# Exploring Corporate Social Responsibility in Global Organisations

*-Three plus one socially responsible business models*

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# Executive summary

This thesis provides research, about different socially responsible business models. It is striving test a different approach to Corporate Social Responsibility (CSR), lately raised in the CSR literature. Furthermore, it strives to clarif certain questions about why and how organisations are socially responsible.

Research for this thesis included a review of current literature in the topics of Capitalism, Organisational Structure, Legitimacy, and Corporate Responsibility. From that review the major assumptions, about the creation of social responsibility, is made and a framework for analysing selected cases was developed.

The selected cases are different from each other, and are a three plus one combination, as one of the cases can be considered as two. The cases are: Novo Nordisk, both the foundation and the company, Grameen Danone, and TOMS. The methodological approach, in this thesis, is a mix of objective and subjective and is made as a case study with qualitative data collective methods.

The major findings indicate that many elements can play a role in the development of a socially responsible organisation, such as the main purpose, structure, and age. But one cause seems to be the personal experience and goal for the founder. Furthermore, a finding is that the organisation does not have to be either for-profit or not-for-profit, as this does not seem to have any affect. Nor does the product of the organisation seem to affect the opportunity. The organisation does, though need to have the will and interest in being socially responsible, and it seems like having a business model focused on social responsible is a plus.

Last, it is recommended in future studies to focus on a quantitative data collection method, in order to get a wider spectra and options to investigate other ways to be socially responsible as organisation. But also to do the research with some of the more well known theories, in order to see if they gives a different result.

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# 1 BACKGROUND AND PROBLEM FORMULATION

## 1.1 Introduction

Due to rapid growth of the Internet, information flow, and the rise of civil society groups around the world, the corporations are continuously being questioned from the wide-range of stakeholders. This has been even more critically evident in different societies after the financial crisis took place. Reactions and responses of stakeholders to this end directly affect the level of legitimacy of the organisations, while an increasing number of whistle-blowers from organisations and society emerge in recent years. The relationship between firms, social, and political actors become more complex than ever before. Social and political actors question the present capitalistic system repeatedly, whereas modified capitalistic and socialistic systems are introduced, if not newly introduced at all, to combat the wrong doings or weakness of the present form of capitalism. The examples are: Chinese modified communist model has been able to recover faster than any other country, while the USA is making a lot of changes inside the system to recover. In the course of modification of capitalism, firms, particularly MNEs, as the dominant actor of economic drivers are taken into account. It means their roles, the guiding principles and regulations for MNEs, value creation by them (both social and economic value creation) are seriously assessed, and have been the topic of discussion by policy makers, civil society actors and the MNEs themselves (Rana et al., 2014).

In order to pass through the critical assessment by socio-political actors or to fill up the gaps that the present capitalistic model presents, many organisations are involving themselves in various corporate social responsibility (CSR) projects, although a few seem to be successful. The intentions of the organisations might be good, but they are perceived as opportunistic, because often capitalistic mind (i.e. vision and mission) of the organisation is taking over, and the predominant reason for CSR project is become gaining economic benefit and image instead of complementing the weakness of the capitalistic system in society (McCraw, 2000).

While the objective is to pursue for high level of legitimacy to different actors: for example, among employees, consumers, social and political actors, scholars split into the idea on how to make use of CSR in a better way (Scherer et al., 2013). The strategic perspective of CSR for example suggests that the CSR initiatives need to be included into the overall strategy of the company (Werther and Chandler, 2014). Furthermore, the discussion goes on how to successfully implement the CSR initiative in the organisations. Many argue that it is a question of Stakeholders vs. Shareholders, but later researches have shown that this approach in the capitalistic system will favour the opinions of the owners of the companies (Scherer et al., 2013). Thus, the ownership structure of the companies might have a role in what kinds of CSR activities the company can choose.

There are different views on why businesses exist and also what the responsibilities of businesses are. The Nobel prize winner Milton Friedman has the belief that the main focus for businesses is to make profit i.e. "The Social Responsibility of Business is to Increase its Profits, (Friedman, 1970, p. 3). While another economist, Charles Handy is questioning, if we would ever invent businesses today if it is only focused on the profit (Handy, 2002, p. 7).

One type of organisational structure is disproving Milton Friedman's statement is the Social Business form, which the Nobel prize winner Muhammad Yunus is famous for introducing through his Grameen Bank project in Bangladesh. He has further developed many different social joint ventures with different conventional companies. But again the question is still why these organisations want to do good in the world, is the hidden motive to improve their own business or is it for solving real social problem only– as the organisations want to make a social difference in the world?

At this point, this thesis will shed light on how companies can be socially responsible, i.e. what are the mechanisms and the organisational structure that can allow global organisations to be really socially responsible in the complex social system of capitalism. Although it is hardly possible to clearly answer this question through a Master's thesis, this thesis will bring a new perspective that

will instigate our insight to think about this issue from a different angle than the conventional way of thinking.

## 1.2  Research Questions

The common problem, today, for global organisations is to understand the mechanism of gaining, maintaining and repairing the legitimacy i.e. how the organisation is perceived and accepted by the outside world. This has been captured in the following research question:

1. *How can companies be socially responsible?*

This research question is formed in order to discover different ways to be socially responsible, in the globalising world. This includes the way the companies are structures and located, but also if the companies are acting in accordance to the values, mission, vision in the companies. The desired result is to have an overview of different ways to how companies can be socially responsible.

Figure 1.1 below shows the research questions combined into one question with sub-questions and further elaborated on:

**Figure 1.1: Research Questions and sub-questions of the Study**

**How can companies be socially responsible?**

**I. How is the organisational structure in socially responsible corporations?**
- *Who are the owners and who has the voting rights?*
- *How much are external stakeholders included?*

**II. What elements affect the way socially responsible corporations plan CSR activities?**
- *How does the origon of the organisation mold the CSR activities?*

**III. What is the purpose of corporations?**
- *How can the corporations benefit societies and why should it?*
- What alternative ways of businesses than the conventional way are there?

# 2 Literature Review

This section will focus on the theoretical part of answering the research questions. This section will act as a foundation for the empirical analysis of the chosen cases. The section will review theories within: capitalism, organisational structure, legitimacy, CSR, and end with the creation of a framework, for data collection and answering the research question. Thus, the thesis is working under the assumption that the five sections are related with a systems thinking approach, which is shown in the framework later on.

