the positive effect of probiotics (bacteria which positive influence on digestive organs), vitamin D research, and basic research on different products and nutritional ingredients (Arla, 2010).

The outcomes of these researches on the other hand, need to be communicated through the product packages and labeling of the products. Arla is challenging to develop methods to communicate messages of health in a simple way to different customers in different languages and also to match the upcoming European Commission (EC) labeling requirements (Arla, 2010). Since, due to the European Union regulation, food products need to be labeled in order to acknowledge customers about the ingredients of products and help them “*make an informed choice while purchasing their foodstuffs*” (www, EC, 2012)

Through the labeling enactment, Arla has chosen to use the keyhole label in Denmark and Sweden instead of the Guideline Daily Amount (GDA) labeling system, as it considers GDA labeling uncertain in some aspects (Arla, 2010). GDA labeling provide an information about the quantity of different ingredients such as fat, salt, sugar in a product and express these quantities as a percentage of the daily needed intake for an adult person (www, Gdalabel, 2011). The keyhole label instead, is an indicator for health message in Denmark, Norway, and Sweden and helps customers to buy healthy products (www, Norden, 2012). Arla has announced that the number of keyhole labeled products is doubled in 2010 in Denmark while there was a decrease in Swedish keyhole label products because of the change in the ingredients of some products (Arla, 2010).

Swedish Dairy Association and the universities in Lund and Uppsala (Sweden) together with the University of Washington have also published a study in 2010 which compared different drink products in term of their climate impact and nutritional ingredients. This index is called Nutrient Density to Climate Impact (NDCI) and shows that milk enriched with vitamin D has the most nutrient content in relation to its environmental effect (Arla, 2010).

6.2 The CSR strategy of Valio

Valio Ltd consists of 18 Finnish dairy cooperatives and procures an equivalent of 85 percent of Finnish raw milk with the aim of supporting the business of milk farmers in Finland (www, Valio, 8, 2012). Valio Group’s net sales, with 6% increase in 2011, comprise about 64% of generated net sales in Finland (www, Valio, 8, 2012). In addition, dairy farming is a significant agricultural sector due to the availability of grasslands and clean water in this country (www, Valio, 11, 2012). This company as a result, plays an important role in the economic situation and agriculture of the country as well as a significant role in providing “nutritional well-being for Finnish society” (www, Valio, 9, 2012).

Valio applies GRI framework as the reporting structure in order to release information about triple bottom line responsibilities. However, dimensions such as product safety, consumer satisfaction and animal welfare are categorized and stated separately in CSR report, due to the importance of these subjects in the operations of the company (www, Valio, 10, 2012). CSR dimensions of this company are explained in the following text under the headings of 6.2.1 to 6.2.5.

6.2.1 Animal well-being

Animal well-being is a significant part of corporate responsibility in the supply chain which has attracted significant attention in Europe (Maloni & Brown, 2006). It is also considered as an important factor for product quality in the dairy industry (www, Valio, 12, 2012). In general, the milking cows need an appropriate condition of living and correct type of food to stay healthy (*ibid.*). Table 14, shows the examples of CSR activities in the area of animal well-being in Valio, by identifying the results and involved programs in each area.

Table 14. Examples of CR enactment for animal well-being in Valio (www, Valio, 12-14, 2012)

Area	Activity	Outcomes
Healthy cows	<ul style="list-style-type: none"> - Grazing animals as a national theme - Changing and expanding test programs for antibiotic residual in milk (T101 test) - Other trainings for farmers at farm level - Concentration on calves ("Katse vasikkaan" program) 	Grazing has greater financial benefits as well as improving cows' health. It generates a positive image for the company and increases the sales.
Quality validation	<ul style="list-style-type: none"> - Usage of Quality Manual at dairy farms for diverse areas of milk production. - Farm assessments. - Training milk producers in different areas at the farm level. 	<ul style="list-style-type: none"> - 96% of farms have been engaged in the quality agreement. - 24% of Valio Group dairy farms have achieved the Valio validation for accomplishing the quality manual and meeting the essential requirements.
Good feed and an appropriate barn	<ul style="list-style-type: none"> - Conveying feeding instructions for milk farmers (Hyvät ruokintaperiaatteet). - Cooperation with an agricultural expert organization (proAgria) and expanding software for feeding plans and milk production (KarjaKompassi). - Arranging different seminars on different subjects. 	- Application of new software tools for feeding plans and milk production at farms.
Identifying problems at farms by drivers in milk collection division	<ul style="list-style-type: none"> - Controlling animal care at farms - Training programs for milk collection drivers in different areas. - Applying advisory system in case of declining the milk quality at any farm. 	Following and developing the cooperation with different welfare programs such as European Welfare Quality® program.

Animal well-being is an important component of companies' performances, since it would not only increase animals' health, but also result in higher milk quality (www, Valio, 12, 2012). "Valio dairy cows are the healthiest in the EU and almost 94% of the milk taken in by Valio is in the highest quality category" (www, Valio, 12, 2012).

6.2.2 Social responsibility

Different areas of social responsibility in Valio can be categorized as personnel, market conduct and community relations. These areas are disclosed as follows in corporate responsibility report of the company.

Personnel

Valio has recognized four principles as core values for its personnel area. These principles comprise of personal responsibility, openness, fairness, and equality that are defined as follows (www, Valio, 15, 2012). Personal responsibility is related to employees' productivity measurements in consideration of measuring methods. It also includes the supervision of different employees and their responsible performance at the workplace. Openness on the other hand, is connected to the flow of information between different staff in order to benefit from different knowledge and proficiencies. Moreover, all the employees have the right to obtain feedback and impartial opportunities for their work by the two latter principles named fairness and equality. For instance, equal opportunity for salary between different groups of personnel and genders in this company is greater than the average (*ibid.*).

