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Can a Finnish SME gain Competitive Advantage through strategic CSR

In the case of Finbow Ltd.

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<p>The thesis is researching if a Finnish small and medium-sized enterprise (SME) can gain competitive advantage through strategic corporate social responsibility (CSR).</p> <p>In order to give an understanding of the broad concept of CSR, the research starts with a theory section consisting of a definition of CSR, followed by a discussion of the two main differing views of CSR. Then the concept of strategic CSR is introduced, and the relation between CSR and SMEs is discussed.</p> <p>In the case study, the possibilities of one Finnish SMEs to use strategic CSR is evaluated. A strategic plan is made, which consists of both internal and external analyses. The analyses are presenting the possibilities and obstacles the current market area offers, as well as which internal capabilities and weaknesses can help or hinder the chosen strategic direction. On the basis of the analyses, a suggestion for a strategic direction using strategic CSR is given for the case study company.</p> <p>The summary of the results show that in fact it is possible for a Finnish SME to gain competitive advantage through strategic CSR. Due to the fact that the thesis is researching one company's possibilities to use strategic CSR as a basis for competitive advantage, further research is suggested. The limitation of this research give an incentive to further study the relationship between CSR and Finnish SMEs, as well as the interrelation between size, industry, profit growth and CSR.</p>	
Keywords	

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1 Introduction

The thesis is researching the topic of corporate social responsibility (CSR) in the context of small and medium-sized enterprises (SME). CSR is usually associated with larger publicly listed companies, however, this does not mean that CSR is irrelevant for SMEs, but that they are less likely to face the same kind of risks as publicly listed companies do.

SMEs constitute the majority of companies in the European Union, therefore, it would be logical that CSR has a more significant role in their operations. It is stated that the most significant incentive for SMEs to conduct CSR actions is supply chain pressure. However, it is also argued that SMEs do recognize the strategic options CSR offers, for example, creating economic value for the company.

Nevertheless, this thesis is researching a particular SME's relation to strategic CSR. Therefore, the thesis question is: can a Finnish SME gain competitive advantage through strategic CSR in the case of Finbow Ltd. The subject is relevant for research due to the fact that CSR is not usually associated with SMEs, but CSR is a growing matter and therefore, especially in Finbow's case, it is worth researching if this particular company can find competitive advantage in strategic CSR. Finbow is part of the supply chains of large publicly listed companies with CSR demands, for that reason CSR is something Finbow needs to consider.

The research starts with the theory part: a definition for CSR is given, followed by discussing the two views on CSR; next the concept of strategic CSR is introduced, then the relationship between CSR and SMEs is discussed. After the theory part the strategic section is presented: firstly, Finbow Ltd is given an introduction; secondly, based on the information gained from the primary research a strategic plan is made for Finbow; lastly, a strategic directions is suggested. To conclude results of the research are summarized.

2 Theory

2.1 The Definition of Corporate Social Responsibility

What is Corporate Social Responsibility (CSR)? There are many definitions for CSR. Some businesses talk about corporate social responsibility, others define it in terms of sustainable business practice, corporate citizenship or corporate accountability. The variety of definitions is due to the broad set of activities that can be described as CSR. Burchell (2008:79) says that "For this reason, it can often be more fruitful to try to identify the central themes and foundations of responsible business practice rather than seeking one all-encompassing definition". However, all definitions of CSR have in common that corporate social responsibility is a commitment from businesses to act beyond the legal obligations in order to create social or environmental benefit. Therefore, businesses should not only focus on economic benefits, but also on the ethical and environmental impacts of their activities on their stakeholders (Burchell 2008: 79).

According to Werther and Chandler (2011:5) CSR can be described as "a view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions". Carroll (1979: 92) argues that CSR should be portrayed in a way that all business responsibilities are embraced. He suggests that CSR is comprised of four different social responsibilities: economic, legal, ethical, and philanthropic. The economic component includes corporation's responsibility to: perform in manner consistent with maximizing earnings per share; be committed to being as profitable as possible; maintain a high level of operating efficiency; and lastly that a successful firm be defined as one that is consistently profitable. Legal component includes: to perform in a manner consistent with expectations of government and law; to comply with various federal, state, and local regulations; to be law-abiding corporate citizen; that a successful firm be defined as one that fulfills its legal obligations; and to provide goods and services that at least meet minimal legal requirements.

Carroll (1979: 94) defines the ethical component as corporation's responsibility to: perform in a manner consistent with expectations of societal mores and ethical norms; recognize and respect new or evolving ethical moral norms adopted by society; prevent ethical norms from being compromised in order to achieve corporate goals; recognize

that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations; and that good corporate citizenship be defined as doing what is expected morally or ethically. The last component, philanthropic, mentioned by Carroll (1979) consists of: performing in a manner consistent with the philanthropic and charitable expectations of society; assisting the fine and performing arts; the managers and employees participate in voluntary and charitable activities within their local communities; providing assistance to private and public educational institutions; and lastly, assisting voluntarily those projects that enhance a community's quality of life.

These components constitute the total CSR of business. However, they are not mutually exclusive, but will showcase the dynamic tensions with each other (Carroll 1979: 95). Many businesspeople would see that the greatest tension would be between the corporation's responsibility to make profit and responsibility for society, however, a stakeholder perspective recognizes that the tension is an organizational reality and, therefore, the business ought to focus on all the components in order to satisfy the whole. Stakeholder perspective's definition stated by Werther and Chandler (2011:27) is that corporations identify the different parts, i.e. stakeholders, affected by its actions in its environment. By integrating a stakeholder perspective to the business' operations, it can better respond to the demands of stakeholders. The stakeholder perspective also allows the corporation to prioritize stakeholder's demands; moreover, Werther and Chandler (2011: 94) claim that shareholder value can be maximized over the long term only if the corporation addresses the needs of its primary stakeholder groups, and this done most effectively by adopting a CSR perspective as part of strategic planning. Furthermore, Carroll (1979:97) argues that it is important for the corporation to fulfill the objectives of the primary stakeholder, yet also satisfying the other stakeholders. Nevertheless, it is hard to meet this outcome, but it is important for the organization to pursue this in order to protect the corporation's long-term interests.

However, as mentioned by Werther and Chandler (2011:9), corporations should tackle stakeholder demands which have a strategic benefit for the organization. The CSR activities that the corporation undertakes should have a relation to its operations, since a corporation that implements CSR policies that carry strategic benefits has an interest for both the economic viability as well as the social responsibility aspect. By doing so, the corporation is more likely to keep its societal legitimacy and maximize its financial

viability over the medium to long term (Werther and Chandler, 2011:18). Nevertheless, all companies do not practice a stakeholder perspective, and this may be due to two reasons: firstly, the indifference or fear of the investment profile; and secondly, the traditional thinking of what has worked before should not be changed (Hawkins 2006: 161). Additionally, it is also possible that companies experience resistance due to the continuous pressure from green groups, however, this unfortunately loses sight of the fact that the benefits are real savings and contributions to the bottom line, since the advantages come from using resources more effectively and some pilot programs suggest that the manufacturing industry could save billions of dollars simply through environmental improvements and developing eco-efficiency approaches (Hawkins 2006: 161).

