For the Good of All:
Integrating Corporate Social Responsibility into the Business Strategy of
Small and Medium Sized Enterprises in Finland

CASE: Oy Vallila Interior Ab

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Being a dissertation presented in part requirement for International Business and
Management Studies, Hogeschool INHOLLAND School of Economics,
Amsterdam/Diemen, The Netherlands

25/05/2010

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Hannele Anttila
Preface

This dissertation has been written as a part requirement of the International Business and Management Studies at Inholland University in Amsterdam, the Netherlands and European Business Administration Studies at Metropolia Business School in Vantaa, Finland. The study programme is a Bachelor’s double-degree programme.

I would like to thank my supervisor Keith Medhurst for guidance and support throughout this project. I would especially like to thank Hanna Siegfried from Vallila Interior for all her help, cooperation and for providing me with a specific focus for this research work. I would also like to thank Päivi Grönqvist and Henry Ahlavuo from Vallila Interior for their help and efforts in conducting the customer survey for this work.
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Executive Summary

Corporate social responsibility (CSR) can be defined as concept that includes simultaneous fulfillment of a company’s economic, legal, ethical and philanthropic responsibilities, as well as companies integrating social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

The purpose of this dissertation is to investigate CSR from the perspective of small and medium sized enterprises (SMEs), more specifically from the viewpoint of a Finnish medium sized family owned company Vallila Interior. Since the majority of existing research on CSR has been conducted considering large organizations the aim of this dissertation is to find out the significance of integrating CSR into the corporate strategy of an SME, the specific drivers of CSR to SMEs, and the extent to which CSR practices should be adapted considering the fundamental differences between large organizations and SMEs. The main focus of this paper is on Finland as the business area, but the European Union policies on SMEs and CSR has been considered due to the direct effect of the European Commission policies to business policies in Finland.

The methods used in conducting this dissertation included reviewing existing research and literature as well as conducting primary research in forms of a survey and informal correspondence with employers of Vallila Interior.

Vallila Interior, an interior decorating company, is a typical family owned business in Finland and committed to operating in a responsible manner, but has still a way to go in recognizing and making use of their responsibility performance. The company has a need for more structured approach to CSR as well as systems to monitor and measure their CSR
performance in order to allow evaluation of their performance and future development.

The perceptions of Vallila’s customers on sustainability and CSR have been investigated by conducting an online survey. The results of the survey indicate that consumers expect companies to be responsible, ethical and take care of their employees as well as the environment. The degree to which consumers reward companies for being good corporate citizens could not be concluded. However, reputation of irresponsible behaviour affects companies negatively by reducing its attractiveness as an employer as well as affecting consumers’ decisions to purchase products from that company.

Adopting a responsible corporate strategy requires good leadership, flexibility and openness for engagement. It is a step by step process including the evaluation of the company’s mission and values, defining specific objective and picking the best tools and procedures to achieve the desired results. Various metrics and indicators exist to measure companies’ CSR performance. The key for SMEs is to adopt the tools appropriate for their specific needs, and to a certain extent adapt them to fit the characteristics of the company. Cooperation among SMEs regarding CSR initiatives has potential to save resources and offer mutual benefits for the companies involved and society as a whole.

The significance of SMEs recognizing and developing their economic, social and environmental responsibility to the society derives from the facts that SMEs comprise a majority of companies in Finland and Europe, they form the backbone of the Finnish and European economies and are integral parts of their local communities. For the companies themselves, operating responsibly contributes to securing continuity and long-term success.
## Explanation of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>CSP</td>
<td>Corporate Social Performance</td>
</tr>
<tr>
<td>CFP</td>
<td>Corporate Financial Performance</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>SA 8000</td>
<td>Social Accountability standard</td>
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<td>SAI</td>
<td>Social Accountability International</td>
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<td>ISO</td>
<td>International Standardization</td>
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<td>EMS</td>
<td>Environmental Management System</td>
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Introduction

Corporate social responsibility has been a popular topic for debate for the past decades, and although various perceptions exist on the role of businesses in the society, companies, big or small, cannot ignore the concept anymore. Large organizations are constantly being targeted and judged in public for their irresponsible behaviour, for example, a recent campaign from Greenpeace against Nestle for using palm oil in their products, which contributes to the destruction of rainforests. Corporate social responsibility, of course, includes more aspects than just concerns about the environmental impacts of businesses. Companies are expected to juggle with their economic, social and environmental responsibilities, to find the right balance between the three and at the end of the day, decide upon the best course of action for themselves.

Small and medium sized enterprises are looking at their social responsibility from a different perspective. Smaller companies are more integrated with their local communities and rely more on informal structures and networking. Thus being a respected member of the community often is a requirement for their licence to operate. SMEs however, have a way to go in defining and developing their social responsibility, as well as getting the most out of it. A majority of companies in Finland and the European Union countries are SMEs, which makes their collective contribution to CSR and overall sustainability a significant one.

Vallila Interior, an interior design company, is a typical medium-sized family business in Finland, who has yet to formally define their social responsibility. This dissertation aims to give a clear understanding about what is meant by corporate social responsibility, why are companies engaging in CSR initiatives beyond their legal requirements, and what is the
process of integrating CSR into the business strategy for an SME operating in Finland. Recommendations are given considering the perspective of Vallila Interior.

The first part concentrates on the definitions and drivers of corporate social responsibility, and gives a Finnish perspective on CSR as well as considerations to small and medium sized organizations. Considerations on the relationship between SMEs and CSR in the European Union is also included, as Finland is a member state and EU policies quite directly affect the business policies in Finland. The second part introduces Vallila and describes their current situation, more specifically, their perception on how they are carrying out their social responsibility at the moment. The third part deals with the integration of corporate social responsibility into the business strategy of a company. The Fourth part gives conclusions and recommendations to Vallila on how to integrate social responsibility into their strategy, what are the specific areas they should consider, and to what extent the tools given in the third part should be adapted to their specific needs.
Background and Purpose

Various views exist about the role businesses in the society ranging from the viewpoint that businesses’ sole responsibility is to make profit to considering businesses have philanthropic responsibilities, and should operate in a manner that contributes to overall wellbeing of the society. The abundance of research and different perspectives on corporate social responsibility can be confusing to a small or medium sized enterprise, which is trying to find the right balance between economic, social and environment responsibilities.

Vallila Interior is a Finnish family-owned medium-sized company operating in the interior decorating branch. For Finnish consumers they are best known for their interior decorating fabrics. Previously their international operations have been limited to hotel decorating projects mainly in Russia and a few other countries, but now their Spring 2010 collection is for the first time designed also for the international markets.

Vallila is a typical medium sized company in Finland who sees social responsibility being naturally built in their way of doing business as they are an active part of their local community. However, they have not yet defined precisely what social responsibility means to the company or approached the issue from a strategic perspective. Vallila’s need to define social responsibility and to incorporate social responsibility as a part of their corporate strategy also derives from the requirements of sales and marketing. Often they need to be addressing social responsibility issues as a part of the quotation already in the tendering stage. Vallila needs to define what it is doing now in terms of social responsibility and performance and what should be done in the future. They are also interested in knowing to what extent customers appreciate a company’s good reputation on
CSR and how much it affects their purchasing decisions. They also need to implement a system to monitor and measure the performance of their CSR initiatives by looking into the different available metrics measuring sustainability, which are suitable for Vallila and their industry. Their objective is to become a forerunner for SMEs and family-businesses in Finland in terms of corporate social responsibility practices, and they wish to be advised how integrate CSR into their corporate strategy.

This dissertation discusses the concept of Corporate Social Responsibility, the key drivers for CSR and looks at CSR from the point of view of small and medium sized enterprises. A lot of focus is also given to exploring the methods and tools needed for companies to adopt a responsible approach to corporate strategy. The main purpose is to find out how a family owned business, such as Vallila, could apply the existing methods and tools in order to get the most out of their social responsibility initiatives and how the distinctive characteristics of the company affect the approach to CSR.

The main research question is:

What is the significance of integrating CSR into the corporate strategy of small and medium sized enterprises in Finland?

The sub questions that need answers in order to find a sound reply to the main question are:

What are the drivers of corporate social responsibility to small and medium sized enterprises?

How can CSR be integrated into the business strategy?

What tools are needed to implement CSR practices?
To what extent could CSR measures/programs be adapted for SMEs?

How can the effectiveness of CSR and sustainability initiatives be measured?

Methodology

The initial plan was to focus on the cost effectiveness of corporate social responsibility. As a consumer, I have been sceptic about companies’ real motives to engage in any responsible activities beyond legal requirements. After some reading on the subject I realised it would be difficult if not impossible to measure the actual profitability on CSR activities within the scale and scope of this work. Luckily it came to my knowledge that a company in Finland was currently in the process of defining their social responsibility and could give me a perspective and focus point for my research.

This dissertation is mainly based on secondary research. Primary research conducted includes correspondence with Vallila Interior, specifically with their CFO, Hanna Siegfried, as well as an online survey, which was conducted in order to find out Vallila’s customers’ opinions on CSR and sustainability. The survey was conducted via Vallila’s Facebook page. In order to get maximum responses Vallila combined the survey with a competition with prices to be given out randomly to the respondents.

The theoretical framework includes existing research from authors around the world concerning the definitions and drivers for CSR. The Finnish literature on CSR also uses the international definitions, such as Carrols pyramid of CSR and the European Commission’s definition on corporate social responsibility. Articles from online databases and business journals have been used to gain an insight to recent developments and opinions on the subject. Existing research conducted from the Finnish perspective and considering SMEs is
applied with specific considerations to Vallila Interior and the characteristics of SMEs. Finnish research related to CSR is still quite limited, and the two main Finnish sources used (Elo-Pärssinen and Juholin) were selected in order to gain an insight into the Finnish corporate mentality. Cultural differences affect the motives and drivers of CSR, and the study on family-business and CSR by Elo-Pärssinen provides a link between family values and corporate values.

This work is limited to considering CSR mainly from a perspective of a medium sized family business and do not pay attention to, for example, a micro enterprise which would naturally require again a whole new point of view. Although theory that has been presented comes from various authors around the world, the main focus is on Finland when the theory is applied. The European Union is also considered as the European Commission policies have a direct effect on company legislation and policies in Finland. Also companies expanding their markets outside of Finland commonly start the expansion in the European Market.

1 Theoretical framework

An extensive amount of literature exists from the past fifty years with theories, definitions and reasons behind corporate social responsibility. Businesses play a central role in our societies and ideally create wealth and well being in the communities they operate in. In these days, businesses are also more vulnerable to pressures from consumers and NGOs with the development of information technology that enables the spread of information instantly around the world. A company neglecting and behaving irresponsibly in one
community in some remote part of the world may find the issue a front page news story in
every country the company operates in. The debates relating to CSR have to do with the
differing opinions about the role of companies in society, ranging from the assumption that
the companies’ sole responsibility is to be profitable to having philanthropic responsibilities
towards the society.

1.1 Definition of Corporate Social Responsibility

CSR is understood in a variety of different ways. In addition to ‘corporate social
responsibility’ the most popular concepts that have dominated the debate of CSR are
‘business ethics’, ‘sustainability’ and ‘corporate citizenship’. Archie Carroll explains the
concept through the ‘pyramid of CSR’ (1999), which is considered to be a widely accepted
definition of CSR because of its comprehensiveness and plausibility. The pyramid
consists of a foundation built with the firm’s economic responsibility to be profitable. The
next level consists of legal responsibilities and is fairly straightforward and uncontroversial
part of firms’ responsibilities. The top two levels consist of ethical and philanthropic
responsibilities, which represent voluntary activities. The voluntary actions are in response
of society’s expectations of corporations to be good citizens by, for example, supporting
arts, education and the community, and act within ethical and moral norms of the society.
Carroll sees total corporate social responsibility as the simultaneous fulfilment of the
firm’s economic, legal, ethical, and philanthropic responsibilities.