The company also presents different programs for training, safety, rewarding and well-being of the personnel. Valio Akatemia training is the training program of the company which is provided by Executive board members in cooperation with Aalto University for different employees of the company (www, Valio, 16, 2012). The instruction area is related to company's competitive environment, current situation, and applied strategies (*ibid.*).

Personnel well-being program in Valio is aimed at increasing personnel well-being by increasing their motivation and job satisfaction (www, Valio, 17, 2012). Moreover, helping employees to adjust themselves to the changing condition of the work place is another purpose of this program. For example, the company specified supervisors in order to promote employees' well-being by increasing the work capacity and banning smoking in 2011 (*ibid.*). Besides, personnel rewards are paid on the basis of the company's financial performance and the goals achieved in different areas (www. Valio, 18, 2012).

Another important activity of Valio is related to safety risk assessments and providing health and well-being to everyone (www, Valio, 19, 2012). According to the safety principles of the company, all accidents at the work place can be prevented. Accidents in Valio are defined as all situations that involve treatment expenses or cause absence from the work place. An industrial safety plan is performed every year in the company's different plants. This program in 2011 was related to risk assessment of different working places and job positions. The company has reported 5 percent decrease in accidents and 46 percent increase in absenteeism at the same year (www, Valio, 19, 2012). However, the increase in absenteeism is the result of few long term sick leaves (*ibid.*).

Market conduct

The area of market conduct in Valio is related to fields of customer satisfaction, interaction with consumers, and responsible marketing communication of the company. Valio has a diverse range of customers all over Finland which include "[...]retail chains, staff canteens, restaurants, wholesalers, petrol service stations, Food service providers and bakeries" (www, Valio, 20, 2012). The company has achieved the highest customer satisfaction in Finland food industry for its products, reliable performance, and skilled co-operation. Moreover, it delivers products to its customers using environmentally friendly transportation system for the convenience of its customers, it also takes bulk of the response for faults in its products (*ibid.*).

Valio performs genuine interaction with its consumers. It answers questions via the company feedback service, telephone, facebook and twitter (www, Valio, 21, 2012). Consumers' interests in general were in areas such as different issues related to the products, their ingredients and their suitability for cooking. The company reached more improved customers service in 2011 by providing more information about different products, their ingredients and cooking recipe via net.

The internet is the main device for external and internal communication in this company (*ibid.*). For example, approximately 300,000 users visited the Valio website in 2011 and the company improved its internal interactions with its employees by introducing new electronic communication tools (www, Valio, 22, 2012). Valio Kotiruokaa magazine were also distributed with the most important daily newspapers. The company conforms with the international guidelines which are issued by the Association of Finnish Advertisers. Besides, Valio recognizes further ethical principles and guidelines for its advertising system and employee's behavior. These principles are based on truth, equality, respect and safety (www, Valio, 23, 2012).

Community relations

The area of community relations in Valio is connected to different sponsorships of the company and dealing with diverse groups of stakeholders. Valio sponsors programs that best match its core values. These fields are particularly related to sports and health programs with

emphasizes children’s and young people’s welfare. For example, the company has sponsored athletes, different sports events and local events for children and young people in different parts of Finland (www, Valio, 24, 2012).

“Valio’s key stakeholders are its customers, personnel, owners i.e. Valio Group milk producers, consumers, the media, authorities, and its suppliers” (www, Valio, 25, 2012). The company separated from Finnish Food and Drink Industries Federation (ETL) in 2011. However, its development strategies in national and international levels, and its different agreements are controlled by the Finnish Milk Processors and Dairy Products Wholesalers Association (MML). Additionally, the company’s experts take part in different researches and share their knowledge in areas such as nutrition, milk production and animal welfare (*ibid.*).

6.2.3 Environmental responsibility

Valio also makes investments for obtaining technologies that reduce its environmental effects and makes it closer to its central value of “responsibility for well-being” (www, Valio, 26, 2012). It holds ISO 14001 environmental certificate which is a subject of the occasional re-approval, rather than receiving internal and external assessments on its environmental performance (www, Valio, 27, 2012). Table 15, summarizes the different fields of production along with their description and performed activities. The company progresses in more environmental friendly enactments and the controlling systems are also included in this table.

Table 15. Summary of production procedures and company’s performance for environmental responsibility in Valio (www, Valio, 28-35, 2012)

Field	Description	Company’s performance	Controlling system
Raw materials and production volumes	-Production: milk, jams, purées, concentrates and ingredients such as sugar, salt and vegetable oils. - Chemicals for cleaning processes. - Ammonia for refrigeration facilities.	6 tonnes decrease in usage of ammonia, and no requirement for controlling inspections.	The Finnish safety and Chemicals agency.
Water consumption and waste water	Cooling and cleaning consume a lot of water in dairies. The company makes productive use of water as follows: -Applying surface water for cooling and returning it to natural waterways after passing it through a heat exchanger. - Decreasing water consumption by Cleaning in Place (CIP) method.	1.3 percent decrease in the amount of chemical oxygen demand (COD), and no harmful impacts reported by obligatory monitoring system.	Water rights court permit for three plants and environmental permit for one plant to discharge water to natural waterways.
Energy consumption and emissions	Dairy procedures consume energy in the form of electricity and steam. -Electricity is used in process facilities and cooling procedure -Thermal energy is required in drying powder products, cleaning, heating buildings and boiler rooms. The quality and amount of produced emissions depends on the applied fuel to produce energy.	Decreased market demand for milk powder resulted in 5.3 percent decrease in total energy consumption, and new investments which brings more energy saving.	Two plants are included in the emissions trading system under the Kyoto protocol
Waste management and packages	-Improving waste sorting and applying more waste to energy segment. -Using products that do not meet consumer requirements for animal feed and biogas production -Working with NP-kierrätys oy company to recycle beverages fibre packages	80% of packaging materials of the products sold in domestic markets are recyclable in domestic recycling system.	-Local waste management regulations are applied at all production sites. - According to Finnish Waste Act producer communities are responsible for their fibre packages.

