Inclusive business and shared values

- Case study of Stora Enso in Lao PDR

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Acknowledgements

Writing this thesis has been an exciting adventure. Not only because of the inspiring trip to Laos and the field studies, but also because of the academic process during which this thesis has been shaped.

There are many people who have contributed to make this study possible. We would like to express our appreciations to Stora Enso in Laos, especially Peter Fogde and Helena Axelsson, for their engagement and for letting us stay in Laos, participate in daily operations and conduct interviews in field. We would also like to thank the interviewees, the villagers and the staff at the office in Vientiane.

Also, we would like to express our greatest gratitude to our supervisor Cecilia Mark-Herbert for all the effort she has put into this project and for supportive advises. Thanks for your time and support.

At last we would like to thank our friends for fantastic years at SLU in Uppsala. Friendship has been the greatest driver to complete our master's program!

Abstract

Businesses role in society is changing. Corporations are expected to take responsibility, not only for their traditional business conduct, but also for social and political issues. A rise in globalization and international trade has led to an increased interest in the concept of CSR. Accordingly, stakeholders are expecting multinational companies to be accountable for existing issues in developing countries. New business models are needed to meet increased expectations of responsibility and shared value creation.

Based on an understanding of the need for new business models a multinational corporation is studied in a local context, where a radically new way of doing business is developed. The aim is to identify critical factors for the implementation of an inclusive business model. The descriptive case study is based on field studies, personal interviews with a number of stakeholders and secondary materials.

The forestry company Stora Enso's operations in one of the poorest countries in South East Asia, Lao PDR, offers a context for a critical review of political and social conditions for the new business model. Creating shared values in a dysfunctional political system, by creating job opportunities and engaging local communities in the operations, requires local knowledge and persistence. It also creates corporate opportunities to actively engage in long-term improvements for the local community and ultimately enhance the corporate image.

From the theoretical perspectives of CSR, new business models and inclusive stakeholder networks, this case study contributes to the understanding of new business models as a way of positively influencing the industry, country and local community. The study describes an operationalization of shared value and emphasizes that commitment, the identification of shared values, an inclusive approach to stakeholders and suitable evaluation methods are critical factors for a successful implementation.

Sammanfattning

Företagens roll i samhället håller på att förändras. Konsumenter, aktieägare och anställda förväntar sig att företag skall ta, inte bara ett ekonomiskt ansvar, utan också agera på ett sätt som är både socialt och miljömässigt hållbart. I och med globaliseringen har många multinationella företag idag verksamhet i utvecklingsländer. Dessa marknader anses vara de snabbast växande vilket innebär stora affärsmöjligheter, men med detta kommer också stora utmaningar i hur företagen bygger upp sina affärsmodeller för att inte göra mer skada än nytta.

Denna masteruppsats är en deskriptiv fallstudie av hur man inom skogsindustrin kan utveckla nya typer av affärsmodeller där socialt ansvar utgör en del av grunden. På grund av sin resursbundna karaktär och starka koppling till miljontals människors vardag har skogsindustrin fått mycket kritik av organisationer och andra intressenter som anser att de inte tar tillräckligt stort socialt ansvar.

Sedan 2006 har skogsföretaget Stora Enso varit verksamma i Laos i sydöstra Asien. Laos är ett av de fattigaste länderna i Asien men besitter stora tillgångar när det gäller naturresurser som skog vilket gjort landet attraktivt för investerare. Huvudverksamheten för företaget är att etablera eucalyptusodlingar i Sydöstra Laos, men i detta fall på ett nytt sätt. Affärsmodellen består i grund och botten av tre steg: I det första steget måste marken röjas från klusterbomber som finns kvar sedan Vietnamkriget. I det andra steget skall eukalyptusen planteras. Detta görs dock inte i form av den traditionella metoden, istället tillämpas trädjordbruk som modell, där ris planteras mellan trädraderna. Det tredje steget utgörs av att allt ris tillfaller byborna och att träden tillfaller företaget. Målet är att öka bybornas tillgång på ris och möjliggöra en stabil inkomst för dem.

Syftet med mastersuppsatsen är att studera affärsmodellen utifrån ett perspektiv av företagsansvar så kallat CSR – Corporate Social Responsibility. Målet är att identifiera vilka som är de avgörande faktorerna för att modellen skall fungera. Några av de forskningsfrågor vi svarar på är: Hur har modellen utvecklats? Vilka är de viktigaste intressenterna? Vilka möjligheter och utmaningar medför modellen? Ämnet är viktigt eftersom en affärsmodell av det här slaget, som har både sociala, ekonomiska och miljömässiga mål, kan influera branschen som helhet. Tidigare forskning inom CSR-området för skogsbaserade företag, har tenderat att fokusera på hållbarhetsredovisning och kopplingen mellan CSR och lönsamhet. Således finns det en brist på forskning om skogsbaserade företags arbete med att utveckla nya affärsmodeller och om förvaltningen av CSR i nya produktionsområden. Genom att göra djupgående intervjuer, på plats i Laos, vid ett företag i utvecklingsstadiet kan studien öka förståelsen för företag i liknande situationer och göra ett bidrag till forskningen.

Studien visar att det är möjligt att utveckla en affärsmodell som innefattar både ekonomiska och sociala mål. Förutsättningarna är att det skall finnas ett centralt engagemang hos företaget, att det finns sociala entreprenörer med lokal kunskap som kan identifiera vilka sociala frågor som företaget bör fokusera på, att intressenter är inkluderade i utvecklingsprocessen och att modellen utvärderas på ett sätt som tar hänsyn till dess speciella funktioner och värden.

Abbreviations

BOP - Bottom of the pyramid

CSE - Corporate Social Entrepreneurship

CSR - Corporate Social Responsibility

CSV- Creating shared value

EIA - Environmental Investigation Agency

FDI - Foreign Direct Investment

GDP - Gross Domestic Product

IUCN - International Union for Conservation of Nature

Lao PDR - Lao People Democratic Republic

LDC - Least Developed Country

LIC - Low Income Community

MDG - Millennium Development Goals

MNC - Multinational Corporation

NEM - New Economic Mechanism

NGO - Non-Governmental organisation

NSEDP - National Socio-Economic Development Plan

NTFP - Non-Timber Food Products

ODA - Official Development Assistance

PFA - Production forest area

SIA - Socioeconomic Impact Assessment

SIDA - Swedish International Development Cooperation Agency

SNV - Netherlands Development Organisation

UI - Utrikespolitiska Institutet

UN - United Nations

UNDP - United Nations Development Program

UPM - United Paper Mills

UXO - Unexploded ordinance

WBCSD - World Business Council of Social Development

WFP - World Food Program

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1 Introduction

Today, the "triple bottom line" is growing in importance (Cronin *et al.* 2011). It is a concept that refers to the fact that modern business models are expected to address not only economic- but also social- and environmental objectives (Elkinton, 1998). Corporations are expected to build their businesses in a way that creates value, not only for the corporation itself, but also for society (Porter & Kramer, 2011). CSR, Corporate Social Responsibility, has become a generic concept that embraces accountability. This new business imperative offers opportunities for business innovation; however, it also creates great challenges. This is especially true for large corporations and multinational companies that, due to their complex and extensive character, find it difficult to adapt to new expectations and rebuilding business models (Rainey, 2006; Prahalad & Hart, 2002).

The fastest growing markets of today are the ones in developing countries (Michelini & Fiorentino, 2012; Prahalad & Hart, 2002). With this in mind, Prahalad and Hart (2002) present the "base of the pyramid" -markets (BOP), as the ultimate base for business, meaning that corporations with a will to invest in developing countries can find business opportunities and competitive advantages by meeting the needs of a growing market. However, this is not a question of bringing Western systems into developing countries. It is rather about innovation and fundamental changes of strategy to create business models that are economically sustainable and in line with the needs of local communities (Prahalad & Hart, 2002). The objective is to move beyond philanthropy and focus on common prosperity, also known as "shared value" (Porter & Kramer, 2011). Through innovations and entrepreneurship, new business models that are implemented in poor communities can reduce poverty and improve community empowerment (Brugmann & Prahalad, 2007).

As corporations are expected to generate social value as well as business advantage, the civil society and the corporate sector are moving closer to each other. As said by Brugmann and Prahalad (2007, pp. 5), *"their interactions have created new links between business innovation and social development".* The interaction between governments, civil society, international organisations and the corporate sector provides a base for partnerships, collaborations and alliances. However, the understanding of these new business models and the role of stakeholders and partnerships are still evolving. There are a number of research areas associated with new business models and the role of cross-sector collaboration that calls for research efforts (Cronin *et al.,* 2011, Reficco & Marquez, 2012; Michelini & Fiorentino, 2012).

1.1 Problem background

The forest-based industry has a strong connection to global sustainability (Mikkälä & Toppinen, 2008). Forest areas cover about 30 % (Mikkilä, 2006, 11) of the area of the world; hence, the forest-based industry operates in a context that is politically and economically important from a global perspective. As stated by Mikkilä (2006, 11), *"millions of people interact frequently with the forests and are directly or indirectly dependent on them, having various opinions on the management, utilization and conservation of this natural resource".* The forest-based industry can be referred to as a globalizing industry, as more and more of the major companies in the sector continue to expand their operations outside their home continent (Mikkilä, 2006). In the recent decade, several of the largest forest-based companies

have extended their operations to new geographical areas (*ibid.*), and in many cases, these are areas in developing regions such as Southeast Asia and South America.

The forest-based industry has some specific characteristics that make it particularly interesting from a CSR-perspective. The raw material based character of the industry implies that forest companies inevitably have an impact on the natural environment and the socio-economic conditions where they operate (Mikkilä, 2006). Hence, the connection between the forest industry and the aspects of the triple bottom line is evident. Accordingly, the forest industry is exposed to an increasing pressure from various stakeholders (Mikkilä & Toppinen, 2011). A growing awareness of environmental and social issues among the public, the media and consumers has increased the expectations and the pressure on these industries to rethink their business strategies (Toppinen *et al*, 2012). Illegal logging, conflicts over land use and massive tree plantations causing monocultures are a few of the issues that have raised critiques among NGOs (non-governmental organisation), environmental groups and indigenous people (Toppinen, 2011). Moreover, operations by the forest-based industry have strong connections with the political issue of preserving natural environments; and furthermore, they are expected to act in favor of poverty alleviation and the reduction of climate change. Thus, the forest-based industry has not only become an economic actor, but also a political and social actor.

The complex political, environmental and social context has caused the forest-based companies to receive continuous criticism from various stakeholders (Amberla *et al*, 2011). In response to the criticism and as a way of avoiding a bad reputation, the majority of the forest-based companies started to publish sustainability reports (Mikkilä & Toppinen, 2008). However, in recent years the critique towards and the external pressure on forest-companies that operate outside their home continent has been tougher than the critique towards and pressure on companies who have not emerged into new production regions (Amberla *et al*, 2011). This mainly concerns the Nordic forestry companies Stora Enso and UPM (United Paper Mills). As stated by Mikkilä (2006,12), *"It is thus the expansion outside the home continent and globalization of the criticism that has raised responsibility issues as topic of debate in the Nordic countries recently and has increased the number of stakeholders involved".* This points to a link between the critique and the challenging operating environment in which some forest-based companies operate.

Extending operations into new regions is a strategic choice that involves access to new resources. Nevertheless, operating in a new environment brings great challenges. In order to survive, the company needs to find a sustainable level of profitability as well as finding a business model that is beneficial for the local society (Toppinen *et al*, 2012). Moreover, from a development perspective, it is a widely accepted idea that the private sector can function as an *"engine of growth"* (Jamali & Mirshak, 2007, 244) and that it can serve as an active partner to develop opportunities in developing countries (Jamali & Mirshak, 2007). Resource-based industries, such as the forest-industry, are inevitably connected with the local community in which they operate (Mikkilä, 2006). However, having a will to act responsibly is not enough to succeed in every operating environment. Different social, cultural, and economic conditions highly influence the practice and the understanding of corporate responsibility (Jamali, 2006; Mikkilä, 2006). Consequently, there are many special conditions and challenges that exist for forest-based companies that operate outside their home continent and particularly in the context of a developing country. As the demand for paper and wood products increases, so does the expansion of operations in new regions, and simultaneously, the demand for responsibility and accountability.

1.2 Problem

"Until now, many companies have thought that being global meant moving production to locations with the lowest labor costs and designing their supply chains to achieve the most immediate impact on expenses. In reality, the strongest international competitors will often be those that can establish deeper roots in important communities. Companies that can embrace this new locational thinking will create shared value"

- Porter & Kramer (2011 pp.71)

Corporations operating in a time of globalization face both challenges and opportunities when implementing new business models and undertaking initiatives at the base of the pyramid. In the forest-based industry, some of the biggest challenges are associated with new markets and the interaction with surrounding societies. The three rainforest basins of Congo, the Amazon and Southeast Asia are of particular relevance as they are an important source of biodiversity as well as the base of many people's livelihoods (FAO, Unasylva 238, 2012). Hence, finding a balance between social development and a prosperous business model is crucial, and a challenge for companies operating in these particular locations. In addition, there are industry-specific challenges such as illegal logging which results in special conditions for forest-companies with a will to expand in rainforest areas. Illegal logging is a widespread activity which not only results in deforestation and loss of valuable biodiversity, but also reinforces corruption and hampers development (EIA, 2011).

Lao PDR is a landlocked country in Southeast Asia. The country is classified as one of the poorest in the world, but it is situated in a highly dynamic and evolving region. Natural resources such as minerals, renewable water resources and a forest cover that is higher than surrounding countries are some of the assets that the country holds (www, World Bank, 1, 2012). Hence, land is a primary resource and an important issue. Foreign investors have an increased interest in the country which provides the government with major challenges when managing the natural resources. In order to reach a stable development, the resources have to be managed sustainably and for the benefit of the population in Lao PDR. However, it is a challenge that can be hard to achieve, as about 80% of the population is dependent on the natural resources to cover there basic needs (*ibid.*). Companies within the resource based industry, that have the objective of extending their operations into Lao PDR, face extensive opportunities in terms of access to resources. However, they also face major challenges due to the lack of infrastructure and the extensive bureaucracy. If the aim of the company is to embrace corporate responsibility, there will be even greater challenges and opportunities.

The idea that business can play a role in improving the life of people in developing parts of the world has spread among academics and practitioners. However, there is a need for further examination of the special conditions associated with building new business models. As stated by Husted & Allen (2006, pp.838), *"relatively little is known about the management of corporate social responsibility by multinational enterprises"*. Michelini and Fiorentino (2012, pp. 2) expand on business models for Creating Shared Value (CSV) and states that *"despite the growing importance of these new kinds of business models, which are able to combine social and business advantage, literature is lacking"*. In addition, there is a growing consensus that collaboration between the private sector and the social sector is of great importance when market initiatives are addressed at the base of the pyramid. On the other hand, Reficco and Marquez (2012, pp. 512) argue that *"despite the calls for cross sector partnerships in BOP initiatives, our collective understanding of how these actually work has not advanced proportionally"*. Moreover, firms with the aim of developing new business models in new regions are likely to surround themselves with partners that possess knowledge

about local cultures and habits that the firm doesn't have it self (Brugmann & Prahalad, 2007; LaFrance & Lehman, 2005; Rainey, 2006; Glasbergen, 2011), a phenomenon that is reflected in the growing interest for collaborations between nonprofit and profit organisations. Additionally, the importance of a "bottom up" perspective, where local communities are involved in the business development, is highlighted in the literature (Fraser *et al,* 2005; Buffum, 2012).

To sum up, some of the major companies in the forest industry have received extensive critique for not succeeding in terms of corporate responsibility when operating in environments outside their home continent; this includes the Nordic company Stora Enso. In the literature, there is a call for a new approach to CSR among forest-based companies, and a redesign of their business models (Toppinen, 2011; Toppinen *et al,* 2012). Previous research in the CSR-field of forest-based companies has tended to focus on sustainability reporting and the link between CSR and profitability (Toppinen, *et al* 2012; Mikkilä & Toppinen, 2008; Mikkilä, 2006). Thus, there is a lack of research on forest-based companies' efforts to develop new business models and on the management of CSR in new regions for production.

1.3 Aim

Clearly, CSR is increasingly becoming an essential issue for Multinational Corporations (MNC). Companies acting in a global arena have realized that in order to achieve accountability and long-term prosperity, their CSR-activities have to be incorporated into the core business. Hence, there is a need for companies to rethink their business models. However, there are no general solutions. In order to succeed, the business model has to be developed in the context in which it is supposed to function. This problem highlights the forest industry and its challenges in developing regions as a topical subject to study CSR and new business models. Therefore, the aim of this study is to:

Identify critical factors for the implementation of a new business model in the context of a developing country.

Research questions of particular interest:
- How has the business model developed?
- How does the company interact with stakeholders?
- What opportunities and challenges are associated with the model?

The study is carried out as a case study of the multinational forestry company Stora Enso's plantation project in Lao PDR. The project was established in 2006 and communicates efforts of CSR and a participatory approach with the local community and NGOs. As the project and the business model are still in progress, it serves as a suitable case for studying the development of new business models in developing countries.

1.4 Delimitations

First of all, there are delimitations regarding the empirical study. The project has been performed within the frame of a Minor Field Study, which has made it possible to perform the study on site, in the particular country where the operations are performed. However, this means that the study has been limited to a case study of one particular industry, *the forest based industry,* one particular company, *Stora Enso*, one country, *Laos PDR*, and one

business model. Moreover, the interviews with field staff and farmers have, due to the remoteness of the area, been conducted in one of three plantation regions.

Secondly, there are certain limitations regarding the theoretical framework. The base for the study is the concept of Corporate Social Responsibility, which is a wide and complex field of many concepts and theories. Within this field of research this project concentrates on the development of business models based on shared value and collaboration and networks as a tool for conducting the development. In addition, the major focus is on the social and business aspects of the business model. The environmental aspects are not investigated in detail.

Thirdly, there are also some limitations in the methodology. As the study is performed as a case study of Stora Enso the thesis has a corporate perspective. All choices of interviewees have been made in collaboration with Stora Enso from the perspective of who and how many persons are reasonable to interview. However all the interviews where recorded and has been conducted face-to-face, although there were barriers of language in some cases.

1.5 Outline

The outline for the coming chapters is illustrated in figure 1 below. Chapter 1, *Introduction* describes the problem and a problem background. In the *Method* chapter the research design is described and the structure of the case study as well as the collection of data is presented. The third chapter called *Theoretical Perspectives* describes relevant literature regarding CSR, new business models, stakeholder management and cross sector collaborations and presents the conceptual framework of this study. Chapter 4, *Empirical study* presents the outcome of the data collected from the case study. In the *Analysis* the results are discussed in relation to the literature. The *Discussion* chapter answers the research questions and puts the study into a scientific context. Chapter 7, *Conclusions*, presents the conclusions of this study as well as identifies further research areas.
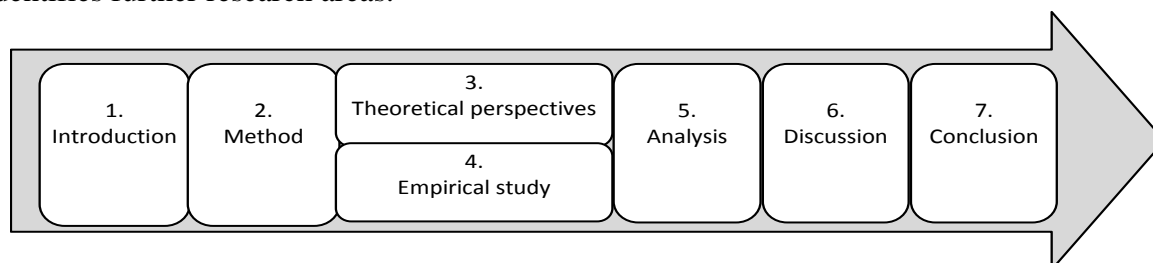
Figure 1: The figure illustrates the outline of the thesis.

2 Method

In this section the unique set of choices made in this research project is presented. Moreover the method used to carry out the research project is explained and motivated.

2.1 Research design

This section is about the initial steps in conducting a research project. The early phase in the process includes the choice of method and several considerations within the methodological framework.

One way of describing different approaches to research design is to name them *fixed* or *flexible design* (Robson, 2011), more traditionally called quantitative and qualitative method. The fixed design implies that all the details for how to collect the data are decided before the actual collection starts. In a flexible research design there is a preliminary plan of the data collection but the details can change while the process proceeds. This doesn't mean that the different designs are each other's opposites, it is rather a matter of a fundamental approach to the research project, the two designs can also be combined and the different kinds of data can be highly synergistic (Eisenhardt, 1989; Robson 2011). In this particular research project the objective is to study the conditions for one particular company in one location but what the actual outcome is supposed to be is not decided in advance, an approach which requires a flexible design.