1 Crane, A., Matten, D. & Spence L. J. eds., 2008. Corporate Social Responsibility: Readings and cases in a
global context. New York: Routledge
2 Crane et al.,2008.
The European Commission (2010) defines Corporate Social Responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

Sustainability is another concept that is widely used in a business context and often defined in same terms as Corporate Social Responsibility. “Sustainability is about building a society in which a proper balance is created between economic, social and ecological aims.” Throughout this dissertation the terms Corporate Social Responsibility and Sustainability are used almost interchangeably and the concepts are very much linked to each other, but the meanings do have a slight difference. The European Commission’s definition of Sustainable Development is the following:

*Sustainable Development stands for meeting the needs of present generations without jeopardizing the ability of future generations to meet their own needs – in other words, a better quality of life for everyone, now and for generations to come.*

CSR is thus a way for companies’ to contribute to overall sustainable development, but sometimes what is sustainable for a company does not contribute to the overall global sustainability. For example, a company with limited resources might not be able to afford technology that would lead to more energy efficient operations.

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1.2 Business case of CSR

The increasing importance of CSR is related to four identifiable trends that seem likely to continue and grow in the future: increasing affluence, changing social expectations, globalization and the free flow of information, as well as ecological sustainability. Affluent customers can afford to base their purchasing decisions based on their perceptions about the company and they are also more willing to pay a premium for brands they trust. Consumers in developed countries also have higher expectations for companies due to increased amount of corporate scandals that are extensively covered in the media. Free flow of information and advanced information technology empower individuals and activist groups and the growing awareness of environmental issues among the public places more pressure on corporations to operate in a sustainable way. Although true for some groups of people, the trend of increasing affluence should be considered cautiously. In the light of the global economic crisis, this trend seems hardly like a universal phenomenon.

Three main approaches to CSR are common in the existing academic literature; stakeholder driven, performance driven and motivation driven. Stakeholder driven approach is viewed as a response to pressures from external stakeholders such as consumer lobby groups, governments and NGOs. Performance driven approach emphasizes the effectiveness of CSR actions towards desired performance and focuses on the link between CSR and profitability, for example. Motivation driven approach focuses on the reasons for

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7 Ibid.
a company to engage in CSR; for example, to enhance reputation, manage risk and generate customer loyalty.

According to David Vogel, the most important driver of corporate interest in CSR is the argument that good corporate citizenship is also good business.\(^9\) More responsible firms are not necessarily more profitable, but neither are they less so. The extent that CSR makes sense to companies also depends on their strategy and whether they have made those activities tools to attracting and retaining customers, employees and investors.\(^10\)

Does CSR pay? Vogel argues that the most influential reason for corporations to behave responsibly is profitability although, it is of course not the only reason, and many executives genuinely care about conducting their businesses in a more sustainable way. Benefits, such as high employee morale of improved reputation, do not appear on the balance sheet, but managers believe that being a better corporate citizen is a source of competitive advantage by reducing risks, such as consumer boycotts, being able to obtain capital at a lower cost and being in a better position to attract and retain committed employees and loyal customers. Without a clear business case for CSR firms will have less incentive to act more responsibly, but on the bright side, it will not make firms less competitive.\(^11\) There are many cases in which a responsibly acting corporation has also done extremely well. In a survey conducted by PriceWaterhouseCoopers (2002) 70 % of chief executives of global companies believe that CSR is vital to their companies’ profitability, which can also be seen in the increase of cause-related marketing activities.\(^12\)


\(^10\) Ibid. p. 15

\(^11\) Ibid. p. 16-17

\(^12\) Ibid. p.20
According to Vogel, when business case for CSR is put to test, corporate responsibility and profitability, the result at best is inconclusive. Studies have not been able to establish the direction of causality between corporate responsibility and success. Vogel states that, “it is just as likely that more successful firms are more responsible than others as it is that more responsible firms are more successful than others.”  

But he also believes, there still is a business case for CSR although studies have failed to indisputably show its contribution to profitability, for example, not all advertising efforts succeed to increase profitability but no one would dispute against business case for advertising. CSR should be treated as any other area of business strategy. Companies can differentiate by incorporating virtuosity into their vision, mission and strategy.

Vogel suggest that the reasons for companies acting beyond legal requirements include strategic, defensive, while others may be altruistic or public spirited; not all business expenditures need to increase shareholders value but CSR is only sustainable if the virtue (Vogel uses terms CSR and business virtue interchangeably) pays off. CSR makes sense for some firms in some areas in some circumstances, and despite of the obvious benefits of CSR, it is only practiced to the extent it benefits the business.

Roman et al. have conducted an analysis of studies conducted in the 1970s, 80s, and 90s on the relationship of corporate social performance (CSP) and corporate financial performance (CFP). They found evidence that the correlation between CSP and CFP might be positive. They found 33 studies that suggest a positive relationship, 14 studies that found no effect or were inconclusive, and only five studies that found negative

13 Vogel D., 2006 p. 32
relationship. The majority of the studies supported the idea that good social performance does not lead to poor financial performance.

Some managers are not convinced of the argument that sustainability initiatives contribute to profitability. According to Székely and Knirsch the reason is that most sustainability development initiatives have been developed in isolation of business activity and are not yet linked to strategy.\(^\text{15}\) In their view one of the ways to strengthen the relationship between sustainability and corporate strategy is to measure the extent to which a company’s performance increases as a result of implementing sustainable development initiatives. They believe that by adopting sustainability principles, businesses can become more profitable and sustain their activities over the long term. “The principles of sustainability help businesses to reduce unnecessary risks, avoid waste generation, innovate new, environmentally friendly products and services and obtain permits from local communities”.\(^\text{16}\) Measures such as reducing waste generation and energy consumption naturally lead to savings in operational costs.

Demand of consumers and other stakeholders are said to act as key drivers for CSR activities. Consumers are able to use the market to pressure corporations to act responsible, but if there are not enough consumers to express any market preferences for CSR and if they are not willing to pay for them, from that perspective it could be rational for companies to not do additional investment for CSR.\(^\text{17}\)

\(^{15}\text{Székely, F. & Knirsch, M., 2005}\)
\(^{16}\text{Székely and Knirsch, 2005, p. 628}\)
\(^{17}\text{Crane et al., 2008}\)
A survey by Boston Consultancy Group in 2009 of 9000 consumers worldwide indicated that buying green products remains a priority despite economic downturn. A majority of the respondents also considered it important that companies have good environmental records and should be clear about product risks and safety, provide information on environmental impact, have high ethical standards, and treat their employees fairly. A majority of respondents in all countries also expressed a willingness to pay a premium of 5% or more for green products.

The market does not always reward sustainability investments with premium margins, because the environmentally friendly product fails to meet consumer criteria regarding price, performance and quality, but consumers can be very quick, powerful and successful with banning and boycotting certain products or companies once a corporate reputation is tarnished.

Finally, if for no other reason, the reality is that CSR is what companies are doing and who wants to be left behind. According to a report from Consumer Goods Forum (2010) CSR initiatives have become the number two priority over the coming year for the world’s largest retailers and consumer brands.

The motives and drivers for CSR identified above include:

- Stakeholder demands
- Assumption that good corporate citizenship is also good business

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19 Note: Countries included in the survey were Canada, France, Germany, Italy, Japan, Spain, UK, USA and China
20 Székely and Knirsch 2005, p. 630-1
• Changes in top management attitudes toward greater corporate responsibility
• Source of sustainable competitive advantage through differentiation
• Contributes to risk minimizing and risk management
• Enhanced corporate reputation leading to better ability to attract and retain committed employees and loyal customers
• Contributes to long-term sustainability
• Cost savings
• Leads to innovation of new, environmentally friendly products and services

The extent to which the drivers discussed above are relevant to small and medium sized enterprises naturally depends on their type of business and industry as well as the size of the company and their resources. Another approach to CSR worth considering to SMEs is from the perspective of increasing their ’social capital’, which will be considered in a later section. Finnish companies also consider CSR with slightly different terms and seem to have confidence in the positive effect of CSR to long-term profitability.

1.3 Finnish Approach to CSR

A study of CSR from a Finnish perspective conducted by Elisa Juholin, suggests that the main driver for corporate social responsibility is firms’ long-term profitability.\textsuperscript{22} It also suggests that corporate responsibility is highly linked with management and leadership and is based on the company’s values and their implementation. There is a long tradition of social responsibility in Finland; there have been no written rules, as one of the participants in the study points out, but companies have taken care of the employees’ families’ well-being: schooling, accommodation support of local sports and cultural activities. In the

global competitive environment Finnish companies see being a good or better corporate citizen as a possible means for differentiation, but they did not see CSR as image building or PR exercise and seemed to underestimate the role of image or reputation.

The long-term profitability motive was found to be highly linked to efficiency in Juholin’s study. A unique conclusion was that long-term profitability seemed to be based on three ‘pillars’, like the popular CSR model pillars (economic, environmental and social), but with different contents.

First pillar emerging from the study is the responsibility of the employer and linking CSR to **more efficient management and leadership** of the company, although Juholin is not the only one pointing out the importance of leadership in advancing CSR agenda (see Székely and Knirsch, 2005). The top management’s commitment was shown to be crucial combined with the company’s values towards CSR. The companies that believed that awareness and knowledge of their values leads to desirable behaviour and operations made a significant effort to educate their employees and partners in their values and their implementation.

Second pillar supporting long-term profitability is **increased competitiveness**, which according to the findings of Juholin, can only be achieved by demonstrating the company to be a good corporate citizen. This pillar reflects the role of external pressure: stakeholders concerns and competitors’ CSR resolutions or communication.

The third supporter for long-term profitability within the framework of CSR is **anticipation of and preparation for the future**. In order to be prepared, companies need to know what consumers expect from them even before the consumers know themselves.
Juholin’s study also suggests that charity and philanthropy do not play a role in the Finnish approach to corporate responsibility, because those activities appeared to be irrelevant in the Nordic societies. Companies participating in the study saw charitable work neither necessary nor appropriate for companies paying taxes and fulfilling their obligations to society. The focus of CSR among Finnish companies was on social issues, such as employee welfare. Participants in Juholin’s study considered business ethics to be in good order due to the high level of Finnish morality and honesty. Finnish companies have adopted a serious and professional approach to CSR and recognize and value its importance. Another Finnish characteristic found was the underestimation of the importance of communication in advancing CSR both inside and outside the organization.

In Finland, companies’ economic responsibility is a broader concept than just economic responsibility to the owners. The economic responsibility also includes offering employment and paying taxes. The Finnish legislation covers many of the ethical and philanthropic responsibilities, such as employees’ social benefits, which, for example, in American society would be considered voluntary actions. The philanthropic responsibilities described in Carrol’s pyramid of CSR (see Definition of CSR) such as supporting arts and education are covered by the state with the high level of taxation revenue, and less contribution is therefore expected from companies.

24 Ibid.
1.4 The Relationship between CSR and SMEs

Companies classified as small and medium-sized enterprises (SMEs) are defined officially by the European Union as those with fewer than 250 employees and which are independent from larger companies. Their annual turnover may not exceed €50 million, or their annual balance sheet exceed €43 million. This definition is critical in establishing which companies may benefit from EU programmes aimed at SMEs including the CSR programs, networks and tools provided by the EU. SMEs may be divided into three categories according to their size: micro-enterprises have fewer than 10 employees, small enterprises have between 10 and 49 employees, and medium-sized enterprises have between 50 and 249 employees.\(^ {25}\)

A majority of research on CSR has been done considering large corporations while the perspective of small and medium-sized enterprises on the subject has been largely neglected.\(^ {26}\) A majority of SMEs do not reflect on their own social practice although socially responsible operations are common practice within SMEs. The advantages of socially responsible activities to SMEs include gaining contacts and building ‘tacit knowledge’. Traditional motivations, ethical or religious, do not exist to the extent they used to so other rational reasoning for socially responsible practises is needed.\(^ {27}\)

The different characteristics of SMEs compared to larger organizations contribute to the need to adopt a different strategic approach to CSR. SMEs are usually independent, internally financed and cash-limited, multitasking and flexible, largely local, and based on


\(^ {27}\) Ibid.
informal relationships inside and outside the firm, whereas large firms are externally financed, diversified, with a rigid organisational structure made up of formalised processes and transactions inside and outside the firm, and generally oriented toward internationalisation. These differences between large firms and SMEs suggest that SMEs follow the principles of ‘social capital’ as they operate within a less structured model made up of trust, informality and networking.