Usage of water and chemicals are inevitable for the process of cooling and sanitation of equipment in the dairy industry. Valio uses the municipal waste water purification plant to treat the waste water which resulted from its production processes (www, Valio, 30, 2012). In fact, waste water is one of the most important environmental risks of dairy industries (*ibid.*). However, only a little amount of hazardous waste is produced by the dairy industry (www, Valio, 36, 2012). For example, Valio produces 135 tonnes of hazardous waste in 2011, such as waste oil and solid oily waste from its maintenance process (*ibid.*).

The company defines long term and short terms programs in order to achieve its objectives and be able to test and generate more organized and precise planning in the area of its sustainability (www, Valio, 37, 2012). For example, its environmental goal for 2009-2011 was related to the reduction of waste water load which resulted from its production procedures. However, this was not fulfilled because of an unexpected decrease in the amount of milk taken from the dairy farms and increase in the production of fresh dairy products (www, Valio, 36, 2012).

In the company's corporate responsibility report, milk was strongly recommended as the best choice of beverages as it contains a wide range of nutrients in relation to its climate impact (www, Valio, 37, 2012). It then continues with the significance of the carbon foot print at the farm level and states this industry as one of the best industries in this matter. Valio has even halved its carbon footprint during the past decades by performing selective breeding and effective feeding systems at its farms (*ibid.*).

6.2.4 Financial responsibility

Financial responsibility in Valio is connected to the market performance and financial performance of the company. It also includes different goals, opportunities and improvements as well as deficiencies in different dimensions of CSR enactment. For example, Valio dairy cows are identified as the healthiest in the EU (www, Valio, 12, 2012). However, the amount of waste water resulting from the company production plants forms the significant amount of waste water in small towns (www, Valio, 30, 2012). This company also released different facts and figures such as energy consumption or released emission and improvement or failure in each area of its CSR enactment. Finally, Information related to the financial position of the company has been released under the heading of Valio group key figures in CR report of the company.

6.2.5 Product safety, and taste and good feelings

This company related Product safety with the capability of tracing all ingredients in final products (www, Valio, 38, 2012), by paying close attention to the aspect of milk quality from farms to production plants (www, Valio, 39, 2012). Taste and good feelings aspect in Valio on the other hand, includes the company efforts in providing diverse range of new and healthier products due to the different consumers' requirements. Table 16, summarizes the main areas of food safety along with related activities and controlling systems in each area.

Table 16. Summary of CR for food safety in Valio (www, Valio, 38-42, 2012)

Main areas	Related activities	Controlling systems
Milk collection	<ul style="list-style-type: none"> - High traceability of collected raw milk. - Efficiency in chosen routs for efficient and environmental milk collection by collecting trucks. 	
Milk quality assurance	<ul style="list-style-type: none"> - Examining the quality of milk at farms in different aspects, such as temperature, aroma and appearance by milk collection staff. - Taking milk samples at farms for quality and composition analyses by milk collection staffs. - Testing collected milk before unloading in plants. 	<ul style="list-style-type: none"> - ISO 9001 quality system certification for production. -ISO 22000 standard for food safety system, food safety management system in five Finnish production plants and some other production and ingredients equipment. -ISO 22002-1 standard for all sites. - BRC certificate for cheese packing plant in Belgium. - ISO 17025 for main laboratory processes.
Controlling systems	<ul style="list-style-type: none"> - Installing an in-house control system at production plants and warehouses. - Following consumers' feedbacks via products life in market and consumers contacts. 	HACCP principles for in-house control system.
Purchasing principles	<ul style="list-style-type: none"> - Prioritizing suppliers of ingredients by the quality of their supplies. - Examining the ingredients and asking for detailed information from suppliers about the ingredients and origin of their products. -Prioritizing suppliers that meet the terms of the International Labor Organization (ILO) or the ones having stable situation in their countries. - Prioritizing Finnish suppliers (e.g. wild berries) 	International Labor Organization (ILO) for external suppliers.
Unbroken cold chain	<ul style="list-style-type: none"> -Targeting an environmental friendly distribution by performing joint distribution program with other companies and with unbroken cold chain in order to guarantee the safety and the taste of the products. - Initiating in a new trial program of using bio-ethanol for trucks and utilizing carbon dioxide resulted from industry's wastes in the radiators. 	

Purchasing ingredients in this company is based on quality, price, ethical sourcing and origin. However, Valio prioritize domestic products on other supplies which have the same quality and price (www, Valio, 40, 2012). The company has certified different aspects of its production. Testing and packaging and its in-house control system are also certified by external inspectors (www, Valio, 41, 2012). In the above table, these certifications and standards are mentioned in milk quality assurance criteria.