Moreover Gummesson (2006) stresses that there are certain characteristics in a subject that requires the use of a qualitative approach (flexible design) in order to achieve genuine relevance. *Complexity*, *context* and *persona* are three aspects to a study that advocates the use of a qualitative method. Modern management and business are fields of research that are characterized by complexity and context as they are influenced by a variety of variables and highly affected by their environment. In addition the concept of persona, namely the human aspects and individuals influence over the research process is unavoidable. Hence, qualitative research involves the process of creating and interpreting the collected data and "the self" of the researcher is a part of this process. As this research project is carried out within the business field and as the context (the developing country) and the persona (the key persons), are central to the study, a flexible approach is preferred. Furthermore, a large part of the study is conducted outside the home country of the researchers. The relatively unpredictable character of the study speaks in favour of a flexible approach where the process of collecting data can be changed and improved over time.

According to Robson (2011) a good way to choose a suitable research design is to start from the research questions and the purpose of the study. The objectives of this study are basically to describe the implementation of a new business model in a developing country. Moreover, the research questions include the purposes of describing the development of the business model, the key stakeholders and the opportunities and challenges associated with this process. In order to answer the research questions it is necessary to understand the context in which the business model functions. Also, it is relevant to study how key persons perceive the situation, an objective that advocates an inductive approach (Robson, 2011, Gummesson, 2006). The study can partly be regarded as an industrial commission as the implementation of the study was carried out with support from and the approval of the company Stora Enso. Contacts with the company were initially made through phone and e-mail. The objectives of the project and

the research questions were presented through a research proposal, which was approved by the company that allowed the scale and the execution of the project to be settled.

2.1.1 Case study

The study presented in this thesis has been conducted as a descriptive single-case study of the company Stora Enso's implementation of a new business model in Lao PDR. A case study is a research method which represents one of many ways to collect and analyse empirical evidence (Yin, 2009). According to Yin (2009) a case study *"investigates a contemporary phenomenon in depth and within its real-life context"* (Yin, 2009, 18). Moreover, a case study is suitable when multiple sources of evidence is needed to understand the phenomenon (Yin, 2009). According to Eisenhardt (1989) the data collection can be conducted in various ways ranging from interviews to observation, questionnaires and archives. Other conditions that distinguish a case study from other methods is that it commonly answers the questions of *how* and *why*, and as opposed to an experiment, it doesn't require control over the behavioural events. There are many types of case studies. They can for example be *explanatory*, *descriptive* and *exploratory* and executed within *single* or *multiple cases* (Yin, 2009). As the aim of this study is to describe how a business model has been implemented it can be regarded as a *descriptive* case study. The descriptive approach allows the researcher to describe and illustrate how for example an organisation, business model, unit etc. works in a specific context. Moreover it is a single-case study but with an *embedded design* meaning that there are *"multiple levels of analysis within a single study"* (Eisenhardt, 1989, 534)

Designing a case study is a process including several steps and stages. Selecting the case is one of the fundamental choices. According to Yin (2009) it is all about defining the *"unit of analysis"* (Yin, 2009, 29); finding an appropriate unit of analysis starts with the research questions and the objectives of the study. In this thesis the overall aim is to study a company which have made an effort to build a new business model in a developing country. The context of a developing country is relevant due to the increasing globalization and it is also a requirement from the organisation SIDA (Swedish International Development Cooperation Agency) who partly financed the study. The choice to study the forest-industry is partly based on its strong connection with Sweden and the Swedish Agricultural University. Moreover, the forest-industry is widely discussed within the field of CSR due to the fact that many forest-companies (including Stora Enso) have received a lot of critique for failing to take environmental and social responsibility (Mikkilä, 2006). According to Denscombe (2000) the selection of the unit of analysis is preferably based on the unit's relevance. Other bases for choosing a unit of analysis can be pragmatic conditions or simply that the case is given to the researcher which implies that the researcher makes no choice. Basically, the unit of analysis in this thesis is chosen based on its relevance for the theory in focus. Yin (2009) highlights the uniqueness of a case as a rationale for a single case study. The case chosen in this thesis correlates well with the current state of research within the field of CSR and is therefore a topical and relevant unit to study. Stora Ensos's operations in Lao PDR are extensively communicated as a pilot-project based on social responsibility and a bottom-up approach. Moreover, the operations are still evolving which makes it possible to study the implementation of a business model as a contemporary phenomenon. However, as the study is conducted in a country where much of the basic conditions such as language, infrastructure and culture are different from the conditions we are used to, there is inevitably a pragmatic approach to the study. The pragmatic approach advocates the view that not all activities can be done rationally based on facts. In order to complete a study, some of the choices and activities are done based on practical conditions and common-sense (Robson, 2011).

Case studies implicate that the experiences and data from the empirical study can be transferred from the empirical context to a theoretical context and hence increase the understanding of the subject. According to Yin (2009), conducting a case study of high quality is challenging but possible if the study is planned and designed in a systematic way.

2.1.2 Literature review and theoretical framework

The choice of research questions and the unit of analysis are two important steps for designing a successful case study (Eisenhardt, 1989, Yin, 2009). However it is also important to develop a preliminary theoretical understanding. The theory is supposed to relate to the collected data, hence a preliminary development of the theoretical framework is done prior to the data collection. The theory development is an essential part of the research design process as it gives a deeper understanding of what is being studied (Yin, 2009). In our case it was preferable to have a basic understanding of the state of research within the field of CSR, and the research done on the forest industry, before arriving in Lao PDR. Therefore a literature review and a preliminary theory chapter was developed prior to the empirical study.

The literature review was mostly based on articles from academic journals within the field of management and textbooks used throughout the masters' programme. In the first phase a few wide and basic key words such as *CSR*, *shared value* and *bottom of the pyramid* were used. The screening of these articles resulted in an extended vocabulary with new and more specific key words. The second phase of the literature review were based on key words such as new business models, partnerships and stakeholders were used in combination with the keywords of the first phase. Through this screening more relevant concepts, theories and models were identified. Some of the concepts in this process, such as *social business models* and c*ross-sector partnerships* were ultimately used in the conceptual framework. However, as stated by Denscombe (2000), in order to perceive the essentials in a qualitative study it is important to have a "open mind" when facing the empirical investigation. An "open mind" does not imply an unprepared approach with no theoretical anchoring, it rather implies an approach where the researcher knows enough theory to take on the study, but not enough to be limited by it. When starting the empirical investigation of this particular project a preliminary theory development had been done, but the process that followed can be regarded as *iterative* as much of the concepts used in the conceptual framework were found and added parallel to the empirical investigation.

2.2 Collection of data

Qualitative methods and case studies are characterized by the fact that they are preferably conducted by using data from many sources (Eisenhardt, 1989, Yin, 2009). The collection of data follows the phase of planning and designing the research project and includes many choices and considerations. In this section the data collection methods used in the project is presented. Moreover the procedures for ensuring quality and the ethical aspects of the investigation are explained.

The data collection in this research project was conducted by using three major sources, *observation*, *interviews* and *archival records*, using more than one method when collecting data about the same topic enables *triangulation* of essential information (Denscombe, 2000). Triangulation through the combination of methods enables the researcher to see things from more than one perspective and also to confirm and test the collected data by comparing it with data from other sources. The process of triangulation increases the *validity* and hence the

quality of data. Perry (1998) emphasizes that triangulation is of particular importance in case studies as they might be complex and hard to grasp if not using many sources of data.

2.2.1 Archival records

Archival records served as a valuable source of data for supplementing the interviews and the observations. Examples of records used are internal project descriptions, organisation charts and maps over the areas where the plantations were established. Moreover access was also given to country specific records that described development goals and the forest strategy of Lao PDR. As stated by Yin (2009) it is important to be aware of the purpose for which the records were produced. Therefore the archival records have been interpreted with respect to the context and the accuracy of the details has been checked.

2.2.2 Interviews

Doing interviews is a method, which is commonly associated with the qualitative approach and case studies (Denscombe, 2000). The method does not require any complicated equipment, but on the other hand interviews require a number of both ethical and practical considerations. There are many different types of interviews and it is important that the interview method matches the overall design of the project (Yin, 2009, Robson, 2011). In this project the interviews followed a semi-structured design. A semi-structured interview implies that the interviewer has decided upon certain topics that are to be discussed but questions can be added along the interview (Robson, 2011). An example of interview guides can be found in appendix 3. Moreover, the interviews conducted in this research project are both group interviews and personal interviews. Table 1 provides an overview of the interviewees.

Table 1: The interview process

Organisation	Interviewee	Position	Interview date	Validation type
Villages	Ban Takor Village	Village	2012-10-11	Oral validation*
	Lapeung Village	Village	2012-10-13	Oral validation*
Stora Enso Lao PDR	Bounmy Keobounheaung	Khet Officer	2010-10-11	Oral validation*
	Doug McInnes	Regional Manager	2012-10-12	Transcript Validation
	Helena Axelsson Svensson	CSER & HR Manager	2012-10-19	Transcript Validation
	Ken & Aton	Khet Assistant	2012-10-10	Oral Validation*
	Khambone Sysouk	Senior Land Manager	2012-11-01	Oral Validation*
	Peter Fogde	COO	2012-10-31	Transcript Validation
	Pom Soulithone	District Officer	2012-10-10	Oral Validation*
UNDP	Phanchinda Lengsavad & Makiko Fujita-Suzanne	Chief Poverty Reduction Unit, Consultant Poverty Reduction Unit	2012-10-23	Oral Validation*

*After the interviews where made a validation of the written transcript was sent to the interviewee.
In cases where this wasn't possible oral validation was made during and after the interview.

As stated by Denscombe (2000) the selection of respondents in qualitative research is seldom based on probability or objectivity. The choice of respondents is rather based on a subjective judgement on what entities that can be of value for achieving the objectives of the research project. In this study, the choice of interviewees was done with the objective of getting as many perspectives as possible in order to get an overall picture of the business model. In a project proposal key stakeholders served as grounds for suggesting interviewees. However, in the project procedures choices of relevant interviewees were based on suggestions and connections. Therefore, selection cannot be regarded as fully unbiased.

To get the perspective of the staff and the management within the organisation the interviews were conducted with employees of different positions in the company. To get the external perspective, group interviews were made in two villages participating in the project. Both of

the village groups consisted of the village chief and men and women from the village. Also, one interview was made with a group of assistants that were employed by Stora Enso Lao but came from one of the villages that were engaged in the project. Therefore, they contributed with a perspective that included both the external and internal perspective. An interview with UNDP (United Nation Development Programme) contributed with the perspective of an NGO and through an interview with the land expert at Stora Enso advanced questions on land-issues could be covered.

All of the respondents except for the villagers were asked in advance if they were willing to participate. In order to take ethical aspects into consideration all respondents were presented to the research project and to the objectives of the study before they gave their consent to participate. In all of the interviews with field staff, villagers and the land-expert there was a need for a translator, which might have affected the level of details in the answers, in one case it was necessary to have two translators as the interview involved an additional local language, which was not spoken by the translator. With the consent of the respondents the interviews were recorded and transcribed. As some of the data could be of sensitive nature the transcribed manuscripts were sent to the respondents for validation in the cases where it was possible. Another aspect that should be taken into consideration when interpreting data from the interviews is the personal identity and the position of the interviewers (Denscombe, 2000). In the case of the interviews with villagers and field staff the visit of two researchers from outside Lao was an unusual event, in addition we arrived to the site of the interview together with staff from Stora Enso, therefore there might have been an incentive to emphasize the positive rather than the negative aspects. However, the questions asked were designed to be straight and simple, leaving out all business terminology. The aim was to find a mutual level of understanding. As the interview was performed on site, in an environment that was familiar to the respondents, it was a favourable situation for an open and relaxed interview.

2.2.3 Direct observation

A case study preferably takes place in the natural setting of the case, hence case studies brings the possibility of doing direct observations (Yin, 2009). In this study observations made an important contribution as the context in which Stora Enso operates highly influences how the company run their business. The trip to Lao PDR included six weeks of working in the Stora Enso head office in the capital Vientiane and two weeks of field studies (8/9 2012- 8/11 2012). The field studies included visits to villages that participated in the project, plantations in different development stages and three field offices. Being able to observe the daily work of the managers, staff and villagers is valuable to understand and describe the actual conditions for the studied business model and the settings in which it is supposed to function. The possibility of direct observation entails considerations concerning ethical aspects (Robson, 2011). In this study the observations has only been used to get a deeper understanding for the context and the studied problem. There are no details or hard facts that are taken from observations only. Moreover, in order to avoid any misunderstandings the objectives of the research project and our position and background was always presented in new environments.

2.2.4 Ethical considerations

When conducting a research project there are a variety of ethical aspects that arise during the process. Ultimately, there are two key areas where an ethical aspect plays a crucial role in how the project is formed. Firstly, the choice of research topic and the problem involves ethical considerations in how the involved participants and, in this case, the representatives of

the studied company are informed and treated. Secondly, there are several ethical aspects to how the study has been conducted, such as to how privacy, confidentiality and anonymity is handled.

When the topic and problem was chosen we were clear to inform the managers in Stora Enso of our intentions of the project and also to listen to their wishes of what the thesis could be about. An open dialogue is necessary in order to avoid mistrust and to get the most out of the study. As central parts of the empirical study were performed on site of the operations trust was particularly important. Interviews and observations were always made with the approval of the persons concerned and interviewees had the opportunity to remain anonymous. However, all interviewees gave their consent to be mentioned in the thesis. In order to avoid any harm to the position of the individual another ethical consideration was to not share any of the replies received during the interviews with other participants or people within the organisation.

2.3 Data analysis

Ultimately, the analysis of the empirical data follows the structure of the theoretical propositions and the objectives of the study. According to Yin (2009) this is a preferable strategy as the objectives and propositions have shaped the study from the beginning.

This study is a typical qualitative case study in the sense that it entails a rather large amount of data from interviews, observations and archival records. The process of managing the data starts early in the study process as a lot of choices is made regarding the focus of the study and who to interview. However, in order to structure that data and keep it manageable the first step of analysis is to apply thematic coding (Robson, 2011). Coding implies a process of several steps which aims at defining what the data is actually about and has therefore a central role (*ibid.*). The analysis of the gathered data of this study started with the identification of codes, which can also be described as themes, which are relevant to the study. The decided themes are based on the theoretical propositions combined with collected data. As the themes were decided upon the data could be managed and analyzed in a structured way focusing on one theme at a time. Also, the thematic coding allowed a deeper analysis of the different interviews and the data from various sources. Basically the themes represent the key concepts presented in the conceptual framework.

Even though the thematic coding represents one way of structuring the analysis it is important to be aware of, and consider, the impact that the researcher as analyst can have on the analysis (*ibid.*). The researcher's tendency to be inconsistent, ignore conflicting information and overlook the fact that some sources of information are more reliable than others, are a few of the deficiencies which affects the analysis. However, the systematic approach based on the theoretical propositions and the thematic coding is a great help to reduce the effect of human deficiencies. A possible deficit of this study is the information that may have been missed due to language deficiencies, the fact that all the interviews were made face to face can however be regarded as a factor which reduces that risk. In order to avoid biases and to maintain validity throughout the study the possible impact from researchers has continuously been taken into consideration.

3 Theoretical perspectives

Chapter 3 provides an overview of literature relevant to the subject of this study. The concepts identified as important to understand the aim of the study are: *corporate social responsibility*, as a generic concept, *new business models*, as a result of the efforts performed by corporations aiming at new markets and shared value, *stakeholder management* and *cross-sector collaboration* as tools for building new business models. The chapter begins with a review of the literature related to the subject and concludes with a more specific conceptual framework.

3.1 Corporate Social Responsibility

The Corporate Social Responsibility field contains a wide set of theories, some of which can be quite complex and indistinct (Garriga & Melé, 2004; Matten & Moon, 2008). Ultimately, CSR is about business role in society and the fact that companies responsibilities are getting wider. Because of a rise in global and international trade the interest in CSR has in recent years increased and underlined the need for transparency and accountability (Jamali & Mirshak, 2007). Due to the awareness and response of the public, media and NGO's, businesses of today are expected to show accountability for issues that was not seen as business responsibility twenty years ago (Porter & Kramer, 2006). Being accountable for environmental and social issues has developed into a contemporary management imperative, and can be regarded as a kind of risk minimization. There are great financial risks involved in business activities that by stakeholders are perceived as unacceptable. An example of financial damage, caused by irresponsible business conduct, which is often mentioned in the literature, is the extensive consumer boycott that hit Nike after media reported on abusive labor conditions and violation of human rights for Indonesian suppliers (Porter & Kramer, 2006, Brugmann & Prahalad, 2007, Husted & Allen, 2006). Evidently, Corporate Social Responsibility is a well-established business term and most multinational corporations of today publish CSR-reports. The recent development has resulted in a shift in what CSR implies. The perception of the concept have moved beyond cosmetic sustainability reports, philanthropic activities decoupled from core business and uncoordinated environmental and social initiatives. Instead, the focus is moving towards the interdependence between corporations and society rather than the friction between the two (Porter & Kramer, 2006).

The current focus for companies is *"not on why they should implement CSR activities but on how they should do so effectively"* (Roberts, 2003, pp.159). As the concept of CSR has become a well-established part of the business vocabulary, the discussion of what it really is and what it means has grown in importance (McElhaney, 2009). There are several theories of, and approaches to, CSR (Garrigá & Melé, 2004). All the theories originate from the relationship between business and society but they represent different aspects of what should be in focus and what the objective of CSR is.

3.1.1 Strategic CSR

One group of CSR-theories, so called strategic CSR, is focused on the economic aspects, namely CSR as a *"strategic tool to achieve economic objectives"* (Garrigá & Melé, 2004, 53). In the strategic approach, CSR represents not only obligations but also business opportunities (Husted & Allen, 2006). McElhaney describes the strategic CSR as *"A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business and culture"* (McElhaney, 2009, 31). According to McElhaney the

opportunities associated with strategic CSR can be found in the areas of corporate branding and reputation. Engaging in strategic CSR can simply improve brand image and strengthen corporate reputation (Porter & Kramer, 2006) In addition, the benefits of CSR is also related to the areas of human resource and cost savings. Employees are basically more interested in companies that are socially and environmentally responsible; hence CSR can be used as a strategy to recruit talented employees. Furthermore, CSR is a base for effective use of resources which can result in cost savings (McElhaney, 2009). However, the opportunities and benefits of strategic CSR identified in recent literature goes even further, as stated by Husted & Allen (2006, pp.839) *"benefits go beyond mere reputations-building to the development of valuable organisational capabilities"*.

In widely cited journals, like the *Harvard Business Review,* CSR is presented as a source of innovation and a strategy for competitive advantage (Porter & Kramer, 2006; Porter & Kramer, 2011; Brugmann & Prahalad, 2007). The basic idea is that MNC's (Multinational companies) who improve the social and economic conditions in the communities in which they operate can simultaneously enhance their competitiveness. Thus the contemporary view of strategic CSR is not about how to resolve short term conflicts by responding to stakeholder pressure, (which can be a rather costly tactic), it is rather a matter of how to find the points of intersection between the business and society in which businesses can contribute to society and create business opportunities. A term for describing this phenomena established by Porter & Kramer (2006) is *Creating Shared Value* (CSV*).* The term is based on the idea that *"a business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment"* (Porter & Kramer, 2011, pp.66). The concept of Creating Shared Value is applicable to advanced economies as well as developing countries but the challenges met in the different environments differ. When companies expand their business into developing countries the principle of shared value grows in importance as the connection between the corporation and the society grows stronger (Michelini & Fiorentino, 2012). Moreover, engaging in low-income communities can lead to new markets. Prahalad & Hart (2002) has established the concept of *Base of the Pyramid* (BOP), which is based on the idea that low-income markets provide MNC's with new business opportunities. The concept entails the notion that companies who find a way to build business models that includes the needs of the communities, in which the income per day is less than 1$, will meet major opportunities of sustainable innovation, creating buying power, building infrastructure and increase employment.

3.1.2 Political and institutional CSR

Another set of theories represent the idea that firms cannot fully, and only, manage CSR strategically as they also have political power (Husted & Allen, 2006). Many authors highlight the fact that CSR is highly dependent on the context in which it operates (Fraser *et al*, 2005; Jamali & Mirshak, 2007; Husted & Allen, 2006). Institutions and culture inevitably have an effect on firms' operations, which can also attenuate the strategic logic (Husted & Allen, 2006). Furthermore, in a time of globalization corporations become not only economic actors but also political actors (Garrigá & Melé, 2004; Scherer & Palazzo, 2007). As businesses possess social power they also have social responsibility (Garrigá & Melé, 2004). Scherer & Palazzo (2007, 1108) introduces the concept of the "*Corporation as a politicized actor"* meaning that businesses due to globalization are increasingly taking wider responsibilities. Responsibilities, such as health, security and education, that previously has been regarded as duties of the government. In Garrigá & Melé (2004) the same phenomena is presented as "*Corporate Citizenship"* meaning that businesses need to take into account the

society in which it operates. An extended view of corporate citizenship implies that in societies where the institutional system fails to protect its citizens the corporation can partly replace some institutions, even the government, and take on some of the responsibilities that those institutions have failed to take.