## 2.1 Introduction: Capitalism, Communism and the middle

Until the seventeenth century, there were no concerns about big fluctuations in the capital markets since the natural order seemed to be economic stagnation. The word "Capitalism" has existed sine the 1850s and is introduced as an antonym of "Socialism". Thomas K. McCraw characterizes, in his book *"Creating Modern Capitalism",* capitalism as a system that is *"organized around a market economy that emphasizes private property, entrepreneurial opportunity, technological innovation, the sanctity of contracts, payments of wages in money, and the ready availability of credit"* (McCraw, 2000). He further adds that the value of something is whatever someone wants to pay for it, and that property is freely sold and bought.

The father of capitalism is considered to be Adam Smith who with his theory about the invisible hand was proposing that the market always will regulate it self as long as the free market is free.

On the other side of the line were Karl Marx and his communist manifesto. Marx predicted that the capitalistic system would never work long term, but that the capitalistic system would destroy itself and then turn in to Socialism and later Communism. In the middle in between Adam Smith and Karl Marx was Joseph A. Schumpeter who as young was impressed by the development and growth capitalism led to. Later he admitted that there properly also was some truth in what Karl Marx had predicted and that capitalism needs social and political support in order to survive (Sylla et al., 2006).

Schumpeter seems to be the winner of these predictions, but what is important to notice is he believes about the social and political support, as the business world today, assumingly, is more interconnected with the external environment and the political actors. This might also make the ownership structures of modern organisations more complex than one man in charge of all the activities in the organisation.

## 2.2  Organisational structure

Organisational structure is included in order to discover the basic designs of organisations and the strategic decision-making processes. Later the information will be used in the analysis to see if the structure has any impact on how the organisations are handling the legitimacy situation.

In the Search for literature about organisational structure, one cannot get around Henry Mintzberg and his differentiation of organisations on three dimensions: *"(1) the key part of the organization, that is, the part of the organization that plays the major role in determining its success or failure; (2) the prime coordinating mechanism, that is, the major method the organization uses to coordinate its activities; and (3) the type of decentralization used, that is, the extent to which the organization involves subordinates in the decision-making process"* (Mintzberg, 1980).

**Figure 2.1: The key parts of an organisation**
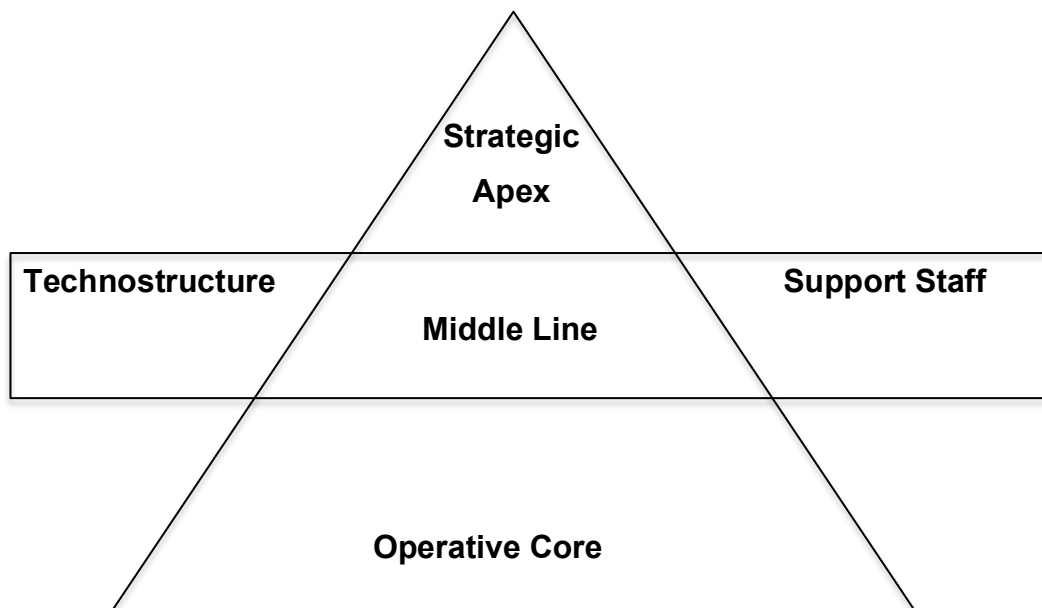


*Source: (Lunenburg, 2012)*

Figure 2.1 shows the key parts of an organisation, starting with the top, *strategic apex,* which is the top management, CEO, CFO etc. In the centre is the middle- and lower-level management, supervisors, team leaders, etc. this is called the *middle line.* On the left side is the *technostructure* consisting of engineers, accountants, human-resource managers, etc. on the other side of *Middle Line* is the *Support Staff,* which is described as the indirect services like, caretakers, maintenance staff, etc. Last on the bottom of the pyramid is the *Operative Core* carrying out the tasks of the organisation, thus, these are the workers on the ground getting their hands dirty (Mintzberg, 1980).

This is only for the first dimension of an organisation, the second dimension, the prime coordinating mechanism, which include:

- *Direct supervision*
- *Standardization of work processes*
- *Standardization of skills*
- *Standardization of output*
- *Mutual adjustment*

Last there is the dimension of what kind of decentralization the organisation employs. Mintzberg describes three decentralisation modes:

- *Vertical decentralization,* distributing power down the hierarchy.
- *Horizontal decentralization,* distributing power across the hierarchical level.
- *Selective decentralization,* selecting the units in charge

Mintzberg (1980) then suggests that by analysing the strategy an organisation is practicing, of the three foregoing dimension, the organisation will have one of the following structural configuration. This can also be use the other way around, if the structural configuration is known it is possible to know the organisation is using of the three dimensions.

**Table 2.1: Mintzberg's five organisational structures**

| Structural Configuration | Prime Coordinating Mechanism | Key Part of Organization | Type of Decentralization |
|---|---|---|---|
| **Simple structure** | Direct supervision | Strategic apex | Vertical and horizontal decentralization |
| **Machine bureaucracy** | Standardization of work processes | Technostructure | Limited horizontal decentralization |
| **Professional bureaucracy** | Standardization of skills | Operating core | Vertical and horizontal decentralization |
| **Divisionalized form** | Standardization of outputs | Middle line | Limited vertical decentralization |
| **Adhocracy** | Mutual adjustment | Support staff | Selective decentralization |

*Source: (Mintzberg, 1980)*

### 2.2.1 Other scholars' views and strategy

There are also other scholars debating structure, Alfred Chandler among others are taking the perspective of how strategy and structure are interacting with

each other. In a book by Nicolai Foss (Foss, 1997) Chandler states that *"the strategy of diversification led to organisational problems and eventually to the emergence of a new cooperate strategy"* (Foss, 1997). This basically means that he, on the question about, if strategy goes before structure or if structure goes before strategy, is in the middle. He hereby thinks that the strategy and structure, as a mix, are forming each other (Rajapakshe, 2002).

