



JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL  
JÖNKÖPING UNIVERSITY

# **CSR activities within service corporations**

A case study about how four legal jurists and their service corporation conduct CSR activities with primary focus on SME law firms.

Bachelor thesis within Business Administration

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# Bachelor Thesis within Business Administration

**Title:** CSR activities within service corporations

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**Key Words:** CSR, law firm, lawyer, stakeholder theory, triple bottom line

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## Abstract

- Purpose:** The purpose of this thesis is to interview four legal jurists in order to explore how they conduct CSR activities within their service corporation, with primary focus on SME law firms.
- Background:** A current issue to address concerning the conduct of business these days is CSR activities. Although, the previous research concerning CSR activities and the service sector is limited.
- Theoretical Framework:** The theoretical framework is divided into four parts; a general part concerning the concept of CSR activities, a review of earlier studies of CSR activities, the stakeholder theory and finally the theory about the triple bottom line.
- Method:** A qualitative case study was employed in order to answer the purpose. The most suitable research approach was a combination of a deductive and partially an inductive approach. The primary data consisted of semi-structured interviews. The secondary data were used in order to make a comparison in relation to manufacturing corporations.
- Empirical findings & Analysis** As for all corporations an integration of voluntary social and environmental concerns in their business operations are considered as CSR activities. A significant concern is CSR activities that the interviewed service corporations experienced was the lack of human and economic resources to deal with CSR activities. Furthermore, the lack of stakeholder pressure does not facilitate the matter of implementing more CSR strategies into the corporations' business conduct. As a result of the lack of stakeholder pressure the interviewed corporations tend to only take part in CSR activities that create goodwill value for the corporation. According to the interviewed service corporations CSR activities is a new phenomenon that is likely to become a bigger part of their business conduct in the future.
- Conclusion:** The interviewed corporations tend to focus their CSR activities towards the social activities since this is the kind of activities that is closely connected to their core business.

# Kandidatuppsats inom företagsekonomi

**Titel:** CSR aktiviteter inom serviceföretag

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**Datum:** December 2009

**Nyckelord:** CSR, juristfirma, advokatbyrå, intressentteorin, triple bottom line

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## Sammanfattning

- Syfte:** Syftet med uppsatsen är att intervjua fyra jurister inom serviceföretag för att undersöka hur de utför CSR aktiviteter, med fokus på juristfirmor.
- Bakgrund:** CSR är ett dagsaktuellt spørsmål. Ändock, finns det begränsat med studier avseende CSR aktiviteter för små företag inom servicesektorn.
- Teori:** Det teoretiska avsnittet är indelat i fyra avsnitt: Ett generellt avsnitt om CSR aktiviteter, en sammanställning av relevant forskning om CSR aktiviteter, ett avsnitt om intressentmodellen och slutligen triple bottom line.
- Method:** För att besvara syftet utfördes en kvalitativ fallstudie. Det mest ändamålsenliga var en studie med dels deduktivt, dels induktivt förhållningssätt. Primärdatan utgörs av semi-strukturerade intervjuer. Sekundärdatan användes för att etablera en jämförelse gentemot producerande företag.
- Empiri & Analys:** De intervjuade företagen menade att CSR aktiviteter är en blandning av sociala och miljömässiga aspekter som dock ska vara frivilliga. En av de största problemen som de uttryckte var avsaknad av resurser för att kunna vidta CSR aktiviteter. Dessutom antydde de intervjuade företagen att de saknar press från intressenter, vilket ytterligare bidrar till att inga onödiga CSR aktiviteter vidtas. Nästan enbart sådana aktiviteter som kan bidra till goodwill vidtas. Enligt de intervjuade företagen så är CSR dock ett relativt nytt fenomen men som kommer att bli en större del av deras verksamhet i framtiden.
- Slutsats:** De intervjuade serviceföretagen utför CSR aktiviteter med fokus på social ansvar, vilket är förknippat med firmornas huvudsakliga kärnverksamhet.

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## **List of Acronyms and Abbreviations**

CSR	Corporate Social Responsibility
EU	European Union
MNE	Multinational Enterprise
SME	Small and Medium sized Enterprises
TBL	Triple bottom Line
UK	United Kingdom

# 1 Introduction

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*This introducing section will present the background to the problem of conducting CSR activities and furthermore an explanation of the reason to this particular thesis. In addition, the research questions will be presented.*

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## 1.1 Background

A current issue to address concerning the conduct of business these days is CSR. The notion of what sound business conduct means has changed over time and today it is almost insufficient to provide solely good services or products. Corporations cannot afford to ignore the responsibility towards their surroundings and other stakeholders. Around 25 % of the customers today believes that social image constitute a *'very important'* factor when purchasing either a product or service from a corporation. During the last years corporations has been criticized for ignoring the relationship between business conduct and society. Some industry activity is more controversial than others e.g. not causing obvious pollution such as for the car industry. Therefore, such industries need to consider an environmental approach to a larger extent. In sum, corporations have acknowledged the benefits with CSR activities and cannot, out of a long term perspective, afford to ignore CSR anymore (EU Commission, 2002).

Nevertheless, there has been an intense discussion concerning the meaning of CSR for almost half a century, which has contributed to an ambiguity regarding the meaning of CSR (Crane & Matten, 2004). The responsibility of corporations has changed over time as a result of what society believes is necessary to address regarding different social concerns in business e.g. product safety, occupational safety, business ethics and the environment. In addition, the responsibility may differ depending on the particular business being conducted and the area of time. The absence of consensus and agreements regarding its terminology and its impact has lead to misconceptions regarding the implementation and practice of CSR activities within a corporation (Carroll, 1979).

In sum, CSR has been defined with various terminologies which have changed over the years in the context of a constant discussion. Although, the meaning of CSR has been adopted in this thesis as *'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'*, which is a definition stipulated by the EU Commission (2006). Consequently, this implicates that the conduct of CSR activities within corporations is beyond what the law demands.

The traditional perspective of conducting business is closely connected to the shareholder theory, which implies maximization of corporate financial results (Donaldson & Preston, 1995). Friedman (1970) explains his thoughts of CSR in the *'fundamentally subversive doctrine'*. Friedman's pragmatic point of view prevail that there is no real existence of CSR. Furthermore, Friedman argues that corporations have no obligations except maximizing the profits so long it is within the rules of the game, or in other words in accordance with regulations and law.

Contrarily, Edward Freeman, when advocating *the stakeholder theory*, emphasizes the responsibility of corporations towards external groups (Freeman, 1984). Thus, the stakeholder theory is closely connected to CSR. The fundamental idea behind the stakeholder theory is that corporations may generate competitive advantages by conducting propitious ethical business behaviour towards different stakeholders (Weiss, 2006). Considering the attitude

of customer it may be correct that corporations today will benefit from ethical behaviour towards its stakeholders.

## 1.2 Specification of problem

Without a concern if a law firm employ the stakeholder or shareholder theory certain lawyers need to follow more far reaching rules '*within their game*' since they have explicit ethical rules stipulated by '*Advokatsamfundet*' (Advokatsamfundet, 2009). This should be reviewed in combination with the fact that jurists in general, within the service sector, have a position as commission of trust and represents or at least interprets what the law stipulates (Wiklund, 1973). This contributes to interesting circumstances on how these service corporations perceive the meaning of CSR and furthermore conduct CSR activities. However, there are no obstacles for persons to offer legal services without being a member of Advokatsamfundet but in that case they are considered *business lawyers or corporate lawyers* (Advokatsamfundet, 2009). Consequently, there is a possibility to conduct the same legal service but without the ethical standards stipulated by Advokatsamfundet, which tend to be similar to CSR activities.

CSR is a current issue and it is stated that corporations cannot, out of a long term perspective, afford to ignore CSR (EU Commission, 2002). Furthermore, the meaning of CSR has been discussed for almost half a century (Crane & Matten, 2004). Even though CSR is an important matter, most of the earlier research regarding CSR seeks to investigate the manufacturing sector. Hence, the research within the service sector is limited and the authors believe that additional and more differentiated research in the subject is needed in order to shed some light over in what way service corporations conduct CSR activities.

Since most of the earlier research seeks to investigate manufacturing corporations a short comparison will be employed in order to determine how the interviewed service corporations may differ regarding CSR activities. Furthermore, the most common jurist is the lawyer why this thesis seeks to focus on SME law firms.

## 1.3 Purpose

The purpose of this thesis is to interview four legal jurists in order to explore how they conduct CSR activities within their service corporation, with primary focus on SME law firms.

## 1.4 Research questions

To be able to fulfil our purpose, the authors have identified and specified the following research questions:

- Which activities can be labelled as CSR within the interviewed service corporations?
- What kind of difficulties do the interviewed service corporations experience with CSR activities?
- How can CSR activities be used as value adding within the interviewed service corporations?
- What kind of responsibility might the interviewed service corporations have towards its stakeholders and why?



- How do the interviewed service corporations perceive the future regarding the conduct of CSR activities?
- If and in that case how do CSR activities in the interviewed service corporations differentiate in comparison to earlier research regarding manufacturing corporations?

## 1.5 Definitions

### SME

This thesis has adopted the definition of the EU Commission (2005) regarding SME:

- Medium < 250 employees
- Small < 50 employees
- Micro < 10 employees

### CSR

There is an ambiguity about the meaning of CSR, therefore in this thesis the definition by the EU Commissions (2006) is adopted: *'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'*.

### Stakeholders

Stakeholders are persons, legal or private, that are affected, directly or indirectly, by the corporations' activities. These activities can either be related to economical, ethical behaviour or both. No matter the activity these persons have an interest in the well being of the corporation (Carroll & Buchholtz, 2003). All stakeholders will be examined, however the main focus will be upon customers/clients.

### TBL

The TBL not only considers economical but also social and environmental matters and is therefore closely connected to the stakeholder theory, but seeks to be sustainable in a long-term perspective (Elkington, 1994).

### Lawyer

In this thesis the authors have adopted the term of *lawyers* as those who are a member of Advokatsamfundet (in English barrister, in Swedish advokat). These lawyers are obliged to follow the rules stipulated by Advokatsamfundet.

### Business Lawyer

In contrast to lawyers, the authors have adopted the term of *business lawyers* for those jurists who are not members of Advokatsamfundet but still are representing a law firm (in English solicitor, in Swedish jurist utan advokattitel). These business lawyers are not obliged to follow the rules stipulated by Advokatsamfundet.

## **Corporate Lawyer**

A concept regarding lawyers that also will be discussed is those lawyers representing a corporation and who are, consequently, not members of Advokatsamfundet. Thus, these corporate lawyers are not obliged to follow the rules stipulated by Adokatsamfundet.

## **Jurist**

The term jurist constitutes the joint term for all kind of lawyer profession adopted in this thesis.

## 2 Theoretical framework

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*This following section includes a general and historical background of CSR. Consequently, the concept of CSR is clarified in order to enable the reader to understand the meaning of CSR. Furthermore, a presentation of CSR activities within service corporations will follow. Finally, the relevant theories will be presented and discussed and later used to analyse the empirical results in the next section.*

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### 2.1 Corporate Social Responsibility

#### 2.1.1 Historical development of the meaning of CSR

It is necessary to understand the historical development of CSR in order to identify the meaning of CSR. The responsibility of corporations has changed over time as a result of what society believes is necessary to address regarding different social concerns in business e.g. product safety, occupational safety, business ethics and environment. In addition, the responsibility may differ depending on the particular business being conducted and the area of time (Carroll, 1979).

When assessing the history of CSR there are three different periods in time which are significant. The first period consists of the industrial revolution in which governments started to enact legislation which improved the conditions of the workers. The second period of relevance to the development of CSR was the mid-twentieth-century welfare state. It was during this era that corporations started to be seen as an artificial person which had similar rights as the citizens. This view of a corporation resulted in an expectation that the corporation should voluntarily benefit society. Another important progress during this era was that governments started to legislate in matters concerning pollution and workers rights. It was not only governments who started to influence the nature of managing corporations, outside the commercial political framework nongovernmental organisations such as Greenpeace started to take actions to obtain corporations attention in issues concerning environment. The third era, the era of globalisation, has transcended the view of CSR, as corporations taking part in international trade must acknowledge more than contingent national rules. Globalisation shifts the focus of CSR from the national level to the international level (Blowfield & Murray, 2008).

#### 2.1.2 Central questions within CSR

During the years of discussion there have consistently been two essential questions that have been debated:

1. *Why might it be argued that corporations have social as well as financial responsibilities?*
2. *What is the nature of these social responsibilities?* (Crane et al, 2004, p. 41)

##### 1. Social and financial responsibility

The traditional view of corporations' objectives originates in shareholder value and maximizing profits (Donaldson et al, 1995). However, currently it is accepted that the scope of the corporation objective and its responsibilities is somewhat wider than merely increasing profits. Furthermore, it has been debated that a corporation that employ CSR activities, more likely has a long-term perspective. Consequently, such a corporation which employs CSR activities might be rewarded with more contented customers and therefore they will purchase products or services from that corporation to a higher extent. In addition, this so-

cially beneficial activity may attract employees that are committed to social responsibility (Joyner & Payne, 2002). Moreover, one argument states that corporations are powerful social factors that have a moral responsibility to solve social issues in the society (Crane et al, 2004).