The aspect of “locally produced” products has been an important issue among Finnish consumers. Valio provides 1000 different products such as natural, organic, low fat and vitamin added goods (www, Valio, 43, 2012). It also provides 78 new products in 2011 (www, Valio, 44, 2012). More than 80 products in this company have the Heart Symbol that is granted by the Finnish Heart Association and Finnish Diabetes Association (www, Valio, 43, 2012). Besides, Valio applies innovative ways in order to provide different taste and fulfill diverse requirements of its consumers. For example, it has provided more diverse milk drinks and lactose-free products (www, Valio, 45, 2012), and worked on product packaging designs in 2011 (www, Valio, 46, 2012). The company also performed a charity program for the SOS children’s village in Tampere, with a designing contest in January 2012 (*ibid.*).

7. Analysis and discussion

This chapter aims to analyse the empirical data in the case study of Arla and Valio as two leading Nordic dairy producers. As a result, dimensions of CSR provided in the previous chapter (chapter 6) are narrowed down in order to find similar themes among the CSR communication of the case companies. The triple bottom line and stakeholder theory as well as CSR communication framework are used to answer the research questions posed in the first chapter. The chapter will be concluded by a discussion about the data analysis.

7.1 CSR in the light of the triple bottom line

The triple bottom line has been considered as the common area for different organizations involved in the SBD framework (Henriques & Richardson, 2004). Moreover, during the past decade, it has become an increasingly important area “[...] with regard to the interdependency between business and society and multinational corporations’ responsibilities” (Morland, 2006, 352). In this study CSR is considered as a significant component of sustainable development (WBCSD, 1999). Moreover, the triple bottom line framework is considered as a social grammar for the case companies (Morland, 2006). These companies need to consider their environmental, social and financial responsibilities with the same weighting in their business enactments. They also need to consider wide range of stakeholder expectations in their decision making.

Different researchers have tried to estimate the monetary value of organizations social and environmental activities and establish a pattern to measure the monetary value that social and environmental activities of a company can bring to or take away from the society (Henriques & Richardson, 2004). However, these attempts were not successful, since it was impossible to allocate a pecuniary worth to CSR dimensions or measure risks in most of sustainability related areas (*ibid.*). Currently, responsibility reports focus on presenting qualitative information about quality of life rather than only monetary objectives (Alexander *et al.*, 2011)

The case companies in this study are committed to the triple bottom line framework and release information about their social, environmental, and financial responsibilities in their CSR reports. The reports of these companies involve both qualitative and quantitative data in order to release information about quality of their business performances instead of only focusing on financial estimations. The quantitative data in CSR reports of these companies is mainly related to financial position of the companies, energy consumption, released emissions as well as improvements, failures and costs in some areas of CSR enactments. Mentioned aspects along with main changes, risks, opportunities, successes and shortcomings of the companies form the financial responsibility part of these reports.

7.2 System, programs and activities in CSR communication

The case companies in this study are committed to the UN Global Compact 10 principles as their code of conduct (Arla, 2010; www, Valio, 10, 2012), which is one of the most popular codes to identify international principles in the CSR area (Morland, 2006). However, these companies follow different structures to communicate these commitments to their stakeholders. Arla has chosen UNGC framework as its reporting structure (Arla, 2010), while Valio follows GRI reporting structure with triple bottom line responsibilities and the two issues of product safety and agriculture (www, Valio, 10, 2012). Arla and Valio communicate

same areas of responsibility and state similar activities with minor differences in the structure of their CSR reports. These similarities can be interpreted as the uniqueness of their code of conduct and their commitment to same kinds of regulations. Similarity of their markets and their supply chain also bring them the same areas of responsibility (Maloni & Brown, 2006).

Arla and Valio operate under the strong regulations and are required to apply the strict set of rules of the countries in which they reside, purchase their ingredients, and supply their products. However, they are going beyond the regulations in different areas of their responsibility and consider wider groups of stakeholders in their CSR activities (www, Valio, 10, 2012). These activities mainly consider areas such as animal welfare, agriculture, procurement, work place and personnel, community relations, human rights, market conduct, environment and climate, product safety, and food and health.

The case companies showed higher attention to some aspects of CSR and lower interest to other dimensions of CSR. This can be explained by the significance of some aspects in responsibility area of the companies, or higher level of stakeholder interests in those particular issues. The most significant issues of CSR reports of the case companies are related to animal welfare, agriculture, procurement, environment and climate and food safety. Areas with minor attention on the other hand, are the ones that have settled through the culture of the society or corporate ethics over a longer period of time. These CSR dimensions are consisted of work place, personnel, community relations, human rights and market conduct. The main characteristics of these dimensions are categorized and discussed under the titles of primary production, procurement, product safety and triple bottom line responsibilities in the following text under the headings of 7.2.1 to 7.2.6. Detailed information about CSR performance of the two case companies, applied programs, and certifications received in each area is summarized in Appendix 3.

7.2.1 Primary production

Primary production which includes animal welfare and agriculture is an important element of the case companies' reports. Nowadays, both producers and customers relate animal health and welfare to product quality and product safety (Maloni & Brown, 2006), which are the most significant current issues in the globalized food systems. Moreover, the main greenhouse gas production of dairy supply chains produces at farms which make this aspect another important element of dairy industry (Arla, 2010). The companies' effort in these areas is related to long term training programs in order to optimize the usage of resources in milk production such as animal feeding plans and the reduction of environmental pollution. These companies also have a close supervision at farm level and give advisory services to the milk producers as well as making investments for new researches. Valio applies its own quality manual to test and improve the milk quality (www, Valio, 12, 2012). However, Arla applies Red Tractor farm assurance in the UK, local regulation for suppliers in other countries, and its own quality program (Arlagården) in Denmark and Sweden (Arla, 2010).