Thus, scholars are still arguing if the structure is coming before strategy or if strategy is coming before structure. This information will be used later in order to map out the situation of legitimacy in large organisations, but the main model will be the one from Mintzberg.

## 2.3 Legitimacy

As this thesis is about legitimacy and how large organisations are handling legitimacy, it is important to describe what is meant by legitimacy. One of the pioneers of legitimacy is Mark C. Suchman who explain legitimacy as *"Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."* (Suchman, 1995). Thus, legitimacy is about how an entity such as an organisation is perceived by the environment it is operating in (Scherer et al., 2013). With that said it could be different from market to market, how an organisation is managing its legitimacy.

Suchman describes three different types of organisational legitimacy: *Pragmatic legitimacy, Cognitive legitimacy and moral legitimacy* they are all having a viewpoint from the generalised perception, but they all have different behavioural dynamics.

### 2.3.1 Pragmatic legitimacy

One type of pragmatic legitimacy is called *exchange legitimacy* because the organisation is exchanging interests with its audience, but not in a very socially constructed way even though the actions of the actions of the organisation have a visible effect on the audience's well-being as there is an interdependency

between organisation and audience through the political, economic and social elements (Suchman, 1995).

Another type of pragmatic legitimacy is the *influence legitimacy*, this type is more socially constructed than the pragmatic legitimacy. This is for example if an organisation implements a new policy for better standards, then it is influencing the audience in a certain way (Suchman, 1995).

The last type of pragmatic legitimacy is the *dispositional legitimacy*. Dispositional legitimacy has according to Suchman not been focused no much in studies made about legitimacy. It is centred on how the audience is personifying the organisations. The organisations can, by the audience, be perceived as morally responsible actors, and the audience often reacts this way and the judge the organisations accordingly to what organisations shares the same values as the audience itself (Suchman, 1995).

### 2.3.2   Cognitive legitimacy

Cognitive legitimacy is as the name proposes, based on cognition. Thus, cognitive legitimacy is based on the philosophy of *"the mental action or process of acquiring knowledge and understanding through thought, experience, and the senses."* (Soanes and Stevenson, 2005). The cognitive legitimacy contains two variants: *comprehensibility* and *taken-for-grantedness*.

The legitimacy based on *comprehensibility* is, by theorists, mainly focused on a social world where everything is in chaotic cognitive environment and everybody are struggling *"to arrange their experiences into coherent, understandable accounts"* (Suchman, 1995). Thus, it can be unclear for the audience to see the benefits of the organisation's action. The organisation should mainly steer through the chaos, by using statements the audience can relate to or explain a new product in a different way than normal. An example is when Intel came out with its first microprocessor, one in the audience was concerned about losing the microcomputer through a crack in the floor, where

to the founder of Intel replied that it was not a problem as the user would have 100 more sitting on the desk.

The *taken-for-grantedness* part of cognitive legitimacy is as it says taking things for granted. Thus, for the organisation to make the audience believe that, things cannot be in any other way than they are at that moment. This could be something in the organisation, like during the financial crisis many organisations had to let go of the staff and it could not be other wise. This can be perceived as a very manipulative form of legitimacy, as many in the audience might not know better than the organisation is telling them.

### 2.3.3  Moral legitimacy

The last type of legitimacy is moral legitimacy. This type is not based on self-centred judgements, but about the moral paradox and if "this is the right thing to do in general?" The moral legitimacy occurs in four forms: *consequential legitimacy, procedural legitimacy, structural legitimacy and Personal legitimacy.*

*Consequential legitimacy* is about the "*evaluations of outputs and consequences*" (Suchman, 1995). Thus, an evaluation of what consequences the activities in the organisation can have on the surrounding environments, how the emissions from the factory are having an impact on the environment or how the society can be affected by laying of a lot of employees.

The evaluations of techniques and procedures is embedded in the *procedural legitimacy* (Suchman, 1995). Again given by the name of the form, this kind of legitimacy is about evaluating the techniques and procedures of the organisation. Thus, the ways things are done inside the organisation. This could also be if an organisation is disliked but the audience because of a very aggressive sales procedure or after sales. But it could also be a hotel's hospitality or lack of hospitality or if there is any quality control in the organisation.

Third form of moral legitimacy, which is concerned about the *"evaluations of categories and structure"* (Suchman, 1995), also called *structural legitimacy*. This form is a bit alike the procedural legitimacy the difference is though that which the procedural legitimacy is focusing on the procedure in the organisation the structural legitimacy concerns about how the procedures are structured. In the case of the quality control, the structural legitimacy would concern the audience about if there is a department in the organisation responsible for the procedures and if this is run in a morally correct way for the audience.

Last there is the least used of moral legitimacy, *personal legitimacy.* This form of legitimacy is centred on a charismatic leader and whether the audience likes this person or not. An example of this could be the co-founder of Apple, Steve Jobs, who, before he died had created this culture of presenting new product at a huge event. This approach has now been adopted by many of the other actors in the industry.

Table 2.2 sum up the different typology of legitimacy divided in *main type, sub-type and function.* Function is there to in keywords describe the main function of the legitimacy type.