The institutional theory implies that as institutions such as rules, norms and culture differs among countries, so will also the pattern of CSR (Matten & Moon, 2008). In an idealized system there is a functioning market, functioning legal institutions and governments that respond to the preferences of the civil society and market actors (Matten & Moon, 2008). However, in many cases this is not the reality and consequently businesses will have to adapt their CSR-program to the current and local circumstances. For example, operating in a dictatorship with a monopolistic market differs in many ways from operating on a free market and it also provides the firm with different kinds of opportunities to responsibility. The point is that companies operate in a complex system of actors that are dependent on each other. Accordingly the responsibilities and the structure of CSR activities will vary between societies, countries and other contexts.

3.1.3 The CSR landscape

Husted & Allen (2006) argues that there is a difference between local and global CSR and that the difference mainly lies in what community that demands it. Local CSR deal with firms' responsibilities towards the local community and thus the needs and circumstances is different in each community. As an example of a local CSR issue the authors present the problem of HIV/AIDS which is an important issue for businesses operating in affected areas. However, even though this is an essential issue in some areas the issue is not included in the notion of Global CSR. Global CSR entails issues that are common in all societies, such as human rights and environmental protection (*ibid.*). The Global CSR issues are in many cases treated by organisations like the United Nations and in many agreements it is a common view that businesses in collaboration with NGO's and governments can solve some of these problems. Accordingly, CSR depends on which community that demands it, the challenge for the firms is too responsive to both local and global demands.

Clearly CSR can be performed on different levels of society and as illustrated by McElhaney (2008) in figure 2 below, the landscape of CSR ranges from a company level to world level. At each level there are different types of contributions.
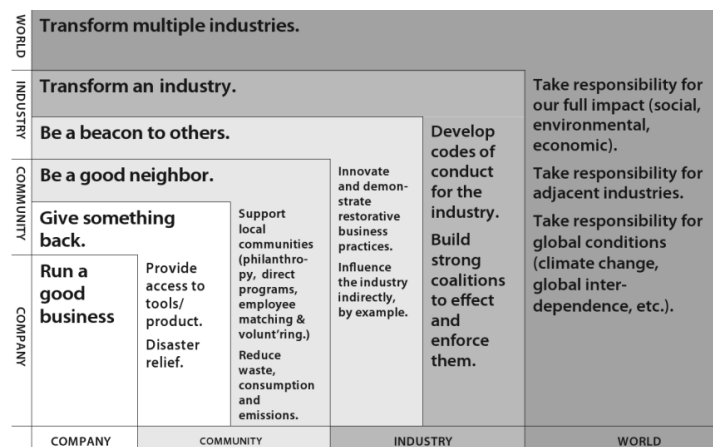

Figure 2: Illustrates the different levels on which a corporation can contribute through CSR (McElhaney, 2008, 230).

The fundamental state of the CSR landscape is that a company *"runs a good business"* meaning that it follows the law and commits to a generating wealth for the company. At a *community level* the firm can give something back to the community through supporting local programs and handling consumption and waste responsibly. On an *industry level* a firms CSR performance can serve as a good example and result in guidance for other firms. Gradually the firms operating on the industry level of the CSR- landscape can influence the essential business practices of the industry, through for example codes of conduct. On a *world level* the responsibilities of the firm are associated with sustainability issues such as climate change and global cooperation. Taking responsibilities on a world level can ultimately transform a wider set of industries, as also adjacent industries are included.

3.1.4 Definition of CSR

Even though the concept of CSR has not one commonly accepted definition it is valuable to find a definition that fits the descriptive approach of this thesis, in order to clarify any uncertainties. A recurrent definition of CSR includes the fact that firms invest and engage in activities that is beyond the requirements of the law (Roberts, 2003). Such a wide definition is good as it incorporates external and internal activities as well as the three aspects of the triple bottom line. However, as presented by Porter & Kramer (2006) CSR can either be a matter of minimizing the negative effect of the business's activities, or it can comprise an actual transformation of activities in the value chain with the aim to positively influence the community. Hence, the definition formulated by The World Business Council for Sustainable Development (WBCSD, 2002, pp.6) which reads: *"the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life"* is a more vivid definition of CSR which is suitable for this study.

3.2 New business models

As a result from saturation in established markets many multinational corporations have turned to emerging markets in the developing world (London & Hart, 2004). Initially the strategy was to make products for people in the wealthier parts of the world. However, recently the attitudes towards the BOP markets have changed. Corporations have realized that markets at the base of the pyramid are the fast growing markets which, if managed properly, can provide the corporations with unique business opportunities. However, western style business strategies and economic patterns might not be suitable in these new environments. Thus, there are both major opportunities and major challenges associated with the development of these new business models, and moreover certain implications associated with the process. Furthermore, Michelini and Fiorentino (2012) stresses that as developing countries suffer from many social problems the strategy has to generate business as well as social value, hence shared values. At the core of the shared value business models lies the objective of combining social and business advantage (Porter & Kramer, 2006). The goal of shared value is attained when value is generated both for society and shareholders. The coming section presents some of the different theories associated with building business models of shared value at the bottom of the pyramid.

3.2.1 Social and inclusive business models

The concept of Corporate Social Entrepreneurship (CSE) is presented by Michelini and Fiorentino (2012) as a process of generating shared value and meeting new opportunities

through innovative use of resources and competencies. According to Michelini and Fiorentino (2012) CSE includes two different approaches to value creation and hence two types of business models, which can function in a LIC (low-income community). The two business models that can be distinguished from the concept are:

- *Social business models* where LIC's are included as consumers
- *Inclusive business models* where LIC's are included as business partners.

A social business model implies that a company adapts products in its current business portfolio to a low-income market. Thus, the value proposition is to offer a product with features and prices that serves the needs of the low-income sector. For example Adidas launched a new model of footwear that cost only 1$ per pair of shoes. The inclusive business models, on the other hand involve lower-income communities as for example suppliers or distributors (Michelini & Fiorentino, 2012; WBCSD & SNV, 2008). Accordingly in the inclusive business model it is not the product that is changed, it is rather an inside process where the core-business is transformed to generate long-term value for the company and the community. The two kinds of business models differ also in how profit is managed (Michelini & Fiorentino, 2012). In the social business model dividends are often reinvested in the business model while the inclusive business model is managed as a traditional for profit company. There are also some similarities between the two models. For example the social and the inclusive business are similar in terms of partner networks, in both areas partnerships with non-profit organisations and local/international organisations are frequently occurring (Michelini & Fiorentino, 2012).

As illustrated in appendix 1 there are benefits and risks for both business and community that can come from inclusive and social business models. For the company the benefits come from enhanced brand equity and reputation as well as competitive advantage from finding new markets and building local relationships. There are also certain kinds of benefits that can only be obtained from the *inclusive business model*, as they are related to local productivity. Those benefits are a reduction of production costs, access to local distribution networks and quality materials. For the community the benefits of the *social business model* are related to the local quality of life as it can provide new products and increase entrepreneurship.

Moreover there are also risks associated with the business models, both for the company and for the community. Regarding the risks for the company, emerging markets in general require high start-up- and transaction costs due to matters like the political situation and difficulties managing the supply chain effectively. Hence there is a risk that the company will not reach economic sustainability. In addition there is a risk that if anything goes wrong there can be negative consequences for the company reputation. The biggest risk of the *social business model* is that it might lead to a privatization of goods that preferably is supposed to be public. Regarding the *inclusive business model* the risks for the community includes development of an oligopolistic market and hence that suppliers might lose autonomy.

Michelini & Fiorentino (2012) highlights that there are different ways of creating shared value. Either it can be done through the offering of a new product that is adapted to local needs (Social business model) or it can be achieved by the development of a local supply chain (Inclusive business model). The two models offer different value propositions, have different profit patterns and include different risks and benefits. However the author stresses that the models are similar in the use of partner networks and local knowledge. The alternative models offer a conceptual instrument for analyzing the development of new business models in developing markets. Michelini & Fiorentino (2012, 26) however

emphasize that more research is needed in this particular area, and that "*it might be useful to develop in-depth interviews with key figures involved in the implementation of business models*", in order to get a deeper understanding of the complex context.

3.2.2 Measuring shared value

Business models aimed at creating shared value in developing markets imply high startup costs. Consequently the profits from social and inclusive business may take some time. However WBCSD (World Business Council of Social Development) and Netherlands Development Organisation (SNV) (WBCSD & SNV, 2008) stress the complex profit path of these kinds of business model as they also generate indirect company benefits and external social benefits. The indirect company benefits are exemplified by brand positioning, customer loyalty and employee motivation. The external social benefits are the benefits that are captured by the community, benefits such as jobs, knowledge, environmental responsibility and health. Hence, in order to evaluate the profitability of an inclusive or social business, and include the indirect and the external benefits of it, a long-term perspective is needed. However, in many cases a long-term perspective is not what investors have time for and are interested in. In order to make the new kinds of business models attractive for investors there is a need for how to measure and assess profit.

As stated by Porter *et al.* (2011, 2) companies engaging in the creation of shared value "*cannot know the extent to which they are creating shared value if they do not measure their progress on social objectives and, importantly, the degree to which social performance improves economic value for the business*". Even though more and more companies develop business strategies with both social and economic benefits, a tool for how to measure the link between social benefits and business success, and vice versa, is still missing. Furthermore, investors remain skeptical about the direct connection between social issues and economic value (*ibid.*). Companies publish financial, social and environmental reports but they are often measured separately, without considering the value or the cost to the business. There is still no effective way of communicating and making shared value tangible for the investor community. Porter *et al.* (2011) therefore proposes a new approach to measuring shared value where the focus lies in the intersection between business and social value creation. Companies can still measure their compliance with social laws, report to stakeholders about environmental and social governance (ESG) and demonstrate positive social impact. However the reports and measures have to be complemented with a measurement that captures further value creation. For example, if a company successfully improves the market and the job situation in a community, the question should be how to draw further benefits from the situation, by for example applying the same program to other communities and thereby increased value for the company. It is simply a matter of measuring the opportunities of shared value and unlocking new value. According to Porter *et al.* (2011) the pathway to measuring shared value includes various challenges to tackle and several steps to take. The initial activity is to integrate the measurement of shared value into the shared value strategy. Hence, the company must identify what social results to address and what outcomes to measure. It is also essential that the company identifies and understands what links between social needs and business improvement that creates value. Moreover, in order to ensure future value creation and efficiency, it is vital that social and business results are measured relative to costs. Lastly, it is crucial that shared value measures are distinguished from other reports, and also that the company adopts at pragmatic approach to the process of measurement. Measuring shared value can reveal information and data that can simplify the dialogue with investors, managers and analysts. If information on the business strategies that creates social

value are separated from other measures (as opposed to being included in traditional measures) it will be easier to inform investors what their allocation of capital leads to.

3.3 Stakeholder management

The concept of stakeholders and stakeholder theory is a common term in the CSR- discussion. It serves as an important foundation of CSR as it stresses the fact that a firm has to be *"aware of and respond to the various demands of its constituents, including employees, customers, investors, suppliers and local communities"* (Pedersen, 2006, 138). The stakeholder-term has been used from the sixties, at that time it was called stakeholder perspectives. However, it was when Freeman (1984) defined stakeholders that the term got major impact. The definition by Freeman, which is one of the most cited, defines stakeholders as *"any group or individual who can affect or is affected by the achievement of the organisation´s objectives"* (Freeman, 1984, 46). Hence, stakeholder theory is ultimately a matter of who has a stake or interest in the company and what effect that stakeholder has on the firm. Through the definition of stakeholders a new understanding of the corporate environment evolved. An understanding which implies that a company inevitably is integrated with the society and that the management of different stakeholders is essential to business operations (Pedersen, 2006). Well-known corporations commonly refer to stakeholders in their corporate reporting (Roloff, 2008). Hence, the current field of stakeholder-theory is rich and there are various approaches to stakeholder management, some of which will be described below.

Traditionally a firm's primary ambition has been profit maximization; to make a return on equity for the shareholders, and create value for the company customers. This means that originally the shareholders and customers have been the furthermost important stakeholders (Kotler, 2003). However, as described by Pedersen (2006) the idea that shareholder wealth should be the main focus of a company *"does not hold up in reality"* (Pedersen, 2006,138) due to the fact that economic decisions have social impacts, and vice versa. Hence, the concept of CSR goes well in line with the modern view of stakeholders. As stated by Jamali & Mirshak, (2007, 244) *"The Fundamental idea of CSR is that Business corporations have an obligation to work towards meeting the needs of a wider array of stakeholders"*. Furthermore the development of globalization and international trade has made the identification of stakeholders more complex and simultaneously more important. Moreover, the management of stakeholders has become crucial in order to ensure that the company maximizes its positive impacts on society.

3.3.1 Stakeholder classification

Stakeholder classification is ultimately a strategy of how to effectively respond to different groups of stakeholders. As it can be costly and difficult to respond to all stakeholders at a time the company must assess who to respond to and how (LaFrance & Lehmann, 2005). Hence there are many ways of how to classify stakeholders. Roloff (2008) states that one way of performing classification is to look to the stakeholders relationship with the organisation. Some stakeholders such as employees, consumers and shareholders inevitably hold a direct stake in the company. Actors such as NGO's and other civil society organisations, on the other hand, need to articulate what their particular interest is in the company in order to become a stakeholder. Accordingly, stakeholders can be regarded as either primary or secondary (*ibid.*). While the primary stakeholders with a direct stake in the organisation might be easy to identify, the secondary stakeholders is harder to identify. Moreover, it is a challenge to decide which secondary stakeholders to pay attention to. Another stakeholder

classification, established by Mitchell (1997) aims to develop a typology for how to identify what effect stakeholders have on an organisation and how to deal with different types of stakeholders. Thus stakeholders are prioritized and evaluated based on their influence over the company. The different attributes that Mitchell (1997) identifies are: *legitimacy*, *power* and *urgency*. According to Mitchell (1997) stakeholders that are worth paying attention to have at least one of these three attributes. The importance of a stakeholder increases if it has more than one attribute. LaFrance and Lehmann (2005) have focused on Mitchell's (1997) three elements and highlight the importance of legitimacy. Legitimacy is central for an organisation in order to be accepted by society and is closely connected with corporate image. The authors state *"Legitimacy is major driver for corporations to partner with NGO's on sustainable development initiatives"* (LaFrance & Lehmann, 2005, 220) Hence, if a company has lost legitimacy or needs to increase their legitimacy, partnering can be an alternative. The partner needs to hold a high amount of legitimacy with civil society, for example an international organisation. The corporation can take advantage of the high legitimacy that the partner possesses. Thus, if the partner's legitimacy drops so does the company legitimacy.

3.3.2 Stakeholder groups

Roberts (2003) recognizes the strong link between stakeholders and corporate reputation and stresses the fact that a firm needs to recognize multiple stakeholders as all have some kind of interest in CSR. Hence, it is not preferable to rank stakeholders but rather to manage all kinds of stakeholders in order to maintain corporate reputation. Roberts (2003) presents a model in which four major groups of stakeholders are identified (Figure 3).
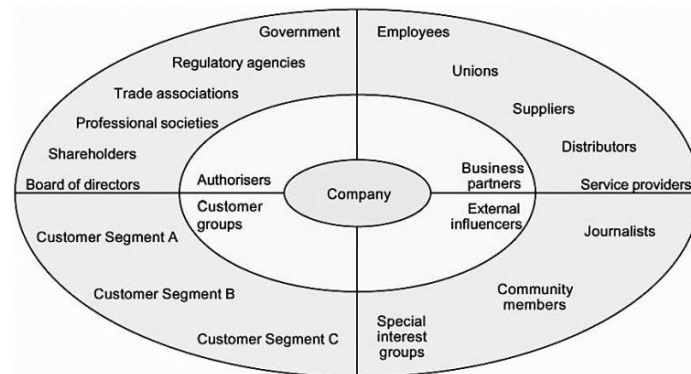
Figure 3: The Stakeholder model interpreted by Roberts (2003). The model divides stakeholders into four groups and sections where the different stakeholders can be identified (Roberts, 2003, p.162).

Authorisers are necessary as they give firms the right to exist and the ability to function. Examples of authorisers are shareholders and regulatory agencies. Shareholders have not always been perceived as CSR supporters. However, according to Roberts (2003) *"such attitudes are no longer tenable, as NGOs target high profile brands and institutional investors and shareholder activists raise CSR issues at company annual general meeting"* The second group in the model is *business partners* which includes for example suppliers and employees. Stakeholders in the business partners group enable the daily operations of the company. Attracting good and motivated employees is often cited as a major benefit of CSR investment. The third group is the *external influencers* who have an interest in the company due to the company's effect on others. Community groups, NGOs and media are examples of external influencers. NGOs that have an interest in social and environmental issues do pay special attention to corporate behavior. Moreover, media is a channel for both good and bad

publicity. The last group in the model is the *customer groups.* A group that is important due to an increasing interest in CSR and responsible consumption.

3.3.3 Multi-stakeholder initiatives

As mentioned above stakeholder theory is an essential part of CSR. However the traditional stakeholder model and stakeholder classification has received some critique. Key (1999) argues that traditional stakeholder models do not reflect the complexity of social systems as they tend to be more focused on how to classify actors than on the social issue itself. Consequently there are a range of stakeholder models which have developed with the aim of better reflecting the process of corporate management of social issues.

As stated by Roloff (2008) managers often end up trying to identify the most important stakeholders in order to ensure efficiency in their stakeholder management. A view which in recent years has been regarded as rather "short term" as it implies communication with consumers and critics rather than solving the real problems. A more long-term approach to stakeholder management implies a multi-stakeholder perspective. The multi-stakeholder perspective involves not only the most prominent stakeholders; instead it constitutes an understanding that also the needs of marginal stakeholders are essential to the firm in terms of future performance. Mena and Palazzo (2011, 2) define multi-stakeholder initiatives as *"private governance mechanisms involving corporations, civil society organisations, and sometimes other actors, such as governments, academia or unions, to cope with social and environmental challenges across industries and on a global scale"*. Firms operating on a global arena increasingly tend to involve civil society, governments and other companies to cope with environmental and social challenges (Mena & Palazzo, 2011). The multi-stakeholder view has received great attention when it comes to community involvement and operations in developing countries (Fraser *et al.* 2005). Moreover the concept of a "bottom-up"-perspective (as opposed to a "top-down"-perspective) stresses the need for community involvement as a method for identifying factors that are vital for the development of new business models.

Furthermore, the organisation centered stakeholder models as the one illustrated above have received critique for being too simplified (Key, 1999). The concept of a multi-stakeholder network implies a shift from the organisation-focused stakeholder approach to an issue-focused stakeholder approach (Roloff, 2008).

3.3.4 Multi stakeholder networks

Stakeholder management is an essential activity for corporations undertaking CSR-initiatives (section 2.2). The concept of multi-stakeholder dialogue, meaning that several stakeholder groups such as NGO's, political actors, unions, workers, consumer are engaged in a particular issue, has become a widespread form of stakeholder management among business leaders. There are authors who argue that the limit of stakeholder theory is the organisation centric approach (Svendsen & Laberge, 2005; Roloff, 2008) and that multi-stakeholder networks are a more appropriate way of describing how actors come together in order to find a common approach to a certain problem. Issues of sustainability and CSR are usually of complex character, including a wide set of stakeholders. Hence, they are hard to address effectively without collaboration. Therefore Svendsen and Laberge (2005) argues that there is reason to highlight a shift from an organisation-centric view to a network-focused view of stakeholder engagement. (Figure 4).
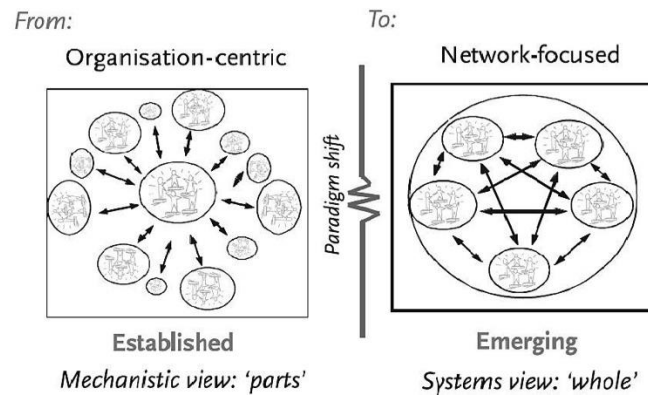
Figure 4: An illustration of the differences between an organisation-centric view of stakeholder management and a network-focused view of stakeholder management (Svendsen & Laberge, 2005, pp.97).

Figure 4 above illustrates the shift from an organisation-centric approach to a network-focused approach. The shift implies that when various actors identify a problem that is relevant to all of them, the firm can gain from becoming network-focused rather than organisation-centric. An organisation-centric view implies that the firm is at the center of a number of bilateral relationships (Svendsen & Laberge, 2005). In the organisation-centric view the focus is to reduce risks and enhance reputation through the identification of conducts and misconducts of the firm (Roloff, 2007). In the network-focused approach the company is not in control of the whole process but rather a participant in a system. Other stakeholders in the network can be equally, or even more, influential depending in their expertise (*ibid.*). Hence, the concept of a multi-stakeholder network implies an issue-driven focus, such as a conflict, problem or challenge that is common to several actors. Roloff (2008) argues that an issue-driven stakeholder approach is of certain value due to the fact that firms are increasingly becoming political actors. Furthermore, a multi-stakeholder network can support the *"development of legitimate policies for the interaction between the business and society"* (Roloff, 2008, 235). An example of an industry where a multi-stakeholder networks have been applied is the clothing industry. As the retailers are often unaware of a big part of the supply chain, a multi-stakeholder network with NGO's who possess knowledge on the conditions in the primary part of the supply chain, can contribute to a more sustainable supply chain which in the long run is of great value both to the firm itself and to the other stakeholders.