## 2. The nature of social responsibility

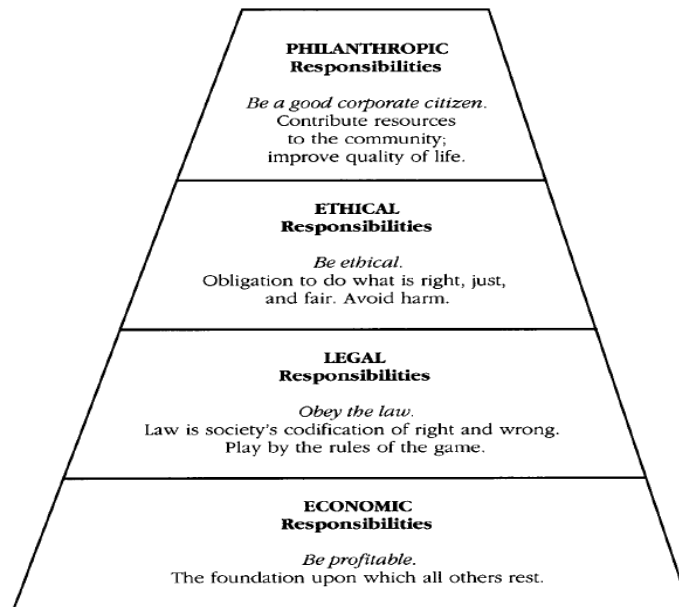
There are various terminologies used in order to explain the meaning of CSR and the discussion has been going on half a century (Crane et al, 2004). Nevertheless, no theory has yet established a unison framework or model, nor has any agreement been reached regarding the terminology of CSR (Clarkson, 1995). Consequently, there are a lot of misconceptions, and the discussion about the conduct of CSR is not yet entirely satisfactory. Blair (1995) argues that the absence of theoretical rigor towards CSR constitute the reason to why CSR has not yet been very successful. Consequently, there has not been enough clear guidance for managers in order to prioritize and set policies within the organisation. Carroll (1979) describes a wide spectra of different views regarding CSR e.g. profit maximization (Friedman), beyond profit maximization (Davis, Backman), beyond economic as well as legal requirements (McGuire) and a responsibility that concern social issues (Hay, Gray & Gates). In order to bring forward some of the opinions regarding the views of CSR, a small selection of views can be presented as following:

*'it refers to the obligations of businessman to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society'*

Bowen (1953) established one of the initial definitions of social responsibilities for managers (recited in Carroll, 1999, p. 270). Furthermore, Carroll (1999) refers to Bowen as the *'Father of Corporate Social Responsibility'*.

*'there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'*

The scholar explains his thoughts of CSR in the *'fundamentally subversive doctrine'* (Friedman, 1970, p. 6). Friedman pragmatic point of view prevail that there is no real existence of CSR. There have been various definitions of CSR including economic, legal and voluntary activities. Although, one of the most used definitions is the one that Carroll (1991) established through his model which is called the pyramid of corporate social responsibility. This model could be seen as a ground pillar of what the authors believe CSR means today.



**Figure 1: The Pyramid of Corporate Social Responsibility**

*Edit Carroll (1991), the Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, p. 42, fig. 3*

According to Carroll (1979) the definition to CSR is *'the social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic, authors note) expectations that society has of organizations at a given point in time'*. This four-part definition endeavour place the business responsibility (economic, legal) in the same context as ethical responsibilities (ethical, philanthropic). The *economic* responsibility states that managers should maximize profits, cut expenditures and base their decisions on financial effectiveness. Furthermore, the *legal* responsibility is basically to comply with given legislation. However, on the one hand the legislation is inadequate in the terms of not covering all business issues. *Ethical* responsibility, on the other hand, embraces business conduct that is not codified by law. In addition, the *philanthropic* responsibility is voluntarily activities that are contemporary for conducting business today (Carroll et al, 2003). A more current developed definition in order to explain the concept of CSR is the EU-commissions (2006) definition:

*'is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*

*It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs'*

Thus, in this research the concept of CSR is defined as *'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'*.

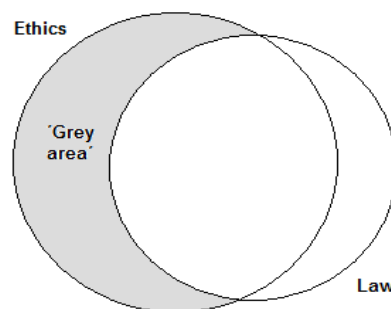
## **2.2 CSR - Voluntary ethical activities beyond the law**

The European Commission define that CSR is voluntary apprehends the fact that a corporation's CSR activities is separated from corporate accountability. The notion that CSR is voluntary might result in a corporation neglecting their CSR risk management strategies which constitutes something that a corporation should have to consider (Ward, 2003).

When CSR risk management originates from decisions made of values which go beyond the law, the management question becomes a discussion about business ethics. Business ethics can be described as the outcome of the decisions that the employees within a corporation are making. By examining the outcome of the decisions and asking the question whether the decision is right or wrong, an employee can decide if the decision is ethical or not (Wise, 2006). The analysis whether a decision is right or wrong originates from the question if the undertaking will be morally right or wrong and not if the undertaking is strategically right or wrong (Crane et al, 2004).

One of the managerial difficulties consists of the mere fact that the definition of the term morality differs between people. To overcome this problem the management often write standards which are to be applied by the employees (Bonnedahl, Jensen & Sandström, 2007). By examining what kind of values, norms and believes that is of significance to the stakeholders, that are affected by the corporations undertakings, the management can apprehend a general idea of how to draft the corporation standards. This kind of research will result in a substantial foundation from which the management can build an ethical theory which gives them the underlying data to make ethical decisions (Crane et al, 2004). An ethical decision theory is based upon an analysis which examines the outcome of the action in terms of justification and result (Beauchamp & Norman, 2004).

Crane et al (2004) emphasize that CSR activities is a form of conduct that goes beyond what the law demands and are more or less up to corporations to decide whether or not this ethical behaviour should be implemented. As Figure 2 presents, there is a grey area which involves behaviour which might be difficult to establish whether it is right or wrong business of conduct. It is in this area which the conduct of CSR can be placed. Therefore, when corporations conduct CSR activities it might be regarded as the right business ethical behaviour but not demanded by the law (Crane et al, 2004).



**Figure 2: The relationship between ethics and the law**

Edit Crane and Matten (2004), *Business Ethics, A European Perspective Managing Corporate Citizenship and Sustainability in the age of Globalization*. Oxford: Oxford University Press, p. 9, fig. 1.1

### 2.3 CSR activities within manufacturing corporations

In a manufacturing process there is sometimes a by-product such as toxic waste. Because of the public awareness regarding activities damaging the environment, manufacturing corporations need to overlook how they can reduce their polluting activities (Fairchild, 2007). The industrial output has a significant impact, since the sector is responsible for between 30 % and 40 % of gross domestic product within the EU. Furthermore, the extent of environmental impact depends on the raw material used, their technology, distribution et cetera

(Williamson, Lynch-Wood & Ramsay, 2006). The Marshall report (1998) (recited in Williamson et al, 2006) estimated that 60 % of the total carbon dioxide originated from SME's in the UK.

A study established through a quantitative research within different sectors, show that the manufacturing sector is more actively using formal instruments, such as code of conduct, ISO certification, social reporting et cetera, rather than the financial service sector (Graafland, van de Ven & Stoffele, 2003). Consequently, it can be argued that manufacturing corporations need to employ more formal instruments compared to service corporations in order to please the stakeholders. Figure 3 presents how sectors use CSR strategies “**Compliance** [the bold words is the authors note] (1) *fixed standards with controlling and rewarding systems*, **Integrity** (2) *stimulate the awareness of clear standards without controlling or sanctioning mechanisms*, **Dialogue** (3) *a dialogue with stakeholders from which we determine new aspects of corporate social responsibility that we want to realize*, **Non-applicable** (4) *no strategy*.” (Graafland et al, 2003, p. 51).

TABLE IV  
Strategies of organising CSR (as a %)

Type of strategy	Metal manufacturing	Construction	Fin. services	Wholesale	Total	Large	Small
Compliance	21	13	4	10	12	20	7
Integrity	17	17	35	41	28	40	19
Dialogue	28	44	42	21	33	27	37
Non-applicable	35	26	19	28	27	13	37
	100	100	100	100	100	100	100

### Figure 3: Strategies of organising CSR

Edit Graafland, van de Ven & Stoffele (2003), Strategies and Instruments for Organising CSR by Small and Large Businesses in the Netherlands. Journal of Business Ethics, table IV , p 51

Comment of Figure 3: It seems as the financial service sector employ strategies more connected to dialogue with stakeholders in attempt to stimulate the awareness compared to the metal manufacturing that have fixed standards (Graafland et al, 2003).

Williamson et al (2006) employed a research where 31 SME manufacturing corporations in the UK and their environmental activities were examined. The respondents explained that environmental issues are costly and one manager said *'you have to weigh everything you use, it's money'*. The result from the study showed that 11 of the 31 corporations spent *'a lot of time on environmental issues'* while 8 of the 11 corporations monitored the business activities. Williamson et al (2006) argue that the result is not surprising considering it is a free market and that activities connected to environmental issues is often expensive and optional to some extent. The conclusion from this study was that manufacturing SME's will not go beyond what the law demands when it comes to environmental issues but Williamson et al (2006) argue that *'SMEs will not exceed regulatory standards because their market-based decision-making frames are incompatible with beyond compliance behaviour.'* Furthermore, Williamson et al (2006) argues that the meaning of CSR is more reputation building for the small corporations.

## 2.4 CSR activities within SME's

The customers in high-income countries tend to demand more rigid involvement in CSR activities. Furthermore, the agenda concerning CSR activities are often shaped by and addressed to large corporations (Fox, Ward & Howard, 2002). Moreover, large corporations

have more resources with regard to time and money. They can therefore engage CSR activities without negative impacts within the organisation. In addition, the image of large corporations is to a larger extent scrutinized. With the higher profile follows an awareness (EU Commission, 2002). Although, the discussion also needs to be moved towards the SME's since they, after all, represent 99 % of all corporations within the EU and therefore affects stakeholders on a large scale (EU Commission, 2005). Finally, considering the economical contribution of SME the discussion of SME's involvement in CSR is appropriate. A study from the EU Commission (2002), entail that '48 % amongst the very small enterprises to 65 % and 70 % amongst the small and medium-sized enterprises' of the European SME's are involved in social responsibilities.

Even though SME's have different prerequisites there are no obstacles to conduct CSR activities. However, it has to be pinpointed that SME's, with regard to CSR activities, differs in engagement when compared to large corporations. In most SME's the *management* and *ownership* are controlled of the same person who consequently engages them as the most important factor whether or not the corporation is involved with CSR activities. The local *commitment to the community* and the stakeholders is usually strongly embedded. Consequently, SME's holds the local reputation as an important factor and therefore engage in the community's stability. Furthermore, SME's '*often lack personnel, financial and time resources*' and also affects by the economical conjuncture. Finally, SME's frequently have a more *personal relationship* with the stakeholders in order to build a trustworthy business (EU Commission, 2002).

## **2.5 The meaning of CSR within service corporations/law firms**

It is argued that service corporations need to be more proactive compared to other sectors. Thus, it is important for service corporations to predict the requirements of the stakeholders. In contrast, it is argued that manufacturing corporations has a higher degree of resemblance regarding their managerial decisions about the conduct of CSR activities and therefore enables more positive effects. Due to this effect, service corporations need to be aware of the direct link with other corporations and therefore present their conduct of CSR activities as genuine as possible and hopefully reach unanimity (Calabrese & Lancioni, 2008).

In Sweden, there are rules which regulate how a lawyer should act because of the position as commission of trust. These exhaustive rules stipulate e.g. how a law firm should conduct its business, how a law firm should set reimbursements, what moral standards a lawyer has to follow, that a lawyer has to be independent towards the other party and consider the clients best interest. To be able to control that the law firms and lawyers are following these rules an organisation called '*Advokatsamfundet*' has the power to exclude a lawyer who is in breach of the rules when practicing law, as a lawyer. Advokatsamfundet is therefore a normative authority and all lawyers have to be members of Advokatsamfundet and they are obligated to follow the standards set within the organisation (Wiklund, 1973).

There are, however, no obstacles for persons that are not lawyers to offer legal services. Furthermore, there are no requirements of any particular education or experience. However, these persons cannot call themselves lawyers. These jurists can instead label themselves as business lawyers or corporate lawyers (Advokatsamfundet, 2009).



## 2.6 Previous research in the service sector

There is a limited amount of research concerning CSR activities and service corporations. Although, an empirical study of 17 service corporations was conducted in Estonia, in order to develop *'the hypotheses that the more extensively an organization engaged in CSR activities, the less likely would task-orientation exceed relationship-orientation in this organization and second, organizational culture in general would be stronger'* (Jaakson, Vadi & Tamm, 2009). The result could however not strengthen or confirm the hypothesis that a strong organisation plunge a higher conduct of CSR activities. It is in addition worth to mention that, during the research, the primary focus was set on the main stakeholders: *managers* and *employees* (Jaakson et al, 2009).