**Table 2.2: Legitimacy Typology**

| Main type of legitimacy | Sub-type of legitimacy | What does it do? |
|---|---|---|
| **Pragmatic Legitimacy** | Exchange legitimacy | *Exchange with the audience* |
| | Influence legitimacy | *Influence the audience* |
| | Dispositional legitimacy | *Align with the audience* |
| **Cognitive legitimacy** | Comprehensibility | *Convince the audience* |
| | Taken-for-grantedness | *Manipulate the audience* |
| **Moral legitimacy** | Consequential legitimacy | *Cause and effect* |
| | Procedural legitimacy | *Morally convincing procedures* |
| | Structural legitimacy | *Morally convincing structure of the procedures* |
| | Personal legitimacy | *Charismatic leaders* |

*Source: (Suchman, 1995)*

### 2.3.4 Managing legitimacy

After presenting the different types of legitimacy it is now time to have closer look at how to manage the different types for organisations. Scherer et al. (2013) sees legitimacy in the capitalistic society as taking its offspring from the cognitive legitimacy (Scherer et al., 2013). Thus, strategies of gaining, maintaining and repairing legitimacy are only actual when the cognitive legitimacy is failing, when the environment's perception of the organisation is negative compared to status quo. Scherer et al. suggest that there are three different strategies to gain or repair legitimacy they are: *the isomorphic adaptation strategy, the strategic manipulation strategy, and the strategy of moral reasoning* (Scherer et al., 2013)*.*

*The isomorphic adaptation strategy* is when the organisation is adapting to the society's expectations of the way the organisation is run (Scherer et al., 2013). An example of this could be that the organisation needs to live up to some specific standards such as seen in the shoe industry where Nike publicised its

suppliers so everyone could see if Nike were using child labour. This was the making of new standards and Nike's competitors had to follow the lead of Nike in order to live up to the new expectations.

*The strategic manipulation strategy* is leading the other way than the isomorphic adaptation strategy. Thus, here the organisation is manipulating and the society's expectations are shaped be the organisation's political strategy. This manipulation can happen through different channels such as advertisements, lobbying (Scherer et al., 2013). This is often seen in grey areas, where different researchers are stating different arguments to the same products, like in the dairy industry where the producers are saying it is healthy for the body, but other research has shown it is damaging for the body (Campbell and Campbell, 2006).

Last there is the strategy of *moral reasoning*, which can be perceived as the middle way. Here it is only the organisation nor the society who is forming the other part, but it is a process where both parties are evaluating pros and cons in order to find a common solution to an issue (Scherer et al., 2013). This is done in situations where either the organisation or the society is inviting to an open debate on a certain issue, this is mostly seen among politicians, but also conferences hosted by humanitarian organisations such as Green peach, Amnesty International etc.

When choosing between the different strategies Scherer et al. suggests two aspects to consider, one is the cost of the change in the organisation, and the other one is *"the consistency of the societal expectations"* (Scherer et al., 2013). Thus, it is a weighted decision the actors have to make. Sometimes it might be enough for the organisation to make an advertising campaign and turn the society over, while other times it will be more beneficial for the organisation to follow the expectations of the society instead of trying to change the expectations of the society.

**Table 2.3: Managing legitimacy**

| Strategy to manage legitimacy | Description | Example |
|---|---|---|
| Isomorphic adaptation strategy | Adapting to the expectations | New standards have been made in the industry. |
| Strategic manipulation strategy | Changing the expectations | Advertisements about new standards |
| Moral reasoning strategy | Reaching consensus about the expectations | Both sides states pros and cons about the solutions |

*Source: (Scherer et al., 2013)*

A tool to control the legitimacy is Corporate Social Responsibility (CSR). Thus, organisations can through the CSR approach decide if the organisation intentionally wants to manipulate the society, if it wants to follow the expectations of the society or if it wants to reach consensus with the society. The next section will focus more on this and relate the CSR literature to the literature about legitimacy.


## 2.4  Corporate social responsibility

There are many terms describing social responsibility such as, Corporate social responsibility, Corporate Sustainability, Corporate Responsibility or Corporate Citizenship (Kraus and Brtitzelmaier, 2012). In this thesis the term corporate social responsibility (CSR) will be the preferred term since most other literature seems to use this term.

During time scholars have defined CSR differently, Bowen (1953) defined it as "*What responsibilities to society may businessmen reasonably be expected to assume?*" … "*Interest in politics, in the welfare of the community, in educations, in the "happiness" of its employers, and, in fact, in the whole social world about it. Therefore, business must act justly as a proper citizen should.*" (Bowen, 1953). Bowen sure is stating this in a different time than now, as he is not referring to the corporation's responsibility, but to the in businessmen. Furthermore, he seems to be talking more about the society very near the business, which also can be expected, since it is before the big globalisation.

One of the more common cited scholars is Archie Carroll, who presented the pyramid of CSR. He is explaining CSR in the following way:

*"The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time."* (Carroll, 1979). Carroll matches the definition of legitimacy as discovered earlier in this project. Furthermore, Carroll is focusing on that it is the whole of the organisation that has to be responsible, from the economics and legal to the ethical. Thus, it is not only one part of CSR, but also a whole system.

Peter Drucker believes that the CSR is more about focusing on how the world is and not about making money from any given opportunity:

*"...the proper social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, into wealth."* (Drucker, 1984). As he says, CSR is about taking a social problem and then solve the social problem, in stead of using it as a cash cow, by having low paid labour, then solve the problem by developing the community around it.

One of the later scholars is Michael Hopkins. Hopkins is more focused on the ethical part of CSR by treating the stakeholders with respect and in a ethically manner:

*"CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilised societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside – for example, the natural environment is a stakeholder. The wider aim for social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation."* (Hopkins, 2008). In their statements Hopkins and Drucker are not far from each other, though it most be mentioned that Hopkins is a bit more clear in his statement, as he says that all stakeholders should be treated in an ethically manner, including the natural environment. Here one can say that the

organisation is seen upon as an equal actor in the society as the rest of the society, the organisation is not over the rest of the society in this statement.

There has been an evolution, in the drivers and policy instruments used in the CSR process. It seems like, every decade the process has been moving towards a new step in its evolution. Lawrence and Weber presents table 2.4 in their book, *"Business and society: stakeholders, ethics, public policy",* the table is made on Frederick's (1986, 1994, 1998) development of the terms CSR1, CSR2, CSR3, and CSR4.

The table shows that in the 1950s-1960s, the CSR of an organisation was based in the executives' initiatives and the main activities were to make philanthropic funding. This is still seen today, but maybe more in a personal way, like when Bill and Melinda Gates opened their foundation to support different initiatives world wide ("What We Do," 2015).

Then in the 1960s-1970s the focus is more on stakeholder strategies while the 1980s-1990s moves on to mission, vision and value statements, but still with the stakeholder perspective. Then after the breakthrough with high-tech communication in the 1990s-2000s, the CSR projects have become more complex with intergovernmental compacts. Furthermore, there has also lately been expectations from the external environments, hereunder NGOs and social policies in the society, that the organisations should show more responsibility, also globally (Lawrence and Weber, 2014).