7.2.2 Procurement

Procurement process of Arla and Valio are different from each other. Valio Ltd. milk supply is fulfilled by Finnish milk producers, while Arla Foods purchases milk from different milk producers in Europe. Moreover Arla differ greatly in size from Valio in terms of processed milk, markets, and overall size of the company. Valio relates the procurement process with product safety in its report and prioritize its suppliers based on quality of their supplies and their locality. Moreover, it requires detailed information from suppliers about the ingredients

and origin of their products. It also purchases ingredients from remote suppliers that fulfill the terms of ILO and have a stable political situation in their countries (www, Valio, 40, 2012).

Arla's supply chain can be considered more complex than Valio, since it consists of more remote suppliers. And as a result, it faces more potential barriers in order to fulfill the social and ethical responsibilities. These potential barriers according to Maloni & Brown (2006); are consisted of difficulties related to contract periods and shortage of appropriate information, as well as the essentiality of quick reply to customers' demands. The CSR performance of this company in procurement area during 2010 and 2011 is related to significant assessments of the company in order to identify preferred suppliers and encourage them to adopt the same code of conduct with the company (Arla, 2011). The company also considers different certifications and institutional approval for its different suppliers such as cocoa, tuna, and palm oil. Correspondingly, cocoa is purchased from Cocio brand with UTZ certification, Earth Island Institute approval is considered for tuna suppliers, and palm oil is only bought from suppliers with membership in Roundtable on Sustainable Palm Oil (Arla, 2010).

7.2.3 Product safety

Product safety is an increasingly important area in the food industry as it directly relates to health and welfare of any community. The main activities of both companies in this matter is training programs for employees in areas of hygiene, food safety, and sensory testing as well as knowledge sharing with ingredient suppliers. The area of traceability of the ingredients has also attained higher attention among producers and customers. Both companies apply strict rules to test the antibiotic residuals and decrease the amount of discarded milk. More detailed information about activities and certification of the case companies in this area is provided in appendix 3.

7.2.4 Social responsibility

Social responsibility is related to different subjects such as work place, community relations, human rights and market conduct. These responsibilities however, did not get as much attention as other issues in the case companies' reports. The reason is the combination of the fact that there is democracy, transparency tradition, strong legal enforcement and relatively little corruption in their countries of residence. These companies perform charity programs in different countries. Moreover, they are involved in activities that relate to health and sport in their communities, since different stakeholders expect companies to involve in social causes that are related to the business routines (Du *et al.*, 2010). Companies are also need to state the reason of such an involvement and express the connection of different causes to their business in their CSR reports (*ibid.*).

7.2.5 Environmental responsibility

According to corporate responsibility reports of the case companies, the environmental responsibility in the dairy sector reflects activities that decrease emissions and carbon footprint in different aspects of production. These aspects are consisted of raw materials and production volumes, water consumption and waste water, energy consumption and emissions, and waste management and packages. Both companies, Arla and Valio make new investments to build new facilities and perform various researches in order to reach their planned objectives in the environment area. For example, they perform different activities to minimize emissions during transportation, decrease the packaging materials and increase recyclable quantities, and use water efficiently. Valio holds ISO 14001 environmental certificate and two of its plants are included in the emission trading system under the Kyoto protocol. Moreover, other aspects of its production are under strict control of Finnish authorities.

7.2.6 Financial responsibility

The area of financial responsibility is related to companies' enactments in local and global level. It includes financial performance through markets, main changes, risks, successes as well as long term goals in CSR area (Elkington, 1999). These aspects are not discussed separately in this study. However, some of the related subjects were presented in CSR strategies and introduction of the companies. Both companies also stated facts and figures about their financial position as their financial responsibility. These results cannot be compared due to the difference in the size of the companies and their indicators variety. However, because of the dominance of European Union rules on markets and companies across Europe, it was assumed that these companies cannot differ distinctively in reaching their financial responsibility objectives.

Arla and Valio have active market in Sweden and Finland. Several items in CSR reports of these companies indicate that they can be considered as competitors in the Swedish and Finnish dairy markets. For example, Arla reported a decreased market conduct perception among its customers in Finland. It also reported an increased demand for milk powder, while Valio has experienced a decreased demand in this area. The comparison of the milk price between the case companies has shown that Valio pays higher milk price to its milk farmers. The milk price in 2011 was reported 44.1 cents per liter with 3.2 cents increase from the past year in Valio's report (www, Valio, 8, 2012). Arla has increased the price of raw milk in 2010 to the equivalent of DKK 2.52 per kilo of milk (equal to 33.8 cents) (Arla, 2010), but it is still lower than Valio milk price.

7.3 CSR in light of the stakeholder theory

The stakeholder theory is an important concept to identify the relationship between businesses and the society (Carroll & Buchholtz, 2003). Companies' stakeholders involve wide groups of the society with often contradictory interests within each other and businesses (Roberts, 2003). The stakeholder groups of the case companies involve all four ranges of authorizers, business partners, customer groups and external influencers and their sub groups (*ibid.*). These companies have also extended their responsibilities among their remote customers, suppliers of raw materials as well as their providers in different parts of the world. The key stakeholders of the case companies cannot be identified distinctively by their names and details, since these companies have cooperation with so many organizations, suppliers, universities, NGO's, authorizers of their remote suppliers and industry organizations.