There are some significant differences in managing the different approaches to stakeholder management. Managing one relationship at a time by adopting an organisation-focused stakeholder management is considered to be less time consuming and can result in corporate legitimacy as long as the stakeholders benefit from the situation (Roloff, 2008). An issue-driven approach to stakeholder management on the other hand, might be a very time consuming process. However, it can be of great value in critical situations as the approach to problems, due to collaboration, shifts from the defense of corporate conduct to finding shared solutions.

3.4 Cross-sector collaboration

An increasingly common view of the organisation of the firm is that it is built on a network of relationships (Gulati *et al.* 2012). Firms of today tend to *"shrink their core and expand their periphery"* (Gulati *et al.* 2012, pp.572), an increasing number of companies engage in

collaborative arrangements with non-traditional actors outside the firm in order to get access to knowledge that they don't possess themselves. Another allegory that describes companies' interactions with their environment is the concept of *business ecosystems*, originally developed by Moore (1996), presented in Reficco & Marquez (2012). The concept of business ecosystems entails the same basis as a biological ecosystem, namely the idea that *"organisations cannot evolve isolated from their environment"* (Reficco & Marquez, 2012, pp. 516). An isolated company is fragile while a company that evolves and integrates with the environment can become strong.

For companies that operate in markets at the *base of the pyramid* (BOP) collaborations and partnerships with external actors are stated to be of particular importance (Brugmann & Prahalad, 2007, Reficco & Marquéz, 2012). Reficco and Marquéz (2012) highlight the fact that if markets are to function properly there is a need for a stable institutional environment. When the flow of information and resources functions poorly, which is often something that characterizes BOP-markets, there will be a substantial increase in costs for the company. However, it is possible to fill those institutional gaps and reduce the costs of the company by engaging other actors such as NGOs and social entrepreneurs, a concept that Reficco & Marquéz (2012) calls an *inclusive network*. An inclusive network implicates interactions between individuals, communities, organisations and companies that can serve as a structure for creating predictability in an unstable environment and hence create opportunities for economic activity.

3.4.1 Implementing partnerships

A kind of collaborative arrangement that has received much attention in the literature is the collaboration between NGOs and the private sector. According to Brugmann & Prahalad (2007) there has been a shift in corporations and social groups' attitudes towards each other. As the corporate sector and the civil society have realized that they can benefit from each other's knowledge and networks, new business models are emerging. In a BOP-context companies that are seeking to develop new business models can benefit from NGOs established relationships and understanding of local cultures. An understanding which from a corporate perspective can lead to new markets. Simultaneously the NGOs have realized that businesses can decrease poverty and develop livelihoods. Reficco & Marquéz calls this phenomena *hybrid value chains* (2012, 517) as firms and non-profit organisations work together with the aim of creating value as a part of the business value chain.

As McElhaney (2008) illustrates (section 3.1.3) CSR can contribute on different levels of society, and the same applies to cross-sector networks and collaborations. There are several NGOs pursuing issues at a global level that perceives corporations as a useful partner to treat global challenges (Husted & Allen, 2006). Examples of global NGO's are the UNDP who have formed agreements such as the UN Global Compact which is a strategy for working with corporations in areas such as human rights and anti-corruption (www, UN-Global Compact, 1, 2012). Moreover, Brugmann & Prahalad (2007) highlights collaborations between corporations and NGOs on a local level, as a base for exchanging and developing knowledge regarding local communities and culture.

Seitanidi and Crane (2008) argue that partnerships can be an effective way of implementing CSR programs and initiatives. The particular area of partnerships between business and non-profit organisations is referred to as *social partnerships* and described as *"problem solving mechanisms among organisations"*. Moreover, partnerships can take different forms ranging

from formal to informal arrangements. Glasbergen (2011) describes a recent shift in how societal change is governed. Instead of emphasizing the autonomy between the actors of state, market and civil society the interdependence between the three domains are stressed. *"With partnerships, the strict division of tasks between public and private actors is challenged. Hierarchy is replaced by more horizontal relationships, and a certain kind and amount of responsibility for the public good is taken by private actors from the market and/or civil society"* (Glasbergen, 2011, 2). However, forming and implementing partnerships is a procedure in several steps. Glasbergen (2011) have developed a principal model of the process called *"The ladder of partnerships"* which illustrates that partnerships evolve over time and that they can influence different levels of society.
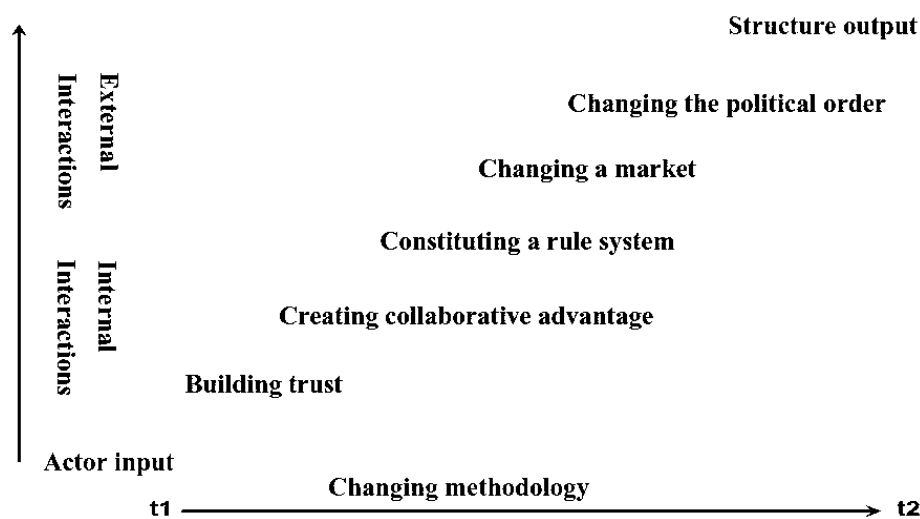
Figure 5: The ladder of partnerships from Glasbergen (2011, 4.). Illustrates how partnership evolves from internal to external interactions and how they can contribute on different levels of society.

In the initial phase of the forming of the partnership the activities includes mostly internal interactions as the actors are building trust, exploring what collaborative advantages there are and creating a rule system. It is not until the partnership have reached a certain level of commitment and continuity that the partnership can shift from internal interactions to external interactions, hence contribute to a transition in the market towards a more sustainable value chain and even contribute to a change in the political order by creating a new environment for discussing sustainability issues. Furthermore Glasbergen (2011) stresses the partnerships dependence on governmental actors and the fact that governments sometimes can be *"a part of the problem that that partnerships address"*, which highlights the complexity and challenges of cross sector collaborations.

3.5 Summary – a conceptual framework

In this chapter a set of theories are presented, all of which are relevant to conclude the purpose of this study. Table 2 below summarizes the key concept, theories and references.

Table 2: Concepts and theories' of particular interest

CONCEPT	THEORY	DESCRIPTION	KEY REFERENCES
Corporate Social Responsibility	• Strategic and political CSR • Corporate responsibility landscape	There are different aspects regarding CSR e.g. strategic and political aspects. Creating Shared Value and the base of the pyramid are central concepts. CSR can be performed on different levels of society ranging from business level to political- and world level.	Prahalad & Hart, (2002), Porter & Kramer (2011), Garrigá & Melé (2004) McElhaney (2008),
New business models	• Inclusive business models • Measuring shared value	There are different types of business models based on shared value that can be implemented in low-income communities. The business models imply different kinds of challenges and opportunities. Communicating the values created is difficult but also crucial.	Porter & Kramer (2011), Prahalad & Hart (2002) Michelini & Fiorentino (2012) Porter et al. (2012)
Stakeholder management	• Stakeholder groups • Multi-stakeholder networks	Stakeholders are various groups in society and they all have different contributions and impacts on the management of social issues. An issue driven multi-stakeholder network can be useful in certain contexts, especially where the firm has political power.	Roberts (2003), Mena & Palazzo (2011), Roloff (2008), Svendsen & Laberge (2005)
Cross-sector collaboration	• Inclusive networks • Ladder of partnerships	Interactions with stakeholders can facilitate networks that can fill the gaps of an unstable environment or dysfunctional business ecosystem. In order to implement a partnership, trust and collaborative advantage is an initial step, which is central in order for the partnership to reach the next level of contribution.	Reficco & Marquez (2012), Seitanidi & Crane (2008), Glasbergen (2011)

First, the Corporate Social Responsibility serves as a generic concept for all initiatives that corporations are taking in order to achieve accountability, ranging from risk minimization to shared value and engagements on a political level. Hence, the illustration of the *Corporate Responsibility Landscape* (McElhaney 2008*)*, which highlights the different levels of CSR, from business level to global level, is used as a base for analyzing the empirical results. The concepts of *Shared value* (Porter & Kramer, 2011) and *Base of the pyramid* (Prahalad & Hart, 2002) challenge corporations' perception of how business models are developed and managed. In this study the challenges and benefits of the *inclusive business model* (Michelini & Fiorentino, 2011) is of particular interest and in addition the implications of *measuring shared value* (Porter *et al*, 2011).

The section on stakeholder management highlights how the corporate relationship with stakeholders has evolved from a bilateral relationship with a few stakeholders to a multi-stakeholder dialogue. In a multi stakeholder dialogue a wide set of stakeholders are involved in the process of managing social issues. In this study, the stakeholder model presented by Roberts (2003) with four major groups of stakeholders is used as the basis for discussion in the empirical study. However the *issue-focused approach* to stakeholder management and the *multi-stakeholder networks* serves as the theoretical focus. Furthermore, the section about networks and collaboration concentrates on the increased interest in collaborations between private companies, public actors and NGO's as tool for building new business models an achieving shared value. The implementation of partnerships, with Glasbergen's (2011) *Ladder of Partnerships* as the theoretical baseline, is of particular interest.

4 The empirical study

In this section the empirical results from the study are presented. For empirical background on the country of Lao PDR including modern history, forest management and social economic baseline please see appendix 2. In the following section there is a brief introduction to Stora Enso and the agroforestry model followed by the empirical results regarding development, implementation, collaboration and communication, within the business model. Photos from the field study can be found in appendix 4.

4.1 Stora Enso

In 1998 the Swedish company *Stora* and the Finnish *Enso* merged into the corporation currently known as Stora Enso (www, Stora Enso, 1, 2012). It is one of the world's largest industry groups in the pulp and paper sector. The group has about 30 000 employees in 35 countries and are active within four major business areas; printing and reading renewable packaging, biomaterials and building and living (Stora Enso, 2011). Stora Enso source most of its wood from Sweden, Finland, The Baltic countries and Russia (www, Stora Enso, 2, 2012) but are increasingly focusing on markets and plantation sources in Latin America, China and Southeast Asia (Stora Enso, 2011).

In 1999 the Stora Enso group published their first environmental and social policy and since then the corporation communicates sustainability as central part of their corporate image (www, Stora Enso, 1, 2012). Their communicated sustainability efforts include renewable packaging, sustainable sourcing of biomaterials and stakeholder engagement. In 2006 the Stora Enso Group entered the list of the *Global 100,* which is a list of the world's most sustainable corporations (www, Global100, 1, 2012). Corporate commitment and external motives further motivated the Stora Enso Group to continue on the corporate sustainable development pathway which was confirmed in 2011 when the group introduced a whole new corporate identity and philosophy called "Rethink" (www, Stora Enso, 5, 2013). The term *Rethink* is supposed to reflect the corporate vision, which states that:

"Today we as a company, people and planet face new challenges never before seen. The world needs a new approach to materials" (www, Stora Enso, 3, 2012).

Hence, Stora Enso extensively communicates their efforts to "Rethink" business models. Rethink is the overall key word for all operations in the Stora Enso group ranging from extraction of raw materials to packaging solutions based on renewable materials. However, the company has also received extensive critique from environmental organisations for destroying ancient forests, creating unsustainable monocultures and not taking enough responsibility for the social effects of their operations. Greenpeace and Friends of the Earth Sweden are two of the organisations that have criticized Stora Enso. Greenpeace has repeatedly conducted campaigns against the company's harvesting of ancient forests in Europe (www, Greenpeace, 1, 2012). Moreover, in 2012 the organisation Friends of the Earth Sweden presented Stora Enso as the winner of their yearly "Greenwash award". The motivation was that the Friends of the Earth Sweden claims that Stora Enso falsely present themselves as a responsible company supporting biodiversity. The organisation claims that what Stora Enso really does is to create social grievances and damage biodiversity (www, Jordens Vänner, 1, 2012).

4.1.1 The agroforestry model

In 2006 Stora Enso started a eucalyptus plantation project in the southern parts of Lao PDR (www, Stora Enso, 4, 2012). The objectives of the project is to build a business model that benefits local communities by creating jobs, transferring knowledge and increasing food security (Stora Enso, 2011). The hot and humid climate is suitable for growing eucalyptus. A eucalyptus plantation in this specific region is harvested after seven years. The operations in Lao PDR are a trial project, which has not yet reached industrial measures. However if the project is continued it is supposed to serve as a support project of the Stora Enso pulp mill in southern China.

The plantations in Laos serves as a pilot project for developing a plantation concept and a business model based on agroforestry. In this case agroforestry implies a model where the growing of trees is combined with food production. In addition the ground has to be cleared from unexploded ordinance that remain in the ground from the Vietnam War. Basically, the business model consists of three steps (www, Stora Enso, 4, 2012). The first step is when Stora Enso clears the future plantation ground from unexploded ordinance. An activity which requires special equipment and trained employees. The next step is to plant the eucalyptus trees, but instead of having a traditional method, which offers one meter between the rows of trees, the trees are planted with a nine-meter distance between the rows. The purpose of this system is to give room for the third step in the model. The third step offers safe rice productions between the trees to the locals. Rice production in a shared domain with eucalyptus trees offers a yield that is higher in terms of crops, and safer because the land has been cleared from explosives. However, the land between the trees fully accrue to the villagers but can only be used for rice production the first two years. In the remaining five years of the seven-year rotation plan other cash crops are to be planted between the trees.

4.2 Development of the business model

"Ultimately, the main condition for Stora Enso to operate is that there is land, and in Lao there is land. There is ten millions of hectares destroyed forest, old areas of shifting cultivation and a low population density"
– Peter Fogde COO Stora Enso Lao

In the early twenty-first century Stora Enso started to investigate possible activity in Lao PDR. The country has many of the qualities that are suitable for growing eucalyptus and a low population density, which eases the process of establishing plantations (pers. com., Fogde, 2012). Fogde who had worked for a long time in the forest industry in Lao PDR, and ran a company in the country, was as a consultant given the mission to investigate the availability of land in the southeastern parts of Lao PDR. The investigation showed that there were plenty of available and suitable land which however was contaminated with UXO. Figure 6 below illustrates a timeline with the most important events in the process from 2005 to 2012.

When the decision to establish plantations was taken in 2006 the next step in the process was to conduct a socio-economic study, in order to examine the conditions for people living in the area (pers. com., Axelsson, 2012). The study consisted of visits to the villages in the potential area. Surveys and interviews with the members of the villages were conducted. Axelsson, who later became CSER-manager, was one of the persons who conducted the study. The study clearly showed that there were a great need of food in the area, and that the plantations could not be done without first clearing the land from UXO (pers. com., Fogde, 2012). The

beneficial conditions for forestry in the country in combination with the socio-economic survey formed the basis of the business model.
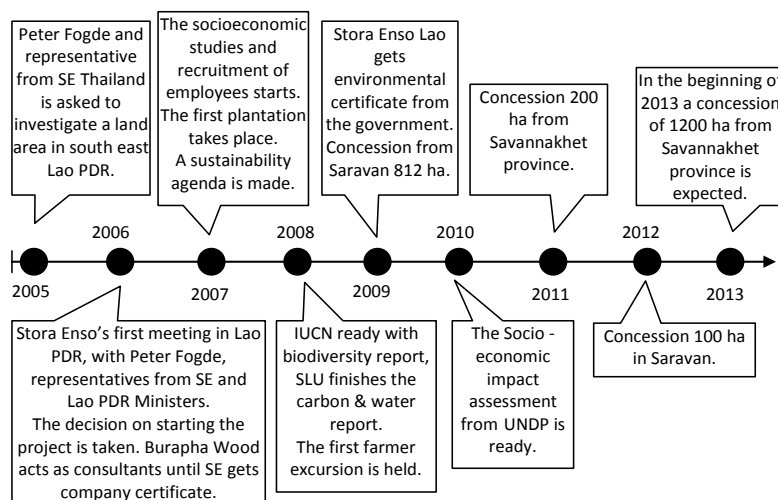
Figure 6: Timeline with important events from Stora Enso's operations in Lao PDR, 2005-2012.

Due to the socio-economic conditions the team also realized that the business could not be conducted in a traditional way. Through Stora Enso Thailand they found out that there were research done on planting eucalyptus by the principles of agroforestry (pers. com., McInnes., 2012). The traditional way of planting eucalyptus is to plant them 3 x 3 with a uniform three meters between the trees. In the agroforestry model, however, the trees are planted 1 x 9, with one meter between the trees in a row, and nine meters between the rows. This implies that the amount of trees per hectare is the same as in a traditional eucalyptus plantation and that the space between the rows can be used for other crops.

"By implementing the agroforestry plantation model we could combine the villagers need for rice with Stora Ensos objective of producing trees…the goal was to develop a project that is best practice. We know that the villagers are hungry, we know that they have health problems and that they don't have any money. All of this has to be included in the model, and we have to create job opportunities"

- Helena Axelsson CSER manager Stora Enso Lao

One of the objectives when developing the business model was that the villagers should be included in the structure (pers. com., Axelsson, 2012). The villages have a traditional right to the land that surrounds the village. Consequently, Stora Enso has decided to make the permission from villagers a fundamental and crucial part of the business model. When suitable land is found the village is asked if they want to participate in the project. If they say yes they are also a part of the mapping process, *"They know where the land is that is suitable for both our and their point of view"* (pers. com., McInnes, 2012). Furthermore, the villagers are hired as plantation workers when needed, and are paid per working day.

According to Axelsson (pers. com., 2012), committing to a responsible business model, where the social aspects are integrated into the operations, ultimately creates a win-win situation. The company has to make sure that the villagers are healthy and not hungry, otherwise they cannot work. Moreover, in order to create a sense of loyalty, the villagers need education on the structure of the operations and must be paid on time. As the plantation model was quite untraditional and many villages had a bad experience from forestry companies a challenge for Stora Enso Lao in the beginning of the process, was to gain the trust of the villagers.

According to McInnes (pers. com., 2012) there are certain problems with the legislative compliance in the forestry industry in Lao PDR, and also there are some deficiencies within the political system. Due to this there are cases where plantations has been approved and established without regard to the needs of the villagers. Forest degradation is officially recognized as a big problem in Lao PDR resulting from shifting cultivation but also from the fact that the legislative and regulatory framework on forestry has historically been underdeveloped (Ministry of Agriculture and Forestry Lao PDR, 2005). The low level of governance in the forest industry has led to extensive problems with illegal logging and unsustainable forestry. However, the governance over forest resources is increasingly improving. In 2005 the government released a "Forestry Strategy to the year 2020" in which certain goals of sustainable forest management are set up. However, there are still troubles with law enforcement at many levels of the political system.

According to Fogde (pers. com., 2012) the legislation in Lao PDR has constantly changed and improved in recent years. A regulatory framework is also highlighted as one of the fundamental conditions in order for Stora Enso to make investments in a country *"There has to be legislations and a constitution. In order to make a significant investment like this one there has to be laws, furthermore you need to have contacts and a lot of patience as the legal process is very slow"* (pers. com., Fogde, 2012). Fogde came to Lao PDR for the first time in 1980 and since then there has been a lot of changes in infrastructure and education. At that time it would not have been possible to manage a business model of this kind. However, the reason why Stora Enso contacted Fogde was that he had a wide network of contacts in the country *(ibid.)*. When Stora Enso in 2006 decided to operate in Lao PDR they had to use a Lao company as consultants as it took them about three years to get a company certificate.