Blowfield and Frynas (2005:503) suggest that CSR should be viewed as an umbrella term for theories and practices seen as socially responsible. Blowfield and Frynas argue that the key aspects of the umbrella term are that:

1. Corporations have sometimes a responsibility beyond legal obligations for the society and the environment.
2. Corporations have a responsibility for the behavior of their partners within the supply chain.
3. Corporations need to manage their relationships with wider society

As stated by Carroll (1979: 96), in summary the total corporate social responsibility of businesses involves that the corporation's economic, legal, ethical, and philanthropic responsibilities are simultaneously fulfilled, meaning that the corporation should strive to make a profit, obey the law, be ethical, and be a good corporate citizen. Implementing CSR can generate multiple business advantages. According to Werther and Chandler (2011: 120): "In addition, the genuine implementation of CSR, whether for offensive or defensive reasons, generates insurance-like benefits that render CSR lapses less damaging if committed due to factors outside the firm's control". The multiple effects of implementing CSR actions include building of reputation, risk management, and gathering information and local knowledge (Spence et al 2004: 30).

2.1.1 The Two Differing Views of CSR

There are two opposite views on how firms should be socially responsible. At one extreme is the view that CSR related issues are a distraction from profit-seeking and wealth-creating functions—supporters of this view argue that, as long as a company is profitable, it is providing value for some segment of society (Werther & Chandler 2011: 93). At the other extreme is the opinion that businesses have to have a motivation other than merely making a profit.

Milton Friedman (1970: 85) argues that businesses cannot have responsibilities, since a corporation is an artificial person and, therefore, can only have artificial responsibilities. Only people can have responsibilities. Given that corporate executives are the people behind the corporations, then CSR would be their responsibility. However, if this is true, then it would imply that they would act in some way that is not in the interest of their employer (Friedman, 1970: 85). Friedman claims that by the corporate executive having a social responsibility he is to, for example, “refrain from increasing the price of the product in order to contribute to the social objective of preventing inflation, even though a price increase would be in the best interest of the corporation.” By taking action like this, Friedman states that the corporate executive is spending the customers’ and employees’ money for the cause of general social interest. Therefore, Friedman (1970; 89) is of the opinion that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as its stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Friedman’s view on corporations’ responsibilities and that conducting CSR activities reduces profits has been challenged by many theorists. Other theorists argue that corporations do have responsibilities to a far broader group of stakeholders than just to the shareholders. Burchell (2008:81) state that “A company’s socially responsible practices should therefore seek to reflect the concerns and demands of not just its shareholders but this broader group of stakeholders to which it is accountable. Without their support, it is argued, these companies have no license to operate”. Furthermore, some theorists argue that corporations can become more successful through CSR and that social responsibility and profitability are not mutually exclusive (Burchell 2008; 81,

Hawkins 2006: 196). Cowe and Hopkins (2003: 101) argue that corporations can build shareholder value by understanding and tackling their impacts upon society. The added value can come from anything from enhanced reputation, access to ethical investments, improved recruitment and retention of staff, the encouragement of innovation, and learning and learning and improved risk management. However, according to Burchell (2008:81) the financial gains are more long term in contrast to the initial potential costs involved in changing the practices. Additionally, it is uncertain whether the benefits of CSR are the same for all companies. Burchell (2008) furthermore argues that for larger brand-based companies the positive impacts are more obvious; however, smaller companies may not have the same incentives.

Cowe and Hopkins (2003: 101) argue that most analyses of CSR have focused on qualitative rather than quantitative relationships. There is some good correlation with CSR actions and financial indicators; however, these correlations might have occurred by chance, since it has not been yet possible to make strong, causal, quantitative link between CSR actions and financial indicators such as share price, sales revenue, and market share. Cowe and Hopkins (2003:102) have identified six main issues of potential risks and opportunities in taking CSR actions:

- Firstly, equity created in corporation's reputation or brand can be easily harmed or even lost by irresponsible behavior.
- Secondly, access to finance can be difficult. Banks are aware of the CSR risks in their customer relationships, making them cautious of suspicious projects such as environmentally damaging and socially disruptive dams.
- CSR issues can attract, retain and motivate employees.
- CSR can support innovation, creativity, learning and the growth of intellectual capital.
- CSR can help to achieve better risk management, since constant analysis of relations with external stakeholders is made.

Hawkins (2006: 192) argues that sustainable approach for most companies can be valuable in itself, since it will help to build long-term relationships with customers, employees, investors and suppliers and foster a risk management culture, all of which are important to a strong investment profile and strong earning potential to the benefits of all stakeholders. Sustainability approaches offer benefits which reduce costs and improve market position, that is to say directly enhancing profitability. However, there is

also an indirect value that comes from operating with the communities since it complements the approach of the workforce and enhances its own satisfaction (Hawkins 2006; 193). Furthermore, Werther and Chandler (2011: 112) argue that there are greater demands for CSR due to the growing affluence of societies, therefore, there is a strong economic incentive to be seen as a net contributor within a society. Hence, CSR is a competitive differentiator for the company, as well as a form of brand insurance (Werther & Chandler 2011: 112).

Even though these two views are very different, they can be connected by using strategic CSR. An important component of strategic CSR is, as stated by Werther and Chandler (2011: 9), "A firm that seeks to implement a CSR policy that carries strategic benefits is concerned with both the ends of economic viability and the means of being socially responsible." Furthermore, even those who believe that the only purpose of corporations is to make as high profit as possible do need to understand that if the organization is acting socially irresponsible does risk losing a significant segment of investors and their capital. It can be stated that the strongest reason for the implementation of CSR is to ensure the long-term viability of the organization (Werther & Chandler 2011: 112).

2.1.2 Strategic CSR

Businesses are aware of the risks that come with neglecting CSR actions; however, they are not clear on what to do about them. Typically, corporate responses have been neither strategic nor operational but cosmetic-mostly public relations and media campaigns, and CSR reports which showcase companies' social actions (Porter & Kramer 2006: 92). Hawkins (2006: 160) state that "The key to implementing sustainable strategies is to understand that the benefits of exploiting structured approach can build alternative options that deliver value as opposed to depleting margins". Furthermore, argued by Hawkins (2006: 194), profit from CSR stems from the realization that sustainability is not merely a defense and risk management mechanism, but a method that can add value to the business. Moreover, it should not be viewed negatively but should be seen as a real focus for profit. Therefore, the emphasis should be on seeing sustainability as a promoter of protecting and creating new propositions (Hawkins 2006: 196).

Corporate social responsibility is a key element of business strategy, since strategy tries to give the business a source of sustainable competitive advantage. Werther and Chandler (2011:8) argue that when CSR is done incorrectly or ignored, it may threaten any comparative advantage the business holds within its industry. Furthermore, in order for the company to integrate CSR successfully throughout the organization, it needs to attract resources and capabilities that are valuable and difficult to imitate, and improve these competencies so as to differentiate itself from its competitors and build a sustainable competitive advantage (Werther & Chandler 2011: 39, Porter & Kramer 2006: 89). According to Porter and Kramer (2006: 88) "when looked at strategically, corporate social responsibility can become a source of tremendous social progress, as the business applies its considerable resources, expertise, and insights to activities that benefit society". The most strategic CSR occurs when a company adds a social dimension to its value proposition, therefore, making social impacts essential to the overall strategy (Porter & Kramer 2006: 117). However, all companies cannot build their complete value proposition around social issues, but a social dimension will give the company a new competitive positioning (Porter & Kramer 2006: 120). However, public sector and non-profit organization may build their entire value proposition around social issues, due to the nature of their operations.

