The Strength of External Ties

The Role of External Networks in Relation to Corporate Social Responsibility and Small and Medium Sized Enterprises

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Declaration of Authorship
In loving memory of my grandfather, Muhammad Rashid

- Your life was a blessing, your memory a treasure.

You are loved beyond words and missed beyond measure.

1935-2015
Abstract

Rising energy prices, carbon emissions, environmental concerns, transparency in economic matters and growing concerns for human rights violation are some of the universal sustainability issues that has led to an increased focus on the relationship between corporate social responsibility (CSR) and Small and Medium-sized Enterprises (SME), in recent years. This relationship has caught the attention from both the research society and politicians that encourage more SMEs to take social responsibility.

SMEs account for 99% percent of all business in Europe and employ almost 70% of the European workforce. The underlying assumption behind the increased focus is therefore that a greater social impact can be made collectively with both large companies and SMEs, instead of large companies alone.

This thesis is based on a qualitative approach and dedicated to analyzing external networks that are based on environmental and social responsibility. These kinds of networks are an undiscovered aspect of the relationship between CSR and SMEs and are therefore analyzed and examined.

This research concludes that the case network can provide the three SMEs, which were interviewed, knowledge specifically related to their industry and field. Therefore, the SMEs point to knowledge as a main factor to join/stay in an external CSR network. Traditional frameworks such as Schwartz and Carrolls “Three Domain Approach Model”(TD Model) have up until today only considered economic, legal, ethical and (to a certain degree), philanthropic motives. The presentation of a new model that elaborates on the TD Model, by considering knowledge as a basic incentive to work with CSR(especially among SMEs), is one of the main findings of this thesis.

Furthermore, this paper place great importance on the role that external CSR networks play in their organizational field. The findings of this research show that social movements and external CSR networks influence societal issues in similar ways, namely by challenging the status quo of their organizational field and polarizing it. This has led to insights that reveal that the case network of this thesis is indirectly able to erode or create the economic value of a firm. The finding is developing the notion of the Resource-Based View by considering the culture and social issues of the firms’ organizational field as an important input to the firm strategy. This is the second and last main finding of this thesis.

These results provide an interesting starting point for future research on the role of external networks in relation to CSR and SMEs.

Keywords: CSR, SME, External Networks
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I further acknowledge all my interview partners from whom I have gained a deeper understanding on this subject and collected important data. Without them, there would have been no thesis on the strength of external ties. I am very thankful for their time and willingness to participate in a thesis like this.

I would also like to thank my friends and family, for supporting me and pushing me throughout this process. I would especially like to thank both my parents for inspiring me and always pushing and me in the right direction. My fiancé, also deserves a special thank as she has been extremely patient and supportive of me, and she brought me homemade food when I was hungry during the late night hours at the CBS Library.

Finally, I would like to thank my grandmother, who has never stopped believing in me. I don’t know where I would have been today if it weren’t for her prayers.
Introduction

The road to becoming an accepted way to do business is not straightforward. For many years, and especially in the 70s and 80s, Corporate Social Responsibility (CSR) was actively discussed and disputed. CSR is understood as a management concept in which companies integrate social and environmental concerns into their business model and their interactions with their stakeholders. Milton Friedman, who followed the classical economic doctrine of the free market, argued against CSR, famously contending, “the social responsibility of business is to increase its profits”.

Furthermore, we have seen many cases over the years where CSR has served as a smokescreen and deflected attention from practices that are condemnable. The famous Enron case\(^2\), from the late 90s/early 00s, shows us, that with some creativity and deftness, “companies may actually use instruments such as CSR in order to circumvent the responsibilities that CSR originally was meant to instill”\(^3\). Cases like this have led to critics arguing, that CSR is a green-wash tactic used by large companies.

However, scholars usually differ in their view, and that is also the case when the talk revolves around CSR. Those in favor of CSR argue that it is a business ethic with intersectional influences in the political, economic and social aspect of business\(^4\). Furthermore, they argue that the firms are motivated to get involved in CSR due to economic and moral motives and because CSR can help their company attain enhancement of stakeholder relations, increase its brand value, reduce business risks, etc\(^5\).

There are sound rational reasons for both point of views but the evidence is that, during the last few decades, the question of social responsibility has already been decided, in the United States, Europe, Denmark and most other economically developed nations. CSR is here to stay. For example a report from the Danish government “Responsible Growth Action Plan for Corporate Social Responsibility 2012-2015” concludes that CSR is a potential and resourceful, competitive advantage of Danish business and industry\(^6\).

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2 “Enron was an American energy, commodities, and services company. At the end of 2001, it was revealed that its reported financial condition was sustained substantially by an institutionalized, systematic, and creatively planned accounting fraud, known since as the Enron scandal. Enron has since become a well-known example of willful corporate fraud and corruption.” Before the scandal was revealed, Enron was ironically considered a responsible corporate citizen, due to its CSR auditing and programs. Source: http://en.wikipedia.org/wiki/Enron and http://news.bbc.co.uk/2/hi/business/1780075.stm
3 Garsten & Hernes, 2009
4 Spence & Rutherford, 2000
5 Udayasankar, 2008
This is one of many examples that show us that CSR has become a global as well as local consideration. CSR is no longer about whether companies should assume social responsibility but how they should assume social responsibility\(^7\). Due to this, many companies are adopting and reporting their CSR activities today.

While many large companies are in the frontline of setting and developing the agenda of CSR, research shows that small and medium-sized enterprises are not working with CSR systematically like large companies\(^8\).

However, most companies in Denmark and Europe belong to the group of small and medium sized companies and it is, therefore, reasonable to assume that a greater social impact can be made if SMEs work with CSR as well. This assumption has led to an increased focus on the relationship between SMEs and CSR in the research community and also on the political scene. Official institutions and the research society are providing tools and guidelines and furthermore, promote the idea that SMEs need to implement CSR and work with it systematically.

The starting point for this thesis is the increased awareness revolving around CSR and SME and it is dedicated to (dis)cover one of the aspects that has not caught much attention from the research society, yet. Specifically, this master thesis is dedicated to analyzing the role external CSR networks play in order to support the facilitation of CSR in SMEs. The incentives and benefits for becoming a member of an external CSR network are therefore analyzed and investigated. The aim is to achieve insight and knowledge on the role of external networks in relation to SMEs, and on how they can help SMEs attain competitive advantage through CSR.

**Problem Statement**

My master thesis has practical and academic justifications that I will highlight in this chapter.

First, SMEs account for 99% percent of all business in Europe; they employ almost 70% of the European workforce, produce close to 60% of the overall turnover from manufacturing and services and 64% of the environmental impact in Europe stems from them\(^9\). Moreover, both small and large business enterprises are “influenced by universal sustainability issues, such as rising energy prices, growing concerns about the health and safety of employees, carbon emissions or the reduction of industrial and commercial waste\(^10\). Based on these figures and stats on SMEs it is obvious why the society can’t afford to ignore SMEs in relation to CSR.

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\(^7\) Smith 2003, Davis 1973
\(^8\) Spence & Perrini, 2006; Jenkins, 2006, Jenkins 2009; Moore & Spence, 2006; Perrini et al., 2007
\(^9\) European Commission Report, 2009 (EC, 2009)
\(^10\) Hörisch, Johnson & Schaltegger, 2014
Second, most CSR literature is based on the reality of large enterprises and not small and medium sized ones\textsuperscript{11}. In a thematic review of CSR and SME based literature, Klewitz and Hansen (2013) identifies four central topics in which the current literature falls into. From this research it is evident that much progress has been made in the field of CSR and SMEs; especially in the field of sustainability and product/process-focused innovation. However, in the field of supporting mechanism to drive sustainability-oriented innovation, the literature is scant. In the thematic review, Klewitz and Hansen (2013) were able to identify two support mechanisms for sustainability-oriented innovation for SMEs, namely collaborations and networks. Networks are discussed as an enabling resource, which SMEs use to compensate for the inherent resource constraints that characterize SMEs. Collaborations are discussed under the premise of promoting sustainability-oriented innovation development and CSR in SMEs, by providing the necessary learning environment for SMEs. This master thesis will, therefore, revolve around this area of the underexplored relationship between CSR and SMEs.

To shed light on these matters, I have looked into a network called Active House Alliance (AHA). AHA is a nonprofit association. It consists of numerous partners from the building sector all over the world\textsuperscript{12}, both large and small and business and research. The CSR-related goal and ambition of the alliance make AHA an interesting network to investigate. The ambition for AHA is – “in the common interest of its members -to create a viable, independent and international influential alliance, which supports the vision of buildings that create healthier and more comfortable lives for their residents without impacting negatively on the climate and environment.”\textsuperscript{13} The goal of the alliance is that Active House becomes the “future design principle of new buildings and renovation, and an attractive solution to respond to the Nearly Zero Energy Building requirements.”\textsuperscript{14}

The European Building Directive of Energy Performance defines Nearly Zero-Energy Building as “buildings that have a very high energy performance. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby.”\textsuperscript{15} In 2010 the European Commission decided “Member States shall ensure that by 31, December 2020 all new buildings are nearly zero-energy buildings; and after 31 December 2018, new buildings occupied and owned by public authorities are nearly zero-energy buildings.”\textsuperscript{16} Furthermore, the member states “draw up national plans for increasing the number of nearly

\textsuperscript{11} Jenkins, 2009  
\textsuperscript{12} http://www.activehouse.info/join-us/partners  
\textsuperscript{13} http://www.activehouse.info/join-us/active-house-alliance  
\textsuperscript{14} http://www.velux.com/sustainable_living/activehouse  
\textsuperscript{15} http://www.epbd-ca.eu/themes/nearly-zero-energy  
\textsuperscript{16} http://www.epbd-ca.eu/themes/nearly-zero-energy
zero-energy buildings\textsuperscript{17} and “following the leading example of the public sector, develop policies and take measures such as the setting of targets in order to stimulate the transformation of buildings that are refurbished into nearly zero-energy buildings\textsuperscript{18}”. All these new requirements put the European building industry under pressure\textsuperscript{19} and make it the scope of this master thesis.

However, the European building is not only facing challenges; it is also facing business opportunities if it can help to solve these environmental issues. This is why CSR is an interesting subject of research as it is not only a philanthropic matter but a style of leadership that incorporates social and environmental issues into the business strategy of a firm\textsuperscript{20}. This style of leadership is further elaborated upon later in this thesis, in the Creating Shared Value chapter.

AHA does not claim that it is a CSR focused alliance itself. However, the vision and goals of the alliance align with the ten principles of United Nations Global Compact\textsuperscript{21} \textsuperscript{22}, especially the environmental principals. Furthermore, it is also clear that some of the companies that are involved with AHA use the network in a CSR context. SONNEKRAFT Austria, for example, won the renowned CSR award TRIGOS 2010\textsuperscript{23} with the demonstration building; Solar Active House built according to the Active House principles. “The jury’s choice fell on Solar Active House due to the innovativeness of the project in terms of an energy self-sufficient future, the involvement of employees (not only did they plan it, but they also live in it) and the high CSR-Awareness of the company in general\textsuperscript{24}”. Furthermore, in 2011, the Danish ministry of foreign affairs, published a special issue of their business magazine, named Toward a Green Future, in which they brought an article about AHA, and how it can be used to take the lead toward a green future.

At the Union of Architects World Congress held in Durban, South Africa, 2014, AHA agreed to “exercise leadership in sustainable construction\textsuperscript{25}”, by signing a declaration and thus providing us with another example of the environmentally and socially responsible profile of the alliance. “With the declaration, the UIA and its member organizations and partners intend to send a strong message to the world of their commitment to a truly sustainable and equitable future\textsuperscript{26}.”

\textsuperscript{17} http://www.epbd-ca.eu/themes/nearly-zero-energy
\textsuperscript{18} http://www.epbd-ca.eu/themes/nearly-zero-energy
\textsuperscript{19} http://www.ft.com/intl/cms/s/0/ed59e60c-9d9c-11e4-8946-00144feabdc0.html
\textsuperscript{20} Porter & Kramer, 2011, Roepstorff, 2008, Grayson & Hodges, 2009 et al.
\textsuperscript{21} http://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html
\textsuperscript{22} See appendix 1 (UN Global Impact)
\textsuperscript{23} http://www.trigos.at/trigos/uebertrigos/unternehmerischeverantwortung/article/5289.html
\textsuperscript{24} http://www.activehouse.info/news/solar-active-house-wins-csr-award
\textsuperscript{25} http://activehouse.info/news/declaration-2050-imperative-sustainable-built-environments
\textsuperscript{26} http://activehouse.info/news/declaration-2050-imperative-sustainable-built-environments
It is also evident that the members of the association use AHA to position themselves as good corporate citizens who are concerned with sustainability and their environmental impact. For example VELUX\textsuperscript{27}: In their latest CSR report\textsuperscript{28} they place AHA as a key stakeholder in relation to their CSR commitment:

"Sustainable Living in Buildings is our commitment to people and planet. We engage with key stakeholders (AHA) and deliver products and solutions made to maximize human health and minimize environmental impact."\textsuperscript{29}

It is easy to claim that any alliance or activity is related to CSR; however, based on the factors above, I believe it is clear why AHA is an external CSR network.

Finally, this project also has pragmatic justifications. To increase the influence and impact of the association, AHA is interested in attracting more companies. However, a membership is not free and, therefore, the alliance needs a clear communication of what value the alliance creates for its members. In regard to this, Mikkel Skott Olsen, workgroup member of the alliance knowledge sharing task force and Kurt Emil Eriksen workgroup member of the communication task force confirmed that the alliance wants to be better to attract smaller business. This research is therefore also interesting for AHA itself.

Through qualitative research based on semi-structured interviews, I will approach this matter by investigating what value is created for the small and medium-sized members of AHA.

In summary, the factors that have led to the research question are:

- The environmental and economic impact of SMEs in Europe
- Scant literature on the impact of external knowledge networks on SMEs
- The goal and ambitions of AHA
- The legal pressure on the European building industry
- Demand from AHA for this kind of research

\textsuperscript{27} VELUX is a Danish company that specializes in windows and skylights. With production facilities in 11 countries and sales companies in almost 40 countries, VELUX employs almost 10000 people from all around the world and is considered a market leader in the skylight industry. From: http://da.wikipedia.org/wiki/Velux

\textsuperscript{28} http://crreport.velux.com/citizenship.html

\textsuperscript{29} http://crreport.velux.com/our-approach
**Research Question**

The problem statement has led to the following research question:

How is the external network, AHA, benefitting its small and medium-sized members from the European building industry, through CSR initiatives?

To answer this research question I will answer the following two sub-questions:

- How does CSR create business opportunities for SMEs?
- What role has an external network such as AHA played in order to create competitive advantage (through CSR initiatives) for SMEs (in the building industry in Europe)?

**Structure**

The outlining of the structure of this thesis is based on Maxwell’s five part general model for the components of qualitative research, *purpose, conceptual context, the research question itself, methods and tactics and finally the validity of the results*\(^{30}\). These components have resulted in the following structure.