André Habisch discusses the concept of ‘social capital’ as the means to explain the economic advantages of corporate social responsibility for small and medium sized enterprises. The core idea of social capital is that social networks have value. Value creating benefits include, for example, broader sources, reduced cost and improved quality of information through networks. Habisch explains three effects of social capital that will show businesses, especially SMEs, the rationality of investing in it: the building of reputation, risk management, and gathering information and ‘local knowledge’. He sees reputation as a crucial factor for product differentiation by adding ‘social value’ when ‘homogenous goods’ are offered. In terms of risk management, Habisch sees being a good corporate citizen, building networks and trust within the community will not reduce the risk itself, such as an environmentally serious accident, but the consequences a company might face. Unlike large corporations SMEs lack the resources to obtain professional information and thus rely more on ‘informal’ information that it will gain through engagement with the local community.

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29 Ibid.
30 Habisch, A., 2004
1.4.1 CSR and SMEs in Europe

As Finland is part of the European Union, Finnish companies are provided with an easy access to the European market, and for a medium-sized enterprise wishing to expand into new markets entering the European market is a logical choice. SMEs account for 99 per cent of all enterprises in Europe and contribute up to 80 per cent of employment in some industrial sectors such as textiles, construction and furniture.\(^{32}\)

A study by European Observatory of SMEs (2002) found that half of the European SMEs are involved in external socially responsible causes ranging from 30% of enterprises in France to 83% in Finland. The socially responsible involvement did not significantly depend on the sector of which the SME operates. The study had an extensive coverage including 7600 SMEs in 19 European countries. An interesting point was that a majority of the companies engaging in CSR were doing it independently and motivated by their own sense of responsibility and commitment to their communities. Three quarters of the respondents in the study also were able to identify business benefit derived from their socially responsible activities although majority stated ‘ethical reasons’ for their involvement in external socially responsible activities.

When it came to engaging in environmentally responsible activities beyond legal requirements, the Observatory study concluded that SMEs involvement was limited in comparison to larger organizations. The report identified certain barriers amongst SMEs to become involved in environmentally responsible activities such as negative company culture towards the environment, unawareness of the environmental impacts of the business, skepticism towards the business benefits associated with positive environmental

improvements and shortages of time, financial and staff resources, together with a lack of technical expertise and skills.

Of course there are major cultural differences between member countries of the European Union and the view on businesses role in society will vary from country to country. However, the European Commissions policies do affect business policies and conduct within member countries, and the European Commissions focus has been on promoting CSR with special attention paid to SMEs.33

1.4.2 CSR and Family Businesses in Finland

In Finland, family businesses account for 86 per cent out of all companies and employ 50-60 per cent of the working population.34 75 per cent of employees in Finnish SMEs, in fact, work for family businesses. Thus the significance of family businesses and SMEs as employers in the Finnish economy is undeniable. Consequently, the way family businesses carry out their social, environmental and economic responsibility has an impact to the Finnish society as a whole.

How social responsibility is perceived within family businesses in many cases reflects the values and culture of the owners. A dissertation conducted by Elo-Pärssinen investigates how the values of active family business owners are reflected in their family firms’ corporate social performance (CSP).35 Her analysis of values and corporate social performance concluded that there are three typologies of value-based typology in family firms; firms that stressed other-based values emphasized on the well-being of their

35 Elo-Pärssinen, 2007
employees, if success as a value was emphasized the firm saw clients as their most important stakeholder group, and thirdly firms that try to improve the general quality of life in the society. According to the findings of Elo-Pärssinen family traditions and continuity bring about a new dimension into the theory of corporate social performance of family businesses. The business culture and CSP of the firm largely reflects the family culture, history, values and beliefs. The continuity of the firm is gained with long-term relations with stakeholders and responsible actions. Elo-Pärssinen argues that large Finnish family owned businesses still have a way to go in recognising and making use of their social performance. The following case study of Vallila Interior supports Elo-Pärssinen’s findings. Vallila’s values reflect their family business background, and they are increasingly engaging in CSR activities beyond the legal requirements, but still have room for development in making use of their social performance.

2 Case Oy Vallila Interior Ab

2.1 Company introduction

Vallila Interior is a Finnish family owned interior decorating company. Vallila Interior was founded in 1935 by Mr Otto Berner starting its operations as a textile factory. In 1971 Vallila changed over to import and wholesale fabrics. Vallila’s current managing director, Anne Berner is Otto Berner’s granddaughter. Anne Berner is also the chairwoman of the Finnish Family Firms Association, which is a family business network in Finland and a member of the European Group of Family Enterprises.
Oy Vallila Interior Ab has been the parent company for four subsidiaries, but on 31 May 2010 Vallila will merge with its three subsidiaries Oy Deco House Ab, Keha Oy and Vallila Interior Contracting Oy. After the merger the business areas under Vallila Interior will include curtain and interior fabrics, interior projects, carpets and wall coverings, design furniture and lighting as well as interior contracting. The Vallila Group also includes Oy Interia International Ltd., which is specialized in interior decorating of public spaces, hotels and restaurants in Russia, in the Baltic countries and in Eastern Europe. Interia also represents Vallila Interior in Russia and Ukraine. The purpose of the merger is to increase efficiency and support their core business areas, which are project, wholesale and export. The merger is a part of an internal restructuring of the Vallila Group.

Vallila Interior has 125 employees (January 2010) and the company’s turnover was 38 million in 2008.

### 2.2 Values and Vision

Vallila’s values derive from their family business background and their desire to be a pioneer in their business sector. Being a family-owned company brings about the dimensions of continuity and trust, typical traits for a family-owned SME with operations built around informality and networking (see above, Russo & Perrini). Their desire to be a leader in their industry reflects their values of renewal and creativity. The third core value of the company is being committed, which reflects their commitment towards responsibility and reliability.

The continuity as a family business and guaranteeing the role of the next generations as the owners of the business is very important to Vallila. The company has a Next Generation
programme, which includes a Next Generation day every year for the offspring of the owners in order to introduce them the company’s operations.

2.3 Current Situation

As a medium sized family business Vallila considers their social responsibility to be the foundation of the company. The problem thus is not that they feel ‘irresponsible’ and that something needs to be fixed, but rather the need to move towards structured commitment and development on all the aspects of corporate social responsibility. Customers, business partners and other stakeholders are more aware of the social and environmental issues and have increased expectation on businesses’ roles in contributing to the society and environment in addition to their economic performance.

Currently Vallila Interior carries out its social responsibility by concentrating on the wellbeing and work safety of their personnel, encouraging professional development, and taking part in charity as well as practising responsible procurement.

The wellbeing of the personnel is achieved by creating a pleasant work environment and fair compensation scheme, equal treatment of the staff, training, taking care of work safety as well as advanced healthcare scheme for the employees. Vallila also encourages their employees to do physical exercise by handing out sports coupons. Professional development is encouraged and employees have the opportunity to advance their careers within the company. Internal recruiting is used as a tool to achieve long-term employments. The work-protection committee guarantees job safety by regular inspection of the working conditions in cooperation with the Occupational Health Care and Work Safety Authorities. In addition to legal work healthcare requirements Vallila’s healthcare scheme includes work ergonomics and the prevention of work related illnesses. Vallila also
has a separate employee wellbeing committee that supports their employees with the assistance of an external organization. Internship positions and supervision for student dissertations are also offered in administration as well as in the creative departments.

With the selection of suppliers Vallila takes into consideration their reputation in business ethics, the environment and social responsibility. They also see the evaluation of all of their current and future business partners’ social and environmental performance as an important part of the execution of their own corporate social responsibility. Their environmental responsibility initiatives currently include waste recycling, electronic invoicing, as well as a company car policy, which supports emission limits.

Vallila sees their economic responsibility as ensuring well planned growth and economic stability. They see economic growth necessary for the ability to create permanent jobs and thus contribute to the wellbeing of the society as a whole. Vallila supports youth sport clubs and supports selected charities on a yearly basis.

Innovation and creativity are essential qualities for an interior decorating business as well as adaptability to changing trends and times. These qualities in addition to Vallila’s current perception on their socially responsible performance create a solid basis for future evaluation and development of their social responsibility performance.

2.4 The Perceptions of Vallila’s customers to Sustainability and Corporate Social Responsibility

In order to find out what Vallila’s customers think about sustainability and social responsibility of companies, an online survey was conducted with questions ranging from
preferences to purchase green products to overall understanding about sustainability as well as companies’ obligations towards the environment and the society.

The survey was conducted via Vallila’s Facebook page. Majority of the respondents were already ‘fans’ of Vallila’s Facebook page, which indicates that they are either familiar with the company and its products or are employees of the company. Within two weeks 66 people had completed the survey. Majority of the respondents were between the ages of 20-29 (46.2%) and 30-39 (33.8%).

The overall conclusion that can be drawn from the survey results is that environmental and sustainability issues do play a role in people’s purchase decisions and they see companies having responsibilities towards the environment and the society. However, to many questions the responses were mostly within the neutral categories, in other words, issues were seen to have some importance, but the majority did not agree with the most clear or radical opinions.

The results indicated that consumers find it important that companies offer green products and packaging, but a majority of the respondents only buys green products occasionally. Another observation that could be drawn is that if a company’s overall reputation is perceived as irresponsible towards the environment and the society, it affects consumer’s willingness to buy the company’s products as well as their willingness to work for the company.

When the respondent were asked to indicate their personal understanding about sustainable development with the options of environmental, social and economical wellbeing, the respondents put most weight on the wellbeing of the environment. This is not surprising
considering the increasing awareness of environmental issues, global warming and global sustainability in general.

When it came to the questions about customer’s willingness to pay a premium for ecologically produced goods, approximately 65 percent of the respondents were willing to pay a premium of five percent or more and 35 percent would not be willing to pay any extra. However, it has to be kept in mind that there are many factors that affect consumers purchase decisions. When asked to prioritise the factors affecting the buying decision of interior fabric and products, the most important product attribute was appearance. Price and quality came second, followed by practicality. A majority placed the environmental friendliness of the product fifth out of nine factors.

Approximately a half of the respondents completely agreed and 39.4 per cent somewhat agreed with the statement that companies should report on their environmental impacts more. 62.1 per cent of the respondent completely agreed with the statements that companies should have high ethical standard and that employee wellbeing is the responsibility of the employers. Interesting result emerged from the statement that companies should engage more in charity; 16.7 percent agreed completely and 48.5 percent agreed somewhat, but for 24.2 percent it was insignificant. In comparison to the statements on companies’ ethical standards, environmental impacts and employee well-being, engaging in charity was largely considered less important. Almost equal results emerged from the statement that companies should engage more in social projects.

A majority of the respondents also agreed (53 % completely agreed and 36.4% somewhat agreed) that even though it might not make sense economically companies should protect
the environment. The results also indicate that companies should not use poor financial results as an excuse for not taking care of the environment, the society and its employees.

The survey results largely reflected what has been already mentioned. Consumers demand and expect companies to act responsibly, but it cannot be said conclusively that the market always rewards responsible companies. Corporate reputation, however, has an affect to customers buying decisions and loyalty as well as to the perceived attractiveness of the company as an employer.