As defined by Werther and Chandler (2011:110) strategic CSR can be described by four factors. Firstly, companies ought to integrate a CSR dimension to their decision making. Secondly, any action the firm takes must be directly related to their core operations. Thirdly, it is crucial that the company integrates a stakeholder perspective. Lastly, the company needs to consider changing from a short-term perspective of managing resources and key stakeholders to medium to long term. All in all, it is important for the company to successfully implement strategic CSR to have a focus on maximizing both economic and social value over the long term in areas related to its core operations.

Strategic CSR can be described as the intersection of strategy and CSR. Strategy tackles the operational context, meaning how the company competes in the marketplace; then again, CSR considers the societal context, that is to say the company's impact on relevant stakeholders (Werther & Chandler 2008: 86). Actions that merely focus on profit maximization or philanthropic activity without a connection to the company's

core operations, do add value to the company, however, without supporting the strategic CSR perspective. According to Werther and Chandler (2011:94) there are five environmental forces that are driving CSR to the lead of strategic thinking in corporations: growing affluence, ecological sustainability, globalization, communications technologies, and brands. Brands are at the heart of corporate success nowadays and should be protected by adding a strategic CSR perspective throughout the value chain. Moreover, Werther and Chandler (2011:104) argue that there are three benefits of CSR to the brand: positive brand building, brand insurance, and crisis management. Werther and Chandler (2001: 58) argue that a successfully implemented strategic CSR perspective means that the corporation is able to bring into line the economic value its internal stakeholders are seeking with the social values its external stakeholders are seeking. The internal stakeholders, i.e. shareholders and employees, seek is growing profits; adequate returns; job security; and decent pays. However, in order for the corporation to be considered legitimate over the medium to long term, the pursuit of economic value should also provide social value to the external stakeholders, i.e. the local community (Werther and Chandler 2011:58). The behavior that generates an adequate amount of both economic and social value can be described as the strategic CSR Window of Opportunity. Werther and Chandler (2011:59) suggest that strategic CSR Window of Opportunity seeks balance: a pursuit of economic value without considering the social consequences create a CSR deficit for the society, similarly, a pursuit of social value without regard to the economic value can cause a CSR deficit in the form of slowed economic activity and lower returns to the owners. All things considered, when there is a deficit in either economic or social value, stakeholders do have a reason to doubt the legitimacy of the company as a member of society.

All companies operate within a competitive context, which affects its ability to carry out its strategy in the long run. Competitive context can be divided into four areas: first, the quantity and quality of available business inputs, e.g. Human resources or transportation infrastructure; second, the rules and incentives that govern competition, such as policies that protect intellectual property or safeguard against corruption; third, the size and sophistication of local demand, influenced by such things as standards of product quality and safety, consumer rights; fourth, the local availability of supporting industries, such as service providers and machinery producers. All of these areas can be opportunities for CSR initiatives (Porter & Kramer 2006: 103).

Porter and Kramer (2006: 106) state that the social issues affecting a company can be divided into three categories: first, the generic social issues may be important to society, although they are not affected by the company's operations or affect the company's long-term competitiveness; second, value chain impacts are those that are significantly affected by the company's operation; third, social dimensions of competitive context are factors in the external environment that significantly affect the competitiveness of the company. Companies need to sort social issues into the three categories for all business units, and then rank them in terms of potential impact.

Value chain innovations and tackling social constraints to competitiveness are both influential in creating economic and social value. However, in order to utilize the maximum impact they need to work together (Porter & Kramer 2006: 116). Moreover, Porter and Kramer argue that actions in the value chain can be made in a way that strengthens improvements in the social dimension of context, as well as at the same time, investments in competitive context have the potential to reduce limitations on a company's value chain actions. To conclude Porter and Kramer's (2006: 116) argument, it can be said that when value chain practices and investments in a competitive context are completely integrated, CSR will become hard to differentiate from the day-to-day business of the company.

Porter and Kramer (2006: 110) state that a substantial portion of corporate resources and attention ought to be moved towards truly strategic CSR, since it is through strategic CSR that a company will make the greatest social impacts and business benefits. Businesses can either take part in responsive or strategic CSR. Responsive CSR is comprised of two parts: acting as a good corporate citizen and mitigating harm from value chain activities. Effective corporate citizenship initiatives create goodwill and improve relations with local governments and other important parties. Additionally, mitigating the harm from a corporation's value chain is essential for the operational challenges, because there are countless social and environmental risks impacting every business unit (Porter & Kramer 2006: 112). Strategic CSR is also comprised of two parts: transforming value chain activities to benefit society while reinforcing strategy and strategic philanthropy that leverages capabilities to improve salient areas of competitive context. However, as stated by Porter and Kramer (2006: 113) strategic CSR goes beyond good

corporate citizenship and mitigating harmful value chain impacts. Strategy is about doing things differently from competitors in a way that lowers costs and better serves stakeholder needs, therefore strategic CSR is about both inside-out and outside-in dimensions working together. For that reason it is here that the opportunities for shared value exists (Porter & Kramer 2006: 123). Shared value is also created by investing in social actions which strengthen the competitiveness of the corporation, since, as mentioned by Porter and Kramer (2006: 114), "typically, the more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society".

According to Hawkins (2006: 194) companies need to do a strategic road mapping, where the aim is to develop a linkage between resources and business drivers, identify gaps and challenges in the market, market intelligence and sustainable objectives that are supporting strategy and planning to bring in the essential elements of sustainable impacts. The more CSR concepts are integrated into the business process, the easier it will be to benefit from alternative thinking, furthermore, the more integrated the business process within the value chain, the more opportunity there will be for organizations to influence the approaches of others on whom they depend (Hawkins 2006: 190).

All things considered, corporate success is dependent on strategy matching internal competencies with stakeholder expectations (Werther & Chandler 2011: 111). Porter and Kramer (2006: 122) suggest that strategy is always about making choices, and success in corporate social responsibility is no different: it is about choosing which social issues to focus on, as the short-term performance pressures corporations face rule out significant investments in social value creation. Therefore, creating shared value should be viewed like research and development, as a long-term investment in future competitiveness.

2.2 Corporate Social Responsibility and Small and Medium-Sized Enterprises

2.2.1 The Definition of Small and Medium-Sized Enterprise

According to the European Commission (2015) the definition of small and medium-sized enterprises is that they employ fewer than 250 persons and an annual turnover of maximum 50 million euro, and/or an annual balance sheet total not exceeding 43

million euro. Griffiths and Wall (2011: 65) further define small and medium-sized enterprises as: having a relatively small share of the market; being managed by owners in a personal way rather than via a formalized management structure; being independent of larger enterprises, so that its owner-managers are free from outside control when taking their decisions.

2.2.2 CSR and SMEs

Corporate Social Responsibility has been mostly associated with larger companies, especially multinationals. Multinationals are more likely than small companies to be targeted by critics and exposed in the media, however, this does not mean that CSR is irrelevant for SMEs, but that they are less likely to face the same kind of risks as multinationals do (Cowe & Hopkins 2013: 105).