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<tr>
<td>- Research Question</td>
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<tr>
<td>- Structure</td>
</tr>
<tr>
<td>The first chapters define the scope and relevance of the thesis. Furthermore, the problem statement elaborates the issue that this thesis is built upon.</td>
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<tr>
<td><strong>2. Conceptual Framework</strong></td>
</tr>
<tr>
<td>This chapter starts by providing the definitions of the central terms for the thesis and the reasoning, behind the definitions. The relevant theories for the central notions, SMEs, CSR and networks are also presented.</td>
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<tr>
<td><strong>3. Methodology</strong></td>
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<tr>
<td>This chapter provides the reasoning behind the choice of methodology.</td>
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<td><strong>4. Findings</strong></td>
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<tr>
<td>Summary of the data collected.</td>
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<td><strong>5. Analysis</strong></td>
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<tr>
<td>In this chapter, the findings are analyzed against the conceptual context of the thesis and vice versa.</td>
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<tr>
<td><strong>6. Conclusion</strong></td>
</tr>
<tr>
<td>Whether or not the research has achieved its aim of investigation and contribution to the academic research, is summarized in this chapter.(^{31})</td>
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\(^{30}\) Lee (1999)

\(^{31}\) Table 1.Source: Own
**Conceptual Framework**

To answer the question, “*how is the external network, AHA, benefitting its small and medium-sized members from the European building industry, through CSR initiatives?*”, I will look into three domains: CSR, SMEs, and networks. The underlying theoretical implications are that CSR creates value for the firm and that SMEs can utilize CSR by working with it strategically. Finally, due to the lack of time and resources in SMEs, external CSR focused networks can play a vital role in order for the SMEs to utilize CSR. In the following chapter, I will supplement these implications with arguments found in previous research. After that, I will highlight which aspects of previous research I will use to explain my data and thus answer the initial research question.

To do that and cover all three domains of my framework, I have structured this chapter in two parts, a “why” and a “how” chapter. The “why”-chapter highlights the relevant literature about CSR incentives. The “How”-chapter highlights the relevant literature about strategic CSR. The theories and the literature I present, in the two chapters are finally tied together in the summary chapter that highlights the aspects I find relevant in relation to the analysis. The overall theme that binds the chapters is SMEs and external networks.

**Definitions**

**CSR**

There are many definitions of CSR. The process of finding the most suiting definition for this thesis has therefore been pragmatic rather than idealistic. To define CSR, I have therefore first and foremost looked at the context of my thesis and then searched for the most suitable definition, within the existing literature.

As I will touch upon later, research shows that many SMEs are acting socially and environmentally responsible without necessarily being familiar with the term CSR. In the same regard, AHA are not promoting themselves as a CSR focused alliance, yet they are still an environmental, and to some extent a socially responsible network. Furthermore, many SMEs are not perceived as “corporations” as they have neither limited liability nor are they legal entities in their own right, the term CSR, therefore, seems excluding, regarding SMEs. It is, therefore, important that the definition of CSR we use is as broad as possible when it comes to defining CSR-related practices, and that it keeps SMEs within the CSR debate. That is the first criteria for the CSR definition I will adopt for this research.

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32 Spence & Perrini, 2008
The second criteria regard the geographical context. CSR as a business practice originates from the USA; therefore, a lot of the literature and research (especially from the early years) is developed in North America and departs from a North American context and tradition. These traditions are in some aspects different from the European traditions.[33] The differences will be briefly elaborated in a later chapter. However, the main difference between the North American and European business tradition, is the political system and the role of the state. In Europe, practices that are related with voluntary CSR in North America are in many cases included within the institutional and legislative framework. The European approach to CSR is, therefore, more related to the legislation and the state than it is in North America. When defining CSR, in an European context it is therefore important to have in mind, that, a company doesn’t need to engage in philanthropic practices beyond the legal requirements, in order to be perceived as socially responsible.

In summary, the definition that we are looking for needs to be extensive, include SMEs in the debate, and it has to consider the European context. The definition that the European Commission offers suits these requirements and in this thesis CSR is therefore defined as: "the responsibility of enterprises for their impacts on society". Furthermore, the European Commission encourages, that enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders".[34]

### Small and Medium Sized Enterprises

The European Commission has proposed a reasonable and relevant definition for SMEs, which I will use due to the European scope of the research. According to the European Commission definition, the main factors determining whether a company is an SME or not, are the number of employees, and, either turnover or balance sheet

<table>
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<tr>
<th>Company Category</th>
<th>Employees</th>
<th>Turnover</th>
<th>Or Balance</th>
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<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 m</td>
<td>≤ € 43 m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 m</td>
<td>≤ € 10 m</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 m</td>
<td>≤ € 2 m[35]</td>
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</tbody>
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[33] Spence & Perrini, 2008; Matten & Moon, 2004; Matten & Moon 2008
These top limits apply to the figures for individual firms only. A firm, which is part of a larger grouping, may need to include employee/turnover/balance sheet data from that grouping too.

Following this definition, there are 19 million SMEs in the region representing 99.8% of all European enterprises, employing more than 74 million people. Furthermore, 64% of the environmental impact in Europe stems from SMEs, but only 24% of SMEs actively engage in actions reducing their environmental impact. The political recognition of the significance of the SME sector has led to an emphasis on their social and environmental impact.

Due to the European focus of this research and the requirements regarding CSR that I mentioned in the chapter above, the definitions of CSR and SMEs are provided by the European Commission. CSR is therefore defined as “the responsibility of enterprises for their impact on society”. The European definition of SME follows: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”

**External Networks**

To answer the research question, it is also important to specify which kinds of external network I will investigate in this research. Obviously, not all kinds of networks are interesting for this thesis.

External networks, refers to networks that support and relate to CSR or sustainability. This rather simple understanding of networks in a CSR context aligns well with the definitions of network and collaborations, provided by Klewitz and Hansen (2013). We find their definitions in a thematic review of the existing literature on SMEs and CSR, in which they define networks and collaborations as supporting mechanisms for sustainability-oriented innovation.

Klewitz and Hansen further distinguish networks and collaborations. Networks are discussed as a mechanism that enables sustainability-oriented resources and tools, which SMEs use to compensate for the inherent resource constraints that characterize SMEs. Collaborations, on the other hand, are discussed under the premise of promoting CSR and sustainability-oriented innovation development in SMEs.

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38 EC, 2009
39 EC, 2009
40 See: EC 2009; Verheugen 2007:8; 2007:2; Small Business Act
In this thesis, I only investigate one network, and it shares traits from both collaborations and networks. The development of “Active House Radar\(^{42}\)-tool is an example of how AHA functions as a network that enables and provides relevant resources for its members. Whereas, the promotion of proactive behavior and an environmental friendly building design, is an action related to collaborations. The overlapping traits from collaborations and networks make it difficult to categorize AHA in only one of these categories.

External network, in this thesis, is, therefore, first and foremost understood as networks that supports sustainability-oriented innovation and CSR. Whether AHA falls under the collaboration category or the network category is not important, in this case, because the initial research question is a matter of discussing how AHA benefits SMEs and not what AHA is. Furthermore, this understanding of networks, exclude networks that are not related to CSR and sustainability.

### Why Corporate Social Responsibility?

**Introduction**

Organizations are powerful and influential actors in society. “Transnational corporations, states, international organizations and non-governmental organizations fashion and control the everyday context in which we lead our lives\(^{43}\). In fact, it is easy to find examples of how the agenda of large multinational corporations influence and form the policies of nations in different parts of the world. In the earlier chapters I have also outlined the impact SMEs have on the European society, collaboratively. Organizations are indeed actors in society, and therefore they cannot be (re)viewed isolated, nor can they behave as if they were isolated from the rest of society.

In a neo-liberal context, the only concerns for the individual who is pursuing happiness should be whether his pursuit is robbing the freedom or right of other individuals. In an organizational context, the only concern of the company is therefore whether it generates profit or not, of course without robbing the right, property, and freedom of other organizations.

Thankfully, the world today is not this black and white. In fact, players such as the media, NGO’s, governments, and stakeholders are forcing companies to consider environmental issues, social responsibility, human rights, etc. This might explain why transparency is one of the hyped buzzwords of modern society, especially when it comes to the economic sector. “Transparency is discussed as a key

\(^{42}\) See Appendix 10, for description of Active House Radar

\(^{43}\) Garsten &Hernes, 2009
element in relation to ‘good governance’ and democratic procedures in public affairs, and it is considered a central aspect of corporate governance.\textsuperscript{44} “

Transparency and CSR are two terms that go hand in hand. “Transparency is often promoted under the general heading of CSR.\textsuperscript{45}” CSR standards/policies are (more or less) voluntary activities and based on the assumption that ethical problems are avoided by imposing rules and auditing impact on targeted areas, such as environment and human rights. Traditionally, companies are naturally obligated to follow the law in the country in which they operate, but otherwise they are not obligated to have a CSR policy. However, this may vary from country to country.

According to Friedman, the only concern that a company should have is whether it generates profit or not (of course within the boundaries of the law). He claims that it is the money of the stakeholders that are being used on CSR, and that the increasing expenses, ultimately will lead to higher prices for the end users.

In the well-known article, “The Social Responsibility of Business is to Increase its Profits”, Friedman’s main concern for CSR, is that private companies become public servants. His argument is that it is usually governments, who introduce taxes and fees for social purposes, not private companies.

This point of view aligns with the most fundamental assumption that is taught at business schools all over the world, namely profit maximization. Profit maximization is the basic assumption that all individuals (and therefore also all companies) are behaving logically and therefore always concerned with reducing cost and optimizing profit. As earlier mentioned, the world today, is not this black and white, and the following chapter will, therefore, highlight some of the findings found in previous literature that explains why firms (should) use resources on CSR.

\textbf{Reason 1- CSR as a Rationalized Myth}

A rationalized myth is a recommendation, which specifies appropriate means to pursue technical or as in this case social ends in a rational way. It is a guideline for what it takes, to be a legitimate and rational actor in the market. The rational myth is in fact institutionalized and is therefore taken for granted; thereby it will appear as the natural and evident thing to do in a company.\textsuperscript{46} However, it is important to underline, that the rational myth differs from the daily use of the word myth and is in this case not seen as false belief and something superstitious.

\begin{flushleft}
\textsuperscript{44} Hood & Heald, 2006
\textsuperscript{45} Garsten & Montoya, 2009
\textsuperscript{46} Meyer & Rowan, 1977
\end{flushleft}
The organizational form of nearly every company today is an example of a rational myth. The defined structures and departments such as the R & D unit, the HRM unit, and the accounting unit are not something that a company is obligated to have, but it is regarded as the “way to do it”.

In the same way, the argument can be made that CSR is becoming a rationalized myth. It has become a profession, and companies have to deal with CSR today because of the social pressure, and sometimes, even the law. The shift from an informal concept to something organizations talks about in their annual report, is what has made CSR a rationalized myth.

However, by adopting the rationalized myth that CSR has become, companies can benefit from some very important factors. First of all, the company appears to be rational and responsible, it also establishes stabilized relations and legitimacy, both internally and externally. Last but not least, it increases the chances of success and survival. CSR is also often used to promote trust, and trust is alpha omega in a corporation. Without trust, you risk having no costumers, no suppliers, no investors, and ultimately no business. This also means that by having a CSR policy, the company is not compromising the foundation of profit maximization; in fact it could be an expense not doing it.

However, the placing of CSR and the demand for transparency on the corporate and European Commission agenda, might also reflect a genuine concern, for ethics and norms in the volatile and unstable economic and political environment that we experience today. Especially, when considering the misrepresentation of accounts in the business world and the outrage it has sparked in the public. In fact, “voluntary forms of governance may express a sincere will of corporations to be accountable for their actions and to contribute something worthwhile to the world. It, however, may also offer a means for corporations to be absolved by adhering to formalized and ritualized procedures.”

Reason 2- Brand Differentiation through Discourse

“Engaging with transparency may be a way for management to re-position the corporation as a reflexive and ethical actor in the global market. Engaging with transparency may even provide new market opportunities in the positioning of the transnational corporation as a socially responsible actor - a “corporate citizen”. The brand, identity, and the reputation of the company, is a very important factor in

47 Meyer & Rowan, 1977
48 Garsten, 2003
49 Garsten & Montoya, 2009
50 Corporate citizenship suggest that the corporation is seen as deeply embedded in social structures with social structures with accompanying rights and duties – and acknowledgement of the social and political nature of financial affairs (Granovetter, 1985). The notion of corporate citizenship is morally strong, connoting a responsibility to the public, in contrast to the established view that responsibility of the firm is to make profit. This is a direct quote from “Ethical Dilemmas in Management”.
achieving competitive advantage. Companies nowadays can no longer afford the risk of having the image as a closed and opaque company; hence they have to incorporate a certain degree of openness in their management system, and in their practice of social responsibility. This they can achieve, by having a good CSR program and through discourse.

According to Martin Kornberger⁵¹, Professor of Organizational Studies at Copenhagen Business School, brands, are identities-in-action⁵². He presents this view in his book “Brand Society” from 2010. The point of departure for Kornberger’s understanding of identity is the notion of difference as the basis of identity, stated by Heidegger⁵³.

A brand gets its identity by being different from other, similar brands. It is exactly through the differentiation from competitors that one can tell what is distinctive for one brand, compared to the others. In this sense differences point to relations between things, thus identity is relational. Identity appears in the relation to the surrounding world and the interaction with others.

Kornberger argues that the brand is created through discourse. This point of view has basis of Nietzsche’s notions of changes occurring in language over time. According to Kornberger, “language does not represent a given reality – in fact, it creates what we take for reality”⁵⁴. Hereby Kornberger says that language can be used as a tool to create a certain reality. The language is not a mirror for one given reality. It does not reflect a platonic reality or truth lying outside of us. Instead, the language is the tool we use, to make sense and create meaning in, and around things. When we talk about an object, we create meaning for that object in our use of language. As Kornberger, claims we can talk it into existence⁵⁵.

This means that CSR practices do not only signal a certain amount of trust, or as in this context style or building design, but also the position of the company in the field of sustainability. Knowing which aspect to communicate and which one to conceal (or even hide), as well as delivering this information with the right timing, is therefore of utmost importance for the company. “Engaging with transparency is thus, largely, a matter of communication and of being able to articulate that which one wishes to display.”⁵⁶

⁵¹ Martin Kornberger is an associate professor for management and design at UTS and founded the brand experience agency Play, he currently works at the Department of Organization, at Copenhagen Business School, as professor in strategy and organization.
⁵² Kornberger, 2010
⁵³ Kornberger, 2010
⁵⁴ Kornberger, 2010
⁵⁵ Kornberger, 2010
⁵⁶ Garsten & Montoya, 2009
Reason 3- Discursive strategies
Companies are constantly facing ethical dilemmas and are constantly under pressure from the society. “Discursive strategies refer to strategies that consist of actions intended to communicate intention about actions to stakeholders groups,” society, suppliers, consumers, etc. According to Hernes, Schjelderup and Vaagaasar five (2009) distinct strategy types, which serve to deal with ethical dilemmas, are identified. These five strategies are diversification, countering, repackaging, decoupling, and cover-up.

The following addresses what distinct the different strategies from each other:

Repackaging is when the company redefines practices by putting them in a context in which they can be criticized, but with more difficulty. Critics of the Mærsk Company might see the opera house, which Mærsk Mckinney Møller gave to Copenhagen, as a repackaging strategy. Many critics and politicians have for many years criticized the Mærsk Company, for not paying enough tax. By giving the city of Copenhagen, a modern and expensive opera house, it has become more difficult to criticize Mærsk for not paying enough taxes.