3 Integrating CSR into the business strategy

Considering CSR as separate from other business areas will at best lead to arbitrary actions, which impacts on the business will be impossible to measure. Regardless the underlying motives to CSR, responding to stakeholder expectations, thriving to improve performance or enhancing corporate reputation, the appropriate strategic approach will depend on the size of the company and the type of industry it operates in. The foundation of the sustainability work consists of careful examination of all the factors that determine the sustainability performance of the company and its suppliers.\textsuperscript{36} The internal and external factors that favour the adoption of sustainable approach toward business operation are listed in Appendix I. The following process for responsible strategy has been created for SMEs. The tools for CSR discussed in later sections have been mainly developed for large organization, but the relevance to SMEs will be explored and demonstrated.

\textsuperscript{36} Székely and Knirsch, 2005, p. 629
3.1 The Process for Developing a Responsible Strategy

Adopting a sustainable and responsible corporate strategy requires a step by step process (adapted from TEM publication *Vastuullinen Yrittäjyys PK yrityksissä*, 2009)\(^{37}\):

1. Evaluation and discussion of mission, vision and values

When developing sustainability strategy a company must take into consideration legal constraints, assess all its management structures, and carefully examine its mission, vision and values.\(^{38}\) The mission of an organisation outlines the broad direction that an organization follows and reflects the basic values and beliefs of the organization, therefore the mission should reflect the standards the organisation has set itself on corporate social responsibility.\(^{39}\)

2. Setting objectives

Setting clear and specific objectives will clarify the process towards sustainable and responsible business as well as give a direction to all employees of the company. The company needs to define what it wishes to achieve and how to achieve it. Specific objectives could be, for example, to reduce energy consumption or reduce waste output by a certain percentage, to increase staff wellbeing through training and improved health care and job safety procedures, or to increase involvement with the local community through cooperation with educational institution and other local businesses.\(^{40}\)


\(^{38}\) Székely and Knirsch, 2005, p. 628


\(^{40}\) TEM, 2009
Economic, social and environmental objectives should be integrated into the business strategies and the balance among the three optimized.\(^\text{41}\)

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Assessing the Sustainable Performance of a Company (Székely and Knirsch, 2005 p. 629)

3. Identifying and discussing the role of stakeholders

Companies need to interact with their stakeholder and understand their expectations towards the company. Considering what could be done in cooperation with the various stakeholders can generate benefits for the company in terms of resource savings and building relationships with the stakeholders.

4. Integrating responsibility into business operations and setting a framework to measure the performance

Measuring economic performance is fairly straightforward with existing unified standards whereas measuring social and environmental performance poses more challenges. Having a reporting and measurement system in place will allow the detection of any correlation between CSR initiatives and financial performance. Sustainability metrics and indicators will be considered in more detail in the following sections.

\(^{41}\) Székely and Knirsch, 2005 p. 629
5. Communicating the efforts internally and externally

Honest and comprehensive communication on the principles and efforts of the company’s sustainable and responsible business strategy is needed both within the company and with the external environment. Management and employees in every level and department of the organisation need to be on the same page regarding the objectives of the company’s CSR policy and the practical measures needed to take in order to achieve those objectives. Good management is needed in order to ensure the staff’s awareness and understanding of the corporate values and mission. Increased positive company reputation cannot be achieved if the general public and other external stakeholders are not aware of the company’s shift towards sustainable and responsible strategy. External communication however needs to be carefully considered so that the communication does not come across as a PR exercise.

6. Evaluation and development

One common conclusion of different studies and research on the business case for corporate social responsibility is that it contributes to long-term sustainability of the company. The challenge in developing a business strategy that incorporates the principles of sustainability is that it requires a long timeframe and perspective than the short- to medium-term planning that most business leaders use.42 Thus the social responsibility and sustainability efforts require continuous assessment instead of one-time management decision. Consistency in the strategic approach is thus crucial in achieving the desired goals. Sustainability metrics and indicators are only meaningful to outside stakeholders over a period of time when a positive development can be identified. A Small or a medium

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42 Székely and Knirsch 2005, p. 630
sized company can adopt sustainability strategy gradually with the resources and tools available, and keep developing and building on the existing work.

3.2 Critical Success Factors

It always takes a leader, who is both a good leader and a good manager, to transform a company into a sustainable socially responsible enterprise.\textsuperscript{43} As discussed above, top management commitment is crucial in advancing the CSR agenda. In addition to good leadership, two other critical success factors to achieve sustainability, identified by Székely and Knirsch, include \textit{flexibility to change and openness for engagement}:\textsuperscript{44}

1. Leadership and vision: need for full and honest commitment of management as well as incentive scheme and training on sustainability issues. This also requires clear communication to all employees and ensuring that sustainability values and vision are integrated into business strategies, policies and culture.

2. Flexibility to change: need for continuous effort, investment and adaptation with the objective to incorporate sustainability into the overall business strategy and policy of a company. Sustainability programs should be viewed as a strategic issue.

3. Openness for engagement: reporting and communicating sustainability investments and achievements helps demonstrate transparency and seriousness of intent and rewards staff and partners for their input into the sustainability programs. Good reporting practice includes providing information that is material and relevant, granting access to more

\textsuperscript{43} Székely and Knirsch 2005, p.629
\textsuperscript{44} Ibid. p. 631
information when needed, and ensuring that reporting is comparable and consistent over time.

3.3 Tools for CSR

The purpose of using sustainability measurement and implementation tools such as various metrics and indicator is to allow a structured comparison of development over time within the organization and with other organizations. It might not make sense for an SME to implement a same kind of measurement and reporting system as large or international organizations do, but SMEs can use those tools and systems as guidelines when adapting programmes to fit their specific needs while keeping in mind the fundamental differences between SMEs and large organizations.

3.3.1 Metrics and Indicators

Clear, user-friendly methodologies and tools are needed to measure the progress that companies are making toward sustainability and various ways of measuring and monitoring company’s CSR performance already exist. These include surveys, award schemes, investors’ criteria, benchmarking, sustainability indexes, external communication tools, standards and codes, sustainability indicators, metrics for sustainability performance, and non-quantifiable sustainability initiatives.

The methods that will be discussed further are metrics and indicators for sustainability performance, international standards and external communication tools.

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45 Székely and Knirsch 2005, p. 632
Szekely and Knirsch have examined the best available metrics used by twenty major German companies to measure sustainability and identified the various approaches that can be used to measure a company’s progress towards sustainability. Generally three aspects of sustainability are assessed; economic, social and ecological performance (see Appendix C for a list of metrics used by the companies participating in the study).

Unlike measuring economic performance of a company, measuring social performance is a bit more challenging. Environmental performance can be measured through input-output measurements but the challenge is how to measure social performance and the intangible assets of the company.\textsuperscript{46} The key challenge is how to link sustainability and economic performance and showing how sustainability parameters can be converted into quantifiable indicators that business managers and financial analysts can use.\textsuperscript{47} Over the long-term companies can identify the correlation between company overall performance and sustainability initiatives by comparing their sustainability performance indicators between the economic performance indicators.

Sustainability metrics and indicators are usually expressed in ratios, with the numerator including impacts such as resource consumption, pollution effects and land use, and the denominator containing measures of desired outputs such as production output and economic/social value added – the lesser the metric the better the result.\textsuperscript{48} The ratios are meaningful to stakeholders if they can see the development/progress over time.

\textsuperscript{46} Székely and Knirsch, 2005, p.632
\textsuperscript{47} Ibid. p. 632
\textsuperscript{48} Ibid. p. 642
The economic sustainability indicators include human and financial capital considerations such as financial performance indicators, tangible and intangible investments, impacts on investors, employees, governments and communities.\textsuperscript{49}

Environmental sustainability metrics can contribute to the assessment of the cost savings and revenues achieved by a company through increased process efficiency.\textsuperscript{50} One of the concepts used in measuring the environmental impact of a company or its products is \textit{ecological footprint}.

\textit{The ecological footprint is a tool for measuring and analyzing human natural resource consumption and waste output within the context of nature’s renewable and regenerative capacity (or biocapacity). It represents a quantitative assessment of the biologically productive area (the amount of nature) required to produce resources (food, energy and materials) and to absorb the wastes of an individual person, city, region or country.}\textsuperscript{51}

Social issues that can be covered through the use of metrics include, for example, human rights, labour/employment issues, supplier relationships, community initiatives and corporate philanthropy (donations, charities etc.).\textsuperscript{52}

### 3.3.2 Communication and Reporting

An important question that needs to be addressed after implementing social responsibility and sustainability strategies is how to communicate the efforts in order to have the

\textsuperscript{49} Székely and Knirsch, 2005, p. 642
\textsuperscript{50} Ibid.
\textsuperscript{51} Ibid.
\textsuperscript{52} Ibid. p. 643
maximum positive effect on company’s reputation and brand value. Reporting and communication on CSR should be done keeping the relevant stakeholders in mind, who is the information compiled for and for what purpose. External and internal communication should be considered separately.

*Internal Communication*

The purpose of internal communication is to ensure every employee of the company has a clear understanding of what social responsibility implies for the company and how it can be integrated for the everyday operations. The management needs to offer guidance and support that is consistent with the objectives and the desired strategic direction. Also encouraging employees to contribute by giving their views and ideas about social responsibility as well as rewarding them for their contribution can increase their commitment to advancing the company’s responsibility performance.

*External Communication*

Many companies communicate their CSR initiatives through sustainability and CSR reports, which can be very useful in demonstrating the efforts to the outside world. International frameworks for sustainability reporting such as the Global Reporting Initiative (GRI) have the benefit of offering a standardized reporting system which also allows comparison between companies. Reports can be presented on company websites or printed and published depending on the audience for the report. For SMEs, however, complying with the GRI standards can seem complicated, bureaucratic and time consuming. The GRI can still be used as a tool for setting up an adapted framework for a company’s specific needs. It is important to present the information to external audiences in a meaningful way; in addition to different numeric indicators, explanations in clear and understandable terms are needed and the information should reflect development over
time. There is always the danger of giving out the impression that what is being said and reported comes across as mere PR exercise.53

Global Reporting Initiative54

The Global Reporting Initiative is a network-based organization offering a sustainability reporting framework that has the benefits of being widely used and recognized. The framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance (see Appendix B for list of indicators used by GRI guidelines).55 The newest version of the sustainability reporting guidelines, published in 2006, is known as the 3G guidelines and can be applied by any organization.56

The G3 guidelines can be used as a tool for benchmarking and comparing performance over time. The benefits of this kind of standardized reporting include the opportunity to compare performance with other organizations and getting visibility for companies’ sustainability performance. Organizations can choose the extent they wish to apply the guidelines and can indicate their level of commitment by using the GRI Application Level system. A template for the basic level of reporting is available online. The basic level of reporting requires the use of ten performance indicators.57

54 http://www.globalreporting.org/AboutGRI/ (accessed 20.5.2010)
57 http://www.globalreporting.org/GRIReports/ApplicationLevels/ (accessed 20.5.2010)
3.3.3 International Standards

*Social Accountability Standard*\(^{58}\)

The SA 8000 standard, developed by the Social Accountability International (SAI), covers employees working conditions and has been modelled on the well-established ISO 9000 quality standard. The certification process requires companies to meet standards in child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, compensation, and management systems. For businesses that are involved in retailing the membership involves making a commitment to do business only with socially responsible suppliers. They are expected stop dealings with companies that fail to meet the criteria of SA 8000.

*ISO 26000*

The International Standardization Organization (ISO) is in the process of developing an ISO 26000 standard, which provides voluntary guidance on social responsibility and is targeted in publication in late 2010.\(^{59}\) The ISO 26000 will provide an international standard for social responsibility and guidance on how to translate the principles into action. What ISO 26000 is aiming to achieve, is to integrate international expertise on social responsibility – what it means, what issues need to be addressed in order to operate in a socially responsible manner, and what is best practice in implementing social responsibility. However, it will not be a certification standard as it will not include requirements.\(^{60}\)

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3.3.4 Environmental Management Systems

ISO 14001

ISO 14001 is an environmental management system (EMS), which is designed to provide a formal, systematic and acceptable framework for management of organisation’s environmental issues with the principle of self-regulation. EMS allows companies to demonstrate environmental responsibility and to obtain cost benefits through proactive management of significant environmental aspects of their business rather than reacting to regulatory requirements. ISO 14001 applies worldwide and can be applied to a whole or part of the organization. It is also applicable to all sizes of organisations.