Conversely, majority of companies in the European Union are SMEs, therefore, it would be logical for the smaller sized companies to conduct CSR as they represent an important role for societal and environmental concerns (Blombäck & Wigren 2009:258). However, many SMEs already practice social and ecological responsible management even if they are not familiar with the concept of CSR (Spence et al 2004: 33). Additionally, opposite to large corporations, SMEs' CSR perspective focuses on the internal dimensions of management processes, therefore, the two CSR drivers for SMEs are the economic and internal social and resulting from the search for greater effectiveness in the management of the resources available (Santos 2011: 500). Some studies show that CSR for SMEs is a growing concern, since managers think that CSR activities give some kind of differentiation (Fraj-Andrés et al. 2012: 277). Furthermore, as stated by Fraj-Andrés et al. (2012: 270) improving or increasing results is another major driver for implementing CSR actions, however, the focus should not only be on financial aspects, but also on seeking benefits such as image and positioning, optimization of processes, and stakeholders' satisfaction.

The context of SMEs and social responsibility is still yet relatively unstudied in the literature, since corporate social responsibility is mainly associated with larger companies, furthermore, media's attention to CSR is guided by what large, listed companies present as CSR on their homepages and annual reports (Blombäck & Wigren 2009: 256). Nevertheless, Blombäck & Wigren (2009: 255) argue that the theoretical frameworks

of CSR are applicable to firms of all sizes. No matter what the size of the company is, all companies have economic, legal, and ethical responsibilities, as well as stakeholders and are part of a social context; therefore, CSR theories are applicable to SMEs as well (Blombäck & Wigren 2009: 261). Since SMEs often lack separate departments for different operations, Blombäck & Wigren (2009: 261) state that CSR activities are for that reason combined in the businesses everyday life-this means that the way how CSR is conducted differs from large corporations but the type of CSR activities taking place can be the same.

However, SMEs do conduct social responsibility strategies. They have a focus on developing the direct management of the business and their position in the market through socially responsible activities. SMEs do have a clear understanding that strategic CSR can bring direct economic value. However, SMEs conduct CSR practices informally, and the understanding of CSR is influenced by the personal values of the owner or manager (Santos 2011; 490). To SMEs, CSR practices take place within the company from a management efficiency point of view: raising employee motivation, cost reduction and better client relationships (Santos 2011; 493). Most of the social responsibility activities occur at the economic and social dimensions, however, activities in the environmental and external social fields are less common. Therefore, CSR practices at SMEs come as a consequence of searching better management indicators, moreover, amongst SMEs there is a clear perception that CSR brings direct business value and has an important role in competitiveness (Santos 2011; 494). However, Santos (2011: 499) state that CSR activities of SMEs are developed in a non-structured and infrequent manner.

It is stated that the main driver for SMEs to engage in CSR activities is supply chain pressure, since SMEs are either integrated into chains of production or directly supplying major companies that demand international norms are met (Santos 2011: 493). Buying organisations are usually large listed companies, which require especially that their first-tier suppliers follow the set CSR norms. However, as argued by Ayuso et al (2013:498) SMEs do not usually have the resources nor the bargaining power in order to implement CSR standards within their own suppliers. This might influence the efficiency of strategic CSR implemented by SMEs. Furthermore, often SMEs need to fulfill certain social and environmental standards to even conduct business with the larger

corporations-these prerequisites have a strong influence on SME strategies (Santos 2011: 491). Ayuso et al. (2013: 498) state that "supply chain pressure that they receive can motivate or even force SMEs to have a formalized policy to deal with CSR or to obtain a social or environmental standard certification". Additionally, due to the developments in legislations and monitoring, SMEs will be more exposed to legislative requirements and that large customers evaluating their supply chains will impact upon the SME suppliers (Oxborrow & Brindley 2013: 359). However, some researchers say that supply chain pressure has yet had little influence on SME behavior, furthermore, it is characteristic for SMEs to have a lack of strategic vision, resources and capabilities (Oxborrow & Brindley 2013: 361). All in all, buyer requirements are the leading initiator for the willingness of SMEs to adopt CSR actions, but the willingness is also linked to resources and capabilities.

Fraj-Andrés et al. (2012: 266) argue that "SMEs face today increasingly more complex and dynamic contexts where obtaining and maintaining competitive advantage is certainly rather complicated". Competitive advantage can be gained through strategic CSR, since a desirable brand is created for the client and CSR will be a competitive differentiator for the company, which will work as an economic incentive (Werther & Chandler 2011: 104). Furthermore, businesses adopting sustainable actions proactively can achieve first mover benefits, which can result in competitive advantage that is hard to copy (Oxborrow & Brindley 2013: 357). Linking competitive advantage with sustainability can be called eco-advantage. This means where sustainability involves delivering environmental and social benefits in the pursuit of economic success." (Oxborrow & Brindley 2013:355). A successfully implemented CSR strategy, which brings the company eco-advantage, ought to be implemented to the strategy with a long-term perspective, since social responsibility decision cannot be justified when using a short-term perspective. Additionally, the key to achieving success in sustainability is to integrate it to the marketing strategy (Oxborrow & Brindley 2013: 358). It is argued that SMEs have a good possibility to adopt eco-advantage due to their ability to change, having a focus on innovation and can serve niche markets as new stakeholder demands emerge (Oxborrow & Brindley 2013: 359). All things considered, achieving eco-advantage is about making a change in strategic direction, meaning that the market needs are satisfied while the environmental impacts are reduced (Oxborrow & Brindley 2013: 357). According to Fraj-Andrés et al. (2012: 268) companies that manage effec-

tively internal and external relationships are more likely to turn their efforts in CSR into a source of competitive advantage, therefore, securing the long-term success of the company.

In the case of SMEs, CSR can become an effective tool to build up positive public relations and brand image with fewer resources than an extensive communications campaign (Fraj-Andrés et al. 2012: 272). SMEs ought to be interested in CSR not only due to the increasing awareness of social responsibility amongst clients, but also because of their significant role in the supply chain of larger companies as stated by Santos (2011:494) "SMEs are particularly sensitive to business issues given that in the majority cases, these companies are either integrated into chains of production or directly supplying major companies that demand international norms are met". Businesses ought not to overlook CSR issues in order to save short-term costs, since in the long run risks occurring due to the lack of CSR can result in significant legal costs and loss in sales and reputation (Oxborrow & Brindley 2013: 356). In the recent years the discussion about the triple bottom line (economic, social and environmental contribution, and CSR) emphasizes the further shift to incorporating social aspects into business strategy (Oxborrow & Brindley 2013: 357). To conclude, CSR can be viewed as a business philosophy that can be a source of wealth for SMEs (Fraj-Andrés et al. 2012: 267).

3 Case Study: Strategic Plan for Finbow Ltd

The research is done by conducting a primary research, more precisely an interview with the managing director of Finbow Ltd (See Appendix 1). Based on the information gathered from the primary research, the strategic analyses were made.

3.1 Introduction of Finbow Ltd

Until 2008 Finbow Ltd was part of a large publicly listed company, Metso. Finbow was a business unit at Metso and it was only manufacturing new rolls within the Metso organization. In May 2008 a management buyout (MBO) happened, and Finbow expanded to maintenance service of old rolls in addition to manufacturing. Furthermore, now-

adays Finbow's client base consists of many international companies (See Appendix 1, question 1 and 2).

Finbow Ltd.'s turnover in year 2014 was around 5 million euros (Kauppalehti, 2014) and it has 26 employees; 18 in production and 8 in administration. Due to its turnover and size, Finbow is classified as a small-sized enterprise. It is located in Tampere Finland; however, its clients are mainly global publicly listed companies in the paper industry. Finbow Ltd operates in the mechanical industry, where it manufactures rolls for the paper industry, as well as in the maintenance service for old rolls (Finbow, 2014).