Countering, a defensive strategy, designed to defend the company from concerns or allegations raised in the public by the media, pressure groups or competitors. Often, external research groups get dragged into this strategy, with the purpose to counter criticism. The external agent is supposed to be neutral and unbiased, hence making a good way to discharge allegations.

Structural decoupling means dissociating the organization, from practices that can be harmful to the brand and identity of the organization. The way the Danish company DONG Energy, handled the case of high salaries for the top management in 2012, is an example of how structural decoupling works. By firing an employee, because of scandals or any behavior that reflects badly on the company, DONG dissociated itself from harmful actions and in doing so reduced the damage these types of scandals may cause.

The diversification strategy is when companies’ whose identities are built around core products, seek to diversify their activities. In this way, they avoid, putting all their eggs in one basket. For instance, if a product, causes ethical problems, the criticism only have to be absorbed by that single product, instead of the whole company.

Finally, Cover up is when a company is purposely hiding scandals, data or certain (mis)practices from the public and big parts of the organization.

Discursive Strategies are relevant to discuss when a company is facing ethical dilemmas that can harm their brand or reputation. Discursive Strategies are therefore first and foremost mechanisms that protect the
company against harmful allegations from the external stakeholders. To illustrate this, I have put together a model that shows the dynamic of the relationship between the company and the society.

The red arrows illustrate the pressure from external stakeholders, such as customers, politicians, NGOs, media, etc. The respond of the company is illustrated by the arrows pointing away from the company. The green arrows and circles are the strategies that involve CSR actions. The idea of the model is to illustrate that the Discursive Strategies makes a company more difficult to criticize and more trustworthy.

**Reason 4, 5 and 6 - The Three Domain Approach Model of CSR**

The Three Domain Approach Model of CSR is another way to conceptualize the motives for working with CSR. The Three Domain Model of CSR consists of three responsibility areas: economic, legal, and ethical\(^5^8\). These domain categories are defined in a manner consistent with Carroll’s four-part model from 1979 and 1991, with the exception that the initial philanthropic category has merged with both the ethical and economic domains, reflecting the possible differing motivations for philanthropic activities\(^5^9\). The model allows the researcher to analyze, which of the three spheres the company emphasizes. The three spheres are visualized in the CSR portrait, which shows variable portraits of the model. The model is illustrated in Appendix 3.

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\(^{57}\) Source: Own  
\(^{58}\) Carroll & Schwartz, 2003  
\(^{59}\) Carroll & Schwartz, 2003
Economic Orientation

The CSR activities that directly or indirectly lead to profit maximization and an increase in share value, fall under the economically oriented domain. Direct economic activities include actions, intended to increase sales or avoid costs. Indirect economic activities refer to activities designed to improve, as an example: employee morale, brand reputation, etc. Activities which are pursued with improving profits and share value in mind are economically motivated. At this point, most business students would point out, that the majority of corporate activities are economic in nature. However, there are some activities that are not included in this domain. “A corporation’s actions would fall outside of the economic domain if (i) they are not intended to maximize profit (or minimize loss) when a more profitable alternative exists, or (ii) they are engaged in without any real consideration of the possible economic consequences to the firm.”

Ethic

The ethical domain refers to the ethical expectations (not to be confused with the legal expectations) as expected by the general public, the specific industry, and the relevant stakeholders. In relation to this there are three types of standards: Conventional, consequentialist/teleological and deontological. The conventional standard is the standard that has been accepted by the organization, the industry, and society. The consequentialist standard is an effort to promote the positive result for both the company and society and the final standard; the deontological, focus on the reflection of the company when it is acting.

Legal Orientation

The legal domain refers to the legality of the firm (i.e. European, state or local jurisdiction). Legality is further divided into three subviews: Compliance, avoidance of civil litigation and anticipation of the law. Furthermore, the first category, compliance, is further sub-
divided into three types: *passive, restrictive, and opportunist*. The compliance view refers to a company that does what it wants but passively or accidently comply with the law. The second category refers to activities that are undertaken in order to avoid civil law litigation. The last category, the anticipation of the law, refers to the activities that the company undertakes to influence or prevent future legislation. The table below gives an overview of the three categories and the subcategories below “compliance”.

<table>
<thead>
<tr>
<th>Type of Legal Motive</th>
<th>Typical Corporate/Managerial Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passive Compliance (Outside Legal Domain)</td>
<td>“Well, looking back on it, we did happen to comply with the law.”</td>
</tr>
<tr>
<td>Restrictive Compliance</td>
<td>“We wanted to do something else, but the law prevented us.”</td>
</tr>
<tr>
<td></td>
<td>“We did it in order to comply with the law.”</td>
</tr>
<tr>
<td>Opportunistic Compliance</td>
<td>“Well, the law allows us to do it.”</td>
</tr>
<tr>
<td></td>
<td>“We operate in that jurisdiction because of the less stringent legal standards.”</td>
</tr>
<tr>
<td>Avoidance of Civil Litigation</td>
<td>“We did it because we might get sued otherwise.”</td>
</tr>
<tr>
<td></td>
<td>“Lawsuits will be dropped.”</td>
</tr>
<tr>
<td>Anticipation of the Law</td>
<td>The law is going to be changed soon. We wanted pre-empt the need for legislation</td>
</tr>
</tbody>
</table>

In regards to the legal sphere of the TD Model, there are different opinions on whether applying the law is considered CSR or not. Many scholars distinguish between complying with the law and being socially responsible. The scholars who make this distinction claim that CSR initiatives are something that should be voluntary and go beyond the legal requirements.

In summary, the Three Domain Approach Model, conceptualize the three main reasons for initiating CSR actions. In the summary chapter, I will argue which of these frameworks/reasons are the most suited to become the one of the two main model of this thesis.

**How?**

**Introduction**

The research that focuses on SMEs and CSR in Europe reveals that SMEs are less likely to develop explicit social responsibility strategies than their larger counterparts. According to Graafland (2003) and Spence

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67 Carroll & Schwartz, 2003  
68 Figure is adapted from Carroll & Schwartz, 2003  
69 Table 3. Source: Own
small firms make less use of CSR instruments than larger firms. There are five reasons for that: 
1) visibility to the media, 2) economies of scale, 3) more need for instruments that facilitate the communication of values and norms within the firm and to their customer, 4) stronger competitiveness in the output market for small enterprises\textsuperscript{70}, and finally 5) CSR tools signify a greater proportional investment of time and resources for the small firms than for the large firms\textsuperscript{71}.

These claims aligns well with the finding of others researcher, such as Baker (2003), who claims that "realistically 60\% of SMEs are simply content to survive; as long as they are making a decent living, there is little reason to reduce the bottom line with CSR-related schemes\textsuperscript{72}.

Due to these restraints on resources and the general focus on larger corporations in the CSR literature, it is hard for SMEs to pinpoint the exact benefits that CSR can add to their business. This, however, does not mean that SMEs are not socially or environmental responsible. Many SMEs already work with CSR through social and environmental schemes, but without knowledge of the CSR term and how it is used strategically to add net value to the company\textsuperscript{73}.

The unawareness of the term “CSR” among SMEs is therefore also a part of the problem of committing SMEs to work systematically with CSR. This is an important point for understanding the position of SMEs in the analysis of social responsibility and business ethics in Europe. Many SMEs are socially, and environmental aware, but their activities are often scant and unfocused\textsuperscript{74}. This is quite unfortunate because SMEs actually possess a list of positive characteristics that can help them benefit from CSR-related activities, which means that the right focus and awareness could lead to the utilization of CSR on a great scale\textsuperscript{75}.

The key characteristics are that SMEs are more flexible, adaptable and leaner due to their smaller size. This means that SMEs can rapidly change to new niche markets and apply their characteristic innovation and creativity skills into the development of innovative approaches to CSR. The less hierarchical management structure found in SMEs means that communication is more fluid and, therefore, helps to facilitate CSR programs and information rapidly. This also means that the benefits of undertaking any action are felt more immediately in SMEs than in larger companies. These are the characteristics that can help SME benefit from CSR-related activities.

\textsuperscript{70}Spence, 2000
\textsuperscript{71}Graafland, 2003
\textsuperscript{72}Baker, 2003
\textsuperscript{73}Morsing, 2009
\textsuperscript{74}Morsing, 2009
\textsuperscript{75}Jenkins, 2006
Furthermore, “SME behavior is often understood in terms of the psychological characteristics of the entrepreneur or “owner-manager”; SMEs tend to have a personalized style of management and lack formal management structures with specialized staff\textsuperscript{76}. Although this characterization is not negative per se, it is problematic, that the entire CSR engagement of a company can stand or fall with one particular manager or employee. The quest of spreading CSR to SMEs in the European building industry or any industry for that matter, therefore, depends on education and information on CSR. Not only education for the owner-manager but education throughout the whole company, in that regard external networks might play a vital role.

The following chapter will look into some of the theoretical frameworks that deal with strategic CSR. One of these frameworks will be used to shed light on the research question of this research. To become the second main model of this research, the framework that I chose as a main model needs to address external networks, in one way or another.

**Strategic CSR - Shared Value Creation**

The point of departure in Kramer and Porters understanding of CSR is that CSR is an interlink between society and business and that society and business depend on each other\textsuperscript{77}.

Fundamentally, Porter and Kramer share the same world view as Friedmann, namely that, the only social responsibility for business is to increase its profits\textsuperscript{78}. However, they do come up with a more nuanced argument for companies to act both socially and environmentally responsible without compromising the profit maximization. They propose that firms should act socially and environmentally responsible, strategically rather than randomly and thus create shared value.” The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress\textsuperscript{79}.

This approach to CSR demands that the firm works with CSR in a more strategic way, because it considers where it focuses its engagement and how it handles its responsibilities. The notion of Shared Valued Creation (SVC) differs from the Three Domain Model and other mainstream CSR literature, such as

\textsuperscript{76} Bolton, 1971
\textsuperscript{77} Porter, Kramer 2002, Porter, Kramer 2006
\textsuperscript{78} Friedmann, 1970
\textsuperscript{79} Porter & Kramer, 2011
Freemans Stakeholder Theory, because it addresses how, business should act responsibly rather than why, hence the name of this chapter.

Thus, Porter and Kramer differentiate between SVC and CSR and oppose the claim that both terms are the same—doing well by doing good. “SVC is integral to a company’s profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.” CSR is widely perceived as a cost center, not a profit center. In contrast, SVC is about new business opportunities that create new markets, improve profitability and strengthen competitive positioning. “CSR is about responsibility; SVC is about creating value.”

The concept of SVC rests on the premise that both economic and social progress must be addressed using value principles. “Value is defined as benefits relative to costs, not just benefits alone. Value creation is an idea that has long been recognized in business, where profit is revenue earned from customers minus the costs incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This has blurred the connections between economic and social concerns. In the social sector, thinking in value terms is even less common. Social organizations and government entities often see success solely in terms of the benefits achieved, or the money expended. As governments and NGOs begin to think more in value terms, their interest in collaborating with business will inevitably grow. By becoming better to connect companies’ success with societal improvement, SVC opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets.

The language and acronyms of SVC have not yet become mainstream in the business world, and some scholars refer to SVC as CSR on steroids. However, that doesn’t mean that SVC has not been adapted as a business practice. Porter and Kramer would argue that many firms work with SVC but call it CSR while still insisting that the two notions differ.

In both cases, compliance with the laws and the ethical standards and the protection of the brand reputation is assumed. However, besides that the difference between CSR and SVC is summed up and illustrated in the following table:

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80 Porter & Kramer, 2011
82 Porter & Kramer, 2011
83 http://www.techsangam.com/2012/02/14/just-what-exactly-is-shared-value/
84 Table4: Source: Adapted from table on: http://www.techsangam.com/2012/02/14/just-what-exactly-is-shared-value/
**Influence of Porter and Kramer**

The SVC school of thought has influenced scholars in the field of CSR. As mentioned in the introduction, there is an increasing interest and focus on SMEs work with CSR among politicians and researchers. This has led to the publications of guidelines and tools from external sources such as networks and official institutions, targeted specifically to SMEs. The focus of these guidelines is how to connect *strategy* and *CSR*.

An example on this can be found in Anne Roepstorffs (2008) book, *Strategic Use of CSR in SMEs- When and Why*\(^85\). She presents four pieces of advice that can help SMEs establish a CSR strategy.

First, the SME needs to get in a dialog with the stakeholders, such as the customers, suppliers, the community and the employees. Through this dialog, the SME receives input for its product and innovation.

Second, in order to become an integrated part of SMEs strategy and business model, the CSR policy should evolve from the SMEs product and market.

Third, any CSR initiative should align with the existing culture, vision and history of the company. This makes sure that the CSR initiative is anchored in the identity of the company.

Finally, CSR in SMEs is a dynamic process that evolves like any business strategy and therefore also needs to be revised and treated like the business strategy. The CSR policy is aligned with the environmental and social goals of the society, these goals changes as our society changes and, therefore, the CSR focus of the company should change as well.

*The Six Elements of a Strategic CSR Framework for SMEs*

SMEs can take advantage of new business opportunities by incorporating CSR into their business strategy. In the owner-managed SME, the involvement with CSR depends heavily on personal values and local context. Because of this, many SMEs fail to gain the maximum competitive advantage from CSR. A case

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\(^{85}\) Title translated from Danish
study that was carried out by Grayson and Hodges (2004) revealed that SMEs that aligned CSR with their business strategy gained more competitive advantage than the companies that relied on the personal values of the owner-manager.

Although the literature on SMEs and CSR is increasing, very few frameworks are developed explicitly for SMEs work with strategic CSR. The strategic framework developed by Jenkins, 2009 has been highlighted in this thesis as it also considers the role of external networks.

According to Jenkins, the strategic framework for SMEs that incorporate CSR into their business strategy consists of six elements.

The six elements are:

1. **A Change Agent**: The utilization of CSR operations in any company gains tremendously when the change agent (i.e. a business champion) for CSR is a senior manager. The change agents in SMEs are often the owner or managing director, due to the small size of the company; this puts SMEs in a position where they can utilize the business opportunities of CSR.

2. **Internal Networks**: “Acquiring new knowledge must be accompanied by mechanism of dissemination.” SMEs communicate well, but they struggle to get employees involved in the CSR activities. A way to circumvent this barrier is to target the CSR activity where the company has the greatest impact.

3. **Flexibility**: The rapid response that SMEs can execute is a major advantage when adapting to changing market signals.

4. **Innovation**: Innovation is a process rather than a single event it can be incremental in SMEs and does not necessarily involve the adoption of radical new technology or major new products, services or processes.

5. **Competitive advantage**: this doesn’t necessarily mean getting bigger and more profit if this is not the main objective of the company.