Another quantitative research was conducted in Italy and identified whether there is a relationship between the commitment of CSR activities within banks and the satisfaction of the stakeholders. On the one hand, the result of the research did not confirm that there exists a relationship. But, on the other hand, the research demonstrated that implementing conduct of CSR activities within banks strengthen the relationship towards the stakeholders. It can therefore be argued that the banks are implementing CSR solely to develop the brand equity, rather than trying to improve the relationship towards the stakeholders. Furthermore, through the research result the conclusion could be drawn that the lesser degree of specified CSR activities, the lesser degree of appreciation by the stakeholders (Calabrese et al, 2008).

## 2.7 The stakeholder theory

The stakeholder theory is closely connected to CSR (Freeman, 1984). The stakeholder theory identifies and explains towards whom corporations may have a responsibility. Because of the progress of CSR it is not surprising that stakeholders demand more from the corporations today (Weiss, 2006).

### 2.7.1 Primary stakeholders

Wheeler and Sillanpää (1998) has divided primary stakeholders into the group of social stakeholders such as investors (shareholders), employees and customers and the group of non-social stakeholders which do not involve a human relationship such as the natural environment and future generations.

The primary social stakeholders are directly affected by corporations' activities regardless whether they are positive or negative and therefore are influential (Carroll et al, 2003).

### 2.7.2 Secondary stakeholders

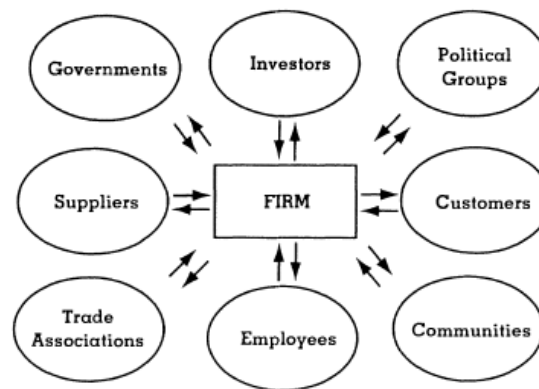
The same definition of social and non-social follows the secondary stakeholders. However, the social stakeholders include e.g. governments and regulators and the non-social stakeholders include environmental pressure groups and animal welfare organisations (Carroll et al, 2003).

### 2.7.3 The stakeholder theory in general

The stakeholder theory emphasizes the relationship and responsibility with external groups, unlike the focus of CSR that emphasizes the corporations' responsibility other than financial (Crane et al, 2004). The fundamental idea of the stakeholder theory advocates that a frame of ethical principles towards the stakeholders may generate a competitive advantage. Freeman (1984) explains the stakeholder theory as corporations have on the one hand internal groups, *investors, customers, employees* and *suppliers* (see Figure 4). On the other hand,

corporations should also have responsibility towards the external groups, *governments, political groups, communities* and *trade associations* (see Figure 4). Although this model is only used as a model and is not to be seen as an extensive list of all stakeholders. The stakeholders are external groups that have an interest or share in the corporation and therefore are affected by the corporation and its policies, activities and procedures. The interest does not necessarily have to be financial, but also physical or other implications. Consequently, the stakeholder theory implicates a ‘win-win’ situation and beneficial results for all parties, if the corporations base their decisions on an ethical basis (see figure 4). However, it is difficult to be certain of an outcome such as a ‘win-win’ situation (Weiss, 2006).

It has to be considered that different stakeholder has different degrees of interest within the corporation. If corporations discriminate all stakeholders, when conducting CSR activities it may damage their accountability. It may be argued that ‘*being accountable to all is being accountable to none*’. If the conduct of CSR activities is not being directly addressed to e.g. customers, that group of stakeholders may feel ignored and does not appreciate the corporations CSR responsibilities. Furthermore, if there is any discrepancy between the CSR policy and the conduct of CSR activities it may undermine the social and political view if that particular corporation (Calabrese et al, 2008).



**Figure 4 The stakeholder model**

Edit Donaldson and Preston (1995), *The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications*, *The Academy of Management Review*, Vol. 20, No. 1, p. 69 fig. 2

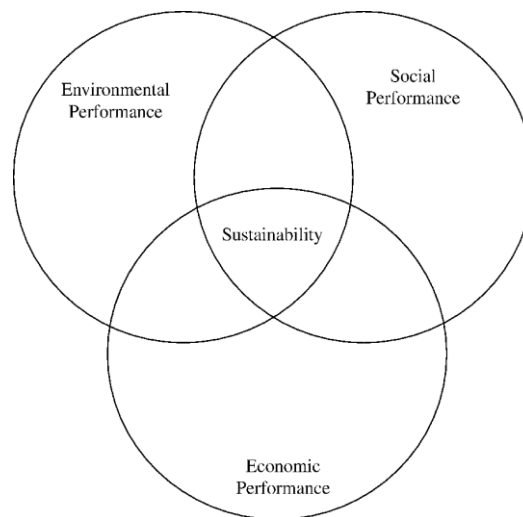
According to Johnson, Scholes and Wittington (2008) it is favourable to arrange a stakeholder map in order to understand the extent of interest the stakeholders has by influencing corporations’ choice of strategy. Furthermore, through this process the stakeholder power could more easily be measured. The stakeholder map divides the stakeholders into four different categories. These four categories are (a) *minimal effort* - which is the segment who has a very small interest in changing the corporations strategy and who also have little power to change the corporations strategy, (b) *keep informed* - which are the stakeholders who are satisfied as long as the corporation is giving them information about how the corporation is conducting its business, (c) *keep satisfied* - which are the stakeholders who has the power to influence the corporations strategy but will not do so as long as they are happy, (d) *key players* - which are the stakeholders who are interested in the corporations strategies and who has the power to influence these strategies (Johnson et al, 2008).

#### 2.7.4 Triple Bottom Line

TBL is closely connected to CSR and foremost to the stakeholder theory since it concentrate not only on the traditional economical value but also on the environmental and social

value (see figure 5), and was first coined by Elkington (1994). According to Elkington (1994), corporations that only focus on profit could be seen as conducting business out of a short-term perspective. The TBL approach, however, advocate on systems measuring the conduct of social and environmental aspects and moreover, improving these aspects. Furthermore, the concept of the TBL '*appears to have had some success in articulating a philosophy of sustainability in a language accessible to corporations and their shareholders*'. In order to attain sustainability, one need to understand the meaning of the economic bottom line. Nonetheless, it is challenging to understand the relationship between the economical aspect and the social and environmental aspect. When creating a business model which is based upon the view of the TBL it is important that managers can succeed in finding ways in which the three dimensions creates a synergy with each other. Corporations consider it hard to evaluate the outcome of a TBL based business model since there are no concrete measuring systems which can determine exactly how the corporation is managing. It is easier to measure how the company is managing economically. Another difficulty is that managers are creating business models in which they are separating the three dimensions of the TBL resulting in a system where one dimension prospers on behalf of another (Henriques & Richardson, 2004).

TBL could be seemed as a necessity to attain sustainability and furthermore regarded as an obligation for corporations in relation to the different stakeholders (Henriques et al, 2004).



**Figure 5 the triple bottom line**

Edit Carter, Rogers (2008), A framework of sustainable supply chain management: moving toward new theory, *International Journal of Physical Distribution & Logistics Management*, Vol. 38, No. 5 fig. 1

## 3 Method

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*This section aims to introduce the research method used for the empirical study. Furthermore, the study consists of a casestudy undertaken through a qualitative interview analysis. In addition, this section will present the collection method, research approach and a discussion of the quality, reliability and validity.*

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### 3.1 Qualitative vs quantitative method

Research method generally constitutes an orientation of the performance for business research (Bryman & Bell, 2007). An appropriate and comprehensive research method is fundamental in order to collect relevant data. Furthermore, the data has to be collected and eventually interpreted systematically (Saunders et al, 2009). The classical debate regarding the use of either the qualitative or the quantitative method, concern the technique of conducting an appropriate and comprehensive collection of information. Basically, the quantitative research emphasize the quantification of data and entail a deductive approach, the qualitative research method however, emphasize the word and entail an inductive approach (Bryman et al, 2007).

The authors want to obtain a deeper understanding of how the interviewed service corporations conduct CSR activities and therefore a qualitative method is preferable. Moreover, there is no given answer on which research method that is more favourable when conducting research, however regarding the circumstances in our case, in order to diminish the different weaknesses of the research a qualitative method is the most appropriate method.

The qualitative method facilitate a deeper understanding on how the interviewed service corporations conduct CSR activities and creating a link to the theoretical framework, which is necessary in order to answer the given purpose of this thesis. When performing a qualitative method the number of responders becomes irrelevant and this is suitable to study since the authors rather seek to understand the underlying problem, in other words how the interviewed service corporations conduct CSR activities.

### 3.2 Deductive vs inductive approach

There are different approaches when accomplishing research for a bachelor thesis; however it must be emphasized that no strategy is superior. Although, the general idea is to first plan how the research will be carried out and then collect the relevant information and finally analyse the collected information (Hartman, 2004). The approach of the research, in order to fulfil the purpose of the thesis could either be performed by e.g. testing a theory (deductive) or building a theory (inductive). However, there is no rigid separation between inductive and deductive approach because an approach can be a combination of both (Saunders, Lewis & Thornhill, 2009).

When performing a case study approach the focus will be to understand a contemporary phenomenon in a real-life context (Yin, 2003). It is stated that the strategy depend of different conditions such as “(a) the type of research question posed, (b) the extent of control an investigator has over actual behavioural events, and (c) the degree of focus on contemporary as opposed to historical (Yin, 2003, p. 5). Since the authors would like to explore how the interviewed service corporations conduct CSR activities, the research is connected to (a) ‘how’ and ‘why’ questions, (b) the authors have no control over the behavioural events, and (c) CSR activities is a contemporary issue. According to Yin (2003) regarding the circumstances a case study is

preferable in order to cover the contextual conditions, such as ours. In order to carry out the case study a set of research questions was established. These research questions were used as a foundation in the empirical framework. Through the empirical framework qualitative data was collected and partial theoretical framework needed to be revised because of the answers why mainly an inductive approach were used. However, this study can be seen as an initial investigation for further quantitative research. Hence, it seemed necessary to explore existing theories and check signals from the empirical point of view in order to create assumptions which can be tested in further research, which is in accordance with the deductive approach.

Consequently, regarding the circumstances our research is therefore a combination of the deductive and the inductive approach. The authors do not develop and test a hypothesis, which is in accordance with the deductive approach and also avoid developing a new theory but rather explains the current situation today, which is in accordance with the inductive approach. Thus, the combination fits our purpose to collect deeper understanding from the interviewed service corporations.

### **3.3 Research design**

Scholars such as Pondy, Mitroff and Yin argue that a single case study can be used as an experiment. Furthermore, Yin argues that *'single case studies are primary justified... testing an existing theory, whether the goal is to confirm, challenge or extend it'* (Thiéart, 2007). Although, like quantitative studies, the confidence allied to the result tend to enhance in accordance with the sample size (Gibson & Randall, 1990). Therefore, the authors chose to make a case study how *three law firms (two of them are members of Advokatsamfundet) and one service corporation with legal expertise* conduct CSR activities in relation to our theoretical lens of stakeholder theory and the TBL and in comparison to the secondary data concerning manufacturing corporations. Consequently, this study is going to serve as an experiment, not as a generalization, and enable possibilities for further research within the subject of CSR activities within service corporations.

#### **3.3.1 Selection criteria**

The selection of unit of analysis is restricted service corporations with focus on SME law firms. A reason to focus on SME's is because it may be interesting to determine whether the relationship towards the stakeholders is on a personal basis and also to encourage increased involvement of CSR activities within SME's. In addition, most of the earlier research seeks to investigate manufacturing corporations. All the interviewed service corporations have limited resources with regard to CSR activities in comparison to MNE's why it might be interesting to study how the resources are used within these corporations.

The most common jurist is the lawyer why this thesis seeks to focus on SME law firms, which are managed by lawyers or business lawyers. The interviewed service corporations are placed in Jönköping, Linköping and Stockholm. One reason to why the authors have chosen to look at corporations in different cities is to avoid the risks that they are subject to the same political influences.

Moreover, to be able to interpret the data properly the authors believe that four service corporations are a preferable amount. Furthermore, this selection will be enough to understand whether or not more research in the subject is needed. Consequently, this approach is in correlation with the purpose of the thesis and the authors thoughts, that this thesis will

shed some light on whether or not further research is needed in the subject area of CSR activities within service corporations.

In addition, one reason why these particular corporations were chosen is because that the authors are acquainted with a representative at each corporation. This enables an easier approach to the research and towards the participants which also enables a more open dialogue with the participants in order to collect relevant material.