Although, Arla and Valio have the same groups of stakeholders, they differ in some of their sub groups with each other. The case companies work in different areas and have different authorizer groups, they also cooperate with different professional organizations. For example, Arla Foods have more extensive ranges of stakeholder groups, since it has more complex value chain and more extensive markets. The size of this company and the number of its production plants and diversity of its facilities also differ greatly from Valio. Moreover, Arla has extensive ranges of milk providers all over Europe, while the shareholders or the milk providers of Valio are involved of Finnish dairy farmers. Other stakeholder groups of Arla that are different from Valio are consisted of remote milk farmers and merged partners such as Milko.

7.4 CSR Communication outcomes

According to the framework of CSR communication by Du *et al.*; (2010), the case companies' responsibility reports are assumed as the direct message channel between the companies and their stakeholders. Arla and Valio continuously revise their responsibilities and extend their responsibility areas. They also consider wider groups of stakeholders and their interest in their management strategies. These companies involve social issues that are related to their business criteria such as training, health and sports in order to improve stakeholder characteristics and attain their supports. Stakeholder characteristics along with company characteristic are named contingency factors in this model that act as middle items and affect CSR communication results (*ibid.*).

Company characteristics are consisted of corporate reputation, CSR ranking strategy of the company in its corporate marketing strategies and the industry in which companies operate. Companies give different values to their CSR activities. These positioning by companies can also affect stakeholders' attitude about CSR issues of a company. Finally, the communication outcomes are involved of internal and external outcomes. The internal outcomes are related to stakeholder approaches about the companies as well as company characteristics after communication of CSR activities. External outcomes on the other hand, are related to different stakeholder's behaviours such as purchase and loyalty of the consumers and productivity of the employees.

As stated in corporate reports of the case companies, different dimensions of CSR have also positive effects on each other. Considering the triple bottom line responsibilities, defined by GRI (2011) for corporate responsibilities, compliance to one area of responsibility improves other responsibility areas. For example, Arla (2010) stated that some environmental programs such as purifying water in plants and animal welfare have financial benefits as well as environmental benefits (Arla, 2010). Moreover, Valio strongly relates animal welfare and product safety with each other. It also stated that improved safety at work place has financial benefits and increase the product quality (Arla, 2010).

The notion of CSR outcomes have been the subject of debate for several years. Researchers have shown an increased interest to show a relation between social and environmental performance with financial performance of companies (Orlitzky *et al.*, 2003; Margolis *et al.*, 2007). In this study, two hypotheses had been given to identify the communicated outcomes of CSR activities. One model modifies corporate performance measures and relates CSR concepts to the economic principles. In this model the CSR activities are named social products instead of ordinary products and stakeholders are considered as companies' social products customers. Generated profit in this hypothesis is calculated from subtracting costs from generated revenue of these products. The prices of social products are related to stakeholder willingness to pay for these products and as long as they value the social products, the company generates profit (Marom, 2006).

The other hypothesis that is related to the framework of CSR communication by Du *et al.*; (2010) reflects the fact that CSR communications have outcomes above and beyond improving the financial performance of companies. This model shows communication outcomes are related to the stakeholders and company characteristic as contingency factors and these factors affect the CSR communication results. These two models have been argued the same issue that how ethical and moral conduct of a firms can improve the financial position of an entity. Although, these models had chosen different ways to prove this

relationship, they had employed the same indicators in order to illustrate the outcomes of moral conduct or CSR communication of corporations. According to Rainey (2006), Sustainable Business Development (SBD) framework also suggests that application of innovative solutions and technologies for more sustainable outcomes results in viable economically and environmentally benefits. And “*while this statement has not been proven, the evaluation of business, technologies, products, and processes clearly indicates a pattern of improvements and increasingly sustainable outcomes*” (Rainey, 2006, 402).

Focusing on CSR communication outcomes and effects of moral conduct on marketing indicators of companies and corporate reputation is still an ongoing process in business ethics context. CSR is often defined “[...] *as the extent to which organizations meet the legal, economic, ethical, and discretionary responsibilities placed on them by various stakeholders*” (Vanhamme & Grobbon, 2008). In other words, corporations may only engage in CSR initiatives as a tool to build a better corporate reputation and to counter unfavorable impacts of corporate crisis (*ibid.*). However, since businesses or different professions have attained higher autonomy from the society such as permission for self-regulation nowadays, they need to improve their ethical behaviors among their stakeholders (Schroeder *et al.*, 2005).

8. Conclusions

This paper set out to study the communication of corporate social responsibility in the dairy industry. The aim was to provide an overview of CSR themes and topics in the dairy sector as a significant part of the food industry. The study was followed by identifying the stakeholders of the case companies and communicated outcome of the companies' CSR efforts. This study also looked at the perceptions of relationship between CSR and its potential financial benefits.

The evidence from this study suggests that, although the past decade has seen the rapid development and changing direction of CSR in many industries and multinational companies, CSR is still an open agenda. The case companies need to continuously define and revise their responsibilities regarding their different stakeholders' expectations. In other words, stakeholders' changing attitudes make these companies to be obliged to continuously adjust themselves in order to keep their places in markets. These companies need to define their key stakeholders and to be committed to the two-way asymmetric communication in their communication procedure to realize the prospects of different groups of stakeholders and react faster in case of observing any behavioural changes of them (Norman & McDonald, 2004). This procedure can also help companies to avoid some incidents that can damage the corporate reputation in order to save their market position (*ibid.*).

This study has shown the growing trend of CSR commitment in the case companies. These companies made improvements in different aspects of CSR and its disclosure in the studied period of time. They also continuously revise their commitments and set out specific goals in different aspects. It is recognizable that like other industries and companies (Maloni & Brown, 2006) the responsibility area in these companies is extended through their value chain and wider groups of society. Moreover, they encourage their suppliers to adopt the same code of conduct with them.