6. **External Knowledge**: The final element of the strategic framework for SME is quite important for this study. It is External Knowledge, and it refers to the willingness to draw on external knowledge sources such as AHA. According to Jenkins, there is an issue here for SMEs that needs to be addressed in order to utilize external knowledge sources properly. Because, while SMEs are willing to learn about CSR from peers and to

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86 Jenkins, 2009; Jenkins, 2006
87 Jenkins, 2009
88 Jenkins, 2006
89 Jenkins, 2009
network with them, it is seldom that SMEs seek CSR-related support externally as it is seen “patchy, is not coming from the right sources, is confusing or overlapping or is not the right kind of support”

*External Networks*

To claim that strategic CSR creates business opportunities for SMEs is hardly the invention of the wheel. This chapter has presented strategic frameworks that highlight this matter. However, nor, Porter and Kramer’s research or Roepstorff’s guidelines, address the role that external networks play in order to achieve competitive advantage through CSR.

However, the little literature that does exist on SMEs and CSR, actually pinpoints external knowledge and networks as a vital part of the utilization process of CSR. I have highlighted these matters earlier in this chapter, but they are summarized in the following:

- **Countering** is a defensive strategy that is designed to defend the company from concerns or allegations raised in the public by the media, pressure groups or competitors. Often, external research groups are dragged into this strategy with the purpose to counter criticism. The external agent is supposed to be neutral and unbiased, and it is, therefore, a good way to discharge allegations. Many companies use external agents, to verify that their annual CSR report is unbiased. In 2003 TINE, a Norwegian dairy company co-financed a web-based information service on dairy. The service provides information on issues related to dairy products and was established after allegations from the public that drinking too much milk is associated with osteoporosis. For example, the web-based service highlighted an internationally published article on how milk helps with losing weights. As “a discursive element, such a strategy is structural in the sense that the organization co-fines an external agency that serves its purpose. At the same time the agency appears, in this case, as an autonomous agency, which lends its credibility as a countering device. In any event, it can be seen as a communicative strategy with the aim to defend the legitimacy of milk as nutrition.”

- Moreover, Jenkins refers to the willingness to draw on *External Knowledge* as a vital element to gain competitive advantage from CSR. While SMEs are willing to learn about CSR from peers and to network with them, it is seldom that SMEs seek CSR-related support externally as it is seen “patchy, is not coming from the right sources, is confusing or overlapping or is not the right kind of support.”

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90 Jenkins, 2009  
91 Hernes, Schjelderup & Vaagaasar, 2009  
92 Jenkins, 2009
Finally, AHA is an external network where we find large multinational companies and SMEs working with the same principals and tools. It is not a consultancy agency that you can pay to sharpen the CSR profile of your company. It is a knowledge sharing forum where multiple companies (big and small) develop, tools and guidelines for environmentally responsible and energy efficient buildings. The specific guidelines and tools, the green profile of the network and the common vision to spread a certain building design, provides unique business opportunities. This has led to unique collaborations, CSR Awards and influence on policy decision process, for and from the members, as I have already elaborated in the introduction chapter of this thesis.

These indicators show us that even though the literature on how external networks help SMEs, is very limited, the research on a network like AHA is still relevant and interesting, from an academic perspective.

However, to answer the research question substantially and in a meaningful way, I need more than a fragment of Jenkins Six Elements and a minor part of Hernes Discursive Strategies framework. The theories highlight that External Networks are important for SMEs to create competitive advantage, but they are limited when it comes to explaining how and why they are important. That leads me to the presentation of the last theory in this chapter.

**Culturally Informed Resource Based View**

Even though that the theory of “Culturally Informed Resource Based View” (CRBV) is primarily aiming to elaborate the essential elements of the conventional understanding of the Resource-Based View (RBV), I have included it as main model in my conceptual framework. The CRBV framework is relevant in the context of this thesis, as it conceptualize the role of external networks such as AHA. The frameworks furthermore ties well with the notion of strategic CSR as it illustrates the relationship between societal issues and the impact they have on the strategy of the firm. Finally, the framework captures the role of social movements and how it influences the direction of a given firm.

The Resource Based View (RBV) is a widely used perspective in strategy making that links economic value with a strategy that is based on *Valuable, Rare, Inimitable and Non-Substitutable* (VRIN) resources and capabilities. In the article *Creating Economic Value through Social Values: Introducing a Culturally Informed Resource-Based View* (2011), by Cara C. et al. the authors posit that a firm’s institutional context may create or destroy value. Hence, the authors underline that the firms’ context is often understated in the traditional RBV framework and that it shouldn’t be understated due to the risks of compromising the economic value that is created by a firm’s strategy. The risk of eroding the economic value of the firm, exist

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93 Barney, 1991
in the chance that a social issue can become associated in a negative way with the strategy of the firm and thus alienate parts of the population of the organizational field.

In other words, culture matters and cultural elements in the firm’s organizational context are factors that drive the economic value, the strategy and the resources and capabilities. The Culturally Informed Resource Based View (CRBV) is a more nuanced version of the conventional RBV framework that emphasizes the processes that connect the firm with its organizational field.

A firm’s organizational field is defined as the “community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field”\(^\text{94}\). 

Furthermore, the organization field consists of groups of actors with distinct systems of social value. These groups of actor’s fall into the following categories: Populations, social value systems, social movements and social issues.

The population of an organizational field refers to the sum of actors who have a stake in an organization’s strategy, even if they are not categorized into typical stakeholder groups such as customers or social activists\(^\text{95}\). Among the populations of organizational fields, there are always members who share a common perception on a societal issue. Often the population is fragmented and consists of opposing population groups within the same organizational field. The system of the social value and societal issues are embedded in the population, and these elements are therefore also influenced and directed by the perception and understanding of the population.

Social Issue is defined “as events, developments, or trends that go beyond the purely economic and technical aspects of the issue, and can activate the social values of organizational field members and agents”\(^\text{96}\). Social issues can be trends regarding environmental protection, labor work, and healthcare\(^\text{97}\) and therefore also influence the strategy of the firm.

Social Value Systems refers to the common cultural-cognitive understanding among actors in a specific organizational field. Common understanding is a central notion of culture, which is often defined as a “system of social values, symbols, and shared beliefs that guide and give meaning to a group’s actions”\(^\text{98}\). Individuals and society may hold the same social values as the values stem from the same cultural context.

\(^{94}\) Scott, 1994  
\(^{95}\) Maurer, Bansal & Crossan, 2011  
\(^{96}\) Maurer, Bansal & Crossan, 2011  
\(^{97}\) Hoffman, 2001  
\(^{98}\) Davis, 1984; Parsons, 1991; Scott, 2008; Sergiovanni & Corbally, 1984
However, due to the emphasis on some value over others, the system of social values often varies\textsuperscript{99}. The system of social value will, therefore, be more similar within the population of a specific organizational field than between populations from different organizational fields\textsuperscript{100}. The system of social value is so deep embedded in the population that it influences the way a firm perceive and understands its resources and capabilities, their strategy and also their economic value.

\textit{Social movements} have been defined as “sequences of contentious politics that are based on underlying social networks and resonant collective action frames, and which develop the capacity to maintain sustained challenges against powerful opponents”\textsuperscript{101}. Social movements aim to translate special interests into societal concerns\textsuperscript{102}. Their boundaries are diffuse, their organization informal, they are sustained over time, and they often contest the status quo\textsuperscript{103}. Social movements oppose dominant mainstream institutions to raise awareness and change the behavior of people\textsuperscript{104}. Through contention and conflict around a social issue, social movements often aim to polarize a given field\textsuperscript{105}.

Social movements influence the meanings and understandings about a given social issue that have been articulated by social movements over time. Furthermore, by contesting the status quo of society, they are challenging the social value systems of the organizational field they belong to. Therefore, the firm strategy also becomes associated with social issues.

\textbf{Summary}
In the first part of this chapter, I have discussed why SMEs should undertake CSR initiatives and thus, presented a list of six different motives. 1) CSR as a Rationalized Myth 2) Brand Differentiation through Discourse, 3) Discursive Strategies and Finally the TD Model, which includes 4) economic, 5) legal and 6) ethical motives.

Among the frameworks that I have presented in this part of the chapter, the TD Model is the most extensive in terms of putting the motives for working with CSR in context. The different orientations of the TD Model are thus covering the economic benefits of strengthening the brand identity, through CSR initiatives. Likewise, the TD Model covers the ethical or legal reasons; a firm might have when it pursues Discursive Strategies.

\textsuperscript{99} Rokeach, 1973; Schwartz, 1992, 1996; Williams, 1979
\textsuperscript{100} Maurer, Bansal & Crossan, 2011
\textsuperscript{101} Tarrow, 1998
\textsuperscript{102} Alexander, 2006
\textsuperscript{103} McAdam et al., 2001
\textsuperscript{104} Zald et al., 2005
\textsuperscript{105} Soule & Earl, 2001
As mentioned in the TD Model chapter, there are different opinions on whether applying with the law is considered CSR or not. In North-America, CSR is traditionally related to voluntary work and corporate philanthropy and perceived as self-regulation beyond the involvement of the state\textsuperscript{106}. In Europe, CSR is traditionally more interlinked with the state. Therefore, the notion of CSR departs from more institutionalized and regulatory boundaries and doesn’t depend on the generosity or discretion of the company\textsuperscript{107}. In a European context, CSR is not a matter of voluntary self-regulation as it is in America, and social responsible activities are realized through cooperation with the state, NGOs, interest groups, etc.\textsuperscript{108} As this thesis departs in a European context, it is, therefore, important that the main model in which the data is explained considers the legal aspect of CSR.

The legal domain of the TD model is, therefore, important and relevant, in order to understand the perspective of the interviewed European SMEs. If the geographic scope of this research were set another place, for example, North America, the TD Model probably wouldn’t be included in the theoretical framework as a main model. This can have implications if comparing this thesis to research conducted in North America, especially regarding to what is perceived as CSR and what is not.

Furthermore, the extensive reach of the model allows me to investigate multiple reasons for engaging in CSR. The data I collect for this research might indicate whether or not SMEs are more attracted to a specific motive over another. The results might also reveal a fourth motive, besides economics, laws, and ethics. In regards to the examination of the motives to pursue CSR among SMEs, the TD Model is, therefore, one of the main models in this research.

In the second part of the chapter, I have looked into theories that try to answer the question, how SMEs can work with CSR. The reason I do that is because an overview of how SMEs work with CSR enables me to examine the role external networks play in creating competitive advantage. The focus of the second part of this chapter has therefore primarily been on strategic CSR.

Overall the frameworks I presented illustrate how societal issues impact the firm and how the firm can transform societal issues into a competitive advantage. In contrast to SVC and Roepsorffs framework, The Culturally Informed Resource Based View (CRBV) puts external networks into a theoretical context, which is necessary to consider in order to, answer the initial research question. The framework captures the role of social movements (external networks) and the way they influence the direction of a given firm.

\textsuperscript{106} Matten &Moon, 2004  
\textsuperscript{107} Djursø & Neergaard, 2006  
\textsuperscript{108} Djursø & Neergaard, 2006
There are two reasons that this model is the second (and last) main model of this thesis.

1) According to Jenkins, *Six Elements of a Strategic CSR Framework for SMEs, external knowledge* is a vital strategic element for SMEs when they seek competitive advantage through CSR. However, while SMEs often learn about CSR from their colleagues and network with them, it is seldom that they seek CSR-related support externally. Jenkins points to this problem but doesn’t provide a solution or explanation to why the problem exists. The CRBV model presents a framework where external knowledge can be utilized by the firm.

2) The CRBV Model emphasize the indirect influence social movements have on the firm's strategy, unlike any other strategic CSR framework. In regard to the research question of this thesis, a comparison between social movements and external CSR focussed networks, might bring forward new understandings of how external networks can create value for a firm, through societal issues.

Therefore, the TD Model and the CRBV framework are the two main models from here on. That means that the rest of the theories in this chapter will not be in focus in the analysis.
Methodology

To answer the research question, the theoretical framework needs to be tied to the appropriate method that supports the interplay between the analysis and the collected data. In this case, the appropriate method is qualitative, and I will use semi-structured interviews to collect the primary data. Moreover, this research is based on a single in-depth case study. R.K. Yin (2003) defines a case study as an “empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” This research focuses on three different AHA members that are also SMEs. I seek to identify how CSR is benefitting these SMEs. Furthermore, I seek to explore what role AHA plays in that matter. Thus, I use the theory as a foundation to analyze my research question and in doing so I use a *deductive* strategy. That means that, based on my theoretical foundation, I have certain assumptions that I analyze and examine throughout this thesis. The following chapter is elaborating the considerations I had regarding the methodology and collection of data.

Considerations Regarding the Method

*Qualitative Research vs. Quantitative Research*

Facing research in the field of social science, the first consideration is whether to have a qualitative or quantitative approach.

Miles and Huberman (1994) suggest that qualitative research seems most appropriate when the study situation requires (a) *substantial data reduction* (b) *clarification in the presentations of these data*, and (c) *expectations for new theoretical propositions or specific managerial actions* \(^{110}\).

The expectations for new theoretical propositions and specific managerial actions are especially applicable to my study. As mentioned earlier, the literature on the role of external CSR based networks is limited and scant, which is the reason that I expect new theoretical proposition on the matter. Furthermore, specific managerial actions are expected because the board of AHA and the members of AHA can base future actions on this research. Moreover, *point b*, is also relevant as the reduced amount of collected data in relation to this thesis demands clarifications and has to be presented in the relevant theoretical context. Based on these expectations and arguments a qualitative approach is justified.

\(^{109}\) Yin, 2003  
\(^{110}\) Lee (1999)
Miles and Huberman also advise to consider whether some interrelated points are important for the study or not when deciding on qualitative and quantitative design. These points are: a) **Local grounding**, b) **substantial depth of the research is important**, c) **perspectives of the people are central to the study**. These points are indeed important for this study and therefore also added to the argumentation for a qualitative approach. The reasoning behind this claim is explained in the following:

First, **the perspectives of the people involved are central to the study**, which is a defining character of qualitative research. The **how** in the research question, is the reason for that; to find out **how** AHA benefits its smaller members, the perspectives of the **managers and people** involved with the network is crucial. Second, **local grounding** is also important in relation to the research question. Organizational processes in SMEs are sensitive to the local context and should, therefore, be considered when answering the research question. Finally, **the substantial depth of the research is important**, which means that the descriptions that are rich, vivid and deep hold intrinsic interests for this thesis.

Finally, Miles and Huberman (1994) describe qualitative research as falling into four major domains: **participant observer, nonparticipant observer, interviewing and archival research**. Each of these categories contains different and distinguished methods and furthermore, within these methods, particular designs are identified.

The most common qualitative method practiced in organizational research is interviewing, which is also the most suiting method to explore the research question of this thesis. Therefore, the primary data for this thesis is collected through interviews with representatives/members of AHA, whereas, the secondary data is gathered through **archival research**.

Kvale and Brinkman claim that a well prepared interview produces data which is easier to work with and of higher quality. In order to have a well-prepared interview, it is important to have considerations regarding the structure, the ethic and the interpretation of the interview, moreover, the design of the interview guide is a crucial factor for an interview with high quality.

**Structure of Interview**

Interviews range in style from completely structured to completely unstructured. A semi-structured interview falls in between the two extremes. For this thesis study, the semi-structured interview form is the most suitable structure.