Finbow's competition in manufacturing of new products consists of five global competitors; some of them are large companies with good resources and others are small-sized enterprises like Finbow. In maintenance service Finbow operates regionally, i.e. in northern parts of Europe, where it is in the top two (See Appendix 1, question 2 and 3). Furthermore, it sells spare parts globally to rolls manufactured by them.

Due to the low differentiation amongst competitors, it is hard for Finbow to stand out. Therefore, a new strategy is in order so that Finbow could find a new competitive advantage. Since clients consist mainly of publicly listed companies, CSR is a growing matter and Finbow needs to take this into account in order to maintain and strengthen its position in the market.

3.2 Strategic Plan

According to Johnson et al (2011: 521) "a strategic plan provides the data and argument in support of a strategy for the whole organization". A strategic plan has usually the following elements: mission, goals and objective statements; environmental analyses; capability analyses; and the proposed strategy. The following analyses are made in order to determine whether Finbow has the resources, capabilities and possibilities to find a competitive element in strategic CSR. The analyses will help to discover the strengths and weaknesses of Finbow, as well as the external factors influencing the strategic options of taking CSR actions.

- The first step to strategic planning is defining the mission, vision and objective statements, since it works as a starting point for the strategic purpose of the organization.
- The second point is evaluating the external factors influencing the strategy, so as to realize the possibilities and threats the current market area offers.
- The third point of the planning is to discover the internal factors influencing the strategy, meaning that the capabilities of Finbow are defined, in order to find out if there are resources to conduct the strategy.
- The final point of strategic planning is to define the strategic option most suitable for Finbow in order to gain competitive advantage.

The different analyses for Finbow Ltd have been conducted below.

3.2.1 Mission, Vision and Objective Statement

A mission statement aims to provide employees and stakeholders with clarity about the overriding purpose of the organization, and the vision statement is concerned with the desired future state of the organization (Johnson et al 2011: 121). Johnson et al (2011: 121) defines objectives as statements of specific outcomes that are able to be achieved. Defining company's mission, vision, and objective statements is a starting point for all strategic planning, and it is important to go back to the statements during the strategy process, so as to ensure that the proposed strategy follows the overriding purpose of the organization.

The mission and vision statements, as well as the objectives of Finbow Ltd are as follows:

Mission:

Our mission is to fulfill our clients' needs in the best possible way within the given resources. We aim to improve their performance by transferring our knowledge to their operations.

Vision:

Our vision is that our operations fulfill our own, as well as our clients' CSR needs in a way that creates added value for the company.

Objectives:

- Secure the wellness of the workforce
- Obtaining an ethical supply chain, i.e. Finbow's own actions, as well as the suppliers of Finbow need to act ethically.
- Securing Finbow's future position in the supply chain of its clients by acting ethically, therefore, securing profitability.
- Become Scandinavia's largest provider of roll maintenance.
- Become world's third largest roll manufacturer within the next three years.

3.2.2 Environmental Analysis

3.2.2.1 The PESTEL Framework

The PESTEL framework categorises environmental influences into six main types: political, economic, social, technological, environmental and legal (Johnson et al 2011: 50). The key drivers for change are identified, i.e. the environmental factors likely to have a high impact on the success or the failure of strategy. Below Table 1 illustrates a PESTEL framework that has been conducted for Finbow Ltd.

Table 1. PESTEL framework conducted for Finbow Ltd.

Political	<ul style="list-style-type: none"> ➤ Green group pressure on publicly listed companies affects the actions of SMEs in the supply chain. ➤ Citizen activity on ethical performance of publicly listed companies.
Economic	<ul style="list-style-type: none"> ➤ Change in wood and forest prices. ➤ Long term trends in demand for different end product types in paper and board industry.

Social	<ul style="list-style-type: none"> ➤ Growing knowledge of social responsibility throughout the entire supply chain.
Technological	<ul style="list-style-type: none"> ➤ Clients sell better paper machines, which results in energy efficiency.
Environmental	<ul style="list-style-type: none"> ➤ Demands for performance improvements result in waste reduction and decrease in energy usage.
Legal	<ul style="list-style-type: none"> ➤ Legislations and regulations on workforce safety and welfare ➤ Legislations on environmental responsibility.

3.2.2.2 The Five Forces Framework

Porter's five forces framework helps to identify the attractiveness of an industry in terms of five competitive forces: the threat of entry, the threat of substitutes, the power of buyers, the power of suppliers and the extent of rivalry between competitors (Johnson et al 2011: 54). These forces build the industry structure. This analysis further defines the external factors influencing the strategy. Below a Five Forces framework has been conducted for Finbow Ltd.

The Threat of Entry:

- Medium threat of entry.
- The low profitability of the industry is not seen desirable.
- However, from a technological point of view, there is medium barrier of entry.

The Threat of Substitutes:

- Low to medium threat of substitutes.
- Instead of steel rolls, composite rolls can be used.

The Power of Buyers:

- High power of buyers.
- Low switching costs and concentrated buyers.

The Power of Suppliers:

- Medium power of suppliers
- In some of the key components there are concentrated buyers.

Competitive Rivalry:

- High competitive rivalry
- There is a competitor balance; therefore, equal sized companies result in price war.
- Paper industry growth rate is low; this is associated often with price competition and low profitability.
- Low differentiation

3.2.3 Capability Analysis

3.2.4 Strategic Capabilities and VRIN

Strategic capabilities can be described as the capabilities of an organization that contribute to its long-term survival or competitive advantage (Johnson et al 2011: 84). Johnson et al (2011: 84) further define strategic capability being comprised of resources and competences: resources are the assets that organisations have; and competences are the ways those assets are used effectively. Strategic capabilities are the internal factors defining the strategic options Finbow has. The strategic capabilities of Finbow are presented in Table 2:

Table 2. Finbow's strategic capabilities.

	Resources	Competences
Human	<ul style="list-style-type: none"> ➤ Technical director ➤ Managing director ➤ Workforce 	<ul style="list-style-type: none"> ➤ Knowledge build-up ➤ Technical knowledge ➤ Workforce skills ➤ Innovation ➤ Customer relationships

Physical	<ul style="list-style-type: none"> ➤ Product design ➤ Patents 	<ul style="list-style-type: none"> ➤ Organizational flexibility ➤ Convertibility of the product to multiple applications
Financial	<ul style="list-style-type: none"> ➤ Cash flow 	<ul style="list-style-type: none"> ➤ Ability to raise funds ➤ Manage cash flows

There are four key criteria by which company's capabilities can be assessed in terms of providing a competitive advantage: value, rarity, inimitability and non-substitutability. (Johnson et al 2011: 90).

Value of Strategic Capabilities:

Strategic capabilities are of value when they provide potential competitive advantage in a market at a cost that allows an organization to achieve satisfactory levels of return.

According to Johnson et al (2011: 90) there are four components here:

- Taking advantage of opportunities and neutralizing threats: it is important that the capabilities can tackle the opportunities and threats that arise in the organizations environment.
- Value to customers: capabilities need to be of value to customers. Capabilities need to meet customers' critical success factors. Critical success factors (CFs) are those factors that are either valued by customers or which provide a significant advantage in terms of cost (Johnson et al 2011: 73).
- Providing potential competitive advantage: capabilities need to be capable of delivering a product or service that competitors do not have or do not emphasize.
- Cost: the product or service needs to be provided at a cost that still allows adequate returns to be made.