When establishing operations in Lao PDR a positive connection with the government is a fundamental condition (pers. com., Fogde, 2012). The government, is for example, in charge of land concessions which is central for forestry management. However, as Stora Enso had the objective of being best practice, perform beyond legal requirements, and not take advantage of the deficiencies within the system, a good reputation among stakeholders was crucial in order to get governmental support. Already in 2006 Stora Enso had a meeting with the relevant Lao ministers (pers. com., Axelsson, 2012). An agenda for sustainable development was set including the decisions on UXO-clearing, agroforestry and wide spacing between the trees. It was also decided that an external economic and social impact assessment (ESIA) was to be done. Axelsson (pers. com., 2012) state that *"Stora Enso had worked together with UNDP in China and as they got good feedback on that project it was preferred that UNDP made the social part of the ESIA in Laos too"*. The environmental assessment was made by International Union for Conservations and Nature (IUCN) and SLU (Swedish University of Agriculture). The socio-economic impact assessments evaluated the effect of 2000 ha of plantations. Based on the environmental assessment Stora Enso got the environmental certificate which is required for operating in Lao PDR.

4.3 Implementation and structure

"Stora Enso has built this model strong from the ground up, in a step by step approach. It's a good sound way of building strong business, you learn from your mistakes as you go"
- Doug McInnes, Regional Manager, Stora Enso Lao

Basically, the continued implementation of Stora Enso´s operations in Lao PDR is planned to be done in three phases, where the amount of land increases in each phase.

Project component (year)	Phase 1: Pilot 2006	Phase 2: Feasibility 2013	Phase 3: Project implementation (date pending)
Plantations (Ha)	257	2 400	35 000

In the first phase there were 257 hectares of plantation and in the second phase 2000 hectares. The objective is to reach 35 000 hectares in the third phase, an objective which may be revalued depending on what happens in the second phase (pers. com., Fogde, 2012).

4.3.1 Land concessions

The access to land is one of the most crucial conditions for running the business model. Land concessions are approved by the government and are central in the process, as foreign companies are not allowed to own land in Lao PDR. Instead, the government gives land concessions of 50 years. In 2011 the fee was 10 dollars per hectare per year (UNDP, 2011). The classification and the allocation of land is generally undeveloped. In 2012 about 70 % of the land in Lao PDR had no official land classification that showed what areas that are protected or what areas that are suitable for production, neither is there any classification of what is private land and what is owned by the government, in addition the villagers have traditional land use rights (pers. com., Sysouk, 2012). This is a major challenge, both for the forestry companies and for the government, as there is no common demarcation to start from. It is up to the companies themselves to make land classifications and to sort out what land that is suitable for production.

According to Fogde (pers. com., 2012) Stora Enso decided to use a bottom up approach already from the beginning. *"We started with the villages and discussed the use of land with them and got their agreement. We worked our way from the bottom and up in the administrative process, which is the official approach of the government. But when we reached the top some of the officials were dissatisfied because they thought they had missed out on personal benefits. We had to struggle for two years in order to get land concessions"*. Hence, it is clear that there are problems regarding the official approach to laws and regulations and the actual execution of the law.

Basically, the first step when establishing plantations is to find areas with suitable land, Stora Enso focuses only on degraded land, mostly where the ground has been burned for planting rice, that way no old forest is destroyed (pers. com., McInnes, 2012). The next step is to get the approval of the village and make a land survey together with village representatives. Stora Enso has to make sure that the plantations are not established in forests that have a religious importance to the villagers, so called spirit forest, moreover they have to make sure that the forest is not protected in any way, so called protection forest (pers. com., Sysouk, 2012). During the land survey, a map that shows the different land areas is established and if the village agrees to cooperate with Stora Enso the village chief and the company sign a village agreement. When the village agreement is signed a request is sent to the district and province. The governor, which is the head of the province, has to sign a *land development plan* in which Stora Enso describes what their plan is for the land. Thereafter the company may apply for land concessions from the government. How long it takes to get a land concession partly depends on the amount of land but due to the complex bureaucracy and the unreliable system it can vary from case to case.

4.3.2 Clearing of UXO

When Stora Enso decided to establish plantations in the Southeast of Lao PDR there was never any doubt that the ground first had to be cleared from UXO. As Southeast of Lao PDR is the most affected area when it comes to UXO, clearing the ground is essential for being able to work in the area. According to Sysouk (pers. com., 2012) UXO-clearing is not mandated by the law but it is a requirement from the local governor. However, as it is the company that has to carry the cost of the clearing, it is hoped that it will soon be required by law so all companies can compete on equal terms. The UXO-clearing is performed in several steps by a specialized consulting company. The head of the clearing is the Stora Enso regional manager (pers. com., McInnes, 2012). When performing an UXO-clearing the first step is to make a visual survey of the area, together with villagers who know the area, trained staff searches the land for visual explosives. In the next steps the land is thoroughly examined with advanced clearing equipment in two rounds, the explosives found are either detonated on site or transferred to a safe location for detonation.

4.3.3 Organisation and employment

When the process of employing staff members started in 2007 there were certain policies that the recruitment should follow. As the project is based on agroforestry, skills in both agriculture and forestry are required. According to Fogde (pers. com., 2012) the university education in Lao PDR has successively improved, and today it is possible to find educated young people. Basically, the objective is that 50% of the educated staff should be graduated in agronomy and 50% in forestry. Moreover an overall objective is to have 50% male employees and 50% female employees throughout the whole organisation. The figure below illustrates a simplified organisation chart with some of the key positions for the management and employees of Stora Enso Lao.
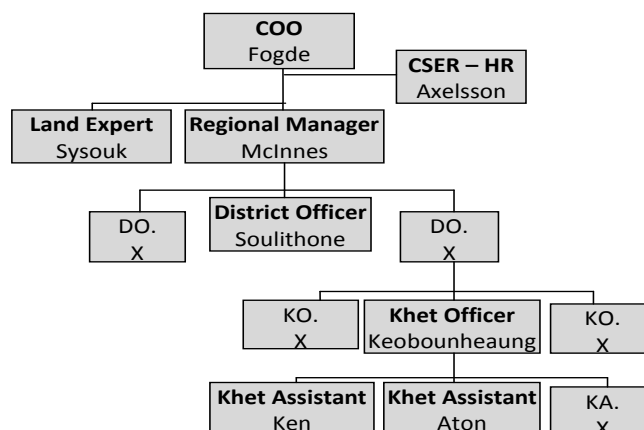
Figure 7: Organisation chart Stora Enso Lao, the positions that has been marked with names are those that has been interviewed in the project.

Stora Enso preferably hires directly from the university, as young and inexperienced individuals are more adaptable to the policies of the business model. The educated staff is commonly hired as middle managers or in support positions in for example R&D, sustainability or logistics. The *District officers* are responsible for coordinating the activities in a certain district, in 2012 there were three districts (pers. com., Soulithone, 2012). The *khet officers* are responsible for villages and plantations in a certain *khet* (county) (pers. com., Keobounheaung, 2012). One of the overall policies in every region is to recruit locally. *"One of the policies are: always try to get local staff. It helps to develop the districts and the province that we are in."* (pers. com., McInnes, 2012). The basic conditions for recruiting locally is that the person can read and is motivated (pers. com., Axelsson, 2012). Recruiting

persons from the local region and villages facilitates the communication, which sometimes has to be in the local language. For example the *khet assistants* who supports the *khet officer* preferably comes from the local villages. The process of hiring khet assistants is handled by the khet officer who educates a group of candidates in the fieldwork and in the policies of Stora Enso. However, there has been some challenges in the recruitment of local staff as there are social divisions between urban and rural regions of Lao PDR. For example, some employees figure that it is better to recruit from the capital city, instead of the local rural area because they would need less training which would ease the work of officers and managers. However, the top management discourages these kinds of oppositions. *"It would not be sustainable to recruit only from Vientiane, it would be very expensive and would not lead to any job creation in the rural regions either"* (pers. com., Axelsson, 2012). Another challenge is to achieve the objective of 50% female employees in field. This is hard due to traditional gender roles and the fact that the girls are having their first child about the age of 15. In 2012 the proportions of women working in field was 30 %.

4.3.4 Plantations

When the process of land concessions and UXO-clearing is done the next step is planting. As the rural parts of Lao PDR has no classification of land or division of properties, Stora Enso has to develop detailed maps, which can serve the base for establishing plantations (pers. com., Sysouk, 2012). As the rotation period for an eucalyptus tree in this area is about seven years a rotational model has been developed. The rotational model (Figure 8) includes a plan for how the crop rotation between the trees is to be handled.
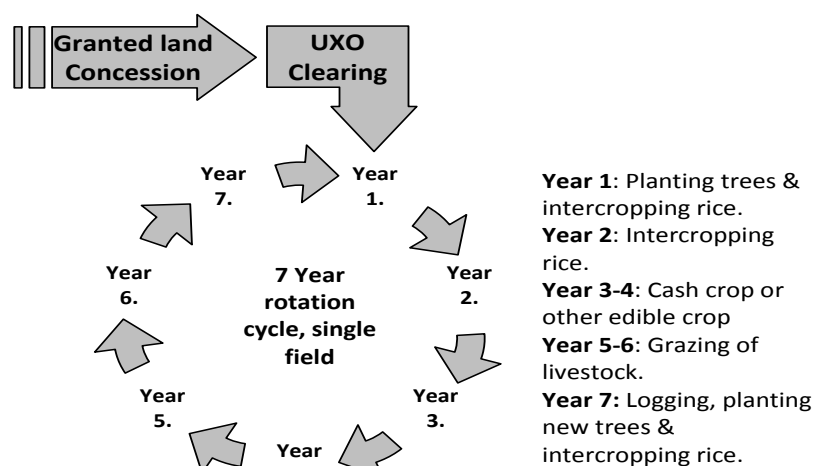
Figure 8: The seven-year rotational model of the agroforestry model with eucalyptus and rice/cash crop/grazing.

The basic idea of the business model is that the space between the rows of trees is to be used by the villagers for planting crops that fully belong to them, while the trees belong to Stora Enso. The first year is the most labor intensive. The field is cleared, plowed and fertilized mechanically by employees of Stora Enso and villagers are hired as daily workers for manual planting. Moreover, the rotational cycle of the plantations has to be planned to match the traditional agricultural calendar of the villagers. Specifically, the labor intensive periods are not to coincide with the villages harvesting or planting period. The first year Stora Enso provides the villagers with rice seeds for planting and educates the villagers in crop management. The objective is to spread knowledge on cultivation methods that are more effective than the traditional shifting cultivation. With the plowing and proper crop management the rice crop can increase from 250 kg/ha which is the expected harvest when

practicing shifting cultivation, to 1000 kg/ha when applying the agroforestry model (pers. com., Axelsson, 2012). It is the first two years that are the most suitable for growing rice. In year three the trees provides too much shade in order to grow rice and therefore it is recommended that the villagers grow another type of crop that can either be consumed or sold in a market. What kinds of crops that can be suitable are successively tested by Stora Enso *(ibid.)*. Tests have shown that cassava and edible rattan grow well and do not affect the trees. Crops like pineapple, peanuts and banana are also tested. However, some types of crops are preferably sold in for example a market, but in the most rural areas there are no sufficiently developed markets in reach. Therefore, Stora Enso are looking for organisations or companies that can serve as wholesalers for the villagers crops *(ibid.)*. Also, in the last years of the rotation cycle the spacing between the rows can be used for grazing livestock. Tests are done to show if there is any suitable grazing crop. The grazing of livestock is positive also for the trees as they keep the ground clean from weeds.

4.3.5 Villages

The farmers (villagers) is our most important stakeholder. If we have the farmers with us we can do everything. If the farmers are against us we can't do anything"
- Peter Fogde, COO, Stora Enso Lao PDR

Including the villagers in the business model has been a central objective from the beginning. As the socio-economic survey showed that many villages in this area has a lack of food and money, this served as a starting point. With gradually developing activities the fundamental idea of implementing agroforestry was that the villagers could use the space between the trees for growing rice. Axelsson (pers. com., 2012) states that the first village they worked together with was initially suspicious to the cultivation method, therefore Stora Enso had to cultivate the rice themselves the first year. After that the villagers were convinced that it was possible to grow rice between the trees.

"Stora Enso has provided food and education. Before, most families in the village didn't have rice enough for all year, now with Stora Enso we have more for the whole year. If we have food our children can go to school instead of going out to the forest and try to find bamboo or other things to eat in the forest"
-Member of the village La Peung, Nong district

Increasing the villagers access to food is one of the fundamental objectives of the business model. The villagers are fully responsible for the area between the trees and all crops belongs to the village. Villagers are also hired as daily workers in the plantations. It is the khet officers and khet assistants who are responsible for finding workers for bush clearing, planting and for working in the plant nursery. The village chief is contacted by the khet officer or the khet assistants a few days before the workers are needed, how many workers that are needed varies between the different activities. Each person who works gets paid per day, and the salary is paid in cash after each working day. *"The best thing is that if we work today, we get paid today and not tomorrow or next week, which is very good"* (pers. com., villager in La Peung, 2012). For many villages the salary from working in the Stora Enso plantations is the main income. The money is used for buying food or seasonings and some of the money can be saved for future occasions like funerals or festivals.

As the villagers are highly affected when Stora Enso gets land concessions in a certain area a village development fund (VDF) has been developed. When a company gets land concessions

from the government it implies that villages loses a part of their traditional land use rights without compensation. *"We have a land concession contract for the village development fund, we give Stora Enso land, for that we get the village development fund"* (pers. com., villager in Ban Takor, 2012). The VDF is supposed to function as compensation to the village, based on the amount of land that Stora Enso leases. Moreover it is a strategy for making the project more attractive to villagers. Initially the VDF consisted of 4 USD / hectare /year for the 50 year concession (pers. com., Fogde, 2012). However, as Stora Enso realized that this system didn't lead to any lasting improvements for the village the VDF payment was raised to 7.2 USD/ hectare and the fee for the 25 first years is paid in advance. The VDF is never paid in cash instead the village proposes what kind of investment they need, and if it is achievable with the money from the fund, Stora Enso organizes the implementation. Examples of investments that has been financed by the VDF are the building of roads, drilling of water wells and even the establishment of electrical power lines.

As the business model implies new ways of cultivation Stora Enso faces doubts and hesitations from villages. In order to clarify and show how the model is supposed to function Stora Enso arranges *farm excursions* where villages that are not yet in the project visits the plantations of villages that participates in the project. *"Farm excursions are a very good way for villagers to get the chance to meet other villagers and to see how the model functions"* (pers. com., Fogde, 2012). The objective of the excursions is that the villagers can exchange experiences, however as many of them have never been that far outside their home village the excursion can be quite overwhelming and it can take some time before the conversation starts.

Even though the foundation of the business model is the same as the original idea that was established 2005, there are conditions and activities that due to cultural reasons have developed over time. A realization that Stora Enso has come to is that the villagers do not consider the UXO-clearing to be particularly important. As the UXO for generations has become natural part of everyday life for many villagers, money and food is considered to be more important than the clearing of UXO. *"Money is more important than clearing bombs"* (pers. com., villager in Ban Takor, 2012). This is an important insight as it affects how Stora Enso approaches the villages and what parts of the model to emphasize. Moreover, Axelsson (pers. com., 2012) states that are costs that have been added related to tradition. For example, as the villages are animists who believe in the spirits of nature, bush clearing traditionally means that a buffalo or a cow is sacrificed to the spirits. Consequently, this tradition had to be built into the activities of the business model. As every village have their own version of the tradition Stora Enso has standardized and developed a standard for how many animals that can be sacrificed for every hectare that is cleared. Furthermore, Stora Enso have realized that the lack of administrative tools in the district offices and khet offices is one of the things that delays the administrative processes. Therefore Stora Enso have developed a *khet fund* and a *district fund* which is used for buying tools like computers and printers.

4.4 Communication and collaboration

"Communication is always hard, it is difficult sometimes that the villagers don't understand. They don't understand company policy because they don't speak the same language as we do"

- Pom Soulithone, District officer, Xepon district

According to Fogde (pers. com., 2012) being responsive to countries local conditions is crucial to be able to conduct business. As the business model consists of many different units and people with different backgrounds and cultures a functioning communication is crucial.

At the local level, in the villages and in the plantations, the district officers and khet officers face challenges when presenting the business model and giving instructions. *"There is just a few that can speak Lao, the educational level is very low and that's a problem when communicating"* *(*pers. com., Keobounheaung, 2012). In order to overcome the language barriers it is preferred that the khet assistants come from villages that are engaged in the business model (pers. com., Axelsson, 2012). However, there are also communication barriers in the understanding of what a company is and the purpose of the operations. McInnes (pers. com., 2012), expresses that it is a challenge to present the business model to the villagers and to communicate the benefits of it. In addition, the distance between Stora Enso's national head office and the remote region where the plantations are, brings challenges to the internal communication (*ibid.*). However, in order to decrease the distance and increase the direct communication the district offices and the plantations are visited by one of the managers from head office or R&D department every ten days.

4.4.1 Villages

The communication with the villages follows a certain order that goes in line with the village structure. The village chief is the head of village and every decision goes through him. *"I am the connection between Stora Enso and the village"* (pers. com., village chief, Ban Takor, 2012). In the initial phase of a possible collaboration with a village Stora Enso gets in contact with the village chief (pers. com., Khet Assistants, 2012). If the village chief thinks that the project sounds interesting he presents it to the rest of the village. After some time Stora Enso will come back and if the village agree to start collaborating they will go to the district office and present their agreement, and the next step is to start the land mapping process. The villager's knowledge of the area surrounding the village greatly eases the process of mapping and clearing the UXO (pers. com., McInnes, 2012). An aspect that can make the communication problematic is the difference between the time horizon of the company and the villager's time horizon. The business operations are dependent on a long-term perspective and planning, the villager's way of living, on the other hand, does not include the same kind of long term planning. This is a clash of cultures which implies that the employees of Stora Enso needs to adapt their approach towards the villagers. For example, the recruitment of villagers' for daily work in plantations cannot take place until just the day before the actual working day.

4.4.2 Corporation

At the corporate level of Stora Enso there are general sustainability policies that are supposed to function as guidance for managers, and according to Axelsson (pers. com., 2012) these policies must be interpreted and translated to function in the national and local context. *"It is hard for the people working in the field to understand a corporate policy. They just want to get the job done. Stora Enso has policies including health, sports and education but it is our job to translate the policies into, for example, a football tournament"* (pers. com., Axelsson 2012). Both McInnes and Axelsson states that the level of the corporate standards are inevitably influenced by personal views and considerations and that it is a balancing act to make the budget conditions meet the personal- and local conditions. From a corporate perspective the Stora Enso business model in Lao PDR is communicated as a commitment to social and environmental responsibility. *"On a national level we want to show the government and other companies that we are a company who takes social responsibility"* (pers. com., Axelsson, 2012). The expectations are to positively influence the standards for how foreign investments in the forestry industry in Lao PDR are made. On a global level it is

ultimately a matter of brand management, benchmarking and sustaining high levels of responsibility. Both Axelsson (pers. com., 2012) and Fogde (pers. com., 2012) believe that some of the basic features of the business model, such as agroforestry and the inclusive approach are possible to export to other countries. However it is crucial to adapt the business model to local conditions. *"Agroforestry is often advocated by NGO's, but we do it on an industrial scale, and that is quite new"* (pers. com., Fogde, 2012).

4.4.3 NGO's

There are a number of NGOs in Lao PDR. Some of them are small organisations that make specific operations in targeted areas. Other NGOs, like UNDP operate on a national level with the improvement of conditions in the country as a whole (pers. com., Lengsavad, 2012). There are certain social issues that are the focus for organisations working in Lao PDR. These areas are UXO-clearing, poverty reduction, governance, education and environment. On a national level there are regular contacts between the private sector and NGO's (*ibid.*). In forums and on round table processes organisations like UNDP and IFC invite companies with high standards and a good track record to promote CSR and to set an example for companies that are active in the country *"As the private sector, the NGOs and the government are all key players in national development. It is not effective to exclude anybody"* (pers. com., Lengsavad, 2012). Direct investments from foreign companies are particularly common in sectors like forestry and hydropower that are based on natural resources. The lack of a comprehensive land management plan is however perceived as a problem as it complicates and impairs the process of land concessions (*ibid.*). As expressed by Lengsavad (pers. com., 2012) UNDP advocates projects where the private sector establishes a local supply chain, create jobs and spreads knowledge however there are examples of companies that discourage local development by importing workforce and exporting all raw materials and products. There are also examples of land conflicts where locals are refused access to land where they have traditionally lived. Moreover Lengsavad (pers. com., 2012) states that the private sector is still new to working with social development at community level and that it would be better if they collaborated with NGO's as they have more experience in the matter.