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111 Lee (1999)
Semi-structured interviews represent a compromise between the structured and unstructured format. A semi-structured interview typically has an overall theme, general topics, and specific questions, with a predetermined sequence for the fallout. Unlike the structured interview, the researcher is free to pursue matters as circumstances dictate. This form of interview also requires strong interview skills. Maintaining a balance between a direct and free-flowing conversation, and careful preparation for each interview, is therefore of utmost important, in these types of interviews.

This means that all interviews should be entered with a predetermined interview guide, where a few number of emerging points are addressed no matter what. At the same time, this structure gives the researcher liberty to pursue, any emerging topics more than initially planned.

There is a reasonable chance that the interviewees in this study will present views outside of the initial theoretical scope, the semi-structured interview is, therefore, a suitable method to gather primary data.

Interpretation of Data
A qualitative researcher should begin a study with a clear notion of how to make sense of the obtained data. Mason (1996) offers an insightful way to approach this matter. The components of a qualitative study may be classified according to whether the researcher understands the obtained data literally, interpretatively or reflexively.

The specific case study, the nature of the interview and the context in which the researcher collect data, determines the interpretation of the data.

AHA is not a sensitive matter that makes the interviewees uncomfortable or insecure; this allows me to interpret the obtained data literally. When a study’s data are taken literally, the meanings of observation, verbal comments, participants’ sense making, and contextual pressures on the participants’ experience are taken at face value. This means that the interviewer or interpreter broadly accept the honesty, insight and sincerity of the interviewees. The researcher is only able to do that if the interviewee feels secure and comfortable. That is why ethical considerations for an interview are important\textsuperscript{112}.

Ethical considerations
The human interaction in an interview situation will influence the interviewee in one way or another and the knowledge that we produce from the interview help us understand human conditions. Inevitably, a layer of ethical considerations exists, in qualitative research\textsuperscript{113}. In relation to the interview research, ethical

\textsuperscript{112} Kvale & Brinkmann, 2009
\textsuperscript{113} Kvale & Brinkmann, 2009
problems especially arise in the complex situation related to investigating intimate details in another
person’s (professional) life and then publishing these details.

Furthermore ethical considerations prior of an interview, help the researcher create a secure environment
for the interviewee, in which he/she can conduct the interview.

Traditionally there are four areas of discussion when it comes to ethical guidelines related to the interview,
1) The role of the researcher 2) Consequences 3) Confidentiality and 4) Informed consent\textsuperscript{114}.
These four areas of ethical considerations are important to consider in an interview. All four areas are
elaborated and can be found in Appendix 11.

Considerations regarding confidentiality, consequences and the role of the researcher, help the researcher
create an environment where the participant feels secure. This allows the participant to open up and be
honest about how AHA creates value for his or her small or medium sized business. Thus, it is possible to
interpret the interview literally.

Data Collection
The following table is an overview of the most frequently mentioned companies in this research. The table
provides a brief introduction to the company and a list of how I collected data from that company.

<table>
<thead>
<tr>
<th>Company</th>
<th>Info</th>
<th>Type of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>VELUX</td>
<td>VELUX is a Danish company that specializes in windows and skylights. With production facilities in 11 countries and sales companies in almost 40 countries, VELUX employs almost 10000 people from all around the world and is considered a market leader in the skylight industry.\textsuperscript{115}</td>
<td>Primary and secondary</td>
</tr>
<tr>
<td>Saint-Gobain Glass</td>
<td>Saint-Gobain Glass is a French multinational corporation. Originally a mirror manufacturer, it now also produces a variety of construction and high-performance materials. Sain Gobain Glass is considered a world leader in the building material industry and employs over 185 000 people all over the world.\textsuperscript{116}</td>
<td>Secondary</td>
</tr>
<tr>
<td>Retail Company (SME3)</td>
<td>The Norwegian retail company that provides the private and professional market with garage ports, doors, and windows. They employ 35 people in four Norwegian departments.</td>
<td>Primary</td>
</tr>
<tr>
<td>Energy Consultancy (SME2)</td>
<td>This Danish SME consults in technical and economic optimization of energy reduction and use of solar power in buildings. The company consists of six consultants, and it was the first company in Denmark that was able to provide professional consultancy on energy optimization in buildings when it was founded in the 80’s.</td>
<td>Primary</td>
</tr>
<tr>
<td>Architect Company</td>
<td>Belarusian company that consist of two people. The vision of the company is the realization of sustainable development principles based on a</td>
<td>Primary</td>
</tr>
</tbody>
</table>

\textsuperscript{114} Kvale & Brinkmann, 2009  
\textsuperscript{115} http://da.wikipedia.org/wiki/Velux  
modular architecture. Their main activities consist of: designing and building energy efficient buildings, which are comfortable and affordable.

CSR Network Non-profit, Danish, CSR network that works to increase the competitive advantage and innovation ability of its members, through CSR and sustainability-oriented tools and knowledge.

**Target Group Limitations**
AHA consists of 49 members spread across two continents, Europe, and North America. 16 of these members are research and knowledge institutions and besides that three other members falls under the member-sub-category of “memorandum of understanding partners”. From the 49 members, 33 are actual business partners. However, these 33 members are a mixture of small and large members and European and North American members. Thus, the target groups consist of approximately 15 relevant SMEs.

The target group for this thesis is the small and medium sized enterprise members of AHA. That is a quite narrow target group. As we already discussed in the conceptual framework chapter, the nature of SMEs is that they are often limited in time and resources. Gathering data in these circumstances is therefore quite a struggle.

For this thesis, three different SMEs have been interviewed. Furthermore, interviews with, VELUX (a large member of AHA), AHA board members, and an external CSR consultancy have taken place, to support the findings from the three SMEs.

Furthermore, a narrow target group, which characterizes case studies, has little basis for scientific generalization\(^\text{118}\). Secondary literature, in form of previous research and public interviews, has therefore been collected to support the interviews. These sources of information are elaborated in a later chapter.

With these target group limitations it is therefore important that I am critical of the validity of my results and that I state it, if my data reveals findings that aren’t backed up by secondary literature.

**Primary Data**
The primary data consist of six semi-structured interviews that vary in length from 30-60 minutes. All interviews are recorded, except the first one. Notes were taken during all the interviews. Moreover, all interviews, except the first one, were conducted over the phone or Skype.

\(^{117}\) Table 5. Source: Own
\(^{118}\) Yin, 2003
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General secretary of the Alliance, VELUX employee and board of directors</strong> member</td>
<td>The first interview was very preliminary in its structure and had more characteristics of an initial meeting than an actual interview. AHA was discussed, and notes were taken during the interview, this is the only interview that took place face to face. However, there is no audio recording of the interview.</td>
</tr>
<tr>
<td><strong>Small member of AHA (Architect company), will be referred to as SME1, in the footnotes.</strong></td>
<td>The second interview followed an interview guide and notes were taken during the interview. The focus was on the benefits of AHA and the barriers that smaller companies have to overcome in order to work with CSR/sustainability.</td>
</tr>
<tr>
<td><strong>Middle sized member of AHA and member of the Advisory Committee of the advisory board (Energy Consultancy Group) will be referred to as SME2, in the footnotes.</strong></td>
<td>The third interview followed an interview guide and notes were taken during the interview. The interview focused heavily on the benefits of working with the bigger members of AHA, namely VELUX.</td>
</tr>
<tr>
<td><strong>Middle sized member of AHA (Retailer Company), will be referred to as SME3, in the footnotes</strong></td>
<td>Like the third interview, the interview followed an interview guide and notes were taken during the interview. The interview focused heavily on the benefits of working with the bigger members of AHA, namely VELUX.</td>
</tr>
<tr>
<td><strong>General secretary of the Alliance and large member of AHA, will be referred to as KEE, in the footnotes</strong></td>
<td>In the fifth interview, the general secretary was interviewed again, but this time as an employee in VELUX. The interview focused on VELUXs role in AHA and AHAs impact as an external network.</td>
</tr>
<tr>
<td><strong>CSR Network/consultancy will be referred to as CSR Network, in the footnotes</strong></td>
<td>The sixth interview focused on the role of external CSR based networks in relation to SMEs. Therefore, an external consultancy/network beside AHA was interviewed.</td>
</tr>
</tbody>
</table>

**Secondary Literature**

The secondary literature consist of two parts. 1) Collection of litterature and 2) Support for the primary data.

The litteratur collection has been guided by an exploratory approach due to the limited data we have on the field. The purpose was to gain practical and theoretical insight on CSR, SMEs and external networks, from the research community. The existing literature has been collected from academic databases provided by Copenhagen Business School and the curriculum from the MSc. Programme Strategy Organization and Leadership. The European Commission’s website has also provided two reports that have been used to back up the theory and analysis and most importantly, the relevance of this thesis.

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119 Table 6: Source: Own
Furthermore, collection of secondary data has been important for this thesis, due to the limited primary data and the target group limitations which I have explained in an earlier chapter. The official AHA website has therefore been consulted and small interviews regarding the benefits and goals of AHA have been used. Since, these interviews are edited and published by AHA it is important to consider their bias. The interviewed persons in the clips are a mixture of AHA members. SMEs, research institutes, and large members are interviewed, and the data is therefore certainly relevant. By comparing these interviews with my interviews, I have decided to use this material as it supports my primary data and does not contradict it. The secondary literature has been highlighted in the following table.

<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.cbs.dk/bibliotek/databaser">http://www.cbs.dk/bibliotek/databaser</a></td>
<td>The Copenhagen Business School Database. The literature for this thesis has been downloaded from this website.</td>
</tr>
<tr>
<td><a href="http://activehouse.info/">http://activehouse.info/</a></td>
<td>The official website of AHA. The following interviews has been used as secondary literature: &lt;br&gt; <em>The Goals of the Active House Alliance</em> &lt;br&gt; <a href="https://youtu.be/TrG4tYADYFs">https://youtu.be/TrG4tYADYFs</a> &lt;br&gt; <em>What is the Active House Concept?</em> &lt;br&gt; <a href="https://youtu.be/dWkTNsCEmol">https://youtu.be/dWkTNsCEmol</a> &lt;br&gt; <em>The Benefits of Active House Alliance:</em> &lt;br&gt; <a href="https://youtu.be/axa2YhB4jtc">https://youtu.be/axa2YhB4jtc</a> &lt;br&gt; <em>Active House, One Solution to the Nearly Zero Energy Buildings</em> &lt;br&gt; <a href="https://youtu.be/kCbrGCKHg9U">https://youtu.be/kCbrGCKHg9U</a></td>
</tr>
</tbody>
</table>

[^120]: Table 7. Source: Own
Interview Guide
Sometimes it can be hard to maintain the overview of the research and at the same time keep a dynamic flow during an interview situation. When preparing an interview, it is, therefore, useful to develop two interview guides, in two “different” languages. The first guide contains the research question in its conceptual framework. This guide helps the researcher maintain the overview and focus of what he/she wants to research. However, the research question is usually formulated in an academic/theoretical fashion, which can be hard for a person outside the research to comprehend. That is when, the second interview guide comes to use. The second interview guide is formulated as actual interview questions and in a way that is easy to understand for the interviewee, hence the mention of a so-called different language. The table on the next page illustrates how the research question in it is conceptual framework can be translated into interview questions, in order to maintain both the thematic overview of the research and keep a dynamic and natural conversation, during the interviews. This exercise is important in order to extract intrinsic and vivid information out from the interviews. The reason for that is that the abstract formulation of the research question will not lead to these vivid and intrinsic answers, but instead a state of confusion and answers beside the point. A research question should instead be investigated by many interview questions from many perspectives. This will lead to useful information and sometimes, even answers to other research questions. The following figure is the interview guide that I have used for my interviews with the SMEs.

<table>
<thead>
<tr>
<th>Conceptual Framework</th>
<th>Interview Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does CSR create value for SMEs?</td>
<td>- How does your company contribute to society?</td>
</tr>
<tr>
<td></td>
<td>- What are the benefits/disadvantages of being social responsible?</td>
</tr>
<tr>
<td>How do CSR-based networks help SMEs?</td>
<td>- What kind of value does AHA add to your company?</td>
</tr>
<tr>
<td></td>
<td>- Can you give an example? Activity? Event? Partnership??</td>
</tr>
<tr>
<td></td>
<td>- How can AHA attract more SMEs?</td>
</tr>
<tr>
<td>What are the SME specific business opportunities?</td>
<td>- How is your role in AHA different than the larger members?</td>
</tr>
<tr>
<td></td>
<td>- What role does the size of your company play when pursuing a social impact?</td>
</tr>
</tbody>
</table>
Findings

The highlights of the empirical findings are presented in this chapter. To ensure integrity and transparency, the audio recordings and my notes of the interviews have been attached to the appendix. There were several themes in my interviews that were mentioned over again. Therefore, the findings have been categorized into overall themes, in which they are presented.

Theme 1: VELUX

The findings reveal that VELUX plays a big role in the AHA. They have a lot of board members in the alliance and all the SMEs that were interviewed for this thesis, have a relationship with VELUX in one way or another. For example the retailer company says: “To be honest with you, we are more or less a member of this alliance because of our close relationship with VELUX.” The architect company also mentions VELUX as collaborating partner: “I know the big members. We collaborated with VELUX and Saint-Gobain.”

One reason that VELUX seems invested in AHA is that Active House is a building standard that use a lot of windows and skylights, which would naturally increase the sales of the world’s largest manufacturer of skylights. A blog on housing standards claims that Active House is invented by VELUX. However, my interview with the Danish Energy Consultancy Group reveals, that probably isn’t completely true, as the interviewee talks about how he initially contributed to the Active House Standard.

Finally, in regards to VELUX, the target group, pointed at the opportunity to collaborate with VELUX as a beneficial factor for joining AHA.

Theme 2: Passive House

Passive House is a building standard originally developed in Germany that can reduce heating needs by 90%. They reach this target by making the house extremely well-insulated, virtually airtight, and by orienting and designing the house to maximize passive solar gain. However, the singular focus on energy efficiency is something that frightens parts of the target group, as this building standard neglect the quality of life issues, such as indoor air quality, fresh air, and natural sunlight.

The blog that I mentioned before pointed at the Passive House building standard, as the reason, that VELUX formed the AHA. While, it is true that VELUX believe that the Passive House standard should be improved and, therefore, prefers Active House, not all AHA members are necessary Passive House opponents. The

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121 See appendix 5-10
122 SME1, video 8, 03:20
energy consultancy group I interviewed for example works with both standards. The architect company, on the other hand, opposes the Passive House Standard.

While my findings tell us that the feelings toward the Passive House standard vary from company to company, there is meanwhile no doubt, that the AHA itself is an alternative to the Passive House standard. This is evident from the findings, the literature on house standards and from the names of the standards themselves, *passive* and *active*.

**Theme 3: Motives**

Later in the analysis chapter I will elaborate on the motives that the SMEs have when undertaking CSR initiatives. However, the interviews revealed that SMEs join AHA, for commercial as well as ethical reasons. Furthermore they join AHA to achieve competencies, create new markets, relationships, etc. The central topic during the interviews was the incentives to do CSR and join AHA. Therefore, it is not a surprise that such a variety of motives were brought up, during the interviews. In the analysis chapter I will present an overview of the different motives.

**Theme 4: Terminology Confusion**

The acronym “CSR” was probably the most confusing theme during the interviews and amongst the members of AHA in general.