Rarity:

Rare capabilities are those possessed uniquely by one organization or by a few others. If competitors have similar capabilities they can respond quickly to the strategic initiative of a rival (Johnson et al 2011: 90). According to Johnson et al (2011: 81) there are

two important points about the extent to which rarity can provide competitive advantage:

- Meeting customers need: capabilities need to result in products or services that meet customer needs and are for that reason of value to them.
- Sustainability: rare capabilities may be temporary, therefore, it is important to bear in mind that competitors may try to imitate or obtain that distinctiveness.

Inimitability:

Inimitable capabilities are those that competitors find difficult to imitate or obtain.

Johnson et al (2011: 91) argue that these can be achieved if two conditions are met:

- Superior performance: the capabilities lead to levels of performance of product or service that are significantly better than competitors.
- Linked competences: capabilities need to integrate activities, skills and knowledge both inside and outside the organization in distinct and mutually compatible ways.

Furthermore, Johnson et al (2011: 292) explain that capabilities can be hard to imitate because they are

- Complex due to two reasons:
 - Internal linkages: there can be inked activities and processes that together deliver customer value.
 - External linkages: competitors may struggle to imitate the bases of the company's competitive advantage if the company has developed activities together with the customers, so that the customer becomes dependent on them.
- Difficult for competitors to distinguish the causes and effects supporting the company's competitive advantage due to two reasons:
 - Characteristic Ambiguity: when the significance of the characteristic itself is hard to distinguish, because it may be rooted in the organisation's culture.
 - Linkage ambiguity: when competitors cannot distinguish which activities and processes crate linkages and create core competences.
- Embedded in an organisation's culture. Linked to cultural embeddedness is that these competences have developed over time in a particular way-this can be called path dependency.

- Resources and capabilities that change as the dynamics of the market or customer needs change.

Non-Substitutability:

Companies may be at risk from substitution. As stated by Johnson et al (2011: 93) substitution could take two different forms:

- Product or service substitution: a product or service as a whole might be a victim of substitution.
- Competence substitution: substitution can happen at competence level, for example when replacing skilled workers with mechanization.

Finbow's strategic capabilities are assessed by using VRIN criteria:

Finbow's human resources are evaluated in Table 3 using VRIN criteria.

Table 3. Finbow's Human resources assessed with VRIN criteria.

	V	R	I	N
Technical Director	<ul style="list-style-type: none"> ➤ Taking advantage of opportunities and neutralizing threats ➤ Value to customers ➤ Providing potential competitive advantage 	<ul style="list-style-type: none"> ➤ Meeting customer needs ➤ Non-sustainable 	<ul style="list-style-type: none"> ➤ Linked competences 	<ul style="list-style-type: none"> ➤ Substitutable
Managing Director	<ul style="list-style-type: none"> ➤ Taking advantage of opportunities and 	<ul style="list-style-type: none"> ➤ Sustainable 	<ul style="list-style-type: none"> ➤ Linked competences ➤ Change 	<ul style="list-style-type: none"> ➤ Substitutable

	neutralizing threats ➤ Cost			
Workforce	➤ Value to customers	➤ Sustainable	➤ Path dependency	➤ Substitutable

Finbow's human competences are evaluated in Table 4 using VRIN criteria.

Table 4. Human competences assessed with VRIN criteria.

	V	R	I	N
Knowledge build-up	<ul style="list-style-type: none"> ➤ Providing potential competitive advantage ➤ Value to customers 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Superior performance 	<ul style="list-style-type: none"> ➤ Non-substitutable
Technical knowledge	<ul style="list-style-type: none"> ➤ Taking advantage of opportunities and neutralizing threats ➤ Providing potential competitive advantage 	<ul style="list-style-type: none"> ➤ Sustainable ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Internal linkages 	<ul style="list-style-type: none"> ➤ Substitutable
Workforce skills	<ul style="list-style-type: none"> ➤ Cost ➤ Value to customers 	<ul style="list-style-type: none"> ➤ Sustainable 	<ul style="list-style-type: none"> ➤ Internal linkages 	<ul style="list-style-type: none"> ➤ Substitutable
Innovation	<ul style="list-style-type: none"> ➤ Providing potential 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Superior performance 	<ul style="list-style-type: none"> ➤ Non-substitutable

	<ul style="list-style-type: none"> ➤ competitive advantage ➤ Value to customers 	<ul style="list-style-type: none"> ➤ Sustainable 	<ul style="list-style-type: none"> ➤ mance Change 	
Customer relationships	<ul style="list-style-type: none"> ➤ Providing potential competitive advantage ➤ Taking advantage of opportunities and neutralizing threats 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Path dependency 	<ul style="list-style-type: none"> ➤ Substitutable

Finbow's physical resources are evaluated in Table 5 using VRIN criteria.

Table 5. Physical resources assessed with VRIN criteria.

	V	R	I	N
Product design	<ul style="list-style-type: none"> ➤ Value to customers ➤ Providing potential competitive advantage 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Linked competences ➤ Innovate 	<ul style="list-style-type: none"> ➤ Non-substitutable
Patents	<ul style="list-style-type: none"> ➤ Providing potential competitive advantage ➤ Value to customers 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Superior performance 	<ul style="list-style-type: none"> ➤ Non-substitutable

Finbow's physical competences are evaluated in Table 6 using VRIN criteria.

Table 6. Physical competences assessed with VRIN criteria.

	V	R	I	N
Organizational flexibility	<ul style="list-style-type: none"> ➤ Taking advantage of opportunities and neutralizing threats ➤ Value to customers ➤ Providing potential competitive advantage 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Superior performance ➤ External linkages 	<ul style="list-style-type: none"> ➤ Substitutable
Convertibility of the product to multiple applications	<ul style="list-style-type: none"> ➤ Taking advantage of opportunities and neutralizing threats ➤ Value to customers ➤ Providing potential competitive advantage 	<ul style="list-style-type: none"> ➤ Meeting customer needs 	<ul style="list-style-type: none"> ➤ Linked competences 	<ul style="list-style-type: none"> ➤ Substitutable, but difficult to substitute

Finbow's financial resources are evaluated in Table 7 using VRIN criteria.

Table 7. Financial resources assessed with VRIN criteria.

	V	R	I	N
Cash flow	➤ Taking advantage of opportunities and neutralizing threats	➤ Non-sustainable	➤ External linkages	➤ Substitutable

Finbow's financial competences are evaluated in Table 8 using VRIN criteria.

Table 8. Financial competences assessed with VRIN criteria.

	V	R	I	N
Ability to raise funds	➤ Cost	➤ Non-sustainable	➤ External linkages	➤ Substitutable
Manage cash flows	➤ Cost	➤ Meeting customer needs	➤ Linked competences	➤ Substitutable

3.2.3.2. Value Chain Analysis

The value chain is comprised of the activities of an organization, which create a product or service. According to Johnson et al (2011: 97) managers need to understand which activities are important in creating value, if they are to achieve competitive advantage by delivering value to customers. The value chain is comprised of primary and support activities. The value chain analysis developed by Michael Porter, illustrated in Figure 1, will be used in order to evaluate Finbow's activities.