The results of the case studies cannot be generalized to other case researches, since the interpretations are subjective and correct within the studied companies (Bhattacharjee, 2012). However, the case companies in this study, Arla Foods and Valio Ltd. have extended value chains and extended markets in different parts of the world. As a result, it can be concluded that the extension of CSR can be very much related to the act of multinational companies such as the case companies, since they purchase different goods and services from their suppliers in developing countries. The case companies also need to acknowledge their remote stakeholders such as workers and customers about different aspect of CSR activities. This process can make changes through the markets with changing the attitudes of stakeholders. It also can improve the ethical aspects of other producers in the dairy industry.

Future studies about CSR themes and topics in the dairy industry could focus on different CSR activities of the companies in order to realize if these performances always act in favour of different groups of stakeholders. For example, the companies' strategies about milk price and safety of the products can sometimes bring dissatisfaction for the milk farmers. Moreover, procurement from remote suppliers with different certifications can always be complex, since appropriate information about these producers is sometimes missing. There is also complicated political situation in some developing countries that can make other CSR aspect of the case companies rather than the issue of food safety, less significant in these parts of the world.

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Appendix

Appendix 1: CSR reporting guidelines and their disclosure approach by GRI (2000, pp.25-38)

Guidelines	Definition	Disclosure on management approach
Economic responsibility	It concerns the corporate's effects on economic situation of the stakeholder groups and on economic structure from local to global level.	<ul style="list-style-type: none"> ● Economic Performance ● Market presence ● Indirect economic impacts
Environmental responsibility	It concerns the corporate's effects on the whole environment, considering land, air, and water besides living eco-systems. Its indicators include inputs such as material, energy, and water and outputs such as emissions and different forms of wastes in process of production. In addition, it includes performance and product related costs and effects on environment.	<ul style="list-style-type: none"> ● Materials ● Energy ● Water ● Biodiversity ● Emissions, Effluents, and Waste ● Products and services ● Compliance ● Transport ● Overall
Labor practices and decent work	It concerns detailed aspects about the subject of labor and work place that considers diverse set of international standards regarding to this subject.	<ul style="list-style-type: none"> ● Employment ● Labor / Management relations ● Occupational health and safety ● Training and education ● Diversity and equal opportunity ● Equal remuneration for women and men
Human rights	Due to the global agreements, organizations are responsible to respect human rights. As a result, they have to report their commitments to human rights with regard to its special enactment indicators.	<ul style="list-style-type: none"> ● Investment and procurement practices ● Non-Discrimination ● Freedom of association and collective bargaining ● Child labor ● Prevention of forced and compulsory labor ● Security practices ● Indigenous rights ● Assessment ● Remediation
Society	Society performance indicators concerns about the influences of different organizations on the local people and their interactions with other partners and groups in society.	<ul style="list-style-type: none"> ● Local communities ● Corruption ● Public policy ● Anti-competitive behavior ● Compliance
Product responsibility	Product responsibility indicators address the effects of different products and services on their consumers.	<ul style="list-style-type: none"> ● Customer health and safety ● Product and service ● Marketing communications ● Customer privacy ● Compliance

Human Rights

- ***Principle 1:*** Business should support and respect the protection of internationally proclaimed human rights; and
- ***Principle 2:*** make sure that they are not complicit in human right abuses.

Labour

- ***Principle 3:*** Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- ***Principle 4:*** the elimination of all forms of forced and compulsory labour;
- ***Principle 5:*** the effective abolition of child labour; and
- ***Principle 6:*** the elimination of discrimination in respect of employment and occupation.

Environment

- ***Principle 7:*** Business should support a precautionary approach to environment challenges;
- ***Principle 8:*** undertake initiatives to promote greater environmental responsibility; and
- ***Principle 9:*** encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- ***Principle 10:*** Business should work against corruption in all its forms, including extortion and bribery.

Appendix 3: CSR performance, applied programs and received certifications of Arla and Valio (Arla, 2010; www, Valio, 1-46, 2012)

Area	Main CSR activities	Arla	Valio
Animal welfare, agriculture	<ul style="list-style-type: none"> ● Concentration on animal feeding plans. ● Increase public awareness on farm management. ● Adhering to different standards for the milk quality. ● Long term trainings in areas such as animal feeding and milk production at farm levels. ● Rewarding system for milk suppliers with better milk quality. ● Producing biogas from manure. ● Investing in researches and cooperation with experts. ● Concentration on animal breeding programs. ● Responsible procurement for feedstuff. ● Advisory system at farm level. ● Optimizing usage of feed, energy and fertilizer and expanding software for feeding plans and milk production. 	<ul style="list-style-type: none"> -Becoming a member of Round Table of Responsible Soy (RTRS) for cows feed. -Arlagården (Own program) for milk quality in Denmark and Sweden. - Red Tractor farm assurance to all the milk suppliers in the UK. - Local regulation for other milk suppliers in other countries. 	<ul style="list-style-type: none"> -Usage of own Quality Manual of the company for milk quality validation. -Expanding software for feeding plans and milk production. -cooperation with European Welfare Quality® program.
Procurement	<ul style="list-style-type: none"> ● Encouraging suppliers to adopt the same code of conduct with the company. ● Identification of supplier groups to decrease risks. ● Improving communication with suppliers. ● Sustainable procurement of other ingredients such as cocoa, palm oil and fruits. ● Prioritizing suppliers of ingredients by the quality of their supplies. ● Examining the ingredients and asking for detailed information from suppliers about the ingredients and origin of their products. 	<ul style="list-style-type: none"> -Purchasing cocoa from Cocio brand with UTZ certification. - Considering Earth Island Institute approval for tuna suppliers. -Purchasing palm oil from suppliers with membership in Roundtable on Sustainable Palm Oil (RSPO). 	<ul style="list-style-type: none"> -Applying International Labor Organization (ILO) for external suppliers.
Work place, Personnel	<ul style="list-style-type: none"> ● Identifying the same goals for the whole company. ● Applying different managerial approaches and making long term decisions to improve efficiency, production capacity and make better usage of resources. ● Facilitating employees' involvement in developing strategies. ● Training programs for management and employees about the situation of the company and applied strategies. ● Performing employee surveys and awarding systems. ● Training programs to increase health and safety of the employees by minimizing accidents at work place. 	<ul style="list-style-type: none"> -Lean methodology to collect data, develop the business, and carrying out further job satisfaction. - Behavior Based Safety (BBS) program for decreasing accidents at work place. 	<ul style="list-style-type: none"> -Own training program of the company for the employees (Valio Akatemia). -Safety risk assessment and industrial safety plans. - SA8000 Standard also picked by Valio in order to establish a context for basic rights of workers in the company while it has not been certified in this area yet.