EMAS

The European Commission (2010) Eco-Management and Audit scheme is another management tool for companies to evaluate and report their environmental performance. It is open to all economic sectors and has been integrated with the EN ISO 14001 as the environmental management system required by EMAS and has adopted an EMAS logo to signal EMAS registration. EMAS covers environmental aspects such as water, soil, material waste, odour, and energy consumption. The process includes identifying negative environmental effects, developing a plan to counter the problems, implementing a management system to continuously deal with them and auditing what was done against the self determined targets in order to verify the improvements. Registration to EMAS adds binding legal compliance, employee involvement, binding annual improvement of

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environmental performance, and the requirement to report on these features to the requirements of the EN ISO 14001 standard.

The relevance of both above mentioned environmental management system to SMEs, which might not have the resources to implement the system to full requirements, is that the stages of implementing the system can still be used as a management tool and guideline in developing an environmental management system adjusted to a company’s specific needs. One of the key elements of EMAS is energy. The European Commission has conducted an EMAS Energy efficiency toolkit for Small and Medium Sized Enterprises, which outlines a framework for establishing an energy management system (see EU publications). The toolkit offers a step by step process for reducing energy consumption and information on technical areas, such as heating, lighting and ventilation.

3.3.5 Ecolabels

_Nordic Ecolabel_

The Swan Ecolabel (Joutsenmerkki) is the official Nordic ecolabel introduced by the Nordic Council of Ministers. Interior textiles are included in the textiles, skins and leather group of products which have their individual criteria. The criteria are defined so that maximum of 20-30 per cent of products in one product group can meet the criteria, i.e. the label gives recognition to products and services excelling in their group and outperforming others in terms of sustainability and environmental friendliness. The Swan Ecolabel is recognized throughout the Nordic countries.

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The European Ecolabel

The European Ecolabel is a part of the action plan on Sustainable Consumption and Production and Sustainable industrial policy adopted by the European Commission in 2008. Like the Nordic Ecolabel, the European Ecolabel is awarded to products that are kindest to the environment, and include textiles in the product groups that are eligible for the label. Products bearing the Ecolabel Flower logo can be marketed throughout the European Union and EEA countries and thus the label has an advantage over the Nordic label by having a larger area of recognition. The Ecolabel criteria is based on studies which analyse the impact of the product or service on the environment throughout its life-cycle starting from raw material extraction in the pre-production phase, through to production, distribution and disposal.

3.3.6 Networks and Support for SMEs

There is an abundance of resources and support for SMEs available on corporate social responsibility. The European Commission website has an online portal for SMEs offering guidance and support on how a company could carry out is socially responsible activities. The Finnish Ministry of Employment and the Economy has also published guidelines for SMEs on CSR based on the programme initiated by the European Commission in 2007 called “Mainstreaming Corporate Social Responsibility (CSR) Among SMEs”. The Finnish Business and Society network has been founded to promote sustainable business and to increase interaction between organisations in order for them share knowledge and contribute to innovation in the area. CSR Europe, the European Business Networks for

64 http://ec.europa.eu/environment/ecolabel/about_ecolabel/what_is_ecolabel_en.htm (accessed 4 May 2010)
CSR, is the leading network in Europe with a mission to support member companies in integrating CSR into the way they do business. CSR Europe has a website with online resources including reports and publications and a database for companies’ CSR solutions. Practical examples of other companies’ CSR activities might assist in formulating one’s own objectives (see Appendix IV).

4 Conclusions & Recommendations

4.1 Conclusions

Although debates about businesses’ role in societies still emerge, it is not anymore so much of a question of why companies should engage in CSR but how. The drivers and motives of CSR vary according to the type of business, but it is relatively safe to say that CSR at least will not have negative effects on the business. At best it contributes to the long-term sustainability of the business as well as global sustainability.

Due to the different characteristics of SMEs in comparison to larger organizations, the strategic approach to CSR takes should be considered from a different perspective. A lot of common drivers of CSR exist for both large companies and SMEs, but distinctive to SMEs are benefits gained through acquiring social capital through responsibility performance. It can be concluded that being a good corporate citizen is also good business as CSR approach to corporate strategy enhances a company’s positive reputation, reflects stakeholder demands, minimizes risks, contributes to long-term sustainability of the

business, contributes to innovation and can be a source of a sustainable competitive advantage.

As SMEs comprise the majority of businesses in Finland as well as the European Union region, their commitment to CSR is significant in contributing to the overall sustainability of the region. The large proportion of family businesses out of the SMEs in Finland adds a new dimension to CSR as the values of family businesses largely reflect the values of the owners. Family businesses emphasize continuity, which requires long-term relationships and responsible actions. Vallila is a good example of a typical family business in Finland committed to conducting business in a responsible way, but has room for development in order to fully grasp the potential benefits arising from CSR.

Consumers expect companies to be responsible, take the environment and the society into consideration while running an economically sound business. While the Vallila customer survey results presented in this work indicate that a majority of consumers would be willing to pay a premium of five percent or more for more ecologically produced goods, the product still needs to deliver all the desired benefits. When it comes to interior decorating products, appearance, price, quality and practicality all come before environmental friendliness as determining factors for the buying decision.

Finnish companies take a serious approach to CSR, which, some could argue, is partially a result of the high sense of morality and honesty in Finland. Philanthropic actions such as donating to charity do serve a purpose but are generally not considered by Finnish companies to play a role in companies’ responsibility in Nordic well-fare states. The companies view is supported by the result of the customer survey, which indicated that although many find it important, a considerable proportion of the respondents saw
companies engaging in charities irrelevant. It cannot be said that consumers find philanthropic actions completely unnecessary, but it could be argued that they do not play a major role in a company’s reputation as a responsible enterprise.

Integrating CSR into overall corporate strategy requires the full commitment of the leadership of the company, formulating specific objectives, adopting a long-term perspective and implementing a monitoring and measurement system adapted to fit the company’s individual characteristics. Systematic approach to CSR strategy will allow constant evaluation and development.

Future research could investigate the overall effectiveness of government and other institutional programmes promoting CSR among SMEs. It would also be interesting to investigate the extent to which Vallila’s image and reputation will be affected by their CSR initiatives and communication efforts. Also a comprehensive study of Finnish SMEs understanding about their social responsibility performance would bring more visibility to the issue and help identifying areas for improvement.

4.2 Recommendations

1. The good news is that there is no need to start from scratch. As a family business Vallila’s current values largely reflect responsibility, reliability and continuity which are the basis for sustainable business practice. Embracing those current values and expanding the implications of those values by adding the dimensions of corporate social responsibility without having to redefine the mission and vision of the company will be a relatively effortless development in their journey of developing a more sustainable strategy. The key for development will be to get everyone on the same page about the meaning of sustainability for the company. As stated before, Finnish family companies still have work
to do in recognizing and making use of their socially responsible performance. The trend of increasing demand for sustainable business practices requires even the smallest companies to do their part as they collectively have the opportunity to make a big difference. Sustainable business also does not mean the same as thirty years ago; due to the overall increased environmental awareness, environmental performance of a company has increased its importance as a source of competitive advantage in addition to good economic performance, ability to innovate and meet and exceed customer demands.

2. Understanding the specific drivers of corporate social responsibility to Vallila will provide the justification for their social responsibility initiatives. The common consensus among Finnish companies seem to be that being a good corporate citizen is also good business and contributes to long-term profitability. The benefits for a medium-sized enterprise such as Vallila can be also considered in terms of increasing their ‘social capital’ by understanding that social networks have value. Also Identifying the most important stakeholders for Vallila and considering their expectations will help in formulating the specific objectives for their social responsibility as well as the means to reach them. Leading the way and showing example for other businesses is a potential source of differentiation and thus contributes to competitive advantage. Measures to increase the environmental performance, such as reducing energy consumption and waste generation will lead to easily identifiable cost savings, but more importantly, the positive effect on the reputation and image of the company will help with attracting and retaining loyal customers and committed employees. Being a pioneer for SMEs in responsible business requires consistency and a systematic approach towards CSR. Clear understanding of the underlying motives and benefits to the business will encourage consistency and eliminate the risk of treating CSR issues as a one-off management decisions rather than a comprehensive approach to all areas of business.
3. The role of good leadership has been identified as one of the most important factors for a company's responsibility performance. Ensuring top level management’s commitment is crucial in advancing the CSR agenda and getting all management levels and departments of the organization committed to the approach as well. Good leadership is required in ensuring that all employees understand what corporate social responsibility means to the company and that appropriate training and support will be offered when needed. Flexibility and openness for engagement, the ability to adapt to the CSR objectives and incorporate them into the corporate strategy as well as executing effective communication and reporting framework, also depends on the commitment and abilities of the leadership.

4. The evaluation of the current situation in regards to social responsibility of the company will give a starting point towards adaptation of sustainability strategy. Vallila sees being responsible as a cornerstone of their business, which is also the case for many SMEs operating as an active part of their community. Mapping out the current activities and business practices that can be classified under CSR gives an overall picture of what is still missing and what could be done better. Specific objectives should be formulated to develop and improve the current situation. Where does the company want to go in the future? For example, the evaluation might reveal that employees are well looked after and satisfied with their jobs and compensation, but the engagement with the local community is still minimal. The impact of the business to the environment is also an issue that majority of SMEs have not considered as systematically as larger organization.

5. Adopting a strategy for responsibility can be done gradually. The available resources of the company naturally have an impact on the rate of adaptation. It is good to remember that not everything has to be done at once but the company can concentrate improving the
different aspects of sustainability and CSR one at a time within their time and resources available. Instead of changing all existing processes the sustainability approach should be considered with all future decision. For example, it might not be feasible to change all existing suppliers if they do not reach the company’s standard for social responsibility but rather base the future selection of suppliers on those standards. Responsibility does not need to necessarily cost much, but regardless should be considered as an investment in long-term profitability. The challenge for any company moving towards more responsible strategy is finding the right balance between economic, social and environmental responsibility.

6. It might not make sense for an SME to register for an official reporting framework such as the GRI guidelines but there is still need to adopt some sort of measurement and monitoring system in order to track progress over time. It is a matter of picking the right tools for the company in questions. However, selecting to report on at least some of the same indicators used by competition and other companies allows comparison. When the indicators and metrics on socially responsible performance are presented to external audience, they should be explained clearly and in meaningful terms reflecting progress over time. The same applies for international standards and the Environmental Management Systems. The EMAS energy efficiency toolkit, for example, can be used as a management tool as well as a source of practical advice. Adopting those initial practices will later on be a good foundation for adopting the complete Environmental Management System if necessary. The usefulness of the international standards to Vallila can be considered in similar terms. The SA 8000 standard, for example, gives a good indication to what social standards foreign suppliers should meet. The future ISO 26 000 will offer a future supply of resources and guidance and perhaps contribute to more unified standards.
internationally. The main point of monitoring social and environmental performance is to enable accurate evaluation and contribute to development.