On one hand, we have members that seem to be very oriented when it comes to CSR and actively use the alliance to enhance their CSR profile. On the other hand, we have companies that have a very scant idea of what CSR is and why it is related to AHA. Furthermore, the findings revealed that the energy consultancy had opposing feelings toward CSR in general, but thought that the way AHA tried to make a social impact was admirable.

**Theme 5: The Active House Radar**

An Active House is the result of efforts to actively integrate the three main principles of Comfort, Energy and Environment in the design of a building and the finished building. The Active House Radar is a calculation tool that shows the level of ambition of each of the three main Active House principles. This tool is available for the members, and it seems popular with the architects and engineers of the alliance. Alongside the access to work with market leaders such as VELUX, the Active House Radar is a tool that especially the technical members consider valuable in the alliance. “For me the Active House Radar is very genius”\(^{124}\). This aligns well with the findings from the CSR consultancy network that I spoke with. The CSR advisor pointed out that the lack of CSR related tools is a barrier for SMEs to work more systematically with

\(^{124}\) SME1, video 3, 02:45
CSR. “In economics we have economy operating systems, in HR we have systems for HR, but why don’t we have systems for CSR? Where is the tool that move talk to action?” The findings indicate that such tools may be found in AHA.

Theme 6: Big Projects
All three SMEs that I spoke with had been involved in quite large projects with some of the bigger members of the alliance. However, these projects seem like singular projects, after which the relationship with the alliance seems to be set on standby. A thorough investigation on the aftermath of these projects would have helped me analyze whether or not they were related, to the SMEs business strategy. However, that investigation is outside of the scope of this thesis but does offer interesting possibilities for future research.

Theme 7: Responsibility
The SMEs that I spoke with and, in fact, all the members of AHA, take social and environmental responsibility to some degree. However, when the talk falls on social or environmental impact, the general perception of the impact that SMEs have is rather negative. The SMEs admit that they have a responsibility towards the social and environmental footsteps they leave on the planet. However, if the business sector really wants to make a positive impact through CSR-related schemes, it can’t be done without the large companies taking the first step, according to the SMEs that I spoke to. Through membership, AHA allows SMEs to stand on the shoulders of giants, in order to make an environmental impact. This approach to CSR seems to be very popular among the target group.

125 CSR Network, 16:00
Analysis

Structure of the Analysis
I have structured my analysis in two parts. The two parts are based on the two main models, the TD Model and the CRBV framework. The first part is related to the TD Model and it will deal with the sub-question: How does CSR create business opportunities for SMEs? The Second part of the analysis is based on the CRBV Framework and it deals with the sub question: What role has an external network such as AHA played in order to create competitive advantage for SMEs? As the following analysis will show, the two sub questions answer the overall research question from two perspectives, and that will lead to the conclusion of this project.

The structure of the analysis is illustrated here:

<table>
<thead>
<tr>
<th>Part 1: How does CSR create business opportunities for SMEs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Three Domain Model Approach</td>
</tr>
<tr>
<td>- Elaboration on TD Model</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Part 2: What role has an external network such as AHA played in order to create competitive advantage (through CSR initiatives) for SMEs (in the building industry in Europe)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Role of Social Movements in the CRBV framework</td>
</tr>
</tbody>
</table>

Conclusion=Answer to: How is the external network, AHA, benefitting its small and medium sized members from the European building industry, through CSR initiatives?

- Summary of main findings
- Future research

126 Table 8. Source: Own
Analysis Part 1 - How Does CSR create SME Specific Business Opportunities?

Motives
In regards to Schwartz and Carroll’s Three Domain Approach Model (TD Model), the empirical findings for this thesis, reveals that the primary approach for the interviewed SMEs to CSR is either legal or ethical. In the following I will first go over the ethical motives and then the legal motives that drive the SMEs that were interviewed. Later I will elaborate on the TD Model and introduce a fourth motive, besides the economic, legal and ethical.

Overview of Motives
The following is an overview the SMEs motives from the interviews that I have conducted.

<table>
<thead>
<tr>
<th>Company</th>
<th>Motive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architect Company</td>
<td>Idealism/ethical:</td>
</tr>
<tr>
<td></td>
<td>“I am an architect and when I was a student I decided to design only sustainable buildings, only!”</td>
</tr>
<tr>
<td></td>
<td>“We enjoy that we do really necessary things, not just only for money now. Maybe in future it will be money, but it is not big money now.”</td>
</tr>
<tr>
<td></td>
<td>Knowledge:</td>
</tr>
<tr>
<td></td>
<td>“I’m not sure that we see a business in the participation of AHA. First of all, we see a possibility to have some education and some context and to be in this (kind of) sphere”.</td>
</tr>
<tr>
<td>Energy Consultancy</td>
<td>Legal:</td>
</tr>
<tr>
<td></td>
<td>“It (the Active House Principle) fits really good with the building directives from EU. It (the building directives) has actually started this development because everybody has to comply with the future demands.”</td>
</tr>
<tr>
<td></td>
<td>Personal/ethical:</td>
</tr>
</tbody>
</table>
|                  | “He (a former colleague) developed the world’s first zero energy house back in 1973... Later we have continued the work through practical demonstrations and development of low energy solutions... And I have personally been responsible for a series of large EU funded projects.”  

127 Table 9: Source: Own
<table>
<thead>
<tr>
<th>Retailer Company</th>
<th>Ethical/economical:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“So two factors, (determined why we should become member of AHA. Edit) our will or idealism in order to build something for the future and the business perspective where you show the market that it is possible to have a lot of windows in such a house”</td>
</tr>
<tr>
<td></td>
<td>Ethical: “We do support the aim of quality housing, absolutely! We support the cause of daylight and air quality about sustainable materials.”</td>
</tr>
<tr>
<td></td>
<td>Knowledge: “The most exciting part of the project is that we collaborated with the science environment.”</td>
</tr>
</tbody>
</table>

**Ethical**

Among other things, the SMEs that I spoke with were driven by idealism and hopes for a more sustainable future. These drivers fall into the ethical category in the TD Model. However, the degree of how purely-ethical their motives are, varied from company to company. The quotes below illustrate these variations: “So two factors, (determined why we should become member of AHA. Edit) our will or idealism in order to build something for the future and the business perspective where you show the market that it is possible to have a lot of windows in such a house.”

This quote from the retailer company illustrates that the decision to become a member of AHA was not purely ethical.

The next quote, on the other hand, is from the architect company. The quote reveals a position where ethics are more in focus and where the economical perspective is underplayed: “I am an architect, and when I was a student I decided to design only sustainable buildings, only” Later in the interview this standpoint is reaffirmed, when the architect says: “We enjoy that we do really necessary things, and it is not just only for money. Maybe in the future it will be about money, but it is not big money right now.”

Although, it is difficult to conclude or generalize over SMEs or an industry, with a case study and limited qualitative data, these findings are very much in line with previous research on the field. Previous research implies that CSR activities initiated by SMEs are more ethical than economical oriented. The CSR portraits are illustrating this matter quite well as they show that the legal and economical domain don’t stop to exist when a company is having an ethic approach to CSR. They still exist, but they are underplayed. The degree

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128 SME3  
129 SME1  
130 SME1  
131 Jenkins, 2009; Spence & Perrini, 2009. et al.
to which they are underplayed varies from company to company. For example, the economical domain fills more in the architect company than in the retailer company.\footnote{For example on CSR Portraits, see table 5}

Furthermore, the lack of awareness about CSR underlines that the motives to work with CSR might be more sincere, than in the usual large-company-setting. The reason for that is that SMEs are first and foremost pursuing social and environmental impact and not business opportunities that spring from CSR. Although all three interviewed companies have an environmental and social responsible profile, only the Energy Consultancy was familiar with CSR. During my interviews with the other companies, I actually had to explain the term to them. This underlines that SMEs are indeed, “unlikely to use any recognizable language of CSR including the acronym itself,”\footnote{Spence & Perrini, 2010}, which is a point I made in the conceptual framework.

However, just because the SMEs were not familiar with CSR, does not mean that they are not acting responsibly. In fact, KEE from VELUX and the board of AHA claims that CSR is a much more natural way to do business among the smaller members of AHA, than it is in the larger companies. “The small members of the alliance aren’t very focused on CSR reports and communication. However, if we consider the way that the small architect companies and house builders work normally, then their daily work is actually CSR.”\footnote{KEE, 14:00-14:32}

This matter shows us that it was the right decision to use a broad definition of CSR. CSR is defined by the European Commission as “the responsibility of enterprises for their impacts on society”. This definition includes SMEs working socially and environmentally responsible without knowing the “language” of CSR. The broad definition from the European Commission takes that into consideration as it doesn’t lock itself on certain issues and on whether or not responsible governance should be voluntary or go beyond the law. In the matter of CSR and SME, it is, therefore, important that a study consider the lack of awareness revolving around CSR.

SMEs acting responsible but lacking awareness of CSR create a rather complex situation, at least from an academic point of view. However, in this complex situation, there are low hanging fruits that can create value for the SMEs. This leads us back to the initial sub-question, how does CSR create value for SMEs?

In Anne Roepstorff’s (2008) article, “Strategic Use of CSR in SMEs- When and Why?” the author presents four pieces of advice that can help SMEs establish a CSR strategy and thus gain competitive advantage. The
reason that SME can create competitive advantage is because research shows us that companies that work with CSR strategically rather than randomly and unfocused, are more competitive. The four advice are elaborated in an earlier chapter, therefore I allow myself to summarize them only very briefly: “First, the SME needs to get in a dialog with the stakeholders and attain input to its product and for innovation through this dialog. Second, in order to become an integrated part of SMEs strategy and business model, the CSR policy should evolve from the SMEs product and market. Third, any CSR initiative should align with the existing culture, vision and history of the company. This makes sure that the CSR initiative is anchored in the identity of the company. Finally, CSR in SMEs is a dynamic process that evolves like any business strategy and therefore also needs to be revised and treated like the business strategy. The CSR policy is aligned with the environmental and/or social goals of the society, these goals changes as our society changes and, therefore, the CSR focus of the company should change as well.”

If we consider these advice and the companies that I spoke with, it is clear that they are already following these guidelines to a certain degree. Especially, the second and third advice applies to the companies. The name of a Norwegian member of the alliance literally translates into the Active House of the Future. The Danish energy consultancy group specializes in sustainability which makes the involvement with AHA clearly relevant to their identity and strategy. The list goes on, but I think the point is clear. The membership of AHA is anchored to the SMEs product and market and clearly aligns with the existing culture, vision and history of the company.

Due to the more flexible, adaptable and leaner nature of SMEs, linking these activities to CSR is straightforward, and it could add value, in the form of brand recognition. The less hierarchical management structure found in SME means that communication is more fluid that helps to facilitate CSR programs rapidly and faster than their larger counterparts. A CSR advisor who has contact with over 130 of SMEs confirmed these matters in an interview I conducted. “Due to the amount of people in the firm, the structure is flat in SMEs. So decisions are made faster, and they are also more adaptable and willing to take chances. There is no doubt that the decision-making process takes much longer in large firms.”

Establishing a CSR strategy with more ease, than larger companies is, therefore, a business opportunity that is specific for the SMEs that are acting responsible, but not familiar with CSR. Demonstrating and highlighting examples of SMEs taking responsibility while simultaneously gaining competitive advantage

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135 Jenkins, 2009; Jenkins 2006; Porter & Kramer, 2011
136 Roepstorff, 2008 (Not a direct quote)
137 CSR Network, 32:00
also hold interest for legislators and politicians from the European Commission, as good examples can draw more SMEs to work with CSR.

**Legal**

In regards to the legal dimension of the TD model, the findings reveal that all three companies also had legal alongside ethical motives to join AHA. As mentioned earlier, the legal domain refers to the legality of the firm (European, state or local jurisdiction). Legality is further divided into three subviews: **Compliance, avoidance of civil litigation and anticipation of law**\(^\text{138}\), the legal motives of all three of the interviewed SMEs falls into the third subcategory, “anticipation of the law”.

Europe has set very ambitious targets both for cutting CO2 emissions and for improving energy efficiency, and the EU has decided that by 2020, all new buildings have to be nearly zero energy buildings. This is a development that alarms many elements in the building industry, including the members of AHA. The AHA members therefore also benefits from legal assistance, but not through lawyers, etc. but through knowledge, tools and principles that meet the requirements of the future. This is highlighted in the following quote from the Energy Consultancy: “It (the Active House Principle) fits really good with the building directives from EU. It (the building directives) has actually started this development because everybody has to comply with the future demands.”\(^\text{139}\)

Furthermore, the Alliance is not only anticipating the law, but it also tries to influence the building legislation of the future. A representative from VELUX one of the big members of the alliance says: “The idea is to spread this message to authorities and civil servants, so the active house principles can become part of future legislations\(^\text{140}\)”. This shows us that AHA has legal goals.

From a “TD Model perspective,” the approach to join AHA is, therefore, a legal/ethical matter. Except for few variations, from company to company, the CSR portrait for the SME would have an ethical and legal domain that would be prominent and an underplayed economic domain.

This result shed light on the relevance of using the TD model in a European context, as the model consider that law and ethics are sometimes interlinked, especially outside of North America. According to the book, *Ethics in Small and Medium Sized Enterprises*, “within Europe the fields of CSR and ethics exist to some extent in a parallel. There is no clear delineation in Europe of the meaning of or difference between these two concepts”\(^\text{141}\). As it is often SMEs that have difficulty complying with changing legislation and directives,

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\(^{138}\) Carroll & Schwartz, 2003  
\(^{139}\) SME2  
\(^{140}\) VELUX, Ingrid Reumert https://www.youtube.com/watch?v=kCbrGCKHg9U&t=62  
\(^{141}\) Spence & Perrini, 2009
the TD Model might be more relevant to apply on SMEs instead of large companies. The reason for that is that society expect more from large companies than simply complying with the law, whereas, the expectations for SMEs are more adjusted.

In summary, initiating CSR initiatives to comply with the law is not a business opportunity per se. However, not complying with the law can damage and compromise a business and make it seem unethical. As SMEs often have difficulties keeping up with new legislations, a membership in AHA, is beneficial for them as it is a good assistance to comply with the laws of the future. Furthermore, the opportunity to influence future legislation is a business opportunity for both big and small members of the alliance.

Knowledge

My research shows that that the TD Model is not comprehensive. If we want to use the TD model as a tool to understand SMEs behavior in relation to CSR, we might need to enhance it. Based on my findings and previous research, it should be considered whether a fourth domain, specific for SMEs should be added to the TD Model. The fourth domain would be knowledge.

My own interviews, as well as the interviews on the AHA website, point at knowledge as a vital incentive to join AHA. This is highlighted in the following quote from the Retailer Company: “The most exciting part of the project is that we collaborated with the science environment”. The architecht company is also excited about the access to new knowledge as they say: “I’m not sure that we see a business in the participation of AHA. First of all, we see a possibility to have some education and some context and to be in this (kind of) sphere”. Finally, KEE, board member of AHA, emphasizes that the industry specific knowledge that AHA posses, is not only benefecial for the AHA members but also society in general: “AHA, would like to bring forward the knowledge that we have and we would like to participate in relevant workgroups with the European Commission or with the individual member states and their work with the 2020 legislation and the nearly zero energy buildings”.