Another aspect that may be of interest for this selection of units is that a majority of the law firms (2/3) constitute law firms that need to follow the internal ethical guidelines stipulated by Advokatsamfundet. While, the third law firm and the service corporation are not members of advokatsamfundet and therefore do not have to follow the additional ethical rules. Through this selection a comparison can be made between the interviewed corporations and consequently what impact that can be seen in the conduct of CSR activities. These aspects are in accordance with what Patton (2002) means of purposeful sampling. Especially when, at least to the authors knowledge, no study has been made with regard to the chosen service corporations, who on the one hand have very similar attributes but on the other hand enables as a comparison thanks to the ethical standards set by Advokatsamfundet.

The selection of corporations and their organisation will be presented within the empirical section, however the participants have chosen to be anonymous.

### **3.4 Data collection**

The collection of data is divided into data known as primary and secondary. Primary data is collected by the first source through e.g. surveys, interviews and observations. Contrary, the secondary data already exists as published statistics, books et cetera (Collis & Hussey, 2003). This thesis consists of both secondary data and primary data. Consequently, the authors will be able, from the theoretical framework, to describe the situation regarding the development of CSR today and then, through analysis, be able to apply that development and understand the interviewed service corporation's activities from the empirical study.

The research regarding the service sector is limited why it is necessary to conduct a primary data collection of how the interviewed service corporations perceive and conduct CSR activities. The perception and activities of CSR is difficult to measure. Therefore, through a qualitative case study these facts can be valued (Patton, 2002). Based on the difficulty achieving these facts the primary data will be collected through interviews in an attempt to answer the purpose on how the interviewed service corporations conduct CSR activities.

A short comparison will be employed in order to try to determine whether or not there may be any differences regarding the interviewed service corporations and earlier research regarding manufacturing corporations in relation to CSR activities. This because most of the earlier research seeks to investigate manufacturing corporations and allows the authors of great deal of data. The secondary data are collected from earlier reports. These reports contain research regarding the manufacturing and service sector as well as the conduct of CSR activities within SME's in order to apply the data to our purpose.

Furthermore, this data will be used in relation to our literature review and theoretical framework regarding CSR, the stakeholder theory and the TBL and thereafter applied in the empirical analysis. However, the models are general models and theories and therefore needs to be applied with some caution in relation to the chosen service corporations. Al-

though, the models and theories do fulfil the purpose to describe what can be considered as CSR activities.

Interviews are a fundamental approach of qualitative methods which is a contribution to this choice of data collection (Easterby-Smith et al, 2002). There are three different ways of conducting interviews, *structured*, *semi-structured* and *unstructured*. When conducting an interview it is essential to understand what purpose the questions should answer because different techniques resolve in different data and therefore other conclusions is reached (Yin, 1994).

### **3.5 Interviews**

The most fundamental approach of all qualitative methods is the in-depth interview (Easterby-Smith et al, 2002). With this method a flexibility and openness is attained which is preferable in order to attain a deeper understanding concerning how the interviewed service corporations perceive CSR and therefore how they conduct CSR activities (Patton, 2002).

If the purpose is to undertake a qualitative case study in which the interviewer is asking personal questions to the participants, the preferred interview technique is a semi-structured interview. In a semi-structured interview the interviewer, in this case the authors, has to create a trustful relationship towards the participant. The semi-structured interview can be compared with a discussion under which the interviewer can ask follow-up questions which will give a deeper understanding of the subjects that are researched. The interviewer do not have to follow a, in advance written, protocol but the interviewer will still have to ask all the questions which have been prepared for the interview (Saunders et al, 2009). Another term for this type of interview technique is focused interviews. When conducting this type of interviews it is important to bear in mind that the interview should be kept within a short timeframe which gives the interview a time limit (Yin, R., 2003).

It is stated by researchers that respondents are more willing to participate in interviews compared to questionnaires (Saunders et al, 2009). Moreover, the semi-structured is preferable approach since the authors are acquainted with the participants and therefore the possibility for the interviewer to receive sincere answers is relative high.

With the chosen approach it is possible to, in advance, create a number of fixed questions which will be used as a starting point for a more in-depth discussion with the participant. Furthermore, the interviewer can adapt the interview to each occasion and gradually change the interview if necessary.

The reason to why a semi-structured interview were used instead of an unstructured interview is that specific subjects that are being studied. Since this is a qualitative study the structured interview technique is excluded since it does not allow a deeper knowledge on the subject. Finally, the personal interviews are an essential source in the progress of collecting data.

#### **3.5.1 Conducting the interviews**

The actual interviews were conducted separately and face-to-face with one representative from each law firm and from the corporation. The interviews lasted around one hour and were recorded in order to avoid interruptions. However, notes were done in order to highlight the most important answers.

Since this thesis consists of semi-structured interviews the authors were able to shape the interviews to the particular participant. During the interviews there was a dialogue in order to indemnify that the participants understood the questions and also to be able to establish a common understanding of the terms involved. During the interviews there was an open dialogue. The interviews can be found as appendices (see Appendix 1 and Appendix 2). The interviews were conducted in Swedish but there is also a translated English version in the appendix. In the appendix the questions deal with “law firms”, although these questions were revised depending on which participant that were interviewed.

### **3.6 Delimitation and limitation**

As CSR is a complex subject the authors were required to limit the scope of discussion regarding the meaning of CSR and other economical theories. Furthermore, theories that contrast CSR were not thoroughly discussed. In addition, even a more comprehensive description would not validate and address all the concerns brought up.

Lawyers, business lawyers and corporate lawyers can be seemed as representing the society as a whole because their commission of trust. However, this thesis do not specifically discuss the society as a stakeholder, the thesis rather focuses on certain stakeholders within the society. The main focus in this thesis are on clients and Advokatsamfundet since clients are dependent of the lawyer’s legal knowledge and that Advokatsamfundet have the ability to determine the minimum ethical behaviour within certain law firms. Therefore, other stakeholders that usually does not differ from other corporations stakeholders, such as employees, the government and counterparts will only be discussed to some extent.

The discussion of benefits and disadvantages will only be discussed from a profit perspective since this is the bottom line for all corporations. Different kinds of responsibilities and activities might seem as a cost but out of a long term perspective the corporation might earn profits from this responsibility or activity.

### **3.7 Validity and Reliability**

According to Saunders et al (2009) validity explains whether the findings really are what they appear to be. The instruments used for analysis furthermore give examples of potential threats such as history, testing and ambiguity.

Moreover, Easterby-Smith et al (2002) defines reliability as the extent to which the same method would acquire consistent result.

#### **3.7.1 Trustworthiness of data**

Lincoln and Guba (1985) defines trustworthiness as *‘how can an inquirer persuade his or hers audiences (including self?) that the findings of an inquiry are worth paying attention to, worth taking account of’*. Furthermore, Lincoln and Guba (1985) established four pointers that inquirers should ask them self:

- (1) Truth value – The difficulty in establish confidence in the findings.
- (2) Applicability – The applicability in other contexts.
- (3) Consistency – The certainty of the same result by other inquiries.
- (4) Neutrality – The neutrality of the respondents, bias, interest or the inquirers perspective.

In order to establish trustworthiness in this thesis, these factors have to be raised and employed throughout the thesis and used in order to diminish risks unified with the selected



method approach. A general difficulty with this thesis is the limited research on the conduct of CSR activities within service corporations and in particular law firms. Consequently, the authors cannot completely rely on earlier research or try to draw conclusions only based on the empirical study. In an attempt to shed some light at the situation at hand there is a need to study earlier research as well as employing a empirical research.

### 3.8 Data analysis

Yin (1994) argues that there are different approaches to analyse the data that has been collected. The first analytical technique *pattern matching* focus on a prediction of a certain pattern based on a theoretical framework in order to explain what the authors intend to discover. This approach is preferable when exploring or developing an existing theory. A different approach would be the *explanation building* which attempts to establish enlightenment while collecting data, in contrast to the pattern matching.

Patton (2002) argues that in order to interpret the data the researcher needs to answer 'why' questions and attach the significance to the result. It is tempting to directly interpret the data, rather than organising and report descriptive findings. Therefore, before the authors interpret the collected data, a description is presented in the empirical findings of each law firm. The empirical findings will allow a better understanding when analysing the raw data.

In order to analyse the data adequately it is necessary to understand the participant. Every research needs credibility in order for the data to be useful. Therefore, it is necessary to avoid bias and seek for neutrality. However, neutrality is not an easy attainable matter. Every researcher need to be aware of the sampling, biases and theoretical predispositions. During a qualitative interview the researcher also has to understand that the participant expresses their attitudes, values and opinions. Patton (2002) argue that in order to attain high quality data that are credible and trustworthy the researcher need '*Systematic data collection procedures, rigorous training, multiple data sources, triangulation, external reviews and other techniques*' (Patton, 2002).

Apparently it is a challenge to transform and analyse the material from a qualitative research. The authors used an *explanatory building* trying to understand how the interviewed service corporations perceived and furthermore conducted CSR activities. In order to diminish the weaknesses with bias and attain neutrality the authors conducted the interviews under non-formal circumstances over a cup of coffee. In addition, the authors believe that more sincere answers were achieved since the authors were acquainted with the participants and since there was a dialogue throughout the interview. According to Patton (2002) it is difficult to generalize from a qualitative case study. However, this study aims to achieve a deeper understanding and therefore enable the possibility of further research which is in accordance with the authors' ambition.

### 3.9 Criticism of method

When performing interviews in order to collect data it is important to be aware of the weaknesses that an interview might have. The authors have taken into consideration that we have to create questions which will give us the depth that will possible to analyse. Furthermore, the authors have presented the participants anonymously in the case study so that the participants should be more cooperative and more honest in their answers since they may not want their ethical behaviour scrutinized. Accordingly, the interview participants need to be untraceable to the subject participating.

Another consideration that the authors are aware of is that the questions should not steer the participants to answer in a certain way. Consequently, in order to achieve sincere and in-depth answers, the authors seek to have open questions for the participants to elaborate (Yin, 2003). Moreover, it is important to keep an empathetic demeanour and recognise the weakness of that the participants during a qualitative individual interview may express statements connected with feelings and subjective thoughts. Therefore, the authors were aware of the potential bias the participants may have (Thiétart, 2007). Although, in order to avoid these sensitive issues the authors constructed the questions carefully and also tried to have an open dialog with the participants.

During the interviews some notes were made and a weakness with interviews is that the interviewer may be absorbed in taking notes but in order to diminish this risk the authors also chose to use a tape-recorder. Although, the participant may be more circumspect when the interview is recorded; however since the authors are acquainted with the participants this risk is reduced (Thiétart, 2007). One other aspect that we need to take into consideration, because the participants are acquaintances, is that they might give us the answers that they believe is wanted, which may be seen as a weakness.

Since the authors are conducting interviews with SME service corporations the authors have been faced with the difficulty of time importance and availability. When SME corporations are concerned the persons employed do not often have a lot of time to spare. Therefore, the interviewed service corporations only had resources to spare one person for, consequently, one interview. The authors understand that this may seem as a weakness. However, since the interviewed service corporations only have a small number of employees the participants of the interviews ought to be seen as representative for the whole corporation. Furthermore, since the authors understood that the availability were scarce we instead suggested that the participants could have a small discussion with the other employees, before the interview. This way the authors could still reach out to the whole corporation and the perception of CSR activities.

The authors are aware of the disadvantages of collecting secondary data i.e. the risk that the data is not collected for the same purpose or that it is difficult to evaluate the quality of the data (Saunders et al, 2009). The data that has been obtained do not have the same specific purpose as this study why the data must be applied with caution. Although, the data enables an understanding concerning how manufacturing corporations perceive and conduct CSR activities and can therefore be used in comparison to the interviewed service corporations.

The literature regarding CSR is complex, contributing to difficulties in finding relevant literature for this thesis which consequently lead to that all literature cannot be reviewed. Hence, there is a risk that all relevant literature and research have not been presented in this thesis. It may be argued that there is not enough secondary data concerning manufacturing corporations. However, only a small fragment can be used in this thesis since manufacturing corporations only serve as a short comparison. The authors are aware that we cannot provide the complete picture.

The purpose with the qualitative method is to seek deeper understanding in the subject area. Therefore, in this thesis the authors need to analyse the data thoroughly and transfer the finding into a logical presentation which can be a challenge. The authors are aware of the difficulty in comprising the data collected into storytelling, however in order to attain

this simplification the authors need to thoroughly clarify how the analysis was performed and how the conclusions were reached.

The authors are aware that this thesis only provides a partial picture of the conduct of CSR activities within service corporations. This may be argued as a weakness. However, in order to analyse the data properly, a fair selection of four service corporations seemed appropriate since no generalization is attainable. This study may enable further research within the subject since it identifies the conduct of CSR activities within the interviewed service corporations. Consequently, this study attempts to result in further research and provide useful inputs and information in the emerging debate of CSR activities and does not intend to generalize CSR questions for the whole sector.