7. Collaboration and interaction with other businesses and organisation to save resources, share ideas and innovate together provides benefits for all parties involved. There are plenty of networking opportunities available which also give visibility to member organisations. SMEs may not have the same resources as large organisation but considering their presence in the European economy they can and should lead the way for more responsible business behaviour. A good way for SMEs to combine their resources could be to conduct a benchmarking study of their social responsibility performance in cooperation with each other. This would also ensure that the companies taking part would adopt the same reporting and measurement systems and standards as well as enable benefiting from the innovation and development collectively.
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Appendices

Appendix I  Factors determining sustainability within a company
Appendix II  Core Indicators of GRI
Appendix III  Examples of Sustainability Metrics
Appendix IV  Practical examples of responsibility initiatives
Appendix V  Customer survey results and summary
I Factors Determining Sustainability

a. Internal Factors that Determine Sustainability within a Company

Managerial factors:

• Assessment of all internal organizational structures and management procedures
• Development and implementation of incentive mechanisms to promote sustainability initiatives and to increase the sustainable performance of companies
• Early identification of potential business opportunities
• Recognition of emerging risks, potential threats and management failures
• Better risk management, lower risk levels
• Improvement in workers’ safety and the quality of labour recruitment and retention

Operational factors:

• Identification of environmental problems
• Minimization of environmental footprint
• Reduction of material inputs
• Achievement of energy efficiency (ecoefficiency)
• Operating licenses

Economic factors:

• New market opportunities
• Cost savings
• Technological innovation.

b. External Factors that Determine Sustainability within a Company

Market factors:

• Product differentiation
• Customers’ values (e.g. green consumers, human rights)
• Access to new markets
• Industry competition
• More competitive labour markets
• Increased consumer interest in ethical and socially responsible business conduct
• Socially-oriented investors
• Ratings agencies
• Improved company reputation

Government factors:

• Increased regulatory intervention
• Operating licenses

Stakeholder expectations:

• Full transparency and access to information
• Internalization of negative externalities (pollution and waste)
• Demands for reduced material consumption
• Adoption of international labour codes (human rights groups)
• Transparent reporting (investors and authorities)

**II GRI Indicators**

Global Reporting Initiative 3G reporting framework Core Indicators

**Economic**

*Economic Performance*

EC1 Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. (Core)

EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change. (Core)

EC3 Coverage of the organization's defined benefit plan obligations. (Core)

EC4 Significant financial assistance received from government. (Core)

*Market Presence*

EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. (Core)

EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)

*Indirect Economic Impacts*

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)

**Environmental**

*Materials*

EN1 Materials used by weight or volume. (Core)

EN2 Percentage of materials used that are recycled input materials. (Core)

*Energy*

EN3 Direct energy consumption by primary energy source. (Core)

EN4 Indirect energy consumption by primary source. (Core)

*Water*

EN8 Total water withdrawal by source. (Core)

*Biodiversity*

EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)

Emissions, Effluents, and Waste

EN16 Total direct and indirect greenhouse gas emissions by weight. (Core)
EN17 Other relevant indirect greenhouse gas emissions by weight. (Core)
EN19 Emissions of ozone-depleting substances by weight. (Core)
EN20 NOx, SOx, and other significant air emissions by type and weight. (Core)
EN21 Total water discharge by quality and destination. (Core)
EN22 Total weight of waste by type and disposal method. (Core)
EN23 Total number and volume of significant spills. (Core)

Products and Services

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)
EN27 Percentage of products sold and their packaging materials that are reclaimed by category. (Core)

Compliance

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)

Social Performance: Labour Practices & Decent Work

Employment

LA1 Total workforce by employment type, employment contract, and region. (Core)
LA2 Total number and rate of employee turnover by age group, gender, and region. (Core)

Labor/Management Relations

LA4 Percentage of employees covered by collective bargaining agreements. (Core)
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core)

Occupational Health and Safety

LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. (Core)

Training and Education
LA10  Average hours of training per year per employee by employee category. (Core)

Diversity and Equal Opportunity

LA13  Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)

LA14  Ratio of basic salary of men to women by employee category. (Core)

Social Performance: Human Rights

Investment and Procurement Practices

HR1  Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. (Core)

HR2  Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)

Non-Discrimination

HR4  Total number of incidents of discrimination and actions taken. (Core)

Freedom of Association and Collective Bargaining

HR5  Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. (Core)

Child Labour

HR6  Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour. (Core)

Forced and Compulsory Labour

HR7  Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour. (Core)

Social Performance: Society

Community

SO1  Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (Core)

Corruption

SO2  Percentage and total number of business units analyzed for risks related to corruption. (Core)

SO3  Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)

SO4  Actions taken in response to incidents of corruption. (Core)

Public Policy

SO5  Public policy positions and participation in public policy development and lobbying. (Core)
Compliance

SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)

**Social Performance: Product Responsibility**

*Customer Health and Safety*

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)

*Products and Service Labelling*

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)

*Marketing Communications*

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)

**Compliance**

PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core).

Source: Global Reporting Initiative Online. Available at:
http://www.globalreporting.org/reportingframework/g3online/performanceindicators [accessed 15.4.2010]
### Economic, Environmental and Social Metrics

Examples of economic, environmental and social metrics used by twenty major German companies and presented in the study of Székely and Knirsch (2005)

<table>
<thead>
<tr>
<th>Economic sustainability metrics</th>
<th>Environmental sustainability metrics</th>
<th>Social sustainability metrics</th>
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<tbody>
<tr>
<td>total income</td>
<td>% of employees in environmental management</td>
<td>employee total number</td>
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<tr>
<td>earning before tax</td>
<td>energy consumption (MJ/employee/year)</td>
<td>staff in training (number)</td>
</tr>
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<td>net income</td>
<td>total water consumption (liters/employee/year)</td>
<td>average participation of employees in education measures (days)</td>
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<td>ROC after tax</td>
<td>emission of greenhouse gases (kg/employee/year)</td>
<td>lost days/absence</td>
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<tr>
<td>earnings per share</td>
<td>waste (kg/employee/year)</td>
<td>workforce profile</td>
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<tr>
<td>revenue</td>
<td>paper consumption (kg/employee/year)</td>
<td>donations and sponsoring</td>
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<td>total expenditure on purchased goods, services, materials</td>
<td>business travel (km/employee/year)</td>
<td>personnel cost (total &amp; per employee)</td>
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<tr>
<td>share of orders paid for in accordance with contract convention</td>
<td>total material consumption</td>
<td>disabled employees</td>
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<tr>
<td>equivalent monetary value of all benefits to staff</td>
<td>processing of material that is treated or untreated waste from other sources</td>
<td>accident rate</td>
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<tr>
<td>interest on liabilities, dividends</td>
<td>acceptance of return of used products</td>
<td>idea management (savings per employee)</td>
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<tr>
<td>change in retained income in the reporting period</td>
<td>reduction of greenhouse gas emissions</td>
<td>% of suppliers that fulfil social criteria</td>
</tr>
<tr>
<td>taxes paid to all tax-levying authorities</td>
<td>waste water</td>
<td>employee commitment</td>
</tr>
<tr>
<td>state subsidies and assistance</td>
<td>% waste recycling</td>
<td>% of part-time employees</td>
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<td>donations to the community, civil society and others (cash and in kind)</td>
<td>total spending environmental protection and investment</td>
<td>health rate</td>
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<td>sales (total and per - division)</td>
<td>additional input/output balance</td>
<td>number of apprentices/trainees</td>
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<td>cash flow</td>
<td>paper and glass recycled</td>
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<td>investment R&amp;D</td>
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<td>capital expenditure</td>
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<tr>
<td>net profit</td>
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<tr>
<td>total spending for culture and society</td>
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<td>amortization and depreciation</td>
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<td>operating free cash flow</td>
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<td>profit after tax</td>
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<td>subscribed capital</td>
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<td>operating profit</td>
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<td>production volumes</td>
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<td>operating profit</td>
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<td>(interest) and to the company (reserves)</td>
<td></td>
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<tr>
<td>personnel costs (wages, salaries, social welfare contributions, pension plan expenses, employee benefits)</td>
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</tr>
</tbody>
</table>
IV Practical examples of responsibility initiatives
(adapted from TEM publication Vastullinen Yrittäjyys pk-yrityksissä, 2009)

Personnel

- Employee training and professional development
- Involving staff in decision making
- Investing in employee healthcare and safety as well as working conditions
- Supporting the balance between personal and professional lives of the employees
- Promoting and supporting equal opportunities
- Promoting diversity and tolerance
- Fair payment and incentive scheme, for example pension systems and welfare coupons

Society and community

- Contributing to the well-being of the economy, offering employment and professional expertise
- Cooperating with educational institutions and offering trainee positions
- Contributing to diversity
- Supporting societies in a broader context, for example supporting people in developing countries or contributing to the reduction of poverty
- Investing responsibly
- Interacting and cooperating with the public sector, other businesses and various civil groups
- Contributing to environmental development
- Supporting selected organisations or events with donations or offering products and services

Products, services and the supply chain

- Developing products and services that satisfy customer expectation on sustainable development
- Having a transparent production and information on the origins of the product and services
- Complying with recommended environmental, social and economic principles and standards throughout the supply chain
- Practicing responsible procurement
- Continuous and sufficient R&D ensuring proper preparation for the future
- Ecological innovativeness and developing socially responsible products and services

Customers and the Market

- Improving the quality, environmental friendliness and safety of the products and services
- Guaranteeing consumer protection and honesty of information
- Transparent and honest pricing
- Providing voluntary services such as recycling and repair services
- Implementing fair return policies
- Accurate and timely payment procedures to suppliers and business partners
- Following the principle of ethics with advertising
- Avoiding corruption
- Reporting on responsibility
V The Perceptions of Vallila’s customers to Sustainability and CSR

Summary of the Results

In order to find out what Vallila’s customers think about sustainability and social responsibility of companies, an online survey was conducted with questions ranging from preferences to purchase green products to overall understanding about sustainability as well as companies’ obligations towards the environment and society.

The survey was conducted via Vallila’s Facebook page. In order to get maximum responses Vallila combined the survey with a competition with prices to be given out randomly to the respondents. Majority of the respondents were already ‘fans’ of Vallila’s Facebook page, which indicates that they are familiar with the company and its products or are employees of the company. Within two weeks 66 people had completed the survey. The results will be summarized below.

Majority of the respondents were between the ages of 20-29 (46.2%) and 30-39 (33.8%). The overall conclusion that can be drawn from the survey results is that environmental and sustainability issues do play a role in people’s purchase decisions and they see companies having responsibilities towards the environment and the society. However, to many questions the responses were mostly within the neutral categories, meaning, issues were seen to have some importance, but the majority would not take the most clear or radical opinions.

When it came to the question whether the respondents believed they could contribute to the overall wellbeing of the society with their buying decisions, the majority considered they could have some effect (69.7%) whereas only 28.8 per cent thought they could have a more significant positive effect. These estimations of the respondents seem very careful but then again, only one out of 66 respondents believed their purchase decisions would have no effect whatsoever.

With the questions about favouring environmental friendly products or packaging, the majority think that it is very important to have ecological consumer goods (66.7 % considered it important or very important) and that companies should offer ‘green’ products, but the majority still actually buys ‘green’ products only occasionally (66.7 %). Also when the respondents were asked to consider the issue the other way around; would they decide not to buy a product, which they know to be environmentally unfriendly, the majority selected sometimes as the response (66.7%) as opposed to even on monthly basis. When the same question was asked, but replacing the environmentally unfriendly product with irresponsible company, more respondents would leave the product on the shelf. Thus it could be argued that the company’s overall reputation of being irresponsible affect the company more negatively as it could lead to consumers boycotting every single product from that company.

When the considerations came to paying a premium for environmental friendly packaging or products some inconsistencies could be found. 22.7 per cent of the respondents said whether they would choose an environmentally friendly packaging would depend on the price, but when asked how much extra they would pay for an ecological package, 34.8 per cent would not pay any extra. 36.4 per cent of the respondents considered a premium of 5
per cent as acceptable for more ecological packaging. When it came to ecologically 
produced products, 24.2 per cent would not pay any extra, and in general the respondents 
were a bit more willing to pay higher prices for an ecological product than ecological 
packaging. 31.8 per cent considered 5 per cent an acceptable premium for an ecological 
product and 30.3 per cent considered 10 per cent as a suitable premium. In conclusion, 
consumers appreciate ecological products more than just packaging, although a significant 
percentage of respondents would not be willing to pay any extra.

Respondent were asked to indicate their personal understanding about sustainable 
development. When the options were environmental, social and economical wellbeing as 
the meaning of sustainable development, the respondents put most weight on the wellbeing 
of the environment. This is not surprising considering the increasing awareness of 
environmental issues, global warming and global sustainability in general.