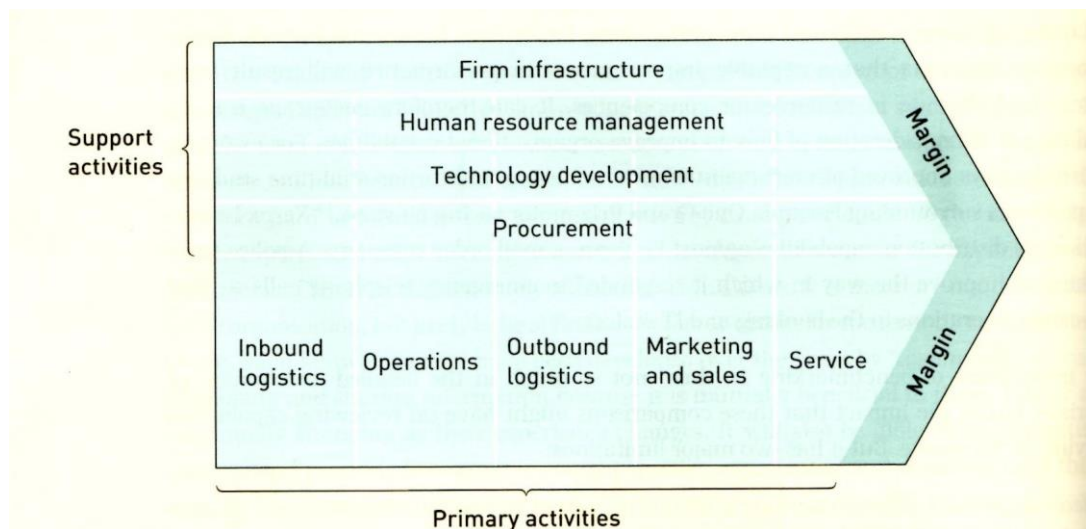


Figure 1. Value Chain within an organization (Werther and Chandler 2011: 98)

The value chain of Finbow Ltd:

Primary Activities

- Marketing and Sales
 - Here the demand for Finbow's services and products is created; therefore, it defines the following activities of the value chain.
- Procurement
 - The demand created by marketing and sales defines the quantity of raw materials purchased. In procurement costs can either be saved or created.
- Production
 - Production is comprised of assembling the rolls, as well as of maintenance of existing rolls. The effectiveness of the production line can have major implications on customer satisfaction.

Support Activities

- Engineering
 - Including the fixing of the current products.
- People management
 - Including mainly managing, training, and developing and rewarding people within the organization.
- Technological development
 - Is comprised of creation of patents, development of the product, and process development.
- Finance
 - Finance is comprised of managing cash flows, raising funds and bookkeeping.

The competitive position of Finbow is analyzed by evaluating the value chain using the VRIN criteria presented in section 3.2.3.1.

Value:

The following value creating activities are especially important considering meeting customer needs and could be develop further

- Marketing& sales
- Production
- Engineering
- Technological development

Rarity:

The following value creating activities are rare, i.e. not common to Finbow's competitors

- Engineering
- Technological Development

Inimitability:

The following aspects of value creation are difficult for competitors to imitate

- People management
- Technological development

Non-substitutability:

The following activity of the value chain is vulnerable to substitution

- Production

3.2.3.3 SWOT

SWOT summarises the strengths, weaknesses, opportunities and threats likely to impact on strategy development. A SWOT analysis is made for Finbow, presented in Table 9, in order to summarise all the analyses made in previous sections. To assess interrelation between the strengths, weakness, opportunities and threats we will be using a scoring system from plus 5 to minus 5. A positive (+) denotes that the strength of the company would help it take advantage of a problem arising from an environmental change or that a weakness would be offset by that change, furthermore, a negative (-) score implicates that the strength would be reduced or that a weakness would prevent the organization from overcoming problems associated with that change (Johnson et al 2011: 106).

Table 9. SWOT analysis made for Finbow.

	Environmental change (opportunities and threats)			
	Long term positive trends in demand for paper and board	Low switching costs for clients and concentrated buyers	Growing knowledge of social responsibility throughout the entire supply chain	Low threat of substitutes
Strengths				
• Customer relationships	+3	+5	+4	+1
• Technical knowledge	+3	+4	+4	+5

Weaknesses				
• Lack of funds	-3	0	-2	-2
• Low differentiation to competitors	-3	-5	0	-3

The internal and external factors defined in Table 9 are now summarized, and the relations between them are explained. The result of the scoring system is reviewed and described in Table 10.

Table 10. Summary of SWOT analysis.

	Internal Factors	
External Factors	<u>Strengths</u>	<u>Weaknesses</u>
<u>Opportunities</u>	Finbow would be able to follow changes in social responsibility trends in the supply chain.	The low differentiation between competitors can lower the barrier of entry for substitutes.
<u>Threats</u>	Finbow would be able to retain customers, as well as the competence to meet the changing demand.	Due to the low differentiation, Finbow's customers may have an incentive to switch service providers.

3.2.3.4 Stakeholder Mapping

A stakeholder mapping is conducted in order to define the key stakeholder of Finbow, so as to know whose needs Finbow ought to satisfy the most. First, Finbow's stakeholders have been identified, and they are the following:

- Owners
- Managers

- Customers
- Suppliers
- Competitors
- Employees
- Local community
- Government
- Green Groups

According to Johnson et al (2011: 141) stakeholder mapping identifies stakeholder expectations and power and helps in understanding political priorities, additionally, it underlines the importance of two issues:

- The interest each stakeholder has in imposing its expectations on the organization's purposes and choice of strategies.
- The power each stakeholder has to influence strategy.

A stakeholder mapping has been conducted for Finbow Ltd in Table 11.

Table 11. Stakeholder mapping analysis for Finbow.

		Level of Interest	
		Low	High
Power	Low	A Minimal Effort	B Keep Informed <ul style="list-style-type: none"> ○ Owners ○ Managers ○ Employees
	High	C Keep Satisfied <ul style="list-style-type: none"> ○ Customers ○ Government ○ Local Community 	D Key Players <ul style="list-style-type: none"> ○ Customers ○ Competitors ○ Suppliers

Customers are positioned in both box C, Keep Satisfied, and box D, Key players, since they have high power and high level of interest due to the CSR demands they have for their supply chain. Therefore, it could be stated that customers are the key stakeholders of Finbow, since they are influencing the company from two important boxes.

3.2.5 Proposed Strategy

The analyses made in sections 3.2.2 and 3.2.3 give the basis for defining the strategic direction of Finbow in order to gain competitive advantage. With the aim of defining the strategy directions best suitable for Finbow, an Ansoff matrix is completed. With the help of Ansoff matrix a strategic option for Finbow is selected, from there the option is discussed in relation to gaining competitive advantage through strategic CSR.

3.2.5.1 Ansoff Matrix (Strategy Directions)

Johnson et al (2011: 232) state that the Ansoff product/market growth matrix provides a way of generating four basic directions for corporate strategy, and the company can choose between the following strategic directions:

- Market penetration: increasing share of current markets with the current product range.
- Product development: delivering modified or new products or services to existing markets.
- Market development: involves offering existing products to new markets.
- Conglomerate diversification: taking the company beyond both existing markets and existing products.

An Ansoff Matrix in Table 12 is conducted for Finbow Ltd in order to evaluate the different strategic options it has.