## 4 Empirical findings

*This section aims to present the empirical findings from the interviews. Initially, an organisational presentation of the service corporations and the participants will be presented. Thereafter the empirical findings which will be the foundation to the following analysis will be presented.*

	Law Firm A	Law Firm B	Law firm C	Corporation A
Types of services	Commercial law, trustee in bankruptcy	Commercial law, legal education	Commercial law, civil law	All legal matters
Employees	4 (50)	3	20	1 (12)
Location	Jönköping	Linköping	Stockholm	Jönköping
Participant	Junior barrister	Business lawyer	Junior barrister	Corporate lawyer

### 4.1 Organisational presentation

The interviews were employed with a representative of each firm (the junior barrister for law firm A, the business lawyer for law firm B, the junior barrister for law firm C and the corporate lawyer for corporation A). All participants had been briefed in advance of the content of the interview and therefore they were prepared and could contribute with useful information. The organisational structure of the interviewed service corporations will be presented in this section. A clarification is that the term *'the interviewed service corporations'* include Law firm A-C and Corporation A.

#### 4.1.1 Law firm A

Law firm A constitutes a local office of a larger corporate group. Therefore, the office consists of merely four employees (two lawyers, one junior barrister and one administration) but the corporate group consists of 50 employees. However, this research is restricted to the office in Jönköping. The office has separated financials but in need of additional funds an allocation can be made within the corporate group. The law firm is in no need of capital and has its own business strategies separated from the group; the law firm can therefore be regarded as a single entity.

Furthermore, the law firm has a vertical organisation which is the traditional organisation within law firms. The law firm also has the ambition to grow and become one of the leading commercial law firms.

#### 4.1.2 Law firm B

Law firm B is located in Linköping and, in contrast to the traditional view, a horizontal organisation is being used, mainly because there are three employees and only one business lawyer that carry out the legal services (one business lawyer, one accountant and one administrator).

### 4.1.3 Law firm C

Law firm C operates in Stockholm and has 20 employees, eight lawyers and 12 junior barristers. The firm is owned by trade companies that are owned by the partners. Every partner is working towards its own trade company but they all collaborate within the law firm. The structure of and the way of collaboration is very complex.

### 4.1.4 Corporation A

The corporation is placed in Jönköping and operates on an international basis. The corporation has a corporate lawyer who deals with day to day legal commercial and non-commercial legal advice within the corporation. Because of the international operation and many other national arrangements the corporation is in need of a full-time legal adviser. At the corporate lawyers office there are however 12 employees, but as mentioned only one jurist.

## 4.2 The separation of law firms

A initial clarification is needed since during the interviews additional data was retrieved but it was attained without the fixed question and followed from the dialogue that characterized the interviews.

Initially, a law firm has a special position in society since the law profession is considered to be a commission of trust. As a result of the position as a commissionaire of trust, people that are working within the field of the law need to have a higher ethical standard in comparison to other professions. However, for the corporate lawyer it became more interesting addressing issues regarding ethical vs. business decisions. Furthermore, since law firms strictly constitute a service corporation the extent of the knowledge-based attributes of the employees becomes more important. All the information stated in this chapter derives from the conducted interviews.

In Sweden the law profession can be divided into two separate categories. The first category can label themselves as *lawyers* that practice the law. To become a lawyer one will need to be a member of Advokatsamfundet. Advokatsamfundet is a private organisation which has the same influence as an authority, but for lawyers. As a member of Advokatsamfundet the lawyer is obliged to follow the ethical standards which are stipulated by Advokatsamfundet. If not, the lawyer is in breach with the ethical regulations and can be excluded from practicing legal services as a lawyer. Consequently, since it is not voluntary to follow Advokatsamfundets ethical regulations it is no longer a responsibility but an accountability.

The second type of law firm is driven by persons that cannot label themselves as *lawyers* but as *business lawyers*. There is no practical difference but with the label of lawyer an automatically guarantee follows of their legal knowledge. The actual difference is that business lawyers are not members of Advokatsamfundet and therefore not obliged to follow the ethical regulations stipulated by this private organisation.

Another type of jurist is lawyers who are working for a corporation (*corporate lawyers*) and in conformity with the situation for business lawyers they are not obliged to follow the ethical regulations stipulated by Advokatsamfundet.

Law firm A and C had partners who are members of Advokatsamfundet and these law firms have implemented the ethical standards into their business strategy. Law firm B does not have a partner who is a member of Advokatsamfundet and has therefore no obligation

to follow the internal regulations that has been established by Advokatsamfundet. Similar to law firm B the corporate lawyer from corporation A does not have to follow the ethical guidelines stipulated by Advokatsamfundet.

Since lawyers, business lawyers and corporate lawyers are considered to constitute a commission of trust they are dependent on the goodwill of the customers, therefore all the interviewed service corporations need to establish high ethical standards. Moreover, law firm B has its own established ethical standards such as an environmental policy and a travel policy.

Corporation A has a lot of different strategies on specific matters but nothing concrete concerning CSR or other ethical matters. However, corporation A emphasized that they use the competence within the corporation to address ethical issues. In addition, corporation A tries to improve and develop the competence regarding ethical issues when such issues arise. Hence, they have not set aside time for extra work concerning such issues.

### **4.3 Activities labelled as CSR**

All the interviewed service corporations shared the meaning of CSR activities and emphasized the importance of ethical behaviour within law firms. CSR activities was mainly considered as a social responsibility. Although, an environmental perspective was also believed to fit into the term. Law firm A has no real environmental policies but pointed out that there is an unspoken policy of minor obligations such as trying to reduce the heavy load of workpaper and to preferentially use low energy lights. Law firm C did not have any CSR policies at all but they did have paper and glass recycling. In contrast, law firm B has an explicit environmental/travel policy.

Furthermore, all the interviewed service corporations assent that the conduct of CSR activities are basically voluntary activities but need to without to much economical load. Neither of the interviewed service corporations had any special competence nor any particular development of such activities. Although, it was pointed out that this was a relatively new phenomena and they had adopted a pragmatic view of this the latest three or four years. However, before law firm A were familiar with the term CSR they actually addressed issues that could fit within the meaning, such as conducting voluntary and without charge, mentorship with students. Law firm B were aware of the term when they sponsored a project called '*hand in hand*' during the Christmas of 2005. Law firm C did not perform any CSR activities within their business strategy but many of the employees used their knowledge of the law in their spare time without charge e.g. board members of a sports association. One national association that law firm C sponsored was '*Hem och Skola*' which is a non profit organisation that is working with current issues and attempts to further develop the situation in schools. The corporate lawyer argues that CSR activities is not a new phenomena since jurists always in some extent been obliged to follow the ethical guidelines in general and *lawyers*, members of Advokatsamfundet, in particular.

### **4.4 CSR strategy as value adding**

Since CSR activities can be conducted in different forms the outcome can vary. CSR activities can be divided as value adding to the firm's trademark and into costs which the firm believes constitutes a good cause. Although, all the interviewed service corporations emphasized that the bottom line is to earn profit, regardless of what the profits originates from, consequently regardless of profits earned through direct legal services or profits earned through goodwill and eventually a flow of more clients.

The interviewed service corporations emphasized that goodwill is essential when offering legal services, it was argued that it was truly important for their business, all types of CSR activities which create goodwill are beneficial for the firm.

Moreover, law firm A believes that a CSR strategy is beneficial for the law firm and that all activities that can be connected to CSR establish a good forum to be seen in. According to law firm A there is a shift in paradigm concerning how law firms are attracting customers. In the past it has been considered to be inappropriate to market oneself. Nowadays, law firms are beginning to use marketing strategies to attract customers. Thus, a CSR strategy can create goodwill. The bottom line for the majority of the law firms is to earn profit, there is no particular difference in comparison to other corporations. Otherwise there would not be any law firms. To be able to earn profit it is important that the firm has a good reputation as a gross product from goodwill. The CSR strategy of law firm A is partly originated from Advokatsamfundets ethical standards. Consequently, it is of importance in their business to always take the ethical approach.

Law firm C has not reflected upon the issue of CSR activities. According to the representative of law firm C the reason for this is that their law firm is practising civil law. As a result of the type of operation that their law firm is conducting there is no natural step to take concerning CSR activities in the everyday practice. To be a successful law firm the employees have to be professional towards their clients. A client hires the law firm for specific reason. That reason is to get consultations about the law. By giving professional consultation the law firm gains a good reputation. However, according to law firm C they emphasized that it may be good to implement a CSR strategy, almost as marketing tool, if it could be implemented into basic idea of their particular business conduct.

Law firm B conducts another approach towards its CSR strategy. Accordingly, there are both costs and value adding involved in their CSR strategy. A similarity between the activities connected to value adding and those that seem merely as a cost is that there should be some transparency why these actions are undertaken and furthermore correlate with the firm's business strategy. Moreover, law firms have to take some responsibilities as a good citizen of society. As a way of being a good citizen law firm B is educating the local branch of the organisation women's aid in matters concerning family law. Furthermore, even though this kind of activities results in aid to vulnerable groups, at the same time it is believed to be a good marketing tool that enables goodwill.

Corporation A believed that most of the money spent on CSR activities are associated with value adding since it is necessary to conduct a business behaviour towards the client which is seen as ethical. Furthermore, corporation A emphasized that an ethical behaviour contributes to value adding and added that law firms/corporations with more resources should take greater responsibility since the behaviour could be used as a competition advantage.

During the interviews there was a dialogue concerning whether the CSR activities of law firms/service corporations with legal expertise may differ compared to other sectors. Law firm A and C stated that they are obligated by law to take a greater ethical responsibility since they have to follow the standards that are set by Advokatsamfundet, other than that they thought that it is the same for all types of corporations. Law firm C also explained that to become a lawyer a person has to take courses and tests about ethical behaviour.

In contrast to the lawyers and business lawyers a corporate lawyer is usually hired for a project and this project is often related to negotiation of an infringement or a problem within a corporation and it is important for the corporate lawyer to honour the assignment. Consequently, the ethical responsibility lies in the relationship between the corporate lawyer and the principal.

Furthermore, all the interviewed service corporations agreed upon and pointed out that CSR activities is a question about size and resources. All the interviewed service corporations believed that MNE's with more resources can set aside both resources and competence to questions concerning CSR activities. All the interviewed service corporations believed that small businesses do not have enough resources to be able to prioritize CSR activities. Law firm A also stated that it is going to expand their size and that the expansion might lead to a better developed CSR strategy in the future. Law firm C did not see the need of a CSR strategy but believed that MNE's where more well-aware concerning their conduct of CSR activities. Even though corporation A mentioned that MNE's should take greater responsibility they still believed that MNE's do not necessarily prioritize activities connected to CSR.

Moreover, another perspective that needs to be illuminated is the notion that a segment of lawyers have idealistic point of views and therefore per se commits a greater deal of ethical behaviour.

## **4.5 Responsibility towards stakeholders**

There are different kinds of stakeholders surrounding and affecting the interviewed service corporations. Different stakeholders have different ways of affecting the interviewed service corporations. Stakeholders that are directly affected by the law firms business conduct is clients (customers), employees and the counterparts. Secondary stakeholders were recognised as the government and Advokatsamfundet. A difference between law firm A and C from Law firm B and Corporation A is that a new guideline from Advokatsamfundet will have a great impact on law firm A and C while law firm B and corporation A has the freedom to chose whether they want to follow the guidelines or not.

There are explicit rules stipulated by Advokatsamfundet which state in what way lawyers should act in different situations, e.g. a law firm cannot represent two counterparts in the same dispute. Regarding the conflict of interest the firm has to represent the client that the firm has represented for a longer period of time compared to the other party. Regardless of whether the other client is bigger, more interesting, more beneficial out of an economical point of view, this rule applies. In sum, when the commercial perspective conflicts with the ethical perspective, the latter should always be a priority. Moreover, there have been situations when larger law firms have had several departments in the same building working with different cases and areas. However, even though these situations had so called '*chinese walls*' between the departments were no information could be conveyed, it was still not appropriate or allowed to represent counterparts within the same firm even though that the departments worked separately.

Corporation A identified their stakeholders as clients, credit agencies and employees. These categories are directly affected by their conduct of business. However, corporation A also identified the society as indirectly affected. Moreover, corporation A, stressed and discussed the possibility of clients having enough influence to change the conduct of the corporation since they are dependent on their clients. In addition, the corporate lawyer acknowledged that the credit agencies could affect and change the business of conduct as the



corporations are depending of financial funding. Furthermore, a discussion thereby followed concerning how, in the future, the society can change business conduct through regulations, maybe through tax deductions for grants (e.g. grants for non-profit organisations).

Neither law firm A or C noticed any stakeholders which were trying to influence their law firms regarding their conduct of CSR activities except Advokatsamfundet. The reason that no stakeholders tries to influence the law firm A and C is according to them the nature of how their law firms work. Since a law firm is a service corporation which deals with certain types of questions it does not have an impact on society in the same way as a manufacturing corporation. The client has the belief that the lawyer in any situation will represent the client out of a fair conduct. Therefore, it is extra important for a lawyer to act fair in their line of work.

Another aspect to take into consideration according to law firm A is the size of the firm. Law firm A is a small law firm which infers that the demands and expectations of certain stakeholders are relatively low in comparison to larger firms.