According to Axelsson (pers. com., 2012) there are many NGO's that in one way or another have been involved in the project. NGOs and Stora Enso are in many ways striving for the same objective in improving the conditions for the villagers. Axelsson (pers. com., 2012) perceive that there are certain areas included in the business model that are suitable for collaboration. Examples of suitable areas of collaboration are the finding of suitable cash crops, education aimed at efficient cultivation and finding markets for the cash crops. *"Finding a market for cash crops is crucial and there are NGOs who knows this field and who has the knowledge and the contacts to establish a functioning network"* (pers. com., Axelsson, 2012). Even though the objective of Stora Enso is to establish partnerships with NGOs, where both parties contribute with what they know best, the collaborations have so far consisted of projects where the NGOs are hired as consultants (pers. com., Fogde, 2012). For example, WWF has carried out a project for testing the cultivation of rattan and training the villagers in the matter. Moreover, the Lao founded organisation Village Focus has been involved in a project where it was investigated whether there are any potential for growing and selling peanuts. The challenge in collaborating and establishing partnerships with NGO's is according to Axelsson (pers., com. 2012) and Fogde (pers. com., 2012) to find a match between activities and to allocate resources. For example, there is a possibility that a local NGO have already planned to implement the same kind of actions that Stora Enso is to use the village development fund (VDF) for. *"We try to cooperate with NGO's so no doublets are*

made, for example building two boreholes in one village" (pers. com., Soulithone, 2012). There are potential partners that are active in the region and several shared issues between Stora Enso and NGO´s but it is hard to reach an agreement when it comes to what each part should contribute with. *"We cannot do everything, it wouldn't work as we don't have the knowledge or the resources"* (pers. com., Axelsson, 2012). According to Axelsson (pers. com., 2012) a common perception is that the private sector should stand for all expenses when conducting a project, however it is the wish of Stora Enso that both sides contribute with available resources.

4.5 Future of the business model

Currently the Stora Enso project in Lao PDR is in the last stage of the feasibility phase and a decision on expansion is to be taken. However an expansion involves both challenges and opportunities. According to Axelsson, social responsibility is a major part of this business model. In order for Stora Enso to have buyers for their products the trees have to be planted with accountability but the objectives of social responsibility has to be balanced with objectives of efficiency. *"We shall plant trees at the lowest possible cost, with as large tree growth as possible but in a sustainable way"* (pers. com., Axelsson, 2012). Fogde (pers. com., 2012) emphasizes that in order to continue with the project and to make it an industrial operation the process of getting land concessions must be more efficient and move faster. Nationally it is an important process that the government defines what land that is private land and what is government land in order to attract serious investors to the country. All the conditions for a sustainable business model exist but an efficient use of resources constitutes a greater foresight when it comes to planning. The seasons, the villagers farming calendar and land concession all has to be coordinated in order to get the rotation going and to plant and harvest efficiently. The objective of the rotational model is that there shall always be somewhere for the villagers to grow rice and always be somewhere for the villagers to work. The villagers in Ban Takor (pers. com., 2012) and La Peung (pers. com., 2012) states that they are prepared to continue working together with Stora Enso. The villagers in Ban Takor states that *"We have some new areas that we can give to Stora Enso but we are waiting for the answer and waiting for what they can give to us"*. The consent from villagers however, is just the first step in a long and unpredictable process in a dysfunctional legal system. Axelsson states that Stora Enso has to follow the law and therefore the process of land concessions takes longer for them than it does for other companies who are not as willing to follow the law *"We know the rules of the game but we cannot participate, it is very frustrating that the law sometimes has no effect"* (pers. com., Axelsson, 2012).

The long-term objective of Stora Enso is to make the business model large scale. On a local level a large scale business model implies more employees and that more villages are involved. According to Axelsson (pers. com., 2012) the business model is deliberately designed to be labour intensive in order to create job opportunities, but it is a great challenge to keep the current approach on a large scale. McInnes (pers. com., 2012) underlines that one of the keys to a functioning large-scale business model is to have good staff and to be able to educate locals to become employees.

5 Analysis

This section aims at analyzing the findings of this study by relating the empirical results to the theoretical framework. Each of the following sections represent the central themes from the conceptual framework. The chapter begins with analyzing how the concepts of strategic CSR, political CSR and McElhaney's CSR landscape (2008) can be applied to the empirical findings. Onwards the characteristics of the business model are analyzed in relation to corporate social entrepreneurship, inclusive business models and lastly a brief analysis on the evaluation of business models. The third section expands on different approaches to stakeholder management, and the fourth section focuses on different aspects of communication and collaboration when developing a new business model.

5.1 CSR perspectives

As the concept of CSR, through globalization and increased public awareness, has developed both in literature and business activities the definition of what the concept entails has expanded. In 2010 when Stora Enso decided to implement a change process and to launch a new corporate identity called "Rethink" the objective was to challenge the old way of doing business. A corporate change of this kind can be seen as a response to the increased expectations from external stakeholders and as recognition of the interdependence between society and the company. Accordingly, the sustainability efforts of Stora Enso strives to meet a wide and comprehensive definition of CSR, such as the one formulated by WBCSD: *"the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life"(WBCSD, 2002, 6).*

Initially, decisions associated with Stora Enso's operations in Lao PDR were based on the favorable business conditions of the country. Conditions like a low population density, a hot and humid climate and available areas of degraded land were all factors that affected the decision to develop eucalyptus plantations in Lao PDR. Moreover, the region of Southeast Asia is a prosperous market which offers an additional incentive for businesses to establish in the area (PWC - Marketmap, 2012). However, the following development of the business activities and the design of the business model correspond well with the concept of *strategic CSR* which suggests that taking corporate responsibility for social and environmental issues can serve as a strategy for improved competitiveness (Porter & Kramer, 2006; Porter & Kramer, 2011; Brugmann & Prahalad, 2007). The concept of *creating shared value* implies that finding points of intersection between business and society can create a base for building business models which improves the local conditions and simultaneously strengthens the competitiveness of the firm (Porter & Kramer, 2011). However, engaging in business activities in developing countries and low income communities, what Prahalad and Hart (2002) calls *the base of the pyramid*, offers challenges in adapting to the needs of the community and opportunities in developing innovative business operations. When the decision was taken to start business in Lao PDR Stora Enso got in contact with Mr. Fogde who had experience from the forestry industry and extensive local knowledge. In order to identify the most crucial areas for improvement and establish the base of the business model, a socio economic baseline survey was appointed. The survey, which were conducted, by both Stora Enso (first) and UNDP (later) showed that the most crucial areas of improvement were to clear the ground from UXO and to increase food security, consequently these areas were perceived as the most central areas for creating shared value. The need for increased food

security opened up for the idea of implementing agroforestry and as there was already knowledge on agroforestry within the Stora Enso, the base of the business model was founded.

However, the business model cannot only be seen to be driven by strategic decisions. Due to the partly dysfunctional political system and the poor legislative compliance in the forest industry of Lao PDR Stora Enso inevitably becomes a political actor. The principles of *corporate citizenship* imply that corporations, under certain conditions, take on some of the responsibilities that are typically expected to be carried by institutions (Garrigá & Melé, 2004). In this case some of the responsibilities, such as clearing the plantations from UXO and improving food security through cultivation of rice between the trees, have been developed due to the specific conditions of the country. Moreover, some of the activities in the business model have been formed over time and adapted to the local culture. The structure of the agreement and the compensation to villages has been modified a number of times which suggests a localization of the business model and the CSR-program. Activities like the UXO-clearing and the implementation of agroforestry have never been done by Stora Enso before which implies an adaption to local as well as global and corporate conditions.
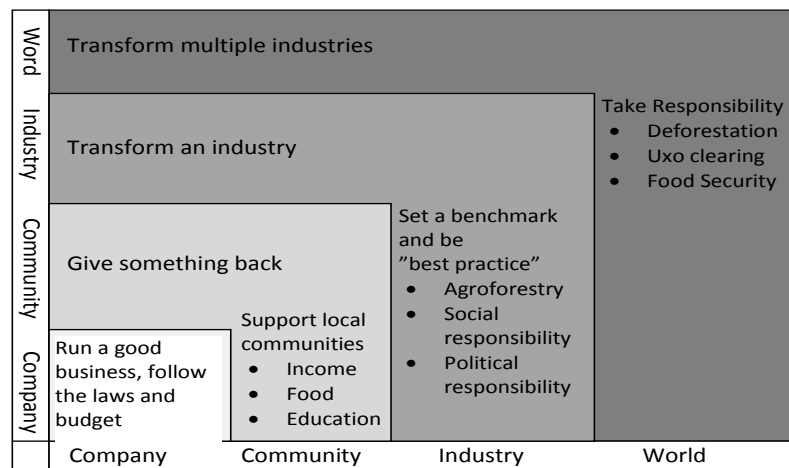
Figure 9: Illustrates the different levels on which a Stora Enso can contribute through implementing the agroforestry-model. Customized illustration, based on (McElhaney, 2008, 230).

The CSR-landscape presented by McElhaney (2008) suggests that the execution of CSR can be done on different levels of society, ranging from company to community, industry and finally on a world level. In the case of Stora Enso in Laos all levels are more or less represented. On a company level the fundamental objectives is to run a good business in the sense that the company follows laws and keeps budget. Fogde (pers. com., 2012) stresses that existing laws and constitutions are essential for Stora Enso because they are the base for conducting business. The greatest focus of the model lies in supporting the local community, hence the community level of the CSR-landscape. On an industry level the business model can be regarded as a pilot study in implementing agroforestry and rethinking business models. By seeking to apply *"best practice"* (pers. com., Axelsson, 2012) among forestry companies in Lao PDR Stora Enso sets a benchmark both nationally and globally. The world level of the CSR-landscape partly corresponds to the communicated objective of increasing food security and reducing deforestation through planting in land areas that have been degraded through shifting cultivation. However, Axelsson (pers. com., 2012) states that it is a challenge to match the industry based standards of CSR, that commonly are of a general nature, with the community based CSR that has to be adapted to local conditions and needs.

5.2 An inclusive business model

The concept of the *base of the pyramid markets*, developed by Prahalad and Hart (2002), captures the fact that multinational companies who target the poorest people of the world can meet entrepreneurial opportunities. The business models in these markets must however be adapted to the context in which it is supposed to function. The markets at the bottom of the pyramid are often characterized by a partly dysfunctional political and institutional system and social challenges, which drives the development of business models which *creates shared value*. This section provides a presentation of an analysis of the characteristics of Stora Ensos business model in Lao PDR.

According to Michelini & Fiorentino (2012) building a new business model in a BOP-market starts with *Corporate Social Entrepreneurship.* The concept implies that an innovative approach to special needs and conditions provides the base for creating a new business model. As Lao PDR was a new environment to Stora Enso the network, experience and knowledge of Mr. Fogde played an important role in the development of the business model. Hence, Fogde can be regarded as a social entrepreneur in this case. Moreover, the ultimate objective of Stora Enso was to develop a business model that is sustainable from an economic, social and environmental perspective and in line with the corporate identity of "rethink". As stated by Michelini and Fiorentino (2012) new business models developed at the base of the pyramid can create different types of value. Either the business model is a *social business model* which aims at delivering a product which is customized to the low-income market, or it can be an *inclusive business model* which aims to develop a supply chain where the local community is involved as suppliers and/or distributors. Stora Enso's business model in Lao PDR has many characteristics which comply with the notion of an *inclusive business model*. According to Fogde (pers. com., 2012) and Axelsson (pers. com., 2012) an inclusive business model has many advantages. The inclusiveness was for example crucial in order to develop business activities without taking advantage of the weaknesses in the political system. Engaging local communities and ensuring support from villages before applying for land concessions to the government was a conscious approach which enabled the company to establish plantations without having to fall for the pressure of corruption. Also, the inclusive approach minimized the risk of land conflicts. Furthermore, the policy of recruiting employees nationally in management positions, regionally in operative positions, and villagers as daily workers points to the inclusiveness of the business model.

One of the challenges associated with the inclusive business model is that it is evaluated using the same criteria as a traditional business model. As the core objective of producing eucalyptus remains, although some of the objectives and conditions have changed, certain challenges arise in the evaluation process. As pointed out by Michelini and Fiorentino (2012) the development of an inclusive business model requires high startup- and transaction costs. In Lao PDR clearing the ground from UXO is clearly a cost that is added due to the local preconditions. According to Fogde (pers. com., 2012) the low level of education in Lao PDR means that a lot of time and money has to be spent on educating employees in key positions, such as district officers and khet officers. Moreover, difficulties in communication and cultural differences offer great challenges when trying to implement corporate standards in a local context (pers. com., McInnes, 2012). Also, there are great transaction costs associated with the planning difficulties that arise when the process of land concessions is relatively unpredictable. All these challenges add up to costs that is to be carried by the business model.

Nevertheless, there are benefits associated with the inclusiveness of the business model, and the interaction between company and community provides a solid base for creating shared value. According to McInnes (pers. com. 2012), working together with the villagers provides Stora Enso with great resources of knowledge and workforce. As villagers get increased access to food and money (pers. com., Villager La Peung, 2012), the company get access to workers that are loyal and "not hungry" (pers. com., Axelsson, 2012). Furthermore, recruiting young and educated Laotians straight from university allows Stora Enso to educate their employees in company values. The hiring of locals in key positions facilitates the communication and coordination, which helps to build a strong local supply chain. From a national perspective recruiting local staff helps to develop the districts and provinces in which Stora Enso are active.

From the analysis above it can be suggested that there are both direct and indirect values associated with the business model. Some of the internal company benefits, such as reputation, and external benefits, such as food security, might however be difficult to grasp on a short-term basis. As stated by Porter *et al.* (2011) tools for measuring the future values created by social responsibility is still missing. Axelsson (pers. com., 2012) states that the ultimate objective of the business model is to plant as many trees as possible to as low costs as possible. Stora Enso has, however, a set of policies of how to manage operations responsibly and moreover the individuals working in Lao PDR feels that they have a moral obligation to their fellow people in the region. The long-term values generated through CSR are hard to measure and to include in the evaluation of the business model. Consequently, it is a challenge to develop an inclusive business model based on shared values, and at the same time achieve the level of efficiency which is required by the corporation in order to continue the operations.

5.3 Multi-stakeholder network

Ultimately, the basis of CSR is the management of stakeholders. As stated by Jamali and Mirshak (2007) corporations working with CSR has the obligation to meet the expectations of a group of stakeholders which is far wider than the traditional stakeholders often defined as shareholders and customers. Stora Enso's expansion in new areas and markets (Stora Enso, 2011) defines them as a globalized company. Consequently, Stora Enso has to identify and interact with many different groups of stakeholders. When Stora Enso decided to establish operations in Lao PDR they inevitably entered a developing country with context bound challenges, but also potential business opportunities.

According to Axelsson (pers. com., 2012) one of the initial activities was to conduct a socio-economic survey where the social conditions in the intended area was investigated. Hence, the villagers were soon identified as one of the key stakeholders. Furthermore, in order to establish plantations the company was dependent on the land concessions from the government. According to Fogde (pers. com., 2012) the fact that the company secures support from the villagers facilitates a positive connection with the government. Moreover, UNDP was hired to complement the existing internal survey with an external socio-economic impact assessment. Based on the stakeholder model presented by Roberts (2003) the villagers, the government and the international organisation of UNDP can all be regarded as key stakeholders representing different stakeholder groups. However, the context and the existing social issues require a kind of stakeholder management which is different to the traditional models. McInnes (pers. com., 2012) points to the fact that the business environment in Lao PDR is complex and filled with challenges. Weak legal enforcement, poverty and a low level

of development in terms of infrastructure and administration causes an approach which is in line with the description of a *multi-stakeholder network* presented by Roloff (2007). The clearing of UXO, the implementation of agroforestry and the focus on local employment indicates that the objective of the business model is to cope with social challenges on a long-term basis. Also, Fraser *et al* (2005) highlights the compliance between multi-stakeholder initiatives and a bottom up perspective, an approach which can also be associated with the Stora Enso's business model in Lao PDR. A bottom up perspective, as stated by McInnes (pers. com., 2012) and Fogde (pers. com., 2012), is central to operations as the trust, knowledge and workforce of the villagers constitute the base of the business model.

The bottom up approach and the inclusive approach to stakeholders has led to strong connections with different stakeholder groups (figure 10). Accordingly, the stakeholder management has enabled the identification of marginal stakeholders that are typical in the local context. The head of village, district officials and khet officers are examples of stakeholders that are of great importance to the functionality of the business model.
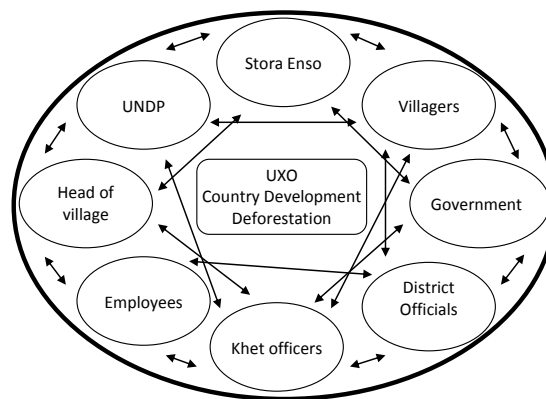
Figure 10: Illustration of the issue-focused multi-stakeholder network.

According to Axelsson (pers. com., 2012) the social situation and the business environment in Lao PDR required an approach which was different to traditional business operations. Integrating the social aspects into the business model enabled the company to contribute to some of the central objectives associated with the development of the country, such as forest coverage, UXO clearing, poverty reduction and food security. By doing this, the company addressed issues beyond traditional business concerns and simultaneously increased the support from stakeholders locally and globally. Moreover it created an opportunity of enhanced brand image. Through the inclusion of the government, the non-governmental organisations and the villagers in the business model Stora Enso hopes to gain a long-term advantage and to set a benchmark within the forest industry (*ibid.*).

Ultimately the overall management of stakeholders' fits better into Svendsen and Laberge's (2005) description of *a network focused view of stakeholders* rather than *the organisation centric view*. By engaging in externalities such as political and social issues and internalize them into the business, the company can become part of a bigger network driven by certain issues. As stated by Roloff (2007) this kind of network can support the development of general policies for how corporations and society interact. In the case of Stora Enso a network-focused approach enables the company to raise the standards of how corporations act in the country that in the long run results in benefits for the company as they possess a leading position in the implementation of social standards. In Addition, society may gain from more companies taking responsibility for the local development and social issues in general. Nevertheless, the initial process of establishing and maintaining the connections within the

network is a costly and a time consuming process. Another observed phenomenon, which is relevant to mention in this context, is the relation between the local office and headquarters, as an internal key stakeholder relation. The organisation in Lao PDR is highly adapted to the local context, and managed by local employees, and therefore the headquarters can be regarded as an internal stakeholder. The local Stora Enso department of Lao PDR has to meet the objectives of Stora Enso headquarters, and adopt to the corporate standards of, for example, reporting. Accordingly the local office is in a position which requires one kind of communication towards the local stakeholders, such as communities and villages, and another kind of communication towards headquarters.

5.4 Network and collaboration

When Stora Enso started operating in Lao PDR, they entered what Reficco and Marquez (2012) calls, a new *business eco-system*. Even though Stora Enso already had experience from the region of East Asia the country of Lao PDR offered an environment with new stakeholders and challenges like UXO, poor infrastructure and widespread poverty. Furthermore, as the institutional environment suffers from a low level of development the company itself have to undertake commitments such as land division and UXO clearing, which is commonly seen as tasks that should be handled by institutional departments. The complex and unstable business environment implies that in order for the business activities to function, certain gaps in the institutional environment has to be filled. Accordingly, there are certain components in the business model that indicates what Reficco and Marquez (2012) calls an *inclusive network*. An inclusive network implicates that interactions with individuals, organisations and communities can facilitate business operations and economic activity. The involvement of Peter Fogde as a social entrepreneur with local knowledge, the early involvement of UNDP and the implementation of the village development fund (VDF) as a strategy of gaining the support from government and villages, all indicates an attempt to establish a structure which supports business operations. The following section describes interactions with key stakeholders that can be suggested to be a part of the inclusive network.

The villagers serve as one of the key stakeholders in the inclusive network as they are a source of workforce and possess valuable local knowledge. Also, villages have to give their consent in order for Stora Enso to get land concessions (pers. com., McInnes). The collaboration between company and villagers is based on the implementation of agroforestry. If the village agrees to let Stora Enso establish plantations they get access to higher yields of rice, income from working in the plantations and the right to investments from the village development fund (VDF) where the size of the investment is based on the size of plantations (pers.com. villager Ban Takor, 2012). When UNDP was hired to conduct a socio-economic survey in the initial state of the development process it was partly a matter of outsourcing a service, but it was also an act that signaled transparency, a long-term perspective and a willingness to cooperate. Furthermore, the relationship and the interactions with the government is according to Mr. Fogde (pers. com. 2012) and Mr. McInnes (pers.com. 2012) crucial in order for the operations to function. As the overall planning, for example the planning of employment and logistics, is fundamentally dependent on the government's approval of land concessions, Stora Enso is careful to sustain a positive connection with the government. The early involvement of communities and international organizations' increases the governments' incentives to support the project.

The development of an inclusive network has required a gradual adaption of the business model. In order to achieve the positive effects of the network every interaction and connection

has to be maintained and the communication customized. For example, both of the villages which participated in interviews (pers. com., Ban Takor, 2012; La Peung, 2012) insisted that money and food is more important than the clearing of UXO. UNDP, on the other hand, puts great emphasis on the importance of UXO-clearing. Moreover, the villagers have a lifestyle which is characterized by a rather short-term perspective while international organisations, the corporation and the government strives to achieve a long-term development. The differences in perception implies that the communication with different stakeholders in the network has to differ as well. In order to gain the trust and obtain the interest of the villagers, Stora Enso has to demonstrate the outcomes of agroforestry and arrange farmer excursions where villagers from different parts of the area can meet and share experiences.