Improving an established and well-known model such as the TD Model is challenging, especially with a case study approach which, by default makes it hard to make generalizations. However, my findings could provoke future research on this matter, as it fits well with previous research. According to Jenkins (2009) a willingness to draw on knowledge and information from external knowledge sources such as AHA is a vital element for SMEs in order to turn CSR into a competitive advantage. However, while SMEs are willing to

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142 Jenkins, 2006
143 SME3
144 AHA Board Member, Kurt Emil Eriksen https://www.youtube.com/watch?v=kCbrGCKHg9U&t=62
145 See chapter: The Six Elements of a Strategic CSR Framework for SMEs
learn about CSR from peers and to network with them, it is seldom that SMEs seek CSR related support externally as it is seen “patchy, is not coming from the right sources, is confusing or overlapping or is not the right kind of support”\(^\text{146}\).

The external network AHA is offering knowledge and tools specifically targeted to the building industry. By doing so, AHA is attracting both the business and research society, without being perceived as patchy or confusing. This study shows that relevant and industry specific knowledge is the incentive that can push SMEs to create competitive advantage through cooperation with external networks. Thereby, this research contributes to Jenkins framework, as it explains, what external networks can do in order to be taken seriously by SMEs.

AHA therefore, serve as a good example, of a CSR related activity that SMEs join based on “knowledge motives”. Another example of a CSR related activity that (theoretically) can be based on purely knowledge motives, is participation in industry awards. Underlining the word theoretically is important in this matter, because in practice, very few, if any, company would base business actions on knowledge-pursuing-motives alone. Just like very few, if any, rational company would base any actions on ethical motives alone.

As my results indicate, knowledge can be a driver for SMEs to engage in CSR activities. While, it has to be explicitly researched, whether or not that can be the case of large companies as well, previous research hasn’t implied that so far.

**A Four Domain Approach Model for SMEs**

In order to attain a more nuanced understanding of the motives that drive SMEs to work with CSR, I hereby propose the “Four Domain Approach Model for SMEs”. This model is one of the main findings of this thesis.

“The Four Domain Approach Model for SMEs” is first and foremost an elaboration on Schwartz and Carroll’s Three Domain Approach Model, from 2003. However, in the new model a fourth domain has been added to the basic motives that drive business to work with CSR. The model contextualizes a driver that was mentioned many times during my research, namely knowledge. The idea with this model is to gain a better understanding of SMEs CSR related behavior, and to shed light on how SMEs benefits from networks like AHA. In my revised version of the TD Model, the circles/spheres have been redrawn into the same structure as Porters famous *Four Generic Strategies Model*\(^\text{147}\). However, instead of a “narrow to broad scope degree” on the y-axis the “Four Domain Approach Model for SMEs” has a “purely ethical to purely economical” axis.

\(^{146}\) Jenkins, 2009

\(^{147}\) Porter’s generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. Source: [http://en.wikipedia.org/wiki/Porter%27s_generic_strategies](http://en.wikipedia.org/wiki/Porter%27s_generic_strategies)
The “cost to differentiation axis” has further been replaced with a “purely legal to purely knowledge” axis, as it is illustrated in the following figure.

The goal with the model is to illustrate that for SMEs, knowledge is a basic incentive to work with CSR, alongside economical benefits and ethical and legal motives.

The model reflects the motives of a company when it engages with CSR; therefore, the model cannot be used to say anything about where a firm should be placed. A firm that is plotted in the “balanced” part of the model is therefore not necessarily doing better than a firm that is doing CSR for purely ethical reasons.

Based on this new perspective, I was able to plot the different SMEs into our generic model. For example, the architect company mentioned that ethics and knowledge were important for them. That places them in the middle of the right side of the model.

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148 Figure 4. Source: Own. Adapted from: “Porters Generic Strategies Model” and “Schwart and Carrolls Three Domain Model”.

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However, it is important to note that this model has its limitations. “The Four Domain Approach Model for CSR” is first and foremost a suggestion to improve an already established model. Besides the limited data that back this model up, the structure of the model also has its limitations.

While economics and ethics are contradicting notions, the same cannot be said about knowledge and law. The contradiction to the legal domain would be voluntariness or philanthropy, but that is not something that has been discussed during my interviews. More importantly, philanthropy, was actually a part of Schwartz and Carroll’s original framework, but was later reframed into the TD Model, in 2003, as it was subsumed with the economical/legal and ethical spheres due to the different motives companies have when they do philanthropy. While the same argument can be made against knowledge, the motive was mentioned enough times during my interviews in order for me to consider it as a distinct motive, especially for SMEs. Moreover, pursuing knowledge is a quite relatable motive, as many people in our everyday life do voluntary work to gain competencies, capabilities, and knowledge. While admitting that the structure has its limits, I have still placed knowledge as a fourth motive for SMEs.

**Summary**

In the first part of the analysis, I have investigated how CSR creates business opportunities for SMEs. By engaging with AHA and thereby CSR the SMEs are benefitting from a legal perspective and a knowledge perspective. The ethical approach that SMEs have towards social responsibility further lays the foundation of possible business opportunities. However, in order to utilize these business opportunities, the SMEs must first connect CSR to their responsible profile, by doing so the SMEs use CSR to sharpen their brand.

The TD Model has been used to analyze the SMEs motives to work with CSR. Basically, the interviewed SMEs are driven by legal and ethical factors. Furthermore, I have suggested improvements to the TD Model, by considering a fourth motive, knowledge. The idea with this improvement was to widen our understanding of why SMEs work with CSR and eventually, how we can use this understanding to get more SMEs involved with CSR. The fourth motive also shed new light on existing issues in the field of SMEs and CSR, for example, Jenkins strategic framework, where knowledge might be the factor that can get more SMEs to work with external networks. The presentation of the Four Domain Approach Model for SMEs is one of the main findings of this thesis.

The findings for this part of the analysis are aligned with the existing literature on the field. That was highlighted when the data showed the lack of awareness surrounding CSR among SMEs and the difficulties complying with changing legislations. The lack of awareness revolving around CSR leads to low hanging business opportunities for SMEs that are responsible but at the same time not aware of CSR and how to
work with CSR strategically. These companies are in many ways already working with CSR strategically as their environmental and social responsible actions are linked to their identity and strategy, which is important according to Roepstorff (2014). Through communication of their actions the SMEs that I have interviewed, have the opportunity to easily position themselves as responsible corporate citizens, in an industry that is under pressure.

**Analysis Part 2: What role do External Networks such as AHA play in order to create competitive advantage for SMEs?**

*Social Issues and Strategy Making*

In the second part of the analysis I investigate what role an external network such as AHA plays in order to create competitive advantage for SMEs. The most important finding in relation to this is that social movements and external CSR networks influence societal issues in similar ways, namely by challenging the status quo of their organizational field and polarizing it. This has led to insights that reveal that AHA is indirectly able to erode or create the economic value of the SMEs that I interviewed.

This finding supports the basic assumption on which the frameworks of the Culturally-Informed-Resource-Based-View and Shared-Value-Creation are based upon. The basic assumption is that, society and business are interlinked and that the role of society, therefore, can’t be understated in the process of creating a competitive strategy for the firm.

Furthermore, my data reveals that there is a resemblance between the way social movements act, and the way an external CSR networks, such as AHA act. The business strategies of the SMEs that I interviewed are therefore, indirectly influenced by AHA. This is due to the influence that AHA has on the social issues and the social value system of the organizational field of the building industry.

Social movements oppose dominant mainstream institutions to raise awareness and change the behavior of people (Zald et al., 2005). AHA does the same. AHA opposes the traditional way to build houses and tries to change the perception of sustainable housing among the public and legislators. The AHA is working on the Active House principles, which are based on a holistic view of buildings including energy, indoor climate, and environment. Environmental responsibility and energy efficiency is hardly the invention of the wheel; however, the consideration of indoor climate in building design is opposing the mainstream idea of how to build buildings, which up until today has had “a singular focus on energy efficiency, the Active House...”

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149 See chapter about Strategic CSR
150 Zald et al., 2005
expands the focus to quality of life issues, such as indoor air quality, fresh air, and natural sunlight, according to blogger, Matthew Sachs.

Social movements try to raise awareness and change the behavior of people. AHA does the same. An interview with, Great Gulf Homes, one of the SME alliance members, highlight this matter:

“At the end of the day we have to create a consumer demand, so the alliance needs to educate end-users. Another interview with a representative from Saint-Gobain Glass, one of the large members of AHA, underlines the characteristics that AHA has with social movements. “I am sure that in this area AHA is not a follower but it is showing the right direction to go. I am very happy to be involved in this, and I am sure that it will be a mega-trend in the future. Social movements influence social issues and challenge the status quo, which the prior quotes demonstrate that AHA also does. These views show us that in a business setting, social movements can be used as a powerful tool to create new and specified demands by influencing the population, culture, and social issues of an organizational field.

As mentioned in the Conceptual Framework chapter, social issues are defined as events, developments, or trends that go beyond the purely economic and technical aspects of the issue, and can activate the social values of organizational field members and agents. Social issues can be trends regarding environmental protection, labor work, and healthcare. In this case, the social issue regards environmental protection and sustainable buildings, and the trend that AHA is trying to put on the agenda is the Active House principles.

The following model illustrates the relationship between the SMEs and its organizational environment. In the model, AHA is placed as a social movement and sustainable buildings is the social issue that the alliance put on the agenda. In the middle, we have the firm/SME and the big circle representing the organizational field, is the European building industry. The traditional RBV view suggests that if a firm identifies VRIN capabilities and resources, they will create economic value. However, this traditional view understates the challenges the firms faces in balancing their VRIN resources with the values held in their organizational field. The CRBV framework takes these aspects into context.

152 Zald et al., 2005
154 Emmanuel Valentin, Saint Gobain Glass, https://youtu.be/TrG4tYADYFs
155 Maurer, Bansal & Crossan, 2011
156 Hoffman, 2001
If we consider the list of AHA members\textsuperscript{158}, it is evident that the social issues related to Active House are influencing the strategies of some companies. An example of this is the Norwegian SME “Fremtidens Aktivhus” the name of the company literally translates into “The Active House of the Future”. Furthermore we find a Belarusian company who has three main activities, one of these activities is: “Design solutions to achieve the best options for comfort living, energy efficiency, impact on the environment with economically reasonable price”\textsuperscript{159}, the bold factors are the main principles of AHA! The examples show us

\textsuperscript{157} Source: adapted from: Maurer, Cara C.; Bansal, Pratima; Crossan, Mary M.(2011)
\textsuperscript{158} http://activehouse.info/join-us/partners
\textsuperscript{159} http://activehouse.info/join-us/partners
the impact social issues have on the strategy of the firm, and that resource and capabilities are not the only parameters that form the firm strategy.

Moreover, my findings revealed that AHA is also an alternative to a more established and popular building standard, Passive House. The way that AHA position itself according to the Passive House movement is very similar to how a social movements work. The contradiction in the name of the alternative building standard that AHA represents, alone, is polarizing and is fragmenting the building industry’s organizational field (passive vs. active). However, by doing that AHA ensures that the members of their alliance are easily associated with a social issue that they themselves have formed and articulated. This association can in turn be utilized and formed to a competitive advantage.

In our case, the association with the Active House principles is positive. An example of the positive association with the Active House is highlighted in an interview with the retail company. In regard to participation in projects with AHA, the retail company talks about its benefits: “We have always been met with respect and curiosity from such actors, so I think we have increased our credibility as a professional retailer in the building branch of Norway.” Later I asked the company whether it is worth the struggle to be a responsible firm, to which they replied: “I think we have gained more than we have lost... and we would definitely do it again.” This shows us that the association with the social issues that AHA puts on the agenda is positive. According to the authors behind the CRBV framework, the “customers, suppliers, and investors may, therefore, be more likely to do business with the firm and increase firm revenues. Employees may work more productively and may be less likely to resign, lowering firm costs. Thus, agreement in social values with the firm’s strategy will command positive economic value.”

However, it is not always that association with a social issue is positive, sometimes it can be negative and thus become a threat to the company (which is not weird at all since social movements and the business world is normally like cat and dog). In fact, “a firm may risk eroding the economic value created by its strategy because of social issues that can become associated with the strategy.” In the case of AHA I have not seen or heard of eroding economy due to negative association with the Active House principles (all though, the competition between passive and active house, may lead to negative perception from fragments of the population, in the future). However, there are numerous examples of how association with a social issue can be negative and turn parts of the population against the company.

\[160\] SME1, 21:55
\[161\] SME1, 27:20
\[162\] Maurer, Bansal & Crossan, 2011
\[163\] Maurer, Bansal & Crossan, 2011
One example is the recent case of a Danish supermarket that decided to translate some signs from Danish to Arabic in order to reach out to some “fresh off the boat” Syrian refugees that lived nearby in an asylum camp. This led to a massive political media storm against the supermarket and elements from the population, relevant to the organizational field of the supermarket, threatened to boycott them. The reason for this reaction was a Danish right wing politician who saw the Arabic signs as an Islamization of Denmark and, therefore, decided to make it a social issue. This example shows us that social issues can undermine the economic value the firm is trying to create by associating a social issue to the strategy of the firm. The members of AHA therefore needs to be aware that there is always a potential threat that parts of the population disassociate themselves from the strategy of the firm, if the population perceive the Active House principles in a negative way.

Furthermore, there are plenty of examples of failed, vague, or only partially influential social movements. Engaging in a social movement is therefore first and foremost an investment and negative associations are not the only parameter for failure. From an economic point of view, a lack of positive association is also a failed investment, as the firm spends time and resources engaging with social movements. Therefore, the firm should also consider whether or not the social movement is capable to make the necessary social impact, in the first place.

VRIN resources and capabilities should therefore not be the only factors that shape the business strategy of the firm; as this analysis have shown us, the dynamics of the organizational field can erode or create the economic value of a company.

Social movements can put firms in a pinch through sense-making and articulation of social issues and influence on the social value system of an organizational field. However, due to the structure of AHA the chances that a social issue should threat the economic value of its members is very little, everything else equal.

The reason for that is that AHA is a “social movement” with an economic interest in its members as well. The alliance consists of companies and research institutions that promote a special agenda. Due to this combination of memberships AHA obviously won’t allow the alliance to promote an agenda that would threaten the economic value of its members. Actually, the structure of AHA is quite smart, because at the same time it is still difficult to label AHA as a purely interest group, because the alliance also consists of respected research institutes and universities from around the world, for example the The Technical

The combination of business and research centers make sure that the alliance can maintain a certain degree of integrity, which makes AHA a valuable ally, for both small and large members.

This analysis shows us how social issues can erode the economic value of a firm. Articulating and putting these social issues on the agenda is something that social movements do well. External Networks such as AHA, therefore, play a vital role in order to create competitive advantage for SMEs, as they have a direct influence on the formulation of social issues.

Moreover, collaboration with social movements leads to easy association with certain issues; but as mentioned, the effect of the association can be both negative and positive. Understanding the organizational field of the company is therefore important. However, influencing the organizational field of the company through collaborations with social movements creates business opportunities!