The importance of different factors that affect the buying decisions of consumers depends 
on the type of the product. For example, the same factors would not be equally important if 
you are, for instance, choosing the supplier for your home electricity, or purchasing a piece 
of clothing. When asked to prioritise the factors affecting the buying decision of interior 
fabric and products, the most important product attribute was the appearance. Price and 
quality came second, followed by practicality. A majority placed the environmental 
friendliness of the product fifth out of nine factors. Almost equally important with the 
environmental friendliness was that the product is Finnish.

Approximately a half (51.5%) of the respondents completely agreed and 39.4 per cent 
somewhat agreed with the statement that companies should report on their environmental 
impacts more. 62.1 per cent of the respondent completely agreed with the statements that 
companies should have high ethical standard and that employee wellbeing is the 
responsibility of the employers. Interesting result emerged from the statement that 
companies should engage more in charity; 16.7 percent completely agreed, 48.5 percent 
somewhat agreed, but for 24.2 percent it was insignificant. 10.6 percent of the respondents 
somewhat disagreed with the statement that companies should engage more in charities, 
which generates two different assumptions; whether they think that companies already are 
doing enough charitable work or that it is not necessary for them. Very similar results 
emerged from the statement that companies should engage more in social projects.

The respondents largely recognized the fact that sustainable development also requires 
innovation and development of existing business practices. A majority of respondents also 
agreed (53% completely agreed and 36.4% somewhat agreed) that even though it might be 
not make sense economically companies should protect the environment. The results also 
indicate that companies should not use poor financial results as an excuse for not taking 
care of the environment, the society and its employees. Also the majority indicated their 
reluctance to work for a company known for irresponsible behaviour towards the society 
and the environment yet performing well economically.
Customer Survey Results (translations displayed above the illustrations)

1. Contact details (results not displayed for privacy reasons)

2. Age

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Response Percent</th>
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<tr>
<td>20-29</td>
<td>46.2%</td>
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<tr>
<td>30-39</td>
<td>33.6%</td>
<td>22</td>
</tr>
<tr>
<td>40-49</td>
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<tr>
<td>50+</td>
<td>0.2%</td>
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answered question: 65
skipped question: 1

3. Income

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<th>Income Range</th>
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<td>&lt; 15 000 €</td>
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<td>16 000 - 19 000 €</td>
<td>11.7%</td>
<td>7</td>
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<tr>
<td>20 000 - 24 000 €</td>
<td>23.9%</td>
<td>14</td>
</tr>
<tr>
<td>25 000 - 29 000 €</td>
<td>15.0%</td>
<td>8</td>
</tr>
<tr>
<td>30 000 - 34 000 €</td>
<td>5.0%</td>
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</tr>
<tr>
<td>35 000 - 39 000 €</td>
<td>3.9%</td>
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answered question: 60
skipped question: 6

4. Are you already a fan of Vallila in Facebook?

kyllä=yes
En=no

<table>
<thead>
<tr>
<th>Response</th>
<th>Response Percent</th>
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<tr>
<td>Kyllä</td>
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<td>49</td>
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<tr>
<td>En</td>
<td>23.8%</td>
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answered question: 66
skipped question: 0
5. How important do you consider ecological consumer goods?

<table>
<thead>
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<tbody>
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</tr>
<tr>
<td>Tärkeänä</td>
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</tr>
<tr>
<td>Jokseenkin tärkeänä</td>
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</tr>
<tr>
<td>En lainkaan</td>
<td>1.5%</td>
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</table>

6. How often do you buy ‘green’ products?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
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<tbody>
<tr>
<td>En koskaan</td>
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<tr>
<td>Satunnaisesti</td>
<td>66.7%</td>
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<td>Kuukausittain</td>
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<tr>
<td>Viikottain</td>
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</tr>
<tr>
<td>Useita kertoja viikossa</td>
<td>4.5%</td>
<td>3</td>
</tr>
</tbody>
</table>

answered question: 66
skipped question: 0
7. Do you decide not to buy a product that you specifically know to be environmentally unfriendly?

En koskaan = Never
Joskus = Sometimes
Usein = Often
Aina = Always

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
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</tr>
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<tbody>
<tr>
<td>En koskaan</td>
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</tr>
<tr>
<td>Joskus</td>
<td>66.7%</td>
<td>44</td>
</tr>
<tr>
<td>Usein</td>
<td>21.2%</td>
<td>14</td>
</tr>
<tr>
<td>Aina</td>
<td>3.0%</td>
<td>2</td>
</tr>
</tbody>
</table>

answered question = 66
skipped question = 0

8. Do you decide not to buy a product, if you know the company that has manufacture the product has behaved irresponsibly towards the environment or the society?

En koskaan = Never
Joskus = Sometimes
Usein = Often
Aina = Always

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>En koskaan</td>
<td>4.5%</td>
<td>3</td>
</tr>
<tr>
<td>Joskus</td>
<td>45.5%</td>
<td>30</td>
</tr>
<tr>
<td>Usein</td>
<td>37.9%</td>
<td>25</td>
</tr>
<tr>
<td>Aina</td>
<td>12.1%</td>
<td>8</td>
</tr>
</tbody>
</table>

answered question = 66
skipped question = 0
9. Do you believe that you can contribute to the wellbeing of the society with your purchase decisions?

En lainkaan = Not at all
Jonkun verran = to some extent
Merkittävästi = Significantly
Erittäin paljon = to a large extent

<table>
<thead>
<tr>
<th>Response</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>En lainkaan</td>
<td>1</td>
</tr>
<tr>
<td>Jonkun verran</td>
<td>46</td>
</tr>
<tr>
<td>Merkittävästi</td>
<td>13</td>
</tr>
<tr>
<td>Erittäin paljon</td>
<td>6</td>
</tr>
<tr>
<td>answered question</td>
<td>66</td>
</tr>
<tr>
<td>skipped question</td>
<td>0</td>
</tr>
</tbody>
</table>

10. Do you pay attention to the environmental friendliness of product packaging?

En lainkaan = Never
Joskus = Sometimes
Usein = Often
Aina = Always

<table>
<thead>
<tr>
<th>Response</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>En lainkaan</td>
<td>0</td>
</tr>
<tr>
<td>Joskus</td>
<td>33</td>
</tr>
<tr>
<td>Usein</td>
<td>29</td>
</tr>
<tr>
<td>Aina</td>
<td>4</td>
</tr>
<tr>
<td>answered question</td>
<td>66</td>
</tr>
<tr>
<td>skipped question</td>
<td>0</td>
</tr>
</tbody>
</table>
11. Would you choose the environmental packaging over a regular one?

En koskaan = Never
Joskus = Sometimes
Usein = Often
Aina = Always
Riippuen hinnasta = depending on the price

<table>
<thead>
<tr>
<th>11. Valtiosko ympäristöystävällisen pakkauksen normaalin sijaista?</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>En koskaan</td>
<td>3.0%</td>
<td>2</td>
</tr>
<tr>
<td>Joskus</td>
<td>33.3%</td>
<td>22</td>
</tr>
<tr>
<td>Usein</td>
<td>36.4%</td>
<td>24</td>
</tr>
<tr>
<td>Aina</td>
<td>4.5%</td>
<td>3</td>
</tr>
<tr>
<td>Riippuen hinnasta</td>
<td>22.7%</td>
<td>15</td>
</tr>
</tbody>
</table>

answered question 66
skipped question 0

12. How much more would you be willing to pay for ecological packaging compared to a regular packaging?

En maksaisi enemmin = Would not pay any extra

<table>
<thead>
<tr>
<th>12. Kuinka paljon enemmän olet valmis maksamaan ekologisesta pakkauksesta kuin normaalista?</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>36.4%</td>
<td>24</td>
</tr>
<tr>
<td>10%</td>
<td>22.7%</td>
<td>15</td>
</tr>
<tr>
<td>15%</td>
<td>3.0%</td>
<td>2</td>
</tr>
<tr>
<td>20%</td>
<td>3.0%</td>
<td>2</td>
</tr>
<tr>
<td>25%</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>En maksaisi enemmin</td>
<td>34.8%</td>
<td>23</td>
</tr>
</tbody>
</table>

answered question 66
skipped question 0
13. What does sustainable development mean to you?

Ympäristön hyvinvointia = Wellbeing of the environment
Ihmisten hyvinvointia = wellbeing of the people
Talouden hyvinvointia = wellbeing of the economy
En osaa sanoa = cannot say
Jotain muuta (mitä?) = something else (what?)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ympäristön hyvinvointia</td>
<td>92.4%</td>
<td>61</td>
</tr>
<tr>
<td>Ihmisten hyvinvointia</td>
<td>66.7%</td>
<td>44</td>
</tr>
<tr>
<td>Talouden hyvinvointia</td>
<td>22.7%</td>
<td>15</td>
</tr>
<tr>
<td>En osaa sanoa</td>
<td>3.0%</td>
<td>2</td>
</tr>
<tr>
<td>Jotain muuta (mitä?)</td>
<td>6.1%</td>
<td>4</td>
</tr>
</tbody>
</table>

14. Please prioritize the following factors that affect your buying decision when you are shopping for interior decoration products/fabrics.

Hinta = Price
Laatu / materiaali = Quality/material
Käytännöllisyys = Practicality/functionality
Tuotteen ympäristöystävällisyys = environmental friendliness
Merkki / Brändi = Brand
Kotimaisuus = Made in Finland
Valmistusmaa = production country
Estetitisyys / ulkonäkö = aesthetics/appearance
Palvelu = Service

<table>
<thead>
<tr>
<th>Factor</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hinta</td>
<td>65</td>
</tr>
<tr>
<td>Laatu / materiaali</td>
<td>65</td>
</tr>
<tr>
<td>Käytännöllisyys</td>
<td>65</td>
</tr>
<tr>
<td>Tuotteen ympäristöystävällisyys</td>
<td>64</td>
</tr>
<tr>
<td>Merkki / Brändi</td>
<td>65</td>
</tr>
<tr>
<td>Kotimaisuus</td>
<td>64</td>
</tr>
<tr>
<td>Valmistusmaa</td>
<td>64</td>
</tr>
<tr>
<td>Estetitisyys / ulkonäkö</td>
<td>66</td>
</tr>
<tr>
<td>Palvelu</td>
<td>66</td>
</tr>
</tbody>
</table>

answered question 66
skipped question 0

68
15. How much more would you be willing to pay for ecologically produced products?

En maksaisi enemmän = would not pay more

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>31.8%</td>
<td>21</td>
</tr>
<tr>
<td>10%</td>
<td>30.3%</td>
<td>20</td>
</tr>
<tr>
<td>15%</td>
<td>6.1%</td>
<td>4</td>
</tr>
<tr>
<td>20%</td>
<td>6.1%</td>
<td>4</td>
</tr>
<tr>
<td>25%</td>
<td>1.5%</td>
<td>1</td>
</tr>
<tr>
<td>En maksaisi enemmän</td>
<td>24.2%</td>
<td>16</td>
</tr>
</tbody>
</table>

answered question 66
skipped question 0
16. How would you define an ecological product?

Tuote voidaan kierrättää = the product is recyclable
Tuote on valmistettu kierrätetystä materiaaleista = the product is made out of recycled materials
Tuote on valmistettu ekologisesti = the product has been produced ecologically
Tuote jonka pakkaus on ekologinen = the product packaging is ecological
Tuote on valmistettu luonnollisista raaka-aineista = the product has been made out of natural ingredients
Tuotteella on ympäristö sertifikaatti = the product has an environmental certificate
Tuotetta ei ole testattu eläimillä = the product has not been tested with animals
Tuote on tehty Reilun Kaupan ehdolla = the product has been manufactured according to Fairtrade terms
Tuote on valmistettu paikallisesti = the product has been manufactured locally
Tuote on käsintehty = the product is handmade
Jotain muuta/mitä = something else/what?