Employees are important actors in the communication process as some of the employees in key positions are Laotians who knows the language and culture. In order to effectively communicate with remote villagers the khet assistant position has been developed to be held by a person from one of the participating villages. Moreover, the lack of development in the administrative process is a factor that affects Stora Ensos access to land concessions. In order to facilitate the process Stora Enso has set up funds that is to support the administrative offices in khets, districts and provinces by providing them with tools and equipment like computers and printers, which also creates value for the government in terms of development.

One kind of collaboration, which has received particular attention in the literature of CSR, is the collaboration between NGO's and the private sector. Collaborations of this kind can take place in all different settings but are particularly highlighted in developing countries and BOP-markets, a context which in many cases has urgent social issues with an effect on both parties (Seitanidi & Crane, 2008). In Lao PDR poverty alleviation, community development and UXO-clearing are some of the most central issues for NGO's working on a national and local level. As the business model of Stora Enso touches on many of the points that are also of interest of the NGO's there is a base for collaboration. On a community level and in villages there is reason to coordinate activities as NGO's are working with the same kind of issues that Stora Enso address through the village development fund (VDF). As the villagers can also produce cash crops in the agroforestry plantations there is a need to reach markets. Axelsson (pers.com. 2012) states that the marketing of cash crops is something that Stora Enso encourages an NGO to take on. However, there is no current coordination between Stora Enso and the NGO's working on community level.

On national level, NGO's encourages responsible business activities and Lengsavad (pers.com. 2012) identifies Stora Enso as a company with good track record that can serve as a role model to other companies. UNDP advocates projects that develop a local supply chain and do not export resources and imports workforce, an advocacy which agrees well with the agroforestry model. However, despite common goals there are no current partnerships between Stora Enso in Lao and the national NGO's in the country. As expressed in the *ladder of partnership* by Glasbergen (2011) which illustrates the steps of an evolving partnership, there are certain internal interactions that have to be fulfilled before the partnership can contribute externally. The lack of actual partnerships between Stora Enso and NGO's (as opposed to interactions or paid projects) seems to be caused by an inability to build trust and to identify what the advantages of the partnership may bring.

6 Discussion

In the following chapter the research questions from the opening chapter are addressed and discussed in relation to earlier studies in this field of research. The aim of the discussion is to put the study into a scientific context and to identify the critical factors for implementing a forest based business model within the context of a developing country. Each of the following sections represents one of the research questions.

6.1 How has the business model developed?

The fundamental starting point of this study is the field of CSR and the notion that multinational companies increasingly integrates social responsibilities into core activities and business models. The concepts of *shared value* (Porter & Kramer, 2006) and *base of the pyramid* (Prahalad & Hart 2002) represent views of CSR which focus on business opportunities and competitive advantage. An idea which ultimately suggests that companies that focus on CSR will meet greater long term opportunities than the ones who do not focus on CSR. This study shows that a multinational company like Stora Enso that expands in a developing country is highly aware of the opportunities and challenges that the *base of the pyramid* offers. Also, it is accepted that finding the *shared values* between the company and the community is central for running a successful business. The reason for Stora Enso to expand in Lao PDR was that the country despite its widespread poverty and need of development offered business opportunities. However, the company early realized that in order for the business model to be successful it had to be adapted to the local conditions and consistent with the new corporate identity of "rethink". In order to gain local knowledge and to avoid some of the challenges associated with the differences of culture Mr. Fogde had a central role as a *social entrepreneur* who could identify the most crucial needs in the area and thereby develop a strategy which combines business and social advantages. The bottom up approach adopted by the company, where villagers in the relevant region were addressed first, was an essential strategy in order to identify the most crucial factors that had to be included in the business model. The bottom up approach made it clear that poverty and food security were issues that had to be addressed and hence functioned as the driving forces behind the decision to implement an unconventional model based on agroforestry. Something that had not been done on an industrial scale before (Fraser *et al.* 2005; Michelini & Fiorentino, 2012).

Even though the business model has several elements that correlate with the concept of strategic CSR it is impossible not to raise the importance of the political CSR. The quite extreme conditions in a developing country inevitably imply that the company takes on some of the responsibilities that commonly would be responsibilities of the state. As highlighted by Scherer & Palazzo (2007) companies acting on a global scale cannot separate between economic/strategic responsibility and political responsibility, as they are both important parts of developing a successful business model. In the case of Stora Enso in Laos, the clearing of UXO is an issue which is highly relevant from a political perspective as well as the matter of deforestation and food security. The point is that in this context the strategic CSR and the political CSR are closely linked together and therefore cannot be separated or handled individually. When developing a new business model the strategic issues become political and the political issues become strategic. The political issues are very present in the business environment and hence they become a part of the strategic process. Moreover, for a company like Stora Enso that aims at maintaining high environmental and social standards it might not be enough to comply with the existing laws and regulations, in order to keep up a good track

record. They are also expected to work for a transformation and improvement of poor societal standards.

The CSR-landscape developed by McElhaney (2008) illustrates how companies, through their CSR-strategies can contribute on different levels of society. The theoretical model implicates that it is a maturation process to move from a company and community level, where the company gives something back to the community, to an industry and world level, where it is rather a matter of changing the industry to become more sustainable. However, this study shows that when expanding into a developing country there is also reason to argue that the company has to be active at various levels at the same time. On a community level the aim is to contribute to the local stakeholders, the immediate people and the villages that are engaged in the operations. On an industry level it is a matter of raising the national industry standards and influence the government so that other companies is encouraged to take responsibility as well. On the world level, it is rather about how the Stora Enso Corporation can influence other multinational companies, states and civil society to take social or environmental responsibilities, and to address global challenges, such as climate change. From this perspective it is not a matter of advancing from one level to another but rather to find a match, and to prevent contradictions between the different levels. In order for CSR to be credible and functional the responsibilities communicated by the company on a world level must be implemented on the national and local level as well. In a country where it is not the norm for corporations to take responsibility and where there are deficiencies in the implementation of the legal system and in the responsibilities of the state. It is up to the managers and employees in the country to make sure that the operations on a local and national level corresponds with the corporate identity. For example, if the company on a corporate level communicates that they support education and handle waste responsibly this must also be implemented on a national and local level. If, however, the country in which the corporation operates is at a very low level of development the conditions for implementation might not be very good which points to the challenges associated with "matching" different levels of CSR. Accordingly the CSR-landscape (McElhaney, 2008) illustrates very well the different levels of CSR. Yet, there is reason to argue that when the corporation is active in a developing country the local level might be equally as important as the world level.

When studying the development of Stora Enso's project in Laos, it is relevant to claim that it is a new kind of business model. Multinational corporations turning to emerging markets is not a new phenomenon but what this study shows is how business models are actually developed through the identification of shared values in order to fit into the BOP-market. What distinguishes this specific business model is what Michelini & Fiorentino (2012) call an *inclusive business model*. The inclusiveness, in this case, is manifested in the central parts of the business model's value proposition. For example, the villagers are to a large extent included in the model and employees are only recruited locally. Another characteristic which is consistent with Michelini & Fiorentino´s (2012) description of an inclusive business model is that the model, despite its special properties, economically is managed and evaluated as a traditional business model.

6.2 How does the company interact with stakeholders?

When Stora Enso explored the possibility to establish plantations in Laos they adopted a bottom-up approach with socio-economic surveys conducted in the particular area that were at issue for planting. The bottom-up approach not only made it possible to identify the most important social issues that had to be included in the development of the business model, but also served as the base for identifying key stakeholders. Many authors have pointed to the fact

that social systems and business environments, especially in developing countries, are complex and therefore not suitable for businesses to manage stakeholders through classification (Key, 1999; Roloff, 2007). In this context a more suitable description of the prevailing stakeholder management is the multi-stakeholder dialogue and ultimately a multi-stakeholder network. This study shows that various stakeholders have a very central role in the development of an inclusive business model. The case shows how Stora Enso tends to involve civil-society, governments and organisations in what Mena & Palazzo (2011) calls a multi-stakeholder initiative. Rather, this context and this kind of inclusive business model requires what Roloff (2007) and Svendsen & Laberge (2005) calls a multi-stakeholder network. The initial phase of socio-economic surveys defined the villagers as one of the most important key stakeholders and also the social issues identified served as a starting point of how to develop the business model and hence the multi-stakeholder network. The fact that many social issues, such as UXO-clearing, poverty reduction, food security and deforestation, that are included in the business model, are central also to the Lao government, NGO's and civil society, supports a shift from an organisation-centric stakeholder management to a network-focused management. By addressing these issues Stora Enso becomes a part of a national network that is driven by certain issues of country development and the improvement of social standards. In the network, Stora Enso is not in control of the whole process but can gain from avoiding mistakes and build trust in the start-up phase. Moreover, an open and transparent dialogue and collaboration with stakeholders can lead to long term advantages for the company, as they can be a part of the development of future policies and business standards.

The key stakeholders included in the multi-stakeholder network, which are identified in this study, is currently villagers, NGO's, employees and the government. However, it is likely that the network expands as the project develops and the harvesting and delivery starts. However, there is reason to highlight the individual stakeholders and certain positions in the business model that is of great importance in order for the business function, not only on a national but also on a local level. Reficco & Marquez (2012) present the concept of inclusive networks, which implicates that the interaction between individuals, companies and communities is the ultimate base for making a business model to function in a unstable context, such as a BOP-market. From this perspective Mr. Fogde's role as a social entrepreneur, the local knowledge and interaction between company and community cannot be emphasized enough. Firstly Fogde's extensive experience from forest industry in Lao PDR and the local knowledge of the business team has helped the company to avoid conflicts and mistakes in the initial process of developing the business model. Also, the understanding of the local culture and social structure has facilitated the interaction with communities and the identification of key stakeholders such as the head of village and the head of district. Moreover, the responsiveness to local culture has affected the employment structure and the organisation of the business model. The establishment of the position khet assistant, where individuals from the local villages are hired as assistants of the khet officers, is an attempt to facilitate the communication between company and community.

Even though Stora Enso has had contacts and interactions with various NGO's there is additional potential in developing partnerships. Stora Enso has expressed that a partnership with an NGO could be of value for the company as it could lead to a better allocation of local resources and an exchange of knowledge. Also, there is a certain developing potential in finding markets for the cash crop grown between the trees. Based on Stora Ensos inclusive approach to NGO's and UNDP's inclusive approach to private organisations that were expressed during interviews there is reason to support Glasbergens (2011) and Brugmann &

Prahalad's (2007) theory that there is a shift in NGO's and private organisations attitude towards each other. Yet, there is no partnership in place and the reason for this seems to be the lack of trust and challenges in identifying the common ground and the collaborative advantages of forming a partnership. Accordingly the ladder of partnerships developed by Glasbergen (2011) is relevant to highlight in this context. Based on this theory there seems to be a challenge to reach beyond the first steps of *"building trust"* and *"create collaborative advantage,* and hence the partnerships cannot achieve their full potential in contributing externally and develop a more sustainable market and supply chain.

6.3 Opportunities and challenges associated with the model

The bottom-up approach adopted in the development of this business model is an opportunity in the sense that the support from local communities enables long-term activities and reduces the risk of conflicts. However, the future is determined by the possibility to manage the business model on a large-scale and achieve the objective of 30 000 hectares, and in turn this depends on the availability of land concessions from the government. Hence, even though the collaboration with communities functions well the business activities is dependent on the administrative process on a local, regional and national level. A process which currently functions poorly and tends to be unpredictable. Which would prevent the company to plan for the future.

The inclusive approach, which permeates the business model, gives rise to both opportunities and challenges. The agroforestry model increases the possibility to get legal access to productive land and also loyal workers from villages. However, the company is dependent on the villagers trust and collaboration, which means a great risk and requires local knowledge and management capacity. Moreover, there is an intense competition for skilled employees in the region, a competition that to a large extent is based on salaries from other companies that do not have the costs of UXO-clearing and the village development fund. As the business model is still in the start-up phase it cannot yet be decided if the inclusive approach to the local community will give rise to any benefits associated with the local distribution and logistics. It is however likely that the business model brings marketing-related benefits for the corporation as a whole as the project is extensively communicated in sustainability reports and other corporate materials.

Many of the values associated with the business model, such as positioning towards other forestry companies and multinational corporations, are of an indirect character. Also, the business model generates external social benefits associated with food security, UXO-clearing and village development in terms of increased income and education. However, it is perceived as a challenge by managers that these values are hard to measure and therefore hard to include in the corporate evaluation of the business model. As stated by Porter *et al* (2011), measuring shared value is a challenging task, and still there is a lack of effective tools for corporations to include the measurement of indirect values in their activities. Even though the business model is communicated in sustainability reports and other corporate documents it is hard to make the indirect values tangible. Porter (2011) suggests that one way to approach this problem is to take into consideration what further benefits the business model generates. As the business model gives rise to job opportunities and community development it is relevant to take into consideration what further value this might bring for the company and also how the experiences from developing this model can facilitate the development of business models in other countries and communities. Hence, for a business model like this one to continue to develop, it might be essential to include the future value creation into the evaluation of the model.

7 Conclusions

The concept of CSR is a generic concept incorporating business activities, which aims at accountability for environmental and social issues. Multinational companies expanding into developing countries face a complex business environment, which requires an adaption of business activities and operations. In order to meet the expectations from stakeholders and simultaneously benefit from new business opportunities corporations are increasingly rethinking their business models based on the identification of shared values and with the BOP-market as target group. The forestry industry is a particularly relevant industry as it is highly globalized and active in rural areas where the local community is dependent on the forest as a resource of food and income and inevitably affected by business operations. Therefore, the objective of this study is to contribute to the existing literature on CSR and the development of sustainable business models. The aim of the study is to "*identify the critical factors for the implementation of a forest-based business model in the context of a developing country*" and is carried out as a case study of a developing business model.

7.1 A new business model

Stora Enso is a multinational forestry company developing eucalyptus plantations in different parts of the world, among them Southeast Asia and the country of Lao PDR. Due to a new corporate identity and increased pressure from stakeholders Stora Enso entered Lao PDR with the objective of developing a new business model which meets the needs of the community and the company at the same time. The case study can therefore offer an understanding of the factors that are critical to the development. In this chapter the conclusions from the study and the suggestions for further research are presented. Figure 11 below illustrates and summarizes the critical factors identified in the study.
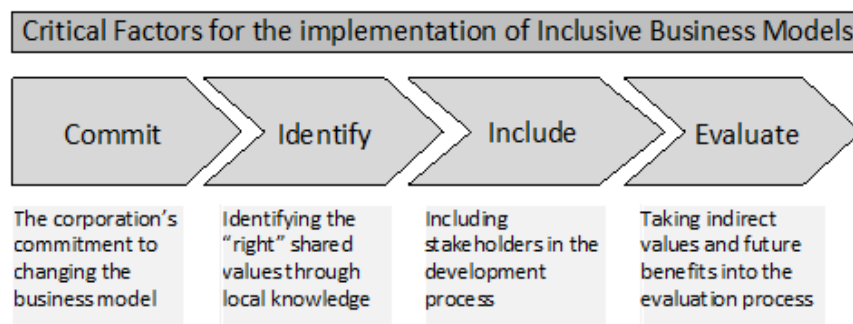
Figure 11: A summarizing illustration of the critical factors for implementing an inclusive business model.

This study shows that there are many factors that influence the development of the business model, and also that the factors are highly interdependent. First of all the development of a new business model requires a corporate commitment of changing fundamental parts of the existing business model in order to achieve a greater level of sustainability. In this case the change was driven by a change in the corporate identity and experience from situations where the traditional model had led to conflicts and external critique from stakeholders.

The development of a new business model cannot only be managed on a corporate level, but also requires a local and national connection as well. One of the most critical factors from this perspective is the involvement of social entrepreneurs and individuals who possesses the local knowledge and has experience from running business in the country. The involvement of a

social entrepreneur enables an effective identification of the most crucial points of intersection between the company and the community. Identifying the points of intersection, the shared values, forms the basis of the business model and can open up for innovative and creative approaches such as agroforestry.

Furthermore, the development of business is dependent on a relatively stable and predictable institutional environment, which can support the administrative processes and thereby allow planning and a long-term perspective. The lack of function in the institutional environment has a significant impact on the development of business models. Difficulties of planning, caused by deficiencies in the institutional systems, and activities that has to be performed by the company in order to create a functioning business environment, generates a lot of costs which ultimately affects the profitability. Accordingly, one of the critical factors for the development of a new business model is to find support and stability in an unstable environment. One way to achieve this is to surround the company with organizations and stakeholders that can help to fill the institutional gaps and ultimately function as supportive partners. The identification of shared values can enable access to a network of stakeholders who share the objective of improving the social issues included in the business model, for example NGO's, civil society and government departments. Hence, the identification of shared values is not only a strategy of developing the business model itself. As the context of a developing country offers certain social challenges that are central to many actors, the identification of shared values is also an important key for gaining access to an inclusive network of stakeholders from other sectors. The inclusive network can support the development of the business model and facilitate the exchange of knowledge between sectors.

As a multinational company is partly governed from centralized headquarters it is crucial that the subsidiaries comprehend the corporate policies and standards regarding social, environmental and economic issues. When the level of legislation and legal compliance in the country is below the standards of the company there occurs a gap between the level of the national business standards and the level of the corporate standards (illustrated in figure 12).
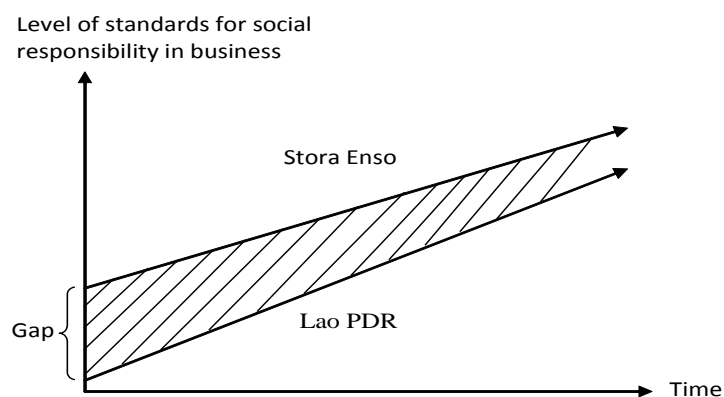
Figure 12: The development of business standards in Stora Enso and Lao PDR. The gap represents the activities that the company must perform, but also possible competitive advantage towards other companies.

The process of developing a new inclusive business model, is aimed at filling the gap (figure 12) between local institutional conditions and Stora Enso´s corporate responsibility objectives. The corporation has to fill this gap in order to be able to operate in the country. For example the corporation must find ways to avoid corruption, which in many cases is built in to the national system. Other examples of activities that are performed to fill this gap are the clearing of UXO and the division of property that has to precede the application for land concessions. Filling the gap between national and corporate standards is associated with significant costs for the company, but also represents a major opportunity of a long-term

competitive advantage if the national standards develop in the same direction as the corporate standards. In the meantime an inclusive network of stakeholders can provide support in the process towards new national polices and stricter legislations for businesses.

High start-up costs and a long-term perspective characterize business models that are built on shared values and an inclusive approach to stakeholders. Also, the importance of gradual development, building trust and a stable business environment makes the process from start-up phase to full-scale business longer than in traditional business models. However, this kind of process generates indirect values that can lead to long-term benefits for the company. Typical benefits can be an enhanced corporate image, local support for continued operations, extended experience from new operational methods and ultimately competitive advantage. However, the traditional way of measuring the success of a business model is based on the economic efficiency and does not include long-term benefits and indirect values. This is a central problem as the evaluations made in the early process can be crucial to the future of the business model. Accordingly, the special features of an inclusive business model can cause the results from early evaluations to appear as poor. Consequently, there is a risk that the development of the business model does not get the time and support needed to achieve an effective level of operations. Therefore, an evaluation tool that takes the indirect values into account is a critical factor for the continued development of inclusive business models. The evaluation method is not only to evaluate traditional economic indicators but also to take into account the future values generated through the inclusion of social issues and the values associated with reputation and brand image. The evaluation method must not replace existing measures but serve as a complement in order to facilitate the communication with headquarters, board and investors.

7.2 Data quality and recommendations for future research

As a descriptive case study of a single business model this study shows that there are certain features that characterizes the development of shared value-based business models. The understanding of these features is crucial for an increased understanding of CSR and sustainable business models. Moreover, this study expands the literature on opportunities and challenges associated with CSR in the forest industry, and the topic of conducting business at the base of the pyramid. Three of the features identified as typical of this business model is the long-term perspective, the inclusive approach to stakeholders and the importance of local understanding. However, as the results are based on a single case the ability to generalize the findings is limited. Therefore, a suggestion for future research is to study the critical factors of new business models in other corporations and countries. As the empirical part of this study was conducted on the operational site it entails rather unique interviews with various local stakeholders, participatory observations and access to archival records, therefore the data can be considered credible. However, there is a risk that the authors might have developed an enhanced sympathy for, and positive approach to, the activities performed by the interviewees. But as the study is of a descriptive nature the amount of subjective evaluations have been minimized. Moreover, the descriptive approach of this study results in a relatively broad view of the business model, a suggestion for future studies is therefore to, on a deeper level, study the role of social entrepreneurs and how *trust* can be achieved in cross sector collaborations. As this case study is conducted in a rather short period of time it would also be relevant to study the development of inclusive business models on a more longitudinal basis in order to gain a deeper understanding of how the relationship between stakeholders develops, and to also include the view of more "distant" stakeholders, such as customers and representatives from headquarters in the study.