Table 12. Ansoff Product / Market Growth Matrix for Finbow.

	Existing Products/Services	New Products/Services
Existing Markets	<p>A. Market Penetration Existing situation in this market is that there is low differentiation between competitors; therefore, price competition is common. Choosing this strategic direction may result in decrease in sales and market share.</p>	<p>B. New products and services Taking into account Finbow's technological knowledge and customer base, Finbow could grow as a company if they would develop their products and internal processes in accordance to the CSR norms created by the buyers.</p>
New Markets	<p>C. Market Development It is seen desirable by Finbow to expand to new market areas with the existing products; however, in order to be successful in it Finbow needs to develop its products to be able to compete against the new competitors of the new market.</p>	<p>D. Conglomerate Diversification Due to the technological knowledge, existing customer base and lack of funds it would be risky for Finbow to explore new products and new markets at the same time.</p>

Taking into account the analyses made for Finbow, it is obvious that the strategic direction B, new products/services, would be the most beneficial for the company. As seen from the previous analyses in section 3.2.2 and 3.2.3, there is low differentiation between the competitors, which often results in price war. Therefore, in order for Finbow to maintain and strengthen its position in the market, it needs to find ways to differentiate itself from the competitors. Moreover, in view of the customer base, a possible way of creating value for the customer is to integrate a CSR perspective into Finbow's strategy. By using strategic CSR, Finbow would differentiate itself from its competitors, since yet it is not common for the competition to have CSR embedded in their operations, therefore, Finbow would gain competitive advantage. Furthermore, the strategic direction B would give a basis in the future for market development, since with updated products and services Finbow could better compete against the new competitors of the new market area.

Thus, a differentiation strategy through strategic CSR is suggested for Finbow Ltd.

3.2.5.2 Differentiation Strategy

Differentiation is a generic business strategy, more precisely a competitive strategy. According to Johnson et al (2011: 199) "competitive strategy is concerned with how a strategic business unit achieves competitive advantage in its domain of activity". Furthermore, competitive advantage is about how a strategic business unit creates value for its users both greater than the cost of supplying them, as well as superior to the rivals (Johnson et al 2011: 199).

Differentiation is about having a uniqueness of some dimension that is valued by customers to allow a price premium (Johnson et al 2011: 203). We have identified as Finbow's strategic customers, i.e. key stakeholders, the global publicly listed companies in the paper industry, whose needs the differentiation is based on. Furthermore, the key competitors are identified as the five main manufacturers of the rolls used by the paper industry, as well as the other company operating in the maintenance service in the northern European market. Therefore, Finbow's differentiation would be created via CSR, due to the fact that strategic CSR would serve the need of the customers, as well as giving a competitive advantage against the competition.

Through strategic CSR Finbow can gain first-mover advantages. First-mover advantage is when an organization is better off than its competitors as a result of being first to market with a new product, process or service (Johnson et al 2011: 307). Furthermore, Johnson et al (2011: 307) argue that there are five advantages:

- Experience curve benefits: the fast experience buildup gives the company greater expertise than late entrants.
- Scale benefits: they can establish earlier the volume necessary for mass production.
- Pre-emption of scarce resources: late movers will not have the same access to key raw materials, skilled labor or components.
- Reputation: a known brand will be created before the late movers arrive.

- Buyer switching costs: first-movers can lock in their customers with privileged relationships.

In order for Finbow Ltd to execute the chosen strategy, we have four focus areas:

1. Gaining competitive advantage over competitors by differentiation strategy.
2. Satisfying customers' expectations of CSR in order to maintain the good customer relationships.
3. Developing the existing products and services in order to meet the changes in demand for social responsibility.
4. Developing the internal processes of Finbow, as well as the suppliers in a responsible way.

4 Results and Conclusion

The thesis question presented was if a Finnish SME can gain competitive advantage through strategic CSR in the case of Finbow Ltd. The results of the external and internal analyses have shown the following aspects:

- Low differentiation amongst competitors means that there is room for improvement in Finbow's operations.
- The external factors, such as low threat of substitutes, combined with internal strengths give a good basis for a successful strategic CSR.
- Strategic CSR would be an effective way for Finbow to differentiate itself from its competitors, since its key stakeholders are large publicly listed companies with CSR demands. Therefore, it would be possible for Finbow to gain competitive advantage through strategic CSR.
- Additionally, strategic CSR can give Finbow new strategic options in the future, since it develops its current processes and products in a way that gives good prerequisites for entering new market areas.
- Due to Finbow's strengths, technical knowledge; capability to develop their products and services; as well as customer relationships, strategic CSR can be a way of gaining competitive advantage.
- However, strategic CSR can work as a competitive advantage only if the competition is not doing it well or totally neglecting it.

Therefore, it can be concluded that it is possible for a Finnish SME, in this case Finbow Ltd, to gain competitive advantage through strategic CSR. However, due to the fact that the current research was made with the intention of only investigating whether a particular company, in this case Finbow, could gain competitive advantage through strategic CSR, therefore, in order to have more understanding of the relationship between CSR and competitive advantage in the context of SMEs, the following further research is suggested:

- Further larger scale research on the current situation between Finnish SMEs and CSR.
- The relationship between size of the company and CSR.
- The relationship between CSR and industries.
- If sustainable profit growth through strategic CSR is possible.

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Appendix 1. Primary research: Interview questions and answers

An interview conducted with the Managing Director, Jan Hainari-Maula, of Finbow Ltd.

1. When was Finbow Ltd bought and could you tell me something about the history of the company?

Finbow was part of the Metso organisation until year 2008. When Finbow was part of Metso, it was merely manufacturing new rolls for the use of Metso. In May 2008 a MBO (Management buyout) occurred.

2. Has Finbow's business portfolio changed since the MBO?

Since the MBO Finbow has expanded its business portfolio to maintenance of old rolls in addition to manufacturing. Due to the MBO, also Finbow's client base expanded to other multinational publicly listed companies in the paper industry.

3. You mentioned the client base expanded due to the MBO. Could you give a list of the current clients?

The current client base consists of: UPM, Valmet (Metso before the name change), Stora Enso, Metsä Group, SCA (Svenska Cellulosa Aktibolag), Norske Skog, and Voith GmbH,

4. It seems like most of your clients are publicly listed companies. Have you noticed any CSR pressure coming from these companies?

Yes and no. No pressure yet, but it is noticeable that CSR actions are getting more attention. Buyers conduct annual supplier audits, and here it can be noticed that CSR topics have a bigger emphasis than before.

5. How many employees does Finbow have and how are the employees distributed between the different operations?

Finbow has all in all 26 employees: 18 persons in production and 8 in administration.

6. What would you describe to be Finbow's strengths?

Firstly, our Technical Director Urpo Versta is a great asset, since he has a broad technical knowledge. Thanks to his skills and knowledge, we are able to develop our products to meet the changing needs of the market. Furthermore, we have good client relationships, which helps us to retain clients.

7. Have you noticed any specific obstacles in operating in this industry?

It is hard to stand out from the competitors, since we all are offering basically the same products and services. Additionally, funding can be an issue.

8. Coming to competitors – could you tell me something about the rivalry?

We are operating in both manufacturing and maintenance of rolls. In manufacturing there are five global players in addition to us, most of them are large companies and some are small like us. In maintenance we are only operating regionally, meaning in the northern parts of Europe, where we are in the top two.