In general it seems that the scholars are focusing mostly, on serving the direct stakeholders of the organisations plus the natural environment. Not many scholars are focusing on the social problems, which has nothing directly to do with the organisations, even though many organisations are supporting social projects outside their direct stakeholder reach.

**Table 2.4 : The development of CSR**

|  | **Phases of CSR** | **CSR Drivers** | **CSR Policy Instruments** |
|---|---|---|---|
| **CSR1 1950s-1960s** | Corporate Social Stewardship Corporate philanthropy – acts of charity, managers as public trustee-stewards, balancing social pressures | Executive conscience, company image/reputation | Philanthropic funding, public relations |
| **CSR2 1960s-1970s** | Corporate Social Responsiveness Social impact analysis, strategic priority for social response, organizational redesign and training for responsiveness, stakeholder mapping and implementation | Social unrest/protest, repeated corporate misbehaviour, public policy/government regulation, stakeholder pressures, think tank policy papers | Stakeholder strategy, regulatory compliance, social audits, public affairs function, governance reform, political lobbying |
| **CSR3 1980s-1990s** | Corporate/Business Ethics Foster an ethical corporate culture, establish an ethical organisational climate, recognize common ethical principles | Religious/ethnic beliefs, technologydriven value changes, human rights pressures, code of ethics, ethics committee/officer audits, ethics training, stakeholder negotiations | Mission/vision/values, statements, CEO leadership ethics |
| **CSR4 1990s-2000s** | Corporate/Global Citizenship stakeholder partnerships, integrate financial, social, and environmental performance, identify globalization impacts, sustainability of company and environment | Global economic trade/investment, high-tech communication networks, geopolitical shifts/competition, ecological awareness/concern, NGO pressures | Intergovernmental compacts, global audit standards, NGO dialogue, sustainability audits/reports |

*Source: (Lawrence and Weber, 2014)*

### 2.4.1 The new age of CSR

One scholar, who has a different approach to CSR, is Wayne Visser. He has developed the term CSR 2.0, in which he is looking away from the stakeholder centred view and away from the term strategic CSR. Visser believes that the subject of CSR has been developing from being a strategic tool in many years into becoming a systemic tool not based on Management systems, Codes or shareholders and NGOs, but that the time is right for basing it on Business models, Products, Regulators and Customers (Visser, 2011). Furthermore, Visser describes five principles that should be followed when this age of responsibility:

- **Principle 1:** Creativity (C)
- **Principle 2:** Scalability (S)
- **Principle 3:** Responsiveness (R)
- **Principle 4:** Glocality (2)
- **Principle 5:** Circularity (0)

With these principles Visser, argues that in order to have successful CSR projects, there needs to be a certain amount of creativity and innovation involved, it does not need to be a new product, it could be a new way of doing a well-known thing (Visser, 2011). An example of this creativity could be Grameen Bank, having a known product, but doing it in a different way, lending money to the poor.

Furthermore, the project needs to be a scalable initiative, meaning it should be something that can be expanded to potentially covering the whole world, not just giving money to a single individual in Sierra Leone (Visser, 2011).

The responsiveness part means, that there should be a great transparency in the initiative and it necessary to cover anything up. An example of this could be the one from earlier with Nike giving more transparency to its consumers/critics (Visser, 2010).

Glocality can also be translated into the "think global, act local" meaning that in stead of sending a lot of clothes to a place in need of clothes, then the project should be concerned about, in stead of sending the clothes, how the project can help by manufacturing the clothes at the local level and this way help the local economy (Visser, 2010).

Last, the circularity is about that the focus should be on the how the project can produce more than it uses, for example how a house can produce more energy than it will be using (Visser, 2011).

One problem with CSR that Visser's approach is, not overcoming is the problem of making profit on being social responsible. One questions is, why should the shareholders of an organisation invest in CSR projects if there is no direct profit coming the other way? And how to measure the outcome?

One way to measure the social impact is proposed by John Elkington. It is the triple double line, where one ad an extra dimension to the finances as in three groups Economic, Environment and Social (Elkington, 2002). This method is not used very much anymore and it has also attracted a lot of criticism for among other things being too easy to manipulate by the organisations (Sridhar and Jones, 2013). Thus, maybe the proper way to measure the success of the organisation's social programmes is not by the organisation's themselves, but by an external independent institution.

## 2.5 Framework for project

Based on these assumptions and the theories from all the scholars, it must be possible to find three different cases of social responsibility and match them to the theory. As the research question of this project is to find out how companies can be socially responsible, a framework for analysing three different cases has been developed (table 2.5). The framework is based questions, taken from the theories, some of the questions are very broad, while others are simple one answer questions.

**Table 2.5: Framework for analysis**

| Question | Explanation | Origin |
|---|---|---|
| **Where is the organisation located?** | The country the organisation is located in | Not from the theory |
| **What industry is the organisation in?** | The main industry of the company e.g. IT | Not from the theory |
| **When was the organisation founded?** | The age of the organisation | Not from the theory |
| **What structure is there in the organisation?** | The organisational type fitting best to the organisation | Following Mintzberg and Chandler's theories |
| **What is the Mission and how is it related to social responsibility?** | The relevance to social responsibility of the mission statement | Following the CSR theory from the 1980s-1990s |
| **What is the Vision and how is it related to social responsibility?** | The relevance to social responsibility of the vision statement | Following the CSR theory from the 1980s-1990s |
| **What are the values in the organisation and how are they related to social responsibility?** | The relevance to social responsibility of the value statements | Following the CSR theory from the 1980s-1990s |
| **What kind of CSR projects does the organisation practise? Relate it to Visser's principles**<br>**Principle 1:** Creativity (C)<br>**Principle 2:** Scalability (S)<br>**Principle 3:** Responsiveness (R)<br>**Principle 4:** Glocality (2)<br>**Principle 5:** Circularity (0) | The type of CSR activity in the organisation e.g. Helping a village in Sierra Leone or cleaning the natural environment in the local society. | CSR 2.0 by Wayne Visser |

## 2.6 Conceptual Framework

This section is made to show the understanding of how the project will be developed and understood, it is all graphically presented in figure 2.2 below.