On the contrary, law firm B has stakeholders which demand that the law firm should have an environment policy. Even though the stakeholders demanded that the law firm should have an environmental policy the firm was of the notion that in the bottom line it was their own decision. Consequently, law firm B experienced that they had stakeholders trying to influence their conduct of CSR activities but the stakeholders were not solely strong to influence them. Law firm B has however chosen to implement an environment policy since they believe that its in accordance with there business.

Law firm A and B emphasized the importance of social and ethical responsibility. In relation to the TBL these areas was regarded as a larger and more important area compared to the environmental area. Although, this kind of voluntary activities cannot be to much load of the economical perspective. Law firm C believed that the most important aspect is professionalism towards the clients and their need. To be able to be professional, a lawyer has to have high ethical standards which are in accordance with Advokatsamfundet standards.

## **4.6 The future of CSR**

There was a mutual belief between law firm A and B that CSR activities will increase with time. Nowadays, it is more important to conduct good ethical business in order to comply with the stakeholders' awareness and demands. Furthermore, media contributes to a higher degree of ethical business conduct. It is important to discuss CSR activities and try to adapt to the development and also evaluate how it is conducted and furthermore how the activities can be developed within the business strategy of law firm A and B.

The belief of law firm A and B is that CSR activities contributes to an increased profitability. However, the firms emphasized that the conduct of CSR activities ought to arise from a genuine perspective to contribute to the society, because all activities cannot be measured in profitability. Hopefully, CSR activities will be conducted with idealistic reasons and not because of profitability in the future.

Law firm C did not believe that CSR activities will become a more prioritized issue at their firm because of the type of business that their law firm is conducting. However, the representative of law firm C mentioned that other law firms might have another point of view regarding the importance of CSR activities but the representative pointed out that the general belief was that CSR activities will not increase with time in law firms.

The participant of corporation A believe that CSR activities can increase with time and mainly concentrated the interview questions connected to the future of regulations. The corporate lawyer sees an increased interest concerning CSR activities and believes that some regulations will be stipulated concerning how certain corporations should conduct CSR activities. However, the corporate lawyer also see the downside with regulations since it will force corporations into a certain business conduct. An overhaul system will be needed in this case to see to that corporations conduct the “right” business conduct and the corporate lawyer also discussed the possibility of EU-regulations in the matter to integrate European cooperation and enable an international forum.

## 5 Analysis

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*This following section will analyse the empirical findings from the interviews and create a link back to the theoretical framework.*

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The purpose of this thesis is to interview four legal jurists in order to explore how they conduct CSR activities within their service corporation, with primary focus on SME law firms. Throughout the analysis a short comparison is made towards earlier research concerning manufacturing corporations in an attempt to enlighten potential differences (question 6). In order to answer the purpose the following *research questions* needs to be answered:

- (1) Which activities can be labelled as CSR within the interviewed service corporations?
- (2) What kind of difficulties do the interviewed service corporations experience with CSR activities?
- (3) How can CSR activities be used as value adding within the interviewed service corporations?
- (4) What kind of responsibility might the interviewed service corporations have towards its stakeholders and why?
- (5) How do the interviewed service corporations perceive the future regarding the conduct of CSR activities?
- (6) If and in that case how do CSR activities in the interviewed service corporations differentiate in comparison to earlier research regarding manufacturing corporations?

### 5.1 Activities labelled as CSR

To be able to answer the purpose the authors had to consider the intended meaning of CSR. When considering the meaning of CSR one problem which occurred was that as there does not exist a common definition of the meaning of CSR, which has lead to some ambiguity concerning what kind of activities that can be regarded as CSR activities (Crane et al, 2004). When evaluating the CSR discussions by several scholars and deciding upon a definition suitable for the purpose and the authors' notion of CSR, the definition applied by the EU Commission (2006) was chosen: *'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'*. Consequently, the authors' notion of CSR is that such activities are conducted on a voluntary basis. According to the EU Commission (2006) it could also be stated that CSR activities begins where the law ends. During the interviews the common impression of the interviewed service corporations was that CSR activities have to be voluntary. If a CSR activity is regulated by law the paradigm shifts from responsibility to accountability which result in that all corporations' activities are conducted within the essence of the law. Consequently, the empirical findings somewhat strengthens earlier research such as Wise (2006) who argue that CSR activities begins where the law ends.

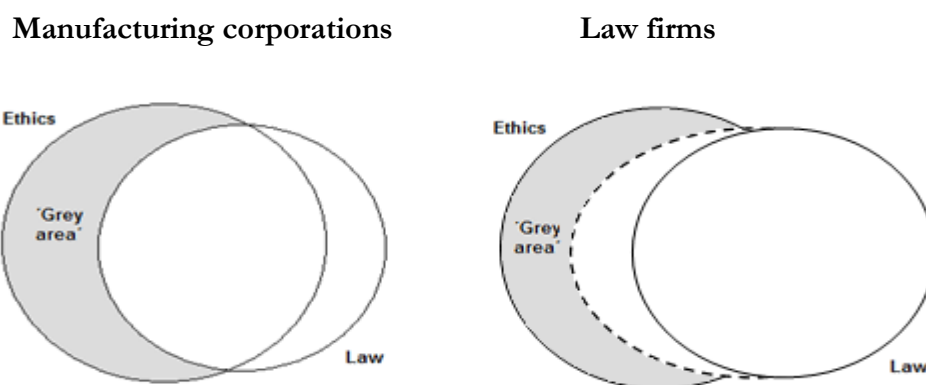
CSR activities is not a new concept with regards to the literature review, e.g. Carroll (1979) stipulated the concept of the Pyramid of Corporate Social Responsibility. However, through the empirical research the authors have come to the conclusion that CSR activities seem to be a relatively new phenomenon within the interviewed service corporations. Consequently, the interviewed service corporations seems not to have been affected by the historical debate regarding CSR activities (Crane et al, 2004). Nonetheless, the interviewed service corporations have conducted activities that can be compared to CSR activities without the corporations necessarily viewing them as such activities or even recognising the meaning of CSR. The conclusion to be drawn is that it might not be necessary to establish a general guideline to be used within each of the interviewed service corporations in order for them to conduct CSR activities. However, it might provide a more ethical business behaviour, in accordance with what Bonnedahl et al (2007) argue concerning managerial difficulties and morality.

According to earlier studies from the EU Commission (2002), SME's use CSR activities to build a trustworthy business in the local society. The empirical findings imply that some of the interviewed service corporations used trustworthiness as an argument in relation to CSR. The interviewed service corporations in the smaller cities were more active compared to the law firm in Stockholm. As a result, law firm B engaged CSR activities which were more transparent with the firm's business values. Law firm A also engaged activities which was connected with the local community, e.g. the university in the city.

As mentioned by Wiklund (1973) Advokatsamfundet is a private organisation which by law is given normative authority concerning which kind of ethical behaviour law firms should conduct. To be able to practice law as a *lawyer* a person has to be a member of Advokatsamfundet. The conclusion is that such an employee is obligated to follow Advokatsamfundets standards as a result of the law. One might argue that the ethical standards stipulated by Advokatsamfundet should be considered as CSR activities because the directions explain how the ethical behaviour should be conducted. On the contrary, it can be also be argued that the standard is not voluntary and therefore the ethical standard cannot be seen as CSR practice in accordance to definition set by the EU-commission (2006).

The authors' point of view regarding the ethical standards of Advokatsamfundet is that activities in accordance with these standards cannot be seen as CSR activities since it is not conducted on a voluntary basis. However, the authors still believe that these set of standards contributes to a corresponding and uniform behaviour for those law firms who must apply the rules. Therefore, the standards may contribute to law firms acknowledging CSR activities and eventually lead to law firms conducting CSR activities, i.e. voluntarily, which are not directly connected to the set of rules from Advokatsamfundet.

Nevertheless, an interesting perspective which should be acknowledged is that law firms have higher demands, due to the rules from Advokatsamfundet on their ethical activities and their position as commission of trust, in comparison to manufacturing corporations. This conclusion is however only applicable in relation to the law firms in the thesis' case study that has lawyers that are members of Advokatsamfundet. Business lawyers, however have the same demands as manufacturing corporations, i.e. they do not have any additional obligatory rules, but rather the ones chosen in their own strategy which is the conclusion drawn by the authors through the case study. Through Figure 6, which Crane and Matten (2004) established, the authors attempt to describe the relationship between ethics and the law and how the regulations for ethical behaviour in certain law firms is extended in comparison to the other studied service corporations.



**Figure 6 Comparison of ethics**

Through the empirical research it can be argued that the interviewed service corporations who are members of Advokatsamfundet believe that the internal standards should be seen as CSR activities. Law firm A's and C's point of view were that even though all members of Advokatsamfundet had to follow the ethical standards, the standards were constructed in a way which made law firms acquire such types of responsibilities where it in other corporations would be seen as CSR activities. The authors acknowledge this argument, but it was established further on in the empirical research that even lawyers which were not members of Advokatsamfundet practiced similar activities as the members of Advokatsamfundet. Law firm B consequently follows a similar pattern regarding CSR activities, which are mainly ethical standards, even though it is not an accountability. In addition law firm B applied a wider scope of CSR activities regardless of the activities which could be compared to the rules of Advokatsamfundet.

The authors believe that this correlate with the position of commission of trust that lawyers holds according to Wiklund (1973). It could be argued that further CSR activities are neglected since lawyers only pursue activities accountable to Advokatssamfundets standards, which is mainly ethical standards. Although, the authors believe that even though these activities, formally, can not be considered as CSR activities no further responsibility could be demanded.

The data collected from the corporate lawyer, who has more flexibility within their line of work, further strengthened our belief that there is a vague line between lawyers and business lawyers. This can be seemed as self-evident because jurists almost have a greater responsibility because of their commission of trust.

- (1) As for all corporations an integration of voluntary social and environmental concerns in their business operations is considered as CSR activities. Through earlier research it is established that SME's often is strongly embedded in the local community, this finding was also confirmed through the authors' empirical study. However, since certain service corporations that specialises in law have to follow the ethical standards stipulated by Advokatsamfundet additional requirements is established within these service corporations. There is no earlier research on the matter and our belief is that Advokatsamfundets standards cannot be seen as CSR activities, it should instead be seen as an action which the firm is obligated to apply. Otherwise the law firm runs the risk of being excluded from Advokatsamfundet. But as already mentioned, Advokatsamfundets ethical standards contribute to cor-

responding and uniform behaviour within service corporations, such as the law firms studied, should behave within their ethical line of work.

## 5.2 Difficulties with CSR activities

A managerial difficulty according to Ward (2003) is that CSR activities can be neglected in the CSR management since it is voluntary and Bonnedal et al (2007) argue that corporations need to have a fixed plan which states what kind of CSR activities the firm should take part in. Since CSR activities are voluntary a service corporation may choose to conduct a CSR activity when an opportunity is given that is in accordance with the core business. Although, the authors belief is that this is not a difficulty connected only to SME service corporations but to all SME corporations which leads to a discussion about the corporation's size and resources.

MNE's often have more resources with regard to time and money, which leads to that the agenda of CSR activities is often shaped by MNE's (Fox et al, 2002). They can therefore engage CSR activities without negative impacts within the organisation. Since SME's do not have the same type of resources as the MNE's the SME's CSR activities differs in engagement compared to large corporations (Williamson et al, 2006). The EU Commission (2002) established that larger corporations have an opportunity to set aside competence and resources and therefore it was argued that larger corporations have a greater ability to conduct CSR activities.

The empirical research indicates that in one of the law firms (Law firm B) the management and the ownership was connected to one person which lead to that all decisions simultaneously was made by the management and the owner. Consequently, decisions was made on a relatively subjective ground and probably in an attempt to aid the local stakeholders. The authors consider these subjective grounds as a difficulty for the interviewed SME service corporations since it seems that they not regularly have explicit strategies covering every department. As mentioned, the interviewed service corporations had some strategies but we presume that they are not as extensive as in MNE's.

All the interviewed service corporations described their CSR activities as dependent of resources. Additionally, they believed that all types of SME's have the same type of difficulties concerning CSR activities. In a small corporation with only a few employees the economic capacity does not allow one person which deals solely or mainly with CSR issues. It is also hard to allocate resources which can be used in CSR activities that does not, to a high extent, affect the business operations. Law firm C is of the notion that CSR strategy should be a natural part of a corporations' business in order to be successful. However, the conclusion to be drawn according to the empirical findings of the authors' case study is that the bottom line of business is to earn profit, regardless of whether the question concern a law firm or a manufacturing corporation. Furthermore, the interviewed services corporations were aware of the problems concerning CSR activities but they did not prioritize resources that might be needed in order to develop specific CSR standards. According to the interviewed service corporations the reason to why they do not prioritize CSR activities is the lack of both economic and human resources.

Even though corporation A had larger resources it did not practice CSR activities on a larger scale, which is contrary to what the EU Commission (2002) stated. However, the authors realize that no generalization can be made from one corporation. It almost seemed as if corporation A used the existing strategy until being told otherwise by an external part. This data further strengthens the authors' belief that service corporations that specializes in

law acts with a greater deal of ethical behaviour because they are seen as commission of trust, such as corporation A.