Appendix 3(continued): CSR performance, applied programs and received certifications of Arla and Valio (Arla, 2010; www, Valio, 1-46, 2012)

Area	Main CSR activities	Arla	Valio
Community relations, human rights	<ul style="list-style-type: none"> ● Communication of different messages about natural ingredients (e.g. farm visits, cooking and chef competitions and on products packages). ● Inspections on different suppliers and communicating with them (e.g. in developing countries) ● Improving different features of work environment such as gender equality and diversity. ● Sponsoring different programs related to health and sports. ● Knowledge sharing and taking part in different researches. ● Performing charity programs. 	<ul style="list-style-type: none"> - Signing a statement with UNGC and UNIFEM for women's empowerment supports. 	
Market conduct	<ul style="list-style-type: none"> ● Connecting with customers through different channels such as consumer contact services. ● Carrying out annual surveys. ● Improving internal interactions with employees and stakeholders by different tools such as intranet, internet and publications. ● Identifying ethical principles and guidelines for advertising systems and for employee's behavior with other stakeholders. 		<ul style="list-style-type: none"> -Conforming to the international guidelines issued by the Association of Finnish Advertisers.
Environment and climate	<ul style="list-style-type: none"> ● Making New investments for saving energy in production. ● Training eco-friendly driving and revising transport routs. ● Applying speed limiter in distribution vehicles. ● New packaging system, decreasing the packaging materials and increasing recyclable quantities. ● Minimizing emissions during transportation (e.g. reduction of water content in whey). ● Using products that do not meet consumer requirements for animal feed and biogas production. ● Applying surface water for cooling and decreasing water consumption by cleaning in place (CIP) method. ● Improving waste sorting and applying more waste to energy segments. ● Cooperation and contracts with related organizations to recycle packages. ● Performing joint distribution program with other companies. ● Initiating in a new trial program of using bio-ethanol for trucks and utilizing carbon dioxide resulted from industry's wastes in the radiators. 	<ul style="list-style-type: none"> -Involving in Freight Transport Association cooperative project to improve transport efficiency in the UK. - Investing in new LED lightning system. - Establishing a new water purification plant. - Applying Green House Gas Protocol International Standard for estimating carbon footprint. 	<ul style="list-style-type: none"> -Holding ISO 14001 environmental certificate. -Two plants are included in the emissions trading system under the Kyoto protocol. - Other fields such as raw materials, water consumption and waste management are under strict control of Finnish authorities.

Appendix 3(continued): CSR performance, applied programs and received certifications of Arla and Valio (Arla, 2010; www, Valio, 1-46, 2012)

Area	Main CSR activities	Arla	Valio
Product safety	<ul style="list-style-type: none"> ● Training the production and technical employees in areas such as hygiene, food safety, foreign substances, allergens, pasteurization, and safety and sensory testing. ● Knowledge sharing with suppliers of the ingredients. ● Applying strict rules to test antibiotic residuals and decrease the amount of discarded milk. ● Monitoring of packaging materials in order to prevent their negative influences on products. ● Installing an in-house control system at production plants and warehouses. ● Following consumers' feedbacks via product life in market and consumers contacts. 	<ul style="list-style-type: none"> - Documentation of the HACCP system for milk tests. -ISO 22000 certification for majority of sites. - The company has a total of 42 British Retailer Consortium (BRC) and International Food Standard (IFS) certifications. 	<ul style="list-style-type: none"> -HACCP principles for in-house control system. - ISO 9001 quality system certification for production. -ISO 22000 standard for food safety system, food safety management system in five Finnish production plants and some other production and ingredients equipment. -ISO 22002-1 standard for all sites. - BRC certificate for cheese packing plant in Belgium. - ISO 17025 for main laboratory processes.
Food and health, taste and good feelings	<ul style="list-style-type: none"> ● Providing variety of products such as natural, organic, low fat, lactose free, and vitamin added goods. ● Communicating reliable information and providing nutritional declaration of the ingredients to the customers. ● Performing researches in different subjects (e.g. positive effects of probiotics and compare different drink products in term of their climate impact and nutritional ingredients). 	<ul style="list-style-type: none"> -Keyhole label as an indicator of health message in Denmark, Norway and Sweden. 	<ul style="list-style-type: none"> - applying Guideline Daily Amount (GDA) labeling system. - Heart Symbol on some products that is granted by the Finnish Heart Association and Finnish Diabetes Association.