**Figure 2.2: Conceptual framework**



Socially responsible
business
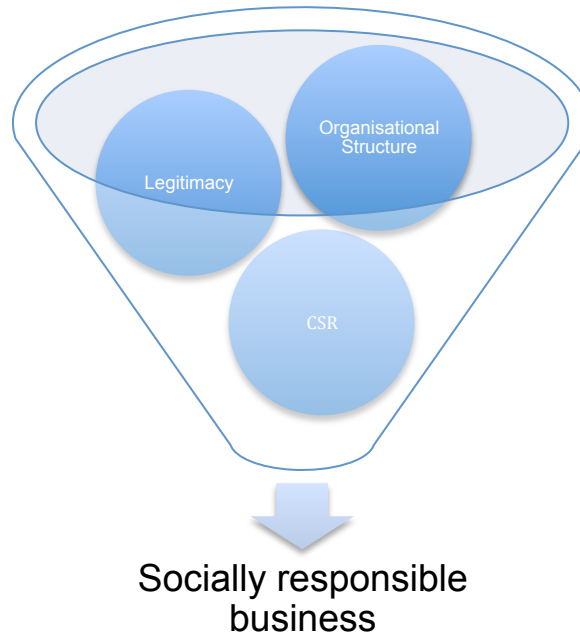
The starting point is the organisation as a whole, with the three concepts presented in the foregoing sections (Organisational structure, Legitimacy, and CSR). This thesis is focusing on these concepts in the quest on answering the, which is also the reason for the development of the foregoing framework (table 2.5). These concepts are then mixed together and the whole is in the shown as a socially responsible business. It of course depends on how the concepts are handled in the organisation. This thesis then analyse the concepts in three different ways of running organisations.

# 3 Methodology

This section focuses on the research design of this thesis, which is the methodological blueprint of the research. Thus, this section presents the view taken in the thesis and explains the method used for collecting data for the project (Kuada, 2011).

## 3.1 Research design introduction

The research design represents the framework for any research project. Thus, it creates a path regarding collecting or generating the required information to answer the research question. Furthermore, it ensures a red thread throughout the thesis and defines assumptions, which are taken in the projects development (Kuada, 2011).

Kuada (2011) suggests four levels of root assumptions in order to built a proper methodology:

*Ontology*, which is also known as the philosophical and theoretical level. This level looks into the existing questions and defines the researcher's assumptions in regards to the environment-human beings interaction (Kuada, 2011). Furthermore, it if there is one single reality or multiple realities. Thus, it is looking at the essence of what is reality.

*Epistemology* looks at "how" the information and the knowledge should to be understood, on what is the nature of the information and knowlegde and, more important, on how it should be interpreted, by the reader.

The *methodological* level is continuation of the previous levels, there is a natural flow from the ontological and the epistemological level. This level tells about the collection of data and knowledge (Kuada, 2011).

Last *methods and techniques* focus on description of the methods and techniques used in the thesis. It is furthermore, going into the exact procedures used (Kuada, 2011).

## 3.2 Philosophy of Science

Kuada (2011) presents several paradigms used to define the philosophy of science. Paradigms are used to clarify the purpose of the work and work process for the reader, but also to make it easier for the researcher to reflect on his work, e.g. what kind of phenomenon is studied, which questions should be asked about the phenomenon, how should results be interpreted (Kuada, 2011).

Thus, it is important to figure out the right paradigm for the research. There are several approaches for this.

The three most popular paradigms are,

1) The FISI classification (Functionalism, Interpretivism, Structuralism, and Interactionism)

2) The RRIF classification (Radical humanism, Radical structuralism, Interpretivism and Functionalism)

3) Arbnor and Bjerke´s classification (six paradigms and three research approaches) (Kuada 2011).

They will all in the following be presented.

### 3.2.1 The FISI classification

This tool consists of four paradigms, which can be seen separately or together. The paradigm tool is based on the assumption that a social phenomenon has to be studied in the fields of structures, functions, and interactions. This is why this approach is split into four classifications: *Functionalism, Interpretivism, Structuralism, and Interactionism.*

*Functionalism* is when an organisation makes adaptive structural changes to its environment, which fit better to its business and situation and is therefore more effective. This viewpoint occurs because of the stimulus – organism – response (S-O-R) model. This model argues that environmental factors have an influence on an organisation's strategy (Kuada 2011).

*Interpretivism* is subjective because it describes the experiences of an individual and the meaning of this experience to the individual. Thus, within this

dimension the researcher strives to understand certain situations and is not just attempting to explain them (Kuada 2011).

*Structuralism* is not, like interpretivism, only looking at the individual, it is also perceived as a collective perspective, as it sees the position of the individual as part of a system, which is determined by the structure of a system. An example of such a system could be an organisation, which is structured in a type of industry, size, number of suppliers, etc. Often the size and structure of an organisation is seen to have a strong relationship (Kuada 2011).

*Interactionism* is the interaction between individuals in social life. Thus, it is assumed that individuals have a "minded-behaviour". This means that the individuals do not respond to stimuli in a pre-established way. Consequently, when individuals interact, they can interchange experiences, views and opinions. Therefore this dimension is very subjective (Kuada 2011).

The dimensions can be combined in different way as showed below and in figure 3.1.

- Structural functionalism,
- Structural interpretivism,
- Interactional functionalism
- Interpretive interactionalism (Kuada 2011).

**Figure 3.1: FISI classification**
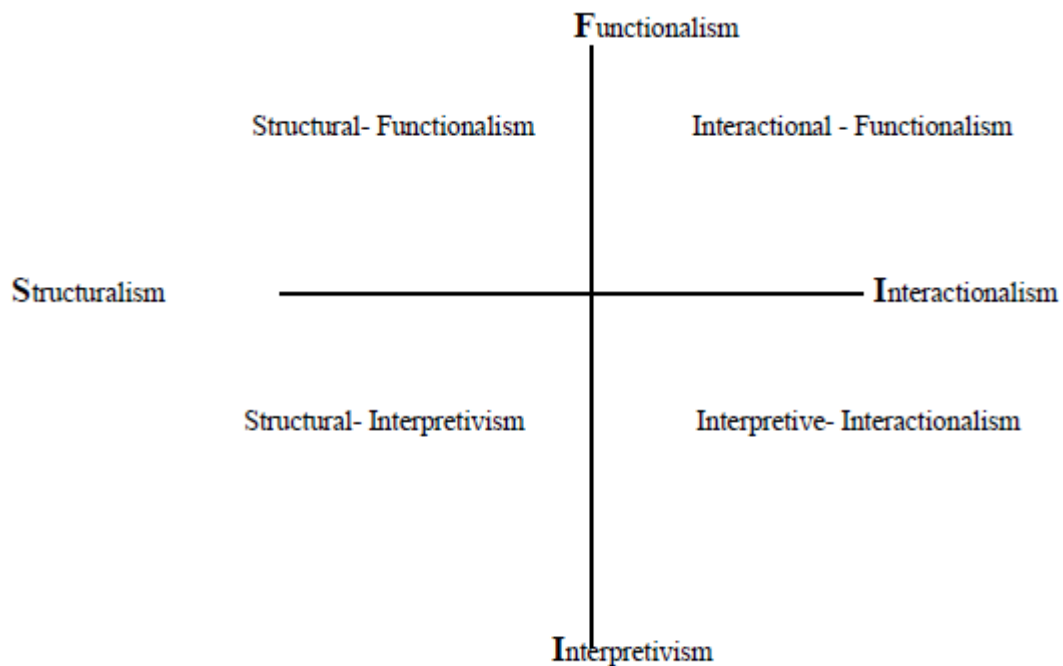


Source : (Kuada, 2011)