**Future Research**

The future research in the field of CSR and SMEs can be summed up in two categories. The first category is the development of CSR tools, specifically developed for SMEs. In relation to this category, one of the theoretical propositions that I identified deserves more research. As prior mentioned, that proposition is the discovery of knowledge as a motivational factor that attracts SMEs to work with CSR. I suggest a quantitative research with a focus on knowledge as a motivational factor, among large companies and SMEs, in the future. This research will contribute to a better understanding of how to attract more SMEs to work with CSR and furthermore, the research will contribute to existing issues, such as why SMEs are not keen to use external networks when they work with CSR.

The other category is related to the lack of awareness revolving around the CSR language among SMEs. During my research I have touched upon a perspective several times that I have not investigated thoroughly.

Much of the literature related to CSR and business ethics, position CSR and ethics as something that either erode or create economic value for the firm. However, during this research I have encountered a third view that I believe deserves more examination. That view is summed up by Peter Bakker the head of the World Business Council for Sustainable Development. Bakker claims that “CSR is dead”. Bakker’s key argument is that leading companies are already going way beyond CSR and are integrating sustainability within everything they do, in recognition that business cannot succeed, if society fails. Furthermore, it is acknowledged that SMEs play an important role in creating jobs and by doing so, they assist in poverty alleviation and provide social safety-nets and community support. In my research, I have also discovered how sustainability is an inseparable part of the SMEs that I interviewed.
In other words, SMEs make an important social contribution simply by operating. Considering CSR as a separate unit may therefore not be helpful.

For future research, I would recommend an analysis of whether or not it makes sense to distinguish between normal business practices and CSR. Furthermore, the research should compare how CSR is perceived in developing countries, Europe, and North America. The findings from my research indicate that in a European context, it may not be helpful to consider CSR as anything else besides normal business practice. The reason for that is that the law and legislation in Europe already cover many aspects of what is perceived as voluntary CSR in North America and developing countries.

The result from this research will determine how the development of SME specific CSR tools should be approached in the future.
Conclusion

European SMEs, in general, are under pressure from politicians, customers and society to take social and environmental responsibility. In 2020, all new buildings in the EU member states must be Nearly Zero Energy Buildings. Due to these ambitious future legislations the building industry in Europe is under more pressure than its peers.

The goal of this thesis was to analyze how the external network, AHA, benefits its small and medium sized members from the European building industry, through CSR initiatives. This matter was approached by looking into two matters. 1) How does CSR create business opportunities for SMEs? 2) What role has an external network such as AHA played in order to create competitive advantage for SMEs? As it was mentioned in the early chapters of this thesis, the literature on external networks in relation to CSR and SMEs is very limited. However, this thesis provides a starting point for further research in this field. Furthermore, due to the pressure from future legislation and politicians and general public demand for responsible behaviour, the findings of this thesis can assist the building industry as well.

New theoretical propositions in relation to the role of external networks in the matter of CSR and SMEs have been identified. These propositions have been reached through a case study based on a qualitative approach and semi-structured interviews. The identification of new theoretical propositions confirms that a qualitative approach to this thesis was appropriate.

The Four Domain Approach Model which builds on Schwartz and Carroll's TD Model is the first of two main findings in this research. The proposition that knowledge is a motivational factor that attracts SMEs to work with CSR deserves more research. This research contribute to a better understanding of how to attract more SMEs to work with CSR. Moreover, this research contributes to Jenkins Six Elements framework, as it shed light on what external networks can do to attract SMEs to cooperate with external networks when engaging with CSR. The identification of a fourth motive in relation to the TD Model also confirms that it was wise to base the data collection on semi-structured interviews, as it allowed me to pursue a matter that I initially had not anticipated.

The second main finding relates to the CRBV model. This model allowed me to explore the role that AHA plays in creating competitive advantage for its SME members. The findings reveal that AHA acts as a social movement in the building industry. Through articulation and orchestration of social issues AHA, is therefore able to influence the strategy of the SMEs. In my analysis I have demonstrated why it is important for a firm to be able to navigate and understand the organizational field in which it exists and how a singular focus on
the firms’ internal resource and capabilities can erode its economic value. This thesis has therefore demonstrated 1) why the CRBV framework is a good supplement to the traditional RBV framework, which has a singular focus on the internal resources and capabilities of the firm and 2) why a relationship with an external CSR network benefits the SME members of AHA.

Furthermore, this thesis has also touched upon the business opportunities that responsible SMEs face in relation to CSR. The positive attitude toward being a responsible company and the CSR activities related to AHA is something that is deeply anchored and related to the cultures and strategies of the SMEs that I spoke with. Due to this and due to the adaptable nature of SMEs in general, the SMEs I spoke with are in a unique position to work with CSR strategically. However, the SMEs fail to connect their responsible behavior to strategic work with CSR, which previous literature on the field tells us is quite common. It is, therefore, necessary that the SMEs learn how to communicate their responsible behavior in order to get an overview of their activities and make them tangible. Only by making something tangible you are able to manage it and only through management the SMEs are able to work with CSR strategically. The lack of awareness surrounding CSR is thus the most important barrier that the SMEs must overcome, in order to benefit from it.

If the SMEs can articulate, communicate and make their activities tangible, they face a huge opportunity to position themselves as responsible corporate citizens and to increase awareness around their brands. This matter also has societal interests for Europe, as politicians will be able to demonstrate the benefits of working with CSR to other companies. Demonstrations of a selected few case companies that benefits from CSR will thus attract more companies to work with CSR.

In summary, European SMEs in the building industry benefit from a membership in the external CSR network, Active House Alliance, by:

- Providing relevant and industry specific knowledge, which is an important motivation for SMEs to engage with external networks.
- Providing tools and guidelines that are created in order to meet the requirements of the future legislation. Earlier research tells us that SMEs struggle with changing legislations, which is why a relationship with AHA can be important.
- Acting like a social movement in the organization field of the European building industry, AHA makes sure that the business strategy of its members is easily and positively associated with a social issue. The positive association strengthens the brand of the company.
- Engaging in *collaborations and projects* that are closely related to the strategy and field of the SMEs. Communication of these projects through the use of CSR tools is a low hanging fruit, for the SMEs that can strengthen their *brand identity*. 
Bibliography


Friedman, M. (September 13, 1970). The social responsibility of business is to increase its profits. *The New York Times*


Websites:


Appendix 1

Derived from: https://www.unglobalcompact.org/abouttheGc/TheTenprinciples/index.html

The Ten Principles

The UN Global Compact’s ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

The Universal Declaration of Human Rights

The International Labour Organization’s Declaration on Fundamental Principles and Rights at Work

The Rio Declaration on Environment and Development

The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and


Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
Appendix 2

The following information about “Active House Radar” is derived directly from the following page: http://www.activehouse.info/node/40/12-active-house-radar

“An Active House is the result of efforts to actively integrate the three main principles of Comfort, Energy and Environment in the design of a building and in the finished building.

The Active House Radar shows the level of ambition of each of the three main Active House principles.

The integration of each principle describes the level of ambition of how ‘active’ the building has become. For a building to be considered as an Active House, the level of ambition can be quantified into four levels where 1 is the highest level and 4 is the lowest.

The ambitious requirement for Active House includes all nine parameters and recommends the lowest level for each of them. As long as the parameters are better or equal to the lowest level of ambition, it is an Active House within the specific parameter.

The Active House Radar to the right shows how all parameters and goals within each principle are dependent on each other.

When (re)designing a dwelling or housing complex, the basic idea is to select individual and ambitious requirements for each parameter.

The Active House Radar is a good tool for displaying the ambition reached with the building and the calculated values. When the building is inhabited, the Radar can also be a useful tool for monitoring, evaluating and improving the building. As a communication tool, it can provide clarity as to why the integration of parameters is important for creating Active Houses.”
Appendix 3

Appendix 4

Informed Consent

Informed consent means that the participants are informed about the main objectives of the research, the main points of the upcoming interview and the consequences as well as the gains that exist by participating in the research. The participants are informed about the objectives of the research during briefing and debriefing. This includes information about the confidentiality, access to the research, access to the data and so forth. In most study cases, these factors will not matter most of the time. However, if there is any chance that the research will lead to a conflict of interest, a written confidentiality agreement can be offered. For this research, an email has been sent to all the participants to brief them about the objective of the research, etc. Moreover, all the participants have been debriefed at the end of the interview.

The Role of the Researcher

The moral compass and the integrity of the researcher influence the quality of the data in any qualitative research. The importance of the researchers' integrity increases in an interview situation because in this setting the interviewer himself is the primary tool to collect data. Theory and guidelines assist the researcher in ethical matters, however, the most deciding assets, a researcher can possess is his or her integrity, honesty, sense of justice and experience.

The ethical demands are important to uphold especially in two specific matters. The first matter is the assessment of the scientific knowledge that is produced. This means to present the results as precise and representative as possible, which can be tough when the results disclaim your hypothesis. Transparency is, therefore, a keyword in this matter and allows the research society to validate and assess the foundation on which you base your conclusion. In this specific case, transparency can be attained by transcription and/or by recording all the interviews.

The second matter, related to the role of the researcher is his or her independence, which can be influenced by either the sponsor of the project and/or by its participants. Association with either of these groups can cloud the academic judgment of the researcher so that he or she are willingly ignoring some results and emphasizing others, which compromises the objectivity of the research.

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165 Kvale & Brinkmann, 2009
166 Kvale & Brinkmann, 2009
Consequences\textsuperscript{167}

In a qualitative research, it is important to address the consequences related to both the possible losses and gains for the participants. In this context, beneficence means that the risk to harm a participant should be as little as possible. The interviewer should be aware that the openness and intimacy that characterize a semi-structured interview situation could be persuasive and sometimes make a participant reveal intimate details of confidential business. During my interviews, I will obviously pursue details of every business opportunity possible. However, I will honor the confidentiality between interviewer and participant through an oral or written confidentiality agreement.

Confidentiality

Confidentiality in qualitative research means that private data, which identifies the participants, is not revealed. Since the interviews with members of AHA can reveal intimate business details, the researcher should make sure that all participants understand that information that may reveal a specific company won’t be available to the public. By securing the participants full confidentiality, the interviewer makes sure that he/she does not do anything unethical in this matter and at the same time a secure and safe environment that allows the participant to open up, is created. However, it is not expected that this research will reveal any business secrets or intimate relations.

\textsuperscript{167} Kvale & Brinkmann, 2009
The interview with the architect company was recorded on Skype. The Software only allowed me to record five minutes at a time. This interview, therefore, consists of 10 five minutes videos. The following is my notes during the interview.

Video 1: 01:00: Enthusiastic change agent, sustainability, ecology. 02:30: Active House Radar. 04:00: Not about business, but about education and knowledge

Video 2: 00:00-00:40: Active House Radar is a very powerful and genius tool.

Video 3: 00:50: Active House promotes a balanced solution.

Video 4: 03:00: Membership of AHA was a natural collaboration

Video 5: 03:40: Confusion around CSR, “What does CSR mean.”

Video 8: 00:15: concern about the future. 00:30: This is their mission and passion. 01:00 it is not benefitting economically. 01:30: It's about spreading the message. 01:50: They enjoy their work, not about the money. 02:20: Social Benefits 03:20 activities with Sain Gobain Glass and VELUX.

Video 9: 02:00: More activities in the future.
Appendix 6

The interview with the energy consultancy group was initially supposed to be audio-recorded on Skype. However, due to technical issues we were forced to conduct the interview over the phone. The signal was still very bad on the phone and the quality of the recording on the phone is therefore very poor at times. The first 20 minutes are recorded on the Skype software and the rest of the interview is recorded on audio-recorder on my Smartphone. The interview was very technical at times, which is the reason that there are gaps in my notes. The following is my notes during the interview.

12:30-13:20: Idealistic motives triumph economics motives → The enthusiastic change agent.

20:00: Chairman of sustainable building group → Idealistic motives

23:00: Admires AHA because, their building specifications fits with the directives from the European Commission.

29:00: AHA benefits them through big, one time, projects and not constantly.

35:00: They contribute to society.

35:50: Large companies have a greater responsibility.

36:30: Criticizes CSR, in general, terms, because the social goal often clashes with the interests of the firm. The interviewee thinks that CSR serve as a smokescreen too often.

45:00: It doesn’t pay off to be a responsible company.

46:00-49:00: Large companies can make a real impact and change. Therefore, they have a greater responsibility than SMEs. But the large companies talk a lot but don’t act accordingly. However, that is not the case with the members of AHA.
Appendix 7

The interview with the retailer company was conducted over the phone. These are the notes that were taken during the interview.

06:20, 07:00 and 08:05: Talks about why they joined AHA

08:50: Talks about the value of the membership.

09:20: AHA helps house builders comply with the law

11:00-12:00: AHA influence and contribute the local jurisdiction in a positive way.

12:00 AHA helps the retailer company achieve confidence and knowledge

13:00-13:40: Valuable membership. They use AHA to build good relations.

14:20: Members of AHA because of their good relationship with VELUX.

15:00: They support quality housing.

15:40: VELUX gives support.

16:50: Collaborations and access to the environment society are very beneficial.

18:00-19:00, 22:07: Gained credibility through the media thanks to the projects they participated in with the science environment and VELUX.

19:50: Need to work with large corporations to make a social impact.

20:40: “We stand alone”...

23:00-25:50: “Does it pay to be responsible?” Initially, they were not sure. But then they say “Yes it does” and that they would participate in big, time and resource consuming projects again.

26:00: Confusion around CSR

27:20: “We have gained more than we have lost.”
Appendix 8

The interview with the VELUX employee, who is a board member in AHA as well, was conducted over the phone.

03:30-03:48: AHA supply tools.

04:13: AHA= Sustainability

05:00: AHA=Sales point

07:00: The spreading the message and goal of AHA are the main gain from their membership.

10:30: VELUX gain valuable input, but the interviewee does not know a specific product development example.

12:00-12:30: What is CSR? AHA is CSR but without the communication.

14:00: The SME members of AHA are the true CSR champions.

16:20-22:00: Hasn’t thought about CSR initially. Through AHA, we make sure that the whole supply chain work with CSR or act responsibly.

23:17: AHA is CSR in the practical world.
The interview with the CSR consultancy was conducted over the phone and audio-recorded. These are my notes on the interview:

05:20: The interview kicks off

07:00: This is a relevant issue.

08:00: Prejudice toward CSR. Time for action

09:00-10:25: CSR=BUSINESS! Philanthropy and charity are not CSR

12:00: How do we spread CSR? Information! CSR is a bad word. CSR is not an add-on

15:20: The discourse must change.

13:30: CSR in SMEs revolves around environment and laws

14:20: We need to get CSR up on a leadership level.

16:00: We lack tools to do that.

19:00: It is important to link activities all the way up to the management level.

20:54: Our network is a catalyst to push the SMEs in the right direction.

21:40: SMEs take social responsibility

22:30: We need to link the ideal motives to the strategy.

26:00: Our network also has a political role.

31:53: Decisions are made quicker in SMEs. They take more chances and adapt quicker. It also helps a lot when there is a CSR champion in the firm, which is very enthusiastic. CSR is established quicker in SMEs.
Appendix 10

The recordings of the interviews I conducted for this thesis are attached as MP3 files.