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Ban Takor Village – Alua & Amunoy & Nanglee
Chief of village, villager, villager, Ban Takor
Personal meeting, 2012-10-11

Bounmy Keobounheaung
Khet Officer, Stora Enso Lao PDR
Personal Meeting, 2012-10-11

Doug McInnes
Regional Manager, Stora Enso Lao PDR
Personal meeting, 2012-10-12

Helena Axelsson Svensson
CSER & HR Manager, Stora Enso Laos PDR
Personal meeting 2012-10-19

Ken & Aton
Khet Assistant, Stora Enso Lao PDR
Personal meeting, 2012-10-10

Khambone Sysouk
Senior land manager & former manager at the Ministry of Land, Lao PDR
Personal meeting, 2012-11-01

Lapeung Village – Amboun & Amkun & Tuctang & Jathem
Chief of village, Villager, Villager, Villager
Personal Meeting, 2012-10-13

Peter Fogde
COO, Corporate Operating Officer, Stora Enso Lao PDR
Personal meeting, 2012-10-31

Phanchinda Lengsavad & Makiko Fujita-Suzanne
Assistant resident Representative Chief Poverty Reduction Unit, Consultant Poverty Reduction Unit
Personal meeting, 2012-10-23

Pom Soulithone
District Officer, Stora Enso Lao PDR
Personal meeting 2012-10-10

Appendix 1: Social and Inclusive business models

The figure below summarizes some of the benefits and risks that comes from the two types of business models (Michelini & Fiorentino, 2012, 22).

		COMPANY	COMMUNITY
SOCIAL BUSINESS	**BENEFITS**	- ACCESS TO NEW MARKETS - ACCESS TO LOCAL NETWORKS OF PRODUCTION AND DISTRIBUTION - POSITIVE RELATIONSHIPS WITH LOCAL AGENCIES AND GOVERNMENTS - ACQUIRING OF NEW SKILLS - CSR DEVELOPMENT	- LOWER PRICES - EMPLOYMENT GROWTH - ACQUISITION OF NEW EXPERTISE - LOCAL ENTREPRENEURIAL DEVELOPMENT - ACCESS TO NEW SERVICES AND PRODUCTS - INCREASED QUALITY OF LIFE
	RISK	LONG-TERM ECONOMIC SUSTAINABILITY COMPLEXITY OF GOVERNANCE	PRIVATIZATION OF PUBLIC GOODS
INCLUSIVE BUSINESS	**BENEFIT**	- INCREASED PROFITS - ENTRANCE INTO NEW MARKETS - AVAILABILITY OF RAW MATERIALS AND QUALITY CONTROL - TRACEABILITY OF THE SUPPLY CHAIN - ACCESS TO LOCAL NETWORKS OF PRODUCTION AND DISTRIBUTION - LOWER PRODUCTION COSTS - POSITIVE RELATIONSHIPS WITH AGENCIES AND LOCAL GOVERNMENTS - CSR DEVELOPMENT	- EMPLOYMENT GROWTH - ACQUISITION OF NEW EXPERTISE - LOCAL ENTREPRENEURIAL DEVELOPMENT - ACCESS TO SERVICES AND QUALITY PRODUCTS - INCREASED QUALITY OF LIFE
	RISK	- IMPLEMENTATION COSTS - DIFFICULTY OF CONTROLLING THE SUPPLY CHAIN - NON PROFITABLE MARKET AND SOCIAL INSTABILITY - LONG-TERM ECONOMIC SUSTAINABILITY - NEGATIVE IMAGE	- OLIGOPOLISTIC MARKET - PROFIT ORIENTATION - LOSS OF AUTONOMY FOR THE SUPPLIERS - PRIVATIZATION OF PUBLIC GOODS

Appendix 1 shows a summary of the benefits and risks associated with inclusive business models and social business models, both for the company and the community (Michelini & Fiorentino, 2012, 22).

Appendix 2: Background empirics

The background empirics give a brief contextual overview of the country Lao PDR. The modern history with the Vietnam War.

Lao PDR

Lao PDR (Peoples Democratic Republic) is a country situated in Southeast Asia bordering Myanmar, Cambodia, China, Thailand, and Vietnam (www, UNDP Lao, 1, 2012). Laos has a population of 6.2 million inhabitants, 80% of which live in rural and remote areas. Many areas have very limited access to infrastructure and services. It is one of the 14 countries in Asia that are classified as a least developed country, meaning that it has a low level of development in terms of economy, health and safety (www, UN-OHRLLS, 1, 2012). Laos' geographical position with big neighboring countries like China in the north, Thailand in the west (where most of the boundary consist of the Mekong river), and Vietnam in the east, makes it a focal point in the region (www, UN Lao, 1, 2012). However, Lao PDR is starting to become partner in the globalized region due to its transition into market economy. In 1986 the country introduced the New Economic Mechanism (NEM) with the intention of supporting the economic change. Laos is a landlocked country with a mountainous landscape which together with the generally low level of education complicates the communication. But in recent years that economy has been growing at around 6% per year (www, UNDP Lao, 1, 2012). However there are still major challenges in terms of distribution as the poverty in rural areas is twice as high as in urban areas. The economic development is greatly hampered by corruption and bureaucracy. UNDP Lao (www, 1, 2012) identifies conditions for further economic growth, for example more efficient tax administration, easier business entry and expansion, less control of the government and also a stronger capacity among civil servants.

The most progressive sectors in Lao PDR are based on natural resources, such as forestry, hydropower and mining (www, World Bank, 1, 2012). They represent more than half of the country's wealth. According to Lao PDR's National Socio-Economic Development Plan (NSEDP) for 2011-2015 (Ministry of planning and investment, 2011) the FDI's (Foreign Direct Investment) in the country are steadily rising and the private sector is perceived as having a central role in the economic growth. Lao PDR is to a large extent dependent on ODA (official development assistance), around 70% of the investments in the public sector comes from external resources. About 15-25% of the total GDP consist of ODA.

Political system

Lao PDR is a communistic one-party state (www, UI, 2012). The communist party took the power in 1975, but it wasn't until 1991 that the country got its current constitution which concludes that the communist party is the head of state and the president holds the executive power. The politics of Lao PDR is described as a combination of socialism and market economy. The communist party adds great importance to preserving the Lao culture and wants to prevent too much influence from western and Thai culture. All medias are controlled by the state and private ownership is not allowed in the media sector. To talk in a negative or false manner about the state is punishable. The country suffers from low legal certainty as the legal system is controlled by the communist party and there is a shortage of educated lawyers, prosecutors and judges.

Administratively the country is divided into provinces, districts, sub districts (khets) and villages. On a local level the district has to approve of suitable village chief candidates, then

the villagers vote on one of the candidates to become village chief (www, UI, 1, 2012). The military have strong influence on the political system as they are represented in the innermost circle of the communist party. In addition the military has built a strong business empire. There is some groups who constitutes the opposition against the government. These are mostly guerilla groups based in Thailand. There have been incidents where guerilla groups have performed attacks towards transports and blasted bridges, but they are not considered to be of any threat to the government.

Modern History

During the Vietnam War (1957-1975) Lao PDR was subject to heavy bombing from American forces, especially during the years between 1964-1973. The bombing mostly took place in the eastern parts of the country, as the objective was to stop the accessibility and the supply to Vietnam forces. The part of the Ho Chi Minh Trail that leads through Lao PDR was a heavy target. Accordingly Lao PDR became the most heavily bombed country, per capita, in history (www, UNDP Lao, 2, 2012). In total about 2 million tons of bombs were dropped over the country and countless villages were affected (www, UI, 1, 2012). The types of bombs and mines that were used was used were to a large extent cluster ammunitions which is a weapon that consists of an outer canister containing a large amount of smaller bombs, called "bombies" (Clarke, 2009). The cluster bombs are designed to release the smaller bombs when dropped from the plane and the "bombies" are spread over a large area. These types of small bombies have a high failure rate and during the Vietnam War almost 30 % of the bombies dropped over Lao PDR remained unexploded, in some cases the canister did not open when released from the plane and remained unexploded. Hence, large areas are still contaminated with UXO (unexploded ordinance) that are at risk of exploding when moved. In Lao PDR the Oxo's consists of large bombs, cluster munitions, landmines and grenades. Moreover, herbicides and defoliants such as Agent Orange were also used during the conflict and large areas remain contaminated. The map below illustrates the extent to which Lao PDR is contaminated with UXO.
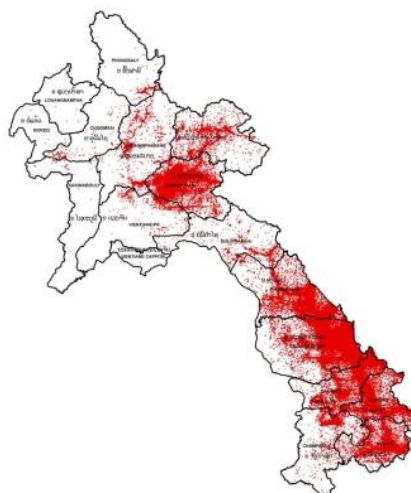
Figure 1: Contamination map over Lao PDR (www, NRA, 2012)

The widespread contaminated areas imply great insecurity for the rural population. As the bombs can be found in fields, on schoolyards, in floods, on hillsides and in roads they are easy to come across. An estimated 300 people are injured or killed each year and about 25% of the villages in the country are affected (www, UNDP Lao, 2, 2012). As a result of the widespread problem of UXO the socio-economic development is hindered. The ones who are affected the most are the rural population as the use of agricultural land is limited and forest management is hampered. In addition livestock can be killed and there is a constant

insecurity. Economic opportunities such as eco-tourism, forestry, mining and hydropower are complicated and very expensive due to UXO.

Through support from the Lao Government, UNDP, UNICEF and other donators there are several actors who work with UXO-clearing within the UXO-Lao program (www, UXO Lao, 1, 2012). In 2010 UNDP in Lao PDR established a localized 9th MDG (Millenium Development Goal) which aims at reducing the impact of UXO (www, UNDP, 2, 2012). The goal includes a prioritized UXO-clearing in agricultural land, reduce the number of accidents related to UXO and ensure medical treatment and rehabilitation for those who are injured by UXO.

Forest management in Lao PDR

The forest industry in Lao PDR represents about 25 % of the total export earnings and it contributes with 3,2 % of GDP through log production, a number that would be even higher if it also included NTFP (non-timber food products) that serves as a base for the daily life of many people (Ministry of Agriculture and Forestry Lao PDR, 2005). In general the forest in Lao contributes in two ways. Firstly forests are a source of timber, food, fuel, medicines and spiritual protection and serves as the base for the livelihood of about 80 % of the population *(ibid.)*. Secondly, it is a vital economic resource for the country. However, there are certain challenges associated with the forest management in Lao PDR. According to the Forestry Strategy of Lao PDR (Ministry of Agriculture and Forestry Lao PDR, 2005) the forest cover is rapidly decreasing. The forest cover is estimated to have fallen by 30 % during recent decades (Ministry of Agriculture and Forestry Lao PDR, 2005; EIA, 2011). There has been major progress in the development of forest legislation and policies but the law enforcement and the legislative compliance is still low due to corruption and weak forest governance (EIA, 2011). Shifting cultivation and uncontrolled/illegal logging are recognized as the two most important drivers of forest degradation and deforestation. The following sections contain more details on the matters.

Lao PDR is a mountainous country which means that a majority of the villages are situated "upland" where it is not possible to establish rice paddies, which is the preferable cultivation method of rice (UNDP, 2011). Instead, the basic form of agricultural land use is rotational shifting cultivation (also called slash- and burn cultivation or swidden agriculture). Shifting cultivation means that plots of land are burned and then cultivated until they lose fertility. The fields are then abandoned for new areas. In the case of the highlands of Lao PDR it is the forest areas that are burned and transformed into rice fields. However, the short swidden agriculture results in poor soil quality already after one single crop. Hence the villagers need to transform more and more forest into agricultural land a process that results in deforestation. Due to the deforestation the Government of Lao has developed a policy to reduce the shifting cultivation, but for the villages there is a lack of alternative ways of growing food (UNDP, 2011).

The presence of valuable timer species illegal logging is major problem in Southeast Asia, and hence it is a challenge faced also by Lao PDR. The World Bank (www, World Bank, 2, 2011) recognizes that extensive market values and revenues are lost due to uncontrolled and illegal cutting of forests. Ultimately, uncontrolled and illegal logging is associated with failures in forest governance and corruption. In Lao PDR logging is only allowed in areas of production forests, the only exception is when land is to be cleared for infrastructure projects (EIA, 2011) Moreover, according to the Forest Strategy of Lao PDR (Ministry of Agriculture and Forestry Lao PDR, 2005) it is not allowed to export unprocessed or roughly unprocessed

wood such as square logs. However the legislative compliance in the matter is weak. Valuable timber from conservations forests, especially near the borders to neighbouring countries, are frequently cut down and sold over borders. The same applies to PFA's (Production forest areas) without management plans and also infrastructure projects where the cut down timber is illegally sold and exported instead of being supplied to a processer within the country.

Socio-economic base line

The project studied in this thesis is located in southern Lao PDR, close to the Vietnamese border. The district is characterized by poor infrastructure and access to services. The population lives in villages, a majority of which are located far away from the district centers. In the villages the major occupation is agriculture based on rice cultivation, livestock and NTFP. United Nations WFP (www, World Food Program, 2012) recognizes that the areas in Southern Lao is highly vulnerable to food insecurity (UNDP, 2011) As described above the general method of agriculture is shifting cultivation. However the yields from the rice plantations are in many cases insufficient for providing a village for a whole year and a majority of the villages suffer from rice deficiency. Hence, the rice is supplemented by the collection of NTFP's such as bamboo, rattan, vegetables and mushrooms. Moreover the animal husbandry serves as a complement and a source of protein although the holding if livestock mainly serves as a security in case the village needs cash for a special occasion or for buying rice. The water supply comes from rivers, rainwater and wells, often in a combination of the different water sources. As the water sources are not reliable all year round water supply is a problem that makes the villagers travel far in order to find water.

As most villagers are only able to produce rice for personal consumption agriculture is not a major source of income. Collecting NTFP's and performing handicraft such as baskets and woven products can however serve as a small source of income. It also occurs that villagers provide labour work for plantation companies in the area. According to the SIA-report by UNDP (2011) the average annual cash income per household is 40USD, but it is a number that varies greatly between villages. The main expenditure is on rice, seasoning such as salt, clothing and medicine. Moreover health facilities are limited, on village level a medicine box is what is available. When it comes to education about 80 % has no substantial education at all. Many villages tend to have a primary school in the village although many children don't go to school due to poverty related factors, such as a need to collect NTFP's. The literacy rate is about 40% and many don't understand conventional Lao-language.

Appendix 3: Questionnaire

During the field study several interviews were made, here are two types of questionnaire used during the interviews. The one used for the villagers where translated into Lao.

QUESTIONNAIRE FOR MANAGERS STORA ENSO

1. PERSONAL INFORMATION

    1.1. Name?

    1.2. Age?

    1.3. Gender?

    1.4. Position in company?

2. EDUCATIONS AND BACKGROUND

    2.1. Kind of education?

    2.2. What earlier positions have you hade, in SE and general?

    2.3. Can you briefly explain your work at Stora Enso?

    2.4. Can you do a brief timeline on important dates/years in history for SE Laos?

3. STORA ENSO INFORMATION, LAO PDR

    3.1. How come SE started business in Laos?

    3.2. How would you describe that kind of business is SE running in Laos?

    3.3. Why have you started this kind of business and why Laos?

    3.4. How many are working in SE Laos? And how is the local corporate structure?

    3.5. Who do you recruit?

    3.6. How do SE units in surrounding country's look like, the same?

4. CORPORATE SOCIAL RESPONSIBILITY

    4.1. What are the objectives for SE Laos?

    4.2. Can the model be implemented in other countries, benchmarking?

    4.3. How has this model and operation evolved?

    4.4. Has the model always looked like this?

    4.5. What are the conditions for your business model to work?

    4.6. Have you identified any challenges for further expansion, land, employees, and labour intensive?

    4.7. What have been the hardest? Start-up phase or on-going work?

    4.8. How is this CSR strategy for Laos connected to SE overall strategy?

5. STAKEHOLDERS

5.1. Roberts (2003) model shows a figure of stakeholders, which stakeholders can you identify in the model? Are there any stakeholders who are not identified?
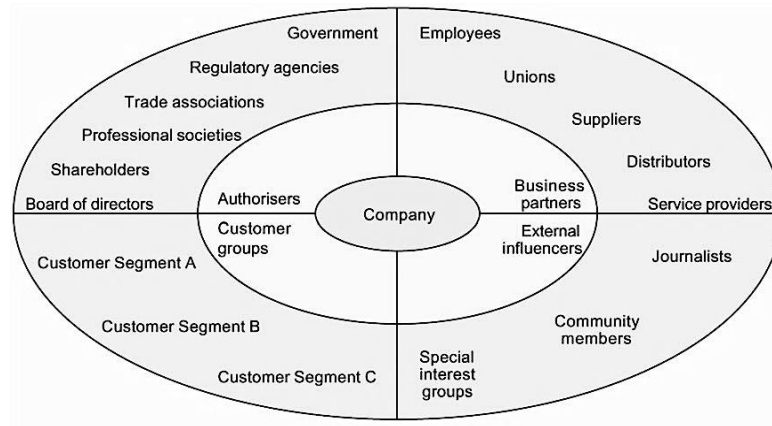
5.2. Who do you consider you're your most important stakeholders and why?

5.3. How do you cooperate with the various stakeholders?

5.4. How does the stakeholders relate to each other?

5.5. Do you feel that SE and the stakeholders have a common goal? Conflicts?

6. BUSINESS MODELS

6.1. What Social benefit comes from this business model, for whom?

6.2. What economic benefits comes from this business model, for whom?

6.3. Working organization? Complaints? What if there are retrenchments on corporate level?

6.4. How does the socio-economic baseline survey look like, (knowing the villagers)

6.5. What do the communities contribute with?

6.6. What are the challenges and opportunities?

6.7. How do you know that it will work and that this is right?

6.8. What are the future objectives, ten years?

Thank you very much!

INTERVIEW GUIDE FOR VILLAGERS, STORA ENSO

We are students from Sweden and studying agriculture and business at the Swedish agricultural university. We want to learn about agroforestry in Laos and we would be happy if you could help us, by answering a few questions.

We would like to ask you questions about the agroforestry project here in your village. We would also like to ask you how Stora Enso communicates with you and at last ask you about strengths and weaknesses.

---

7. PERSONAL INFORMATION

    7.1. Name?

    7.2. Age?

    7.3. Gender?

    7.4. What is your job in the project?

    7.5. Kind of education?

---

8. STORA ENSO

    8.1. Do you recognise this symbol? What is Stora Enso?

    8.2. Can you explain your connection with Stora Enso?

    8.3. For how long have you worked for Stora Enso?

    8.4. What do you think about Stora Enso?

Very Bad   Very Good

    8.5. What does Stora Enso mean to you?

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9. LIVING STANDARDS

    9.1. What is your main income?

        a) Salary from Stora Enso   e) Handicrafts

        b) Cash crop from Stora Enso   f) Livestock

        c) Farming   g) Other

        d) Forestry

    9.2. Does the project help your village?

    9.3. Does the project help your family?

9.4. How many are working with SE in your area? Families, people?

9.5. Do you believe in this kind of farming? The agroforestry project?

9.6. Does SE give you education/training?

9.7. Do you think UXO is a problem in your village? How?

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10. COMMUNICATION

10.1. Is there any other organisations or companies that are in contact with your village?

10.2. How does Stora Enso communicate with you?

    a) Meeting   c) Documents

    b) Mail   d) Other

10.3. Who do Stora Enso Communicate with?

    a) Village chief   c) Families

    b) Employees   d) Other

10.4. Who can you contact on Stora Enso if you have questions or complaints?

10.5. Do you get paid in time?

10.6. Have you got a contract?

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11. BENEFITS AND WEAKNESSES

11.1. What is god about the project?

11.2. What is bad about the project?

11.3. What do you think about the future

Thank you very much!

Appendix 4: Photos

Picture 1 & 2: Agroforestry field eucalyptus and rice

Picture 3: Different UXO found in field   *Picture 4: Agroforestry trial with pineapple*

Picture 5: Eucalyptus and rattan   *Picture 6: Eucalyptus and grazing*

Picture 7: Peanut trial   *Picture 8: Disarmed UXO*   *Picture 9: Rice plant*