### 3.2.2  The RRIF classification of Burrell and Morgan

Burrell and Morgan (2011) created two approaches within the RRIF classification. One is called the "sociology of regulation" and the other one is called the "sociology of radical change". The first approach is used to describe the social order and equilibrium and the other approach describes problems of change and conflict with human social units. Burrell and Morgan (2011) expanded traditional paradigms by confronting the functionalist and interpretive paradigms with the radical humanist and structuralist paradigms and this way they got four new for classification:

- The functionalist paradigm
- The interpretive paradigm
- The radical humanist paradigm
- The radical structuralist paradigm (Burrell and Morgan, 2011)

These four paradigms have common characteristics, but at the same time they are detached from each other. Hence, otherwise it would not be possible to approach them differently (Kuada 2011).

**Figure 3.2: Burrell and Morgan's Four Paradigms of Social Theory**

The Sociology of Radical Change

| | |
|---|---|
| **R**adical humanist | **R**adical Structuralist |
| **I**nterpretive | **F**unctionalist |

Subjective        Objective

The Sociology of Regulation
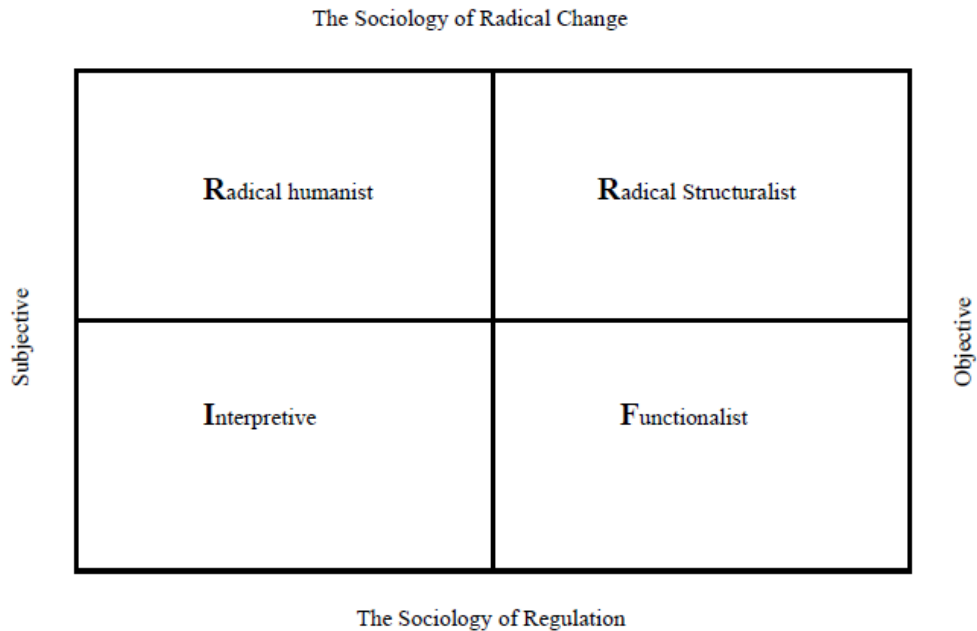
*Source: (Kuada, 2011)*

The *functionalist paradigm* is objective. It assumes that society is real and concrete and the function is to produce order and regulation. Thus, it is not subjective and without value (Kuada 2011).

The *interpretive paradigm* is subjective, as in this paradigm the researcher looks at the experiences individuals made and not at the outcome of the decisions they made. Thus, within this paradigm it is assumed that the social world, where the individuals act in, is complex and uncertain (Kuada 2011).

The *radical humanist paradigm* is, like the interpretive paradigm, subjective. It focuses on change and underlies as well the assumption that the real world is built socially. Therefore this paradigm assumes that different views and opinions of individuals are the reason for social change because these social groups have to interact with each other and are also influenced by the external

environment in which they live. But the individual groups have to be strong, as the external environment is very powerful (Kuada 2011).

The *radical structuralist paradigm* is objective, like the functionalist paradigm. This paradigm sees the world as conflicts occurring in a social world between different individuals. These conflicts then end up leading to changes through political and economic crisis (Kuada 2011).

Thus, it is obvious that this classification is different than the FISI classification due to the radical assumptions underlying the approach.

The classification of Burrell and Morgan has met critics, as some scholars say that the classification is too simple and that the different paradigms are not applicable for different studies. Furthermore, some authors have the opinion that this classification is not appropriate to set a project work clearly in one of these four paradigms (Kuada 2011).

### 3.2.3  Arbnor and Bjerke´s Three Methodological Approaches

Arbnor and Bjerke (2009) presented more recently another classification of paradigms. They believes that there are six paradigms with common characteristics:

*1. Reality as a concrete phenomenon that is conformable to law and independent of the observer*
*2. Reality as a concrete determining process*
*3. Reality as mutually dependent fields of information*
*4. Reality as a world of symbolic discourse*
*5. Reality as a social construction*
*6. Reality as a manifestation of human intentionality* (Arbnor and Bjerke, 2009)*.*

From these six paradigms they have created three different main views: *the analytical view, the systems' view and the actor's view* (Arbnor and Bjerke, 2009)*.*

The *analytical view* is an objective and is independent from the observer. The knowledge of the researcher is based on facts alone and not on individual experiences. Thus, this way it is easier for the researcher to stay neutral. This view refers to the functionalist paradigm of the foregoing classifications (Kuada 2011).