Moreover, according to the interviewed service corporations CSR activities are not prioritized in their business conduct, which leads to the conclusion that it is not necessary to use resources such as money since the corporations does not see the benefits as high enough. In other words it is a business decision. Consequently, it can be argued that the interviewed service corporations will not use CSR activities if it does not contribute to a competitive advantage. The idealistic point of view would be that corporations and firms conduct CSR activities because of the good cause. But as already mentioned, service corporations' CSR activities is conducted to contribute to goodwill and consequently more clients. The managerial difficulty, discussed in the interviews, was the difficulty in conducting CSR activities that was in accordance to the every day business, i.e. making profit.

In a quantitative research within different sectors by Graafland et al (2003), it was established that manufacturing corporations use more formal instruments such as code of conduct, ISO certification, social reporting et cetera, than the financial service sector. Through the empirical research the authors believe that the same conclusion can be drawn regarding the interviewed service corporations since neither of them used any type of formal instruments in their business. However, one of the law firms declared that they are thinking of implementing environmental certification. Although, further quantitative research is needed in order to be able to generalize for all law firms and other service corporations.

- (2) Through this research the authors have, by comparing empirical data with research from the EU Commission (2002), come to the conclusion that the interviewed SME service corporations' difficulties with CSR activities do not differ in particular from other SME corporations. However, it is the authors' belief that the interviewed corporations uses the resource argument to justify that they do not conduct certain CSR activities. Another empirical finding that seems to be the same as in the research made by the EU Commission (2002) is the fact that management and ownership are controlled by the same person in the SME's. This is a subjective difficulty since one or a small amount of persons decide which CSR activities that should be conducted. In contrast, larger corporations can have the possibility to set aside certain resources. However, even if larger corporations have a greater possibility to set aside resources and conduct CSR activities this do not automatically mean that they actually do it. Another problem which were acknowledged when the service corporations were interviewed was that the firms found it problematic to incorporate CSR activities into their business conduct as a result of the type of services that they provided.

### **5.3 CSR strategy as value adding**

A well known CSR-concept is (TBL) which was coined by Elkington (1994). According to Henriques et al, (2004) TBL examines how a corporation conduct its business in the terms of economical value, environmental value and social value. By examine the corporation's business conduct in relation to these three aspects it is possible to determine what kind of CSR activity corporations are conducting. All the interviewed service corporations in the empirical findings agreed that the economic aspect is the most essential part of the three areas. When investigating how the firms conduct their business out of a social and environmental point of view an interesting result occurred in the empirical findings.

The result of the empirical research was that the interviewed service corporations were more interested in CSR activities that were connected to social values issues, rather than issues that concern the environment. All of the answers concerning this matter were similar and none of the interviewed service corporations expressed that the environment was the most important issue to address. The authors' belief is that the main reason for this is the type of business that the interviewed service corporations are conducting. A service corporation, such as those in this study, provides its clients with advice and consultation instead of products. By comparing the empirical data with a previous study made by Williamson et al (2006) about CSR activities in manufacturing corporations the authors' have come to the conclusion that the interviewed corporations focused on the social aspect while the manufacturing companies focused more at the environmental aspects. The result shows that corporations choose to conduct CSR activities that are closely connected to their business.

Furthermore, the EU Commission (2002) and Williamson et al (2006) argues that CSR activities in SME corporations are undertaken in order to improve the reputation building. This conclusion is also applicable in relation to the interviewed service corporations. It can therefore be argued that the reason for this is the dependence on their current customers. MNE's, however, are not that dependent on their current customers to the same extent since they have larger possibilities to attract new customers.

The main reason of why the interviewed service corporations considered social questions to be more of interest was, according to the empirical findings, that those kind of questions derives from directly how they conduct business. Furthermore, activities concerning social values create goodwill. According to the interviewed corporations, reputation is of great importance within their line of business. A jurist/law firm or service corporation with bad reputation will not attract any clients and without clients there is no business. One way of gaining a good reputation is for the corporation to conduct activities that create goodwill. The advantage with conducting activities which are creating goodwill is that the local society probably associates the corporation with something positive. In contrast, a disadvantage is that the CSR activity which creates goodwill might cost more money than what the activity will eventually bring in. One specific problem with activities which should create goodwill is that goodwill is an intangible asset which is difficult to value. Therefore, it might be argued that a social responsibility is not preferable to conduct since it is hard to measure the actual value adding. When the interviewed service corporations is conducting a CSR activity which is supposed to create goodwill it seems naturally that the activity focuses on social values which lies within the competence or interest of those that are working at the corporation

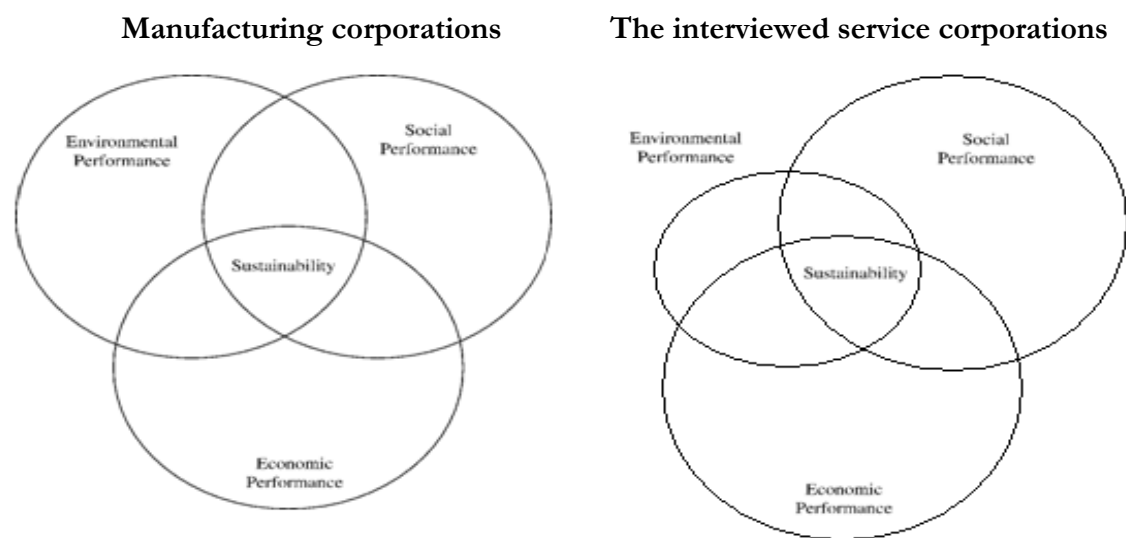
The authors were surprised when the participant of law firm C explained that since the law firm mainly focus on civil law they do not face CSR in their everyday practice. This seemed as an excuse for not having a CSR strategy. There can not be any differences in how law firm C conducts business from how the other interviewed corporations conduct their businesses. However, the firm acknowledged that it may be beneficial for law firms to perform CSR activities which may seem a bit contradictive. But the authors recognise that certain law firms as those specialising in environmental law might be more willing to adapt to CSR activities and it might also be easier for them as it is in line with their specialisation.

In sum, the interviewed service corporations expressed that CSR activities are beneficial for law firms since they acquire goodwill which is fundamental for law firms (regardless of whether Advokatsamfundets standards can be seen as CSR activities).



By examining the empirical findings in the light of the TBL the authors' conclusion is that when the interviewed service corporations conduct CSR activities they have a tendency to enact in activities which lies within the frames of the corporation's business conduct. When the service corporations makes a decision concerning which type of CSR activity it should take part in the decision is based upon considerations concerning how well the activities correlates with the corporation's business values.

Therefore, the author's view of how TBL can be seen is manifested in Figure 8, which is based upon Carter et al (2008) model, and shows a framework of sustainable supply chain management: moving towards a new theory. In the figure the authors have made a comparison between manufacturing corporations and service corporations. Fairchild (2007) argue that manufacturing corporations need to overlook how they can reduce polluting activities. This result is strengthened by the results in the empirical study as the interviewed service corporations focuses on social value instead of environmental values.



**Figure 8 Comparison of TBL regarding manufacturing corporations and law firms**

- (3) The bottom line for all corporations is to earn profit, no matter if the argument is but forward in the service sector or the manufacturing sector. This discussion of benefits and disadvantages will therefore only concern profits or non-profits. In this study much of the discussion can derive from the economical point of view and furthermore from goodwill with regard to the interviewed service corporations. Since the interviewed service corporations only offers consultation based on services, the goodwill becomes essential. In order to attain goodwill the service corporations need a high degree of social/ethical responsibility in an attempt to please their clients. Without determining whether the ethical behaviour within the frame of Advokatsamfundets standards is seen as CSR activities or not (the authors believe that since these activities is seemed as CSR activities within other corporations it will be compared as CSR activities without actually fitting within the term). This high degree of social responsibility is necessary to attain pleased clients and furthermore goodwill. However, the authors acknowledge the difficulty in measuring the actual effect of the goodwill. In sum, CSR activities that are considered as ethical are essential for the interviewed service corporations since it contributes to goodwill.

## 5.4 Responsibility towards stakeholders

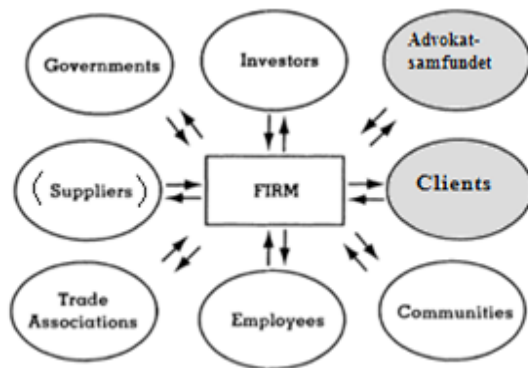
According to a study made by Graafland et al (2003) it seemed as the financial service sector employs strategies are more connected to dialogue with stakeholders in attempt to stimulate the awareness compared to the metal manufacturing that have fixed standards. Although, this research was also conducted as a comparison between smaller firms and larger corporations it therefore needs to be used with caution. However, the stakeholder theory made by Freeman (1984) implicates that if corporations consider responsibility to its stakeholders it implicates a 'win-win' situation and beneficial results for all parties. Furthermore, through a research made by Calabrese et al (2008) it has been shown that a lesser degree of specified CSR activities can lead to a lower degree of appreciation by the stakeholders.

Every corporation has its primary and secondary stakeholders (Wheeler et al, 1998). Therefore, it is interesting to discuss to what extent the corporations conduct its business in accordance with the stakeholder theory and in respect of its responsibility to different stakeholders. Through the empirical findings it can be concluded that the interviewed service corporations do not have stakeholders that are powerful enough to affect their conduct of business. Consequently, by using Johnson et al (2008) theory about the stakeholder map the authors have come to the conclusion that most of the stakeholders of the interviewed corporations can be considered as '*minimal effort*' stakeholders since the segment has a very small interest in changing the corporations' strategies and also have little power to change the strategies.

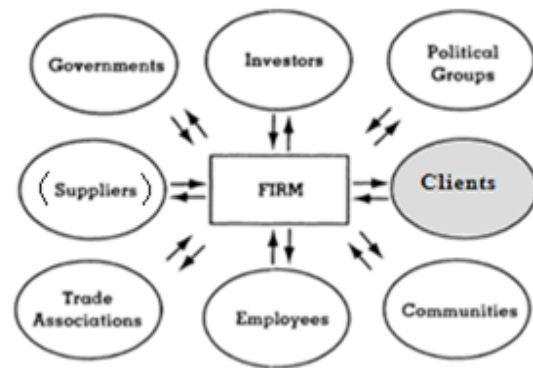
The *clients* are the livelihood when it comes to the interviewed service corporations. Therefore, these service corporations are dependent of the clients and their opinion of the particular corporation. For the interviewed corporations it is fundamental to have satisfied clients that can spread the word of their expertise regarding their services. Consequently, these stakeholders can be regarded as the segment of '*keep satisfied*' because they might have the power to influence the corporations' strategy but will not do so as long as they are pleased. The authors have come to conclusion that the interviewed service corporations do not in the same way have the opportunity to attract customers as manufacturing corporations regarding e.g. prices which forces them to compete with the quality of their services.

Another stakeholder that differs from the others is Advokatsamfundet. The private organisation of Advokatsamfundet can be considered as '*key players*' since they have the power to influence two of the interviewed corporations' strategies. Moreover, they can steer the development of ethical behaviour but only for the members of Advokatsamfundet. Consequently, Figure 7 explains the differences regarding stakeholders between the two corporations that are members of Advokatsamfundet and the other two service corporations. The model that the authors have used is the Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications by Donaldson et al (1995).

### Members of Advokatsamfundet



### Non- members of Advokatsamfundet



**Figure 7 Comparison of stakeholder regarding different law firms**

Earlier research made by Calabrese et al (2008) argues that service corporations need to be more proactive compared to other sectors. Thus, it is important for service corporations to predict the requirements of the stakeholders. However, in contrast, the author's belief after undertaking this research is that manufacturing corporations to a larger extent need to consider its stakeholders. Hence, the authors' belief is that manufacturing corporations affects more stakeholders compared to SME service corporations because of the risk of their by-products affecting the environment. This fact creates a need for the corporation to consider its suppliers, governmental regulations regarding environmental issues, safety aspects for employees.