<table>
<thead>
<tr>
<th>16. Miten määrittelisit ekologisen tuotteen?</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuote voidaan kierrättää</td>
<td>84.8%</td>
<td>56</td>
</tr>
<tr>
<td>Tuote on valmistettu kierrätetystä materiaaleista</td>
<td>57.6%</td>
<td>38</td>
</tr>
<tr>
<td>Tuote on valmistettu ekologisesti</td>
<td>82.3%</td>
<td>53</td>
</tr>
<tr>
<td>Tuote jonka pakkaus on ekologinen</td>
<td>50.0%</td>
<td>33</td>
</tr>
<tr>
<td>Tuote on valmistettu luonnollisista raaka-aineista</td>
<td>51.5%</td>
<td>34</td>
</tr>
<tr>
<td>Tuotteella on ympäristö sertifikaatti</td>
<td>47.0%</td>
<td>31</td>
</tr>
<tr>
<td>Tuotetta ei ole testattu eläimillä</td>
<td>37.9%</td>
<td>25</td>
</tr>
<tr>
<td>Tuote on tehty Reilun Kaupan ehdolla</td>
<td>31.8%</td>
<td>21</td>
</tr>
<tr>
<td>Tuote on valmistettu paikallisesti</td>
<td>31.8%</td>
<td>21</td>
</tr>
<tr>
<td>Tuote on käsintehty</td>
<td>18.2%</td>
<td>12</td>
</tr>
<tr>
<td>Jotain muuta (mitä?)</td>
<td>6.1%</td>
<td>4</td>
</tr>
</tbody>
</table>

answered question: 66
skipped question: 0
17. What is your opinion about the following statements?

Yritysten pitäisi tiedottaa ympäristövaikutuksistaan enemmän = companies should report on their environmental effect more extensively
Yrityksillä pitäisi olla korkeat eettiset standardit = companies should have high ethical standards
Yritysten pitäisi tarjota vihreitä tuotteita = companies should offer green products
Yritysten pitäisi osallistua hyväntekeväisyyteen enemmän = companies should engage more in charity
Yritysten pitäisi olla enemmän mukana sosiaalisissa projekteissa = companies should engage more in social projects
Työntekijöiden hyvinvointi on yritysten vastuulla = the wellbeing of the employees is companies’ responsibility

Options:
Täysin samaa mieltä = Completely agree
Jokseenkin samaa mieltä = Somewhat agree
Yhdentekevää = Irrelevant/insignificant
Jokseenkin eri mieltä = Somewhat disagree
täysin eri mieltä = completely disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Täysin samaa mieltä</th>
<th>Jokseenkin samaa mieltä</th>
<th>Yhdentekevä</th>
<th>Jokseenkin eri mieltä</th>
<th>Täysin eri mieltä</th>
<th>Rating Average</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yritysten pitäisi tiedottaa ympäristövaikutuksistaan enemmän.</td>
<td>51.5% (34)</td>
<td>39.4% (26)</td>
<td>7.6% (5)</td>
<td>1.5% (1)</td>
<td>0.0% (0)</td>
<td>1.59</td>
<td>66</td>
</tr>
<tr>
<td>Yrityksillä pitäisi olla korkeat eettiset standardit.</td>
<td>62.1% (41)</td>
<td>33.3% (22)</td>
<td>3.0% (2)</td>
<td>1.5% (1)</td>
<td>0.0% (0)</td>
<td>1.44</td>
<td>66</td>
</tr>
<tr>
<td>Yritysten pitäisi tarjota vihreitä tuotteita.</td>
<td>37.9% (25)</td>
<td>59.1% (39)</td>
<td>1.5% (1)</td>
<td>1.5% (1)</td>
<td>0.0% (0)</td>
<td>1.67</td>
<td>66</td>
</tr>
<tr>
<td>Yritysten pitäisi osallistua hyväntekeväisyyteen enemmän.</td>
<td>16.7% (11)</td>
<td>48.5% (33)</td>
<td>24.2% (16)</td>
<td>10.6% (7)</td>
<td>0.0% (0)</td>
<td>2.29</td>
<td>66</td>
</tr>
<tr>
<td>Yritysten pitäisi olla enemmän mukana sosiaalisissa projekteissa.</td>
<td>19.7% (13)</td>
<td>48.5% (32)</td>
<td>25.8% (17)</td>
<td>6.1% (4)</td>
<td>0.0% (0)</td>
<td>2.18</td>
<td>66</td>
</tr>
<tr>
<td>Työntekijöiden hyvinvointi on yritysten vastuulla.</td>
<td>62.1% (41)</td>
<td>36.4% (24)</td>
<td>0.0% (0)</td>
<td>1.5% (1)</td>
<td>0.0% (0)</td>
<td>1.41</td>
<td>66</td>
</tr>
</tbody>
</table>

answered question 66
skipped question 0
18. Please prioritize the following factors that contribute to the sustainable development of the society as a whole.

Taloudellinen kasvu ja vakaus = economical growth and stability
Sosiaalinen hyvinvointi = social wellbeing
Ekologinen tasapaino ja ympäristön hyvinvointi = ecological balance and the wellbeing of the environment
Teknologia ja innovaatio kehitys = technology and innovation development

19. Do you think Finnish companies follow the principles of sustainable development?

Suurimmaksi osaksi = to a large extent
Jossain määrin = to some extent
Erittäin harva = only a few
Ei lainkaan = not at all
En osaa sanoa = hard to tell
20. What is your opinion about the following statements?

Kestävä kehitys ei ole mahdollista ilman innovaatiota ja uusien toimintatapojen kehittämistä.
= Sustainable development is not viable without innovation and the development of new business practices.

Taloudellinen kasvu on kestävän kehityksen peruspilari.
= Economical growth is the foundation of sustainable development.

Nykään suuri osa yrityksistä vahingoittaa toiminnallaan ympäristöä.
= Currently most Finnish companies harm the environment with their business operations.

Yrityksen tulokset eivät olisi mahdollisia ilman hyvinvointa yhteiskuntaa, joten yrityksillä on myös velvollisuus tukea yhteiskuntaa hyväntekeväisyyden muodossa.
= It would be impossible for companies to make profit without a thriving society, thus companies have the obligation to support the society in forms of charity.

Vaikka se ei aina olisi taloudellisesti kannattavaa, yritysten tulisi suojella nympäristöä.
= Although it would not be always financially feasible, companies should protect the environment.

Yritykset eivät arvioi menestystään ainoastaan taloudellisesta näkökulmasta vaan myös työntekijöiden hyvinvoinnin kannalta.
= Companies do not only assess their success from economic perspective, but also by assessing the wellbeing of their employees.

Olen valmis maksamaan enemmän vastuullisen yrityksen tuotteesta kuin vastaavasta kilpailijan tuotteesta.
= I am willing to pay more for a product by a responsible company than for an identical product by a competing company without a specifically responsible reputation.

En työskentelisi yrityksessä, joka on tunnettu vastuuntuntuvottomuudesta yhteiskunnan ja ympäristöä kohtaan, mutta on kuitenkin taloudellisesti vakaalla pohjalla.
= I would not work for a company that is known for irresponsibly behaviour towards the society and the environment, but is still performing steadily in economic terms.

Jos yritys ei tee hyvää taloudellista tulosta on sen mahdotonta laittaa työntekijöiden ja yhteiskunnan hyvinvointi etusijalle.
= If a company is not making a good financial return it is impossible for the company to set the wellbeing of its employees and the society as a first priority.

Jos yritys ei tee hyvää taloudellista tulosta, on sen mahdotonta huolehtia ympäristön hyvinvoinnista.
= If a company is not making a good financial return, it is impossible for the company to take care of the wellbeing of the environment.

Jos yritys ei tee hyvää taloudellista tulosta, on sen mahdotonta kehittää toimintaansa ja kilpailukykyänsä.
= If a company is not making a good financial return, it is impossible for the company to develop and improve its competitive abilities.

Options
Täysin samaa mieltä = completely agree
jokseenkin samaa mieltä = somewhat agree
En osaa sanoa = difficult to say
jokseenkin eri mieltä = somewhat disagree
täysin eri mieltä = completely disagree

<table>
<thead>
<tr>
<th>Kysymys</th>
<th>Täysin samaa mieltä</th>
<th>Jokseenkin samaa mieltä</th>
<th>En osaa samaa mieltä</th>
<th>Jokseenkin eri mieltä</th>
<th>Täysin eri mieltä</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kestävä kehitys ei ole mahdollista ilman innovaatiota ja uusen toimintatapoja kehittämistä.</td>
<td>34.8% (23)</td>
<td>48.5% (32)</td>
<td>9.1% (6)</td>
<td>7.6% (5)</td>
<td>0.0% (0)</td>
</tr>
<tr>
<td>Taloudellinen kasvu on kestävän kehityksen panouspilari.</td>
<td>9.1% (6)</td>
<td>31.8% (21)</td>
<td>22.7% (15)</td>
<td>31.8% (21)</td>
<td>4.5% (3)</td>
</tr>
<tr>
<td>Nykyään suurin osa yhteyksestä toiminnallisen vahingoittaa ympäristöä.</td>
<td>12.1% (8)</td>
<td>43.3% (27)</td>
<td>22.7% (15)</td>
<td>19.7% (13)</td>
<td>1.5% (1)</td>
</tr>
<tr>
<td>Yritysten tulokset eivät olisi mahdollisia ilman hyvin vaiva yhteiskunta, joten yrityksillä on velvoittua myös tukea yhteiskuntaa hyvänäkemyysyden muodossa.</td>
<td>19.7% (13)</td>
<td>33.3% (22)</td>
<td>28.8% (19)</td>
<td>18.2% (12)</td>
<td>0.0% (0)</td>
</tr>
<tr>
<td>Vaikka se ei aina ollut taloudellisesti kannattavaa, yritysten tulee suojella ympäristöä.</td>
<td>53.0% (35)</td>
<td>36.4% (24)</td>
<td>9.1% (6)</td>
<td>1.5% (1)</td>
<td>0.0% (0)</td>
</tr>
<tr>
<td>Yritykset eivät arvioi merkitystäan ainoastaan taloudellisesta näkökulmasta vaan myös työntekijöiden hyvinvoinnin kannalta.</td>
<td>21.5% (14)</td>
<td>27.7% (18)</td>
<td>13.9% (9)</td>
<td>33.8% (22)</td>
<td>3.1% (2)</td>
</tr>
<tr>
<td>Olen valmis maksamaan enemmän välitetut tai elokuvaan liittyvän suorapäivän puhottavaa.</td>
<td>16.9% (11)</td>
<td>60.0% (39)</td>
<td>13.9% (9)</td>
<td>9.2% (6)</td>
<td>0.0% (0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kysymys</th>
<th>En osaa samaa mieltä</th>
<th>Jokseenkin samaa mieltä</th>
<th>Jokseenkin eri mieltä</th>
<th>Täysin eri mieltä</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jos yritys ei tee hyvää taloudellista tulosta on sen mahdollista lataa työllisyyden ja yhteiskunnan hyvinvointi etujärjelle.</td>
<td>36.4% (24)</td>
<td>25.9% (17)</td>
<td>30.3% (20)</td>
<td>7.6% (5)</td>
</tr>
<tr>
<td>Jos yritys ei tee hyvää taloudellista tulosta on sen mahdollista houkutella ympäristön hyvinvointia.</td>
<td>6.1% (4)</td>
<td>24.2% (16)</td>
<td>22.7% (15)</td>
<td>34.8% (23)</td>
</tr>
<tr>
<td>Jos yritys ei tee hyvää taloudellista tulosta on sen mahdollista kehittää toimintaansa ja kilpailukyymistä.</td>
<td>7.6% (5)</td>
<td>16.7% (11)</td>
<td>16.7% (11)</td>
<td>39.4% (20)</td>
</tr>
<tr>
<td>Jos yritys ei tee hyvää taloudellista tulosta on sen mahdollista kilpailukyymistä.</td>
<td>6.1% (4)</td>
<td>30.3% (20)</td>
<td>10.6% (7)</td>
<td>34.8% (23)</td>
</tr>
</tbody>
</table>

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