Nowadays, the environment is a current issue and media contributes to a public awareness how manufacturing corporations should conduct their business. With time, the impact of such stakeholders may even result in a larger awareness of the environment. At the same time manufacturing corporations need to consider the social perspective as well. Consequently, even though service corporations need to consider clients and, sometimes, Advokatsamfundet they have a responsibility in contrast to *'being accountable to all is being accountable to none'* (Calabrese et al, 2008). Regarding the environmental issues it can be concluded from the empirical findings that the service corporations mainly deal with trivial activities such as low energy lights.

- (4) In contrast to earlier research the authors belief is that the interviewed service corporations do not need to be more proactive in order predict the stakeholders requirements in comparison to manufacturing corporations. Through the empirical findings it seems as most of the service corporations' stakeholders require a minimal effort in order to appreciate the business operations. However, since service corporations that specialises in law have a position as commission of trust it can be argued that they represent the society as a whole. However, this study does not aim to explore the society as a whole but rather the stakeholders within the society. Furthermore, clients to the interviewed service corporations as well as customers to manufacturing corporations, needs to be satisfied in attempt to achieve goodwill and furthermore potential profits. However, our belief is that manufacturing corporations need to attend environmental issues to a higher degree since the sometimes have a by-product from their manufacturing process. In order to keep the customers satisfied manufacturing corporations need to follow environmental standards. Therefore, stakeholders demands a higher degree of effort from the manufacturing corporations to be proactive. This may be as an consequence from the public awareness and the current issue that the environment establish nowadays.

One significant difference between the interviewed service corporations was the standards stipulated by Advokatsamfundet as a stakeholder. Meaning, that two of the interviewed corporations (Law firm A and C) are obliged to follow the standards. The empirical findings however imply that there is no practical difference between the interviewed corporations in their conduct of ethical behaviour.

## 5.5 The future of CSR

The representatives of law firm A and B and corporation A believed that the concept of CSR is here to stay and that it will become more important in the future. The representatives had also acknowledged that more and more people are starting to reflect about questions concerning the area of CSR. The law firm C representative also believed that CSR is here to stay but only in businesses which can incorporate CSR activities into their business strategy. In addition, law firm C did not believe that the law firms' CSR activities will increase in a near future.

An interesting finding of this thesis is that the interviewed service corporations seem not have the same pressure from stakeholders to conduct CSR activities as the manufacturing corporations, contrary to previous research. The reason according to the authors is that the service corporations do not have the same tangible effect on the stakeholders and therefore the stakeholder does not pressure them in the same way. Consequently the authors conclude, as from the findings of this thesis, that the interviewed service corporations will not, within a near future, be obliged to conduct a more specified CSR strategy.

- (5) As concluding remarks, the authors like to stress that it is most likely that the concept of CSR will in the future further enhance. However, it is our belief that SME service corporations will not be deemed to procure a larger social responsibility and therefore will not be affected to the same extent as manufacturing corporations. This is because some service corporations already have extensive standards how to conduct ethical activities, e.g. certain law firms obligated to follow the rules stipulated by Advokatsamfundet. However, it is possible that there may be a need of similar or identical set of standards stipulated for other service corporations in the future.

## 6 Conclusion

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*This final section will present the authors conclusions*

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A SME service corporation is a corporation which provides knowledge based consultation. Most of the earlier research within the area of CSR has focused on the CSR activities and strategies of large manufacturing corporations. That is why this study aims to explore how CSR activities are conducted within four service corporations with focus on SME law firms.

Through the empirical findings it can be concluded that the interviewed service corporations see CSR activities as an integration of voluntary social and environmental concerns in the business operations. However, lawyers which are members of Advokatsamfundet have to follow the ethical standards stipulated for lawyers. The authors' belief is that these activities cannot be considered as CSR activities in a strict meaning since it rather is an accountability for lawyers. But these activities can be compared to CSR activities.

In contrast to earlier research, the authors' belief is that the interviewed service corporations do not need to be more proactive in order to predict the stakeholders requirements compared to manufacturing corporations. Moreover, the authors' belief is that manufacturing companies need to attend environmental issues to a higher degree since they sometimes have a by-product from their manufacturing process. This conclusion is reached since earlier research state that manufacturing corporations tend to focus their CSR activities towards environmental questions. The authors belief is that manufacturing corporations has such an impact on the surrounding environment that it affects stakeholders in a way which leads to that the stakeholders demand certain kinds of business operations. On the contrary, the interviewed service corporations do not affect stakeholders in environmental issues. Therefore, stakeholders do not have the same expectations at these service corporations whether they take part in environmental activities or not.

In contrast to manufacturing corporations which focuses on environmental questions, our research implies that the interviewed service corporations focus their CSR activities towards social questions that are closely connected to their core business. Moreover, the bottom line for all corporations is to earn profits. Since the interviewed service corporations only offer knowledge based services, the goodwill becomes essential. In order to attain goodwill the interviewed service corporations need to have high ethical standards and therefore all kind of social responsibility (CSR) is preferable from a long term perspective. An essential problem concerning a long term CSR strategy is however that the interviewed service corporations find it complicated to make these activities fit into their business strategy.

Through our research it can be concluded that the interviewed SME service corporations' difficulties with CSR activities do not differ in particular from SME corporations in general with regard to time and money. This conclusion has also been established through earlier research and is therefore confirmed through this research.

Finally, the concept of CSR is here to stay. The authors believe that the conduct of CSR activities will become more important in the future. However, the interviewed service corporations might not be affected in the same way as other corporations since they already have extensive ethical standards.

## **6.1 Further research**

As discussed in the thesis there is a limited amount of research regarding service corporations conducting CSR activities. Through our findings it can be concluded that the interviewed service corporations CSR activities closely connected to social responsibility. Therefore, the authors believe that the matter needs to be further investigated in order to make a generalization of all law firms and other service corporations with legal expertise. This thesis can serve as an exemplification and establish that further research is needed within the matter of CSR and the service sector.

Another aspect that the authors believe needs further research is the relation between stakeholder theory and the service corporations CSR activities. More specific such a research should focus on how much impact the stakeholders has on the service corporations CSR activities. Since this thesis focus on three SME law firms and a service corporation with legal expertise it function as an exemplification, a quantitative research study involving numerous of service corporations would shed more light over the matter and conclude whether these findings is applicable to all law firms and or service corporations with legal expertise.

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# **Appendix 1**

## **Interview in English**

### **Organisation**

1. What kind of legal services to your firm offer?
2. Where is your law firm placed?
3. How many employees?
4. What is your yearly turnover?
5. How is your management structured?
6. Does your law firm have an announced strategy?

### **Activities labelled as CSR**

7. How does your firm define the essence of social responsibility?
8. How does your firm define the essence of ethical responsibility?
9. How does your firm define the essence of economical responsibility?
10. How does your firm define the essence of enviromental responsibility?

A dialogue follows of what CSR means for the particular law firm.

11. When do you believe that law firms first started with CSR and when did your firm enable CSR activities?
12. What kind of competence concerning CSR do the employees within the firm have and how does your firm make use of this competence?

### **Corporate Social Responsibility as a strategy**

13. How well does your firm CSR knowledge correlate with your business strategies?
14. What is the firms' view of investments in CSR and how does your firm manifest what the firm is doing concerning CSR?

### **Corporate Social Responsibility as value adding**

15. Does your firm believe that CSR activities can create surplus value to your firm trademark or simply is seen as an ethical responsibility?
16. How does your firm consider investments considering CSR activities?
17. Does your firm consider the cost of CSR activities as an investment or additional cost, and how come this point of view? Explain

### **Corporate Social Responsibility within law firms**

18. Does your firm believe that law firms in general have a greater moral responsibility towards society than other companies and in that case why?
19. Does your firm consider CSR activities as a priority and in what way does that notion show in the business strategy?

20. Which kind of knowledge concerning the area of CSR does a law firm have that differentiate other types of corporations?
21. What kind of knowledge does your firm have or not have compared to other law firms?

### **Managerial risks with Corporate Social Responsibility**

22. Do you see any kind of difficulties in implementing or conducting CSR?
23. Does your firm have explicit ethical policy?
24. Does your firm have explicit policy which specifically concerns CSR, if not could there be any risks?
25. Does your firm see any difficulties, as a SME, to conduct CSR activities?

### **Stakeholder theory**

The stakeholder theory means that a corporation considers its stakeholders (customers, employees, government, suppliers, interest groups et cetera)

26. Would you please identify your different stakeholders?
27. Which stakeholders affects directly or indirectly of your business of conduct?
28. Does your firm believe that there is a single stakeholder strong enough to affect your way of conducting CSR?
29. Does your firm experience that customers and other stakeholders are requiring that your firm shall pursue CSR management and how does their thoughts reflect in your business strategy?
30. Is there an stakeholder that actively express how you should conduct CSR?
31. Does your firm recognize any trends among your customers and other stakeholder groups concerning their CSR conscience, in that case which are the trends that you perceive?
32. What is the investors' view of the law firms CSR activities?
33. Does your firm believe your commission of trust affects the demands of the customers concerning CSR?

### **Social aspects**

34. What type of social responsibility does your firm conduct? For example does your firm engage in sponsoring the community or does your firm take part in non profitable activities?

### **Environment aspects**

35. What kind of environment polices do you have at your firm? E.g. recycling

### **Corporate Social Responsibility in the future**

36. Does your firm consider CSR as a current trend or a phenomenon that will evolve even more with time? Explain

## **Appendix 2**

### **Interview in Swedish**

#### **Organisation**

1. Vilka typer av juridisk konsultation erbjuder er firma?
2. Vilken stad/städer är er firma placerad?
3. Hur många anställda har ni på er kontor/firma?
4. Vad är kontorets/firmans omsättning?
5. Hur är organisationen uppbyggd?
6. Finns det några uttalade strategier för firman?

#### **Handlingar synonyma med CSR**

7. Hur definerar er firma socialt ansvar?
8. Hur definerar er firma etiskt ansvar?
9. Hur definerar er firma ekonomiskt ansvar?
10. Hur definerar er firma miljömässigt ansvar?

En dialog följer hur den specifika advokatbyrå/juristfirman uppfattar CSR

11. När tror ni att juristfirmor startade med CSR aktiviteter och när startade er firma?
12. Vilken kompetens angående CSR finns inom er firma och hur utnyttjar ni den?

#### **Corporate Social Responsibility som en strategi**

13. Vilket uttryck får CSR inom er affärsstrategi?
14. Hur manifesterar ni aktiviteter som är förknippade med CSR?

#### **Corporate Social Responsibility som value adding**

15. Ser ni CSR kostnader som en investering eller en merkostnad?
16. Hur ser ni på investeringar som är förknippade med CSR aktiviteter?
17. Ser er firma CSR aktiviteter som en chans till mervärde eller etiskt ansvar? Utveckla

#### **Corporate Social Responsibility inom juristfirmor**

18. Tror ni att juristfirmor har större etiskt ansvar gentemot samhället än andra organisationer, i sådana fall varför?
19. Ser ni CSR aktiviteter som en prioritet inom er affärsverksamhet?
20. Tror ni att er CSR kompetens skiljer sig från övriga företag i allmänhet?
21. Tror ni att er CSR kompetens skiljer sig från andra juristfirmor?

### **Ledningsproblem med Corporate Social Responsibility inom juristfirmor**

22. Har ni haft några svårigheter med att implementera eller utföra CSR aktiviteter?
23. Finns det någon uttrycklig etiskt policy inom er firma?
24. Finns det någon uttrycklig CSR policy inom er firma, om inte ser ni några risker med det?
25. Anser ni att firmans storlek kan påverka hur ni bedriver CSR?

### **Stakeholder theory (intressentmodellen)**

Intressentmodellen innebär att ett företag tar hänsyn till alla sina intressenter (konsumenter, anställda, regering, leverantörer, intressegrupper, osv).

26. Kan ni identifiera de fem viktigaste intressenterna för er verksamhet?
27. Vilka intressenter påverkas direkt/indirekt av er verksamhet?
28. Anser ni att någon intressent har tillräckligt starkt inflytande för att påverka er verksamhet?
29. Finns det någon intressent som har tillräckligt mycket påverkan för att ni skall ändra på er CSR verksamhet, i sådana fall vem och varför?
30. Finns det någon intressent som aktivt uttrycker att ni bör ha en CSR strategi?
31. Har ni sett någon trend av att era intressenter erhållit större medvetande om CSR-frågor?
32. Hur ser era investerare på CSR verksamheten?
33. Hur tror ni att era kunder uppfattar er roll som jurist, då jurist är ett förtroendeuppdrag, och hur påverkar det förväntningarna på er CSR verksamhet?

### **Sociala perspektiv**

34. Vilka sociala ansvar tar er firma? (ex sponsring)

### **Miljömässigt perspektiv**

35. Vilka sorts miljömässiga ansvar tar er firma? ( ex återvinning)

### **Corporate Social Responsibility i framtiden**

36. Anser ni att CSR är en 'fluga' eller ett fenomen som kommer utvecklas mer med tiden? Utveckla