In the *systems view* an entity is perceived as a system. This also makes it an objective view mixed with a subjective view, as the focus is on the system and the relations of individuals within the system (Kuada, 2011). Thus, the mix between an objective and a subjective view makes this view less predictable than the analytican view (Kuada 2011).

The *actor's* view is the most subjective of the three views, as it is based on the interactions of individuals and their experiences. In this way reality is shared meanings and opinions. Every experience that individuals make creates results over which they can reflect on afterwards and which in return influence their future actions and with that the process of social developments (Kuada 2011).

To sum up the three views are going from an objective view (analytical view) over a mix (systems' view) to a subjective view on realities (actor's view). The views are all overlapping each other see figure below.

**Figure 3.3: Three Methodological Views**
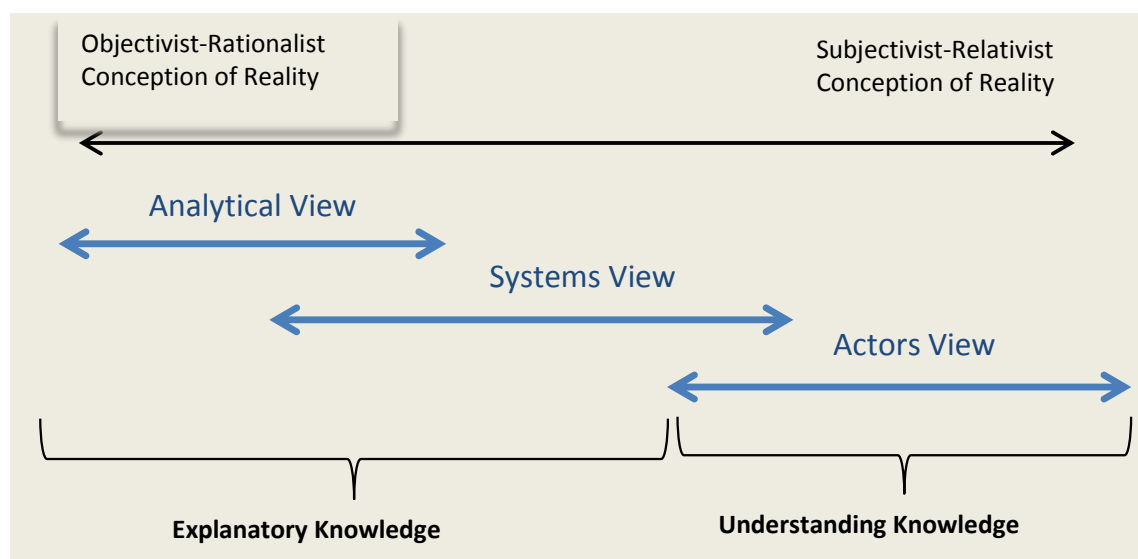


*Source: (Arbnor and Bjerke, 2009, p. 51)*

## 3.3 Methodological selection

The methodological choice in this thesis is based from the understanding of the research question, which opens for an explanatory study, where the researcher is not taking part as an actor. Furthermore, it is not completely objective due to the fact of the creation of the framework, which the four cases will be analysed on. The questions in this framework are not feeding a fully objective observer.

Furthermore, the reality is perceived as being a system dependant on itself. This is shown in the conceptual framework. The elements in the system are expected to interact, but at the same time cooperating and ending in forming something extra through synergy. Thus, the systems' view is the approach in this thesis.

## 3.4 Method

Method is described earlier as the way the data for the thesis is collected also known as data collection (Kuada, 2011). In line with the methodological approach in this thesis, both objective and subjective sources are used. Objective can be external sources talking about the cases, while the subjective sources are the organisations presenting data themselves. All sources, no mater if objective or subjective, will be qualitative data sets. Thus, there will be used no directly quantitative data in this thesis. Furthermore, the data will is found from, to the researcher, secondary, but reliable, sources, since it has not been possible to get interviews with the organisations. This can mean that the most optimal answer from the cases might not have been available for use in this thesis, which is a point that can be improved in future studies.

### 3.4.1 Research approach

The overall research approach in this thesis is based on Robert Yin's (2009) case study approach. Yin (2009) presents five different methods that classify case studies: *the experiment, the survey, the archival analysis, the history, and the case study* (Yin, 2009).

The method chosen for this thesis is the case study, since it is focusing on current events, which the history method does not. Furthermore, this thesis is not an experiment nor created as a survey. And last the research question needs to be answered by studying cases.

### 3.4.2  Selection of cases

The selection of the cases in this thesis is subjectively done with the aim to present 3+1 different cases. Thus, the researcher has beforehand known the cases, as being related to social responsibility. This has secured diversity in the cases.

The cases have nothing in common to each other, but one case, which is a case in a case. The concrete example is the Novo Nordisk foundation and Novo Nordisk the company, which are both, treated as one and two cases. Hence, the complicated ownership structure in the organisation. The two other cases are Grameen Danone and TOMS, they are chosen on the background of their special socially responsible profile.

# 4 Analysis

This section strives to analyse the cases through the framework presented in the end of the literature review. The three cases are first presented, before Wayne Visser's (2011) principles are applied on them.

## 4.1 Case presentation Novo Nordisk (foundation and company)

### 4.1.1 Where is the organisation located? What industry is the organisation in? When was the organisation founded?

Novo Nordisk is a pharmaceutical company producing insulin for treatment of diabetes. It is the leader within, diabetes care, haemophilia care, growth hormone therapy, and hormone replacement therapy. The company is a result of a merge between Nordisk Insulinlaboratorium and Novo Terapeutisk Laboratorium. Nordisk Insulinlaboratorium was founded, in Denmark, by the couple August and Marie Krogh, Hans Christian Hagedorn, and August Kongsted in 1923, and Novo Terapeutisk Laboratorium founded, also in Denmark, by the brother Harald Pedersen and Thorval Pedersen in 1925. The two companies merged in 1989 and created the largest insulin producing company in the world ("History of the Novo Nordisk Foundation," 2015).

### 4.1.2 What structure is there in the organisation?

Novo Nordisk's organisational structure is complex, with many layers. But first of all the ownership of the organisation is unique, as the organisation is more or less controlled by the Novo Nordisk foundation, which is an independent non-profit institution. It is the owner in order to keep Novo Nordisk on the course *"to make contributions to scientific, humanitarian and social progress"* ("Ownership - Novo Nordisk A/S," 2015). The Novo Nordisk foundation is not the direct owner of Novo Nordisk, it is the owner of Novo A/S, which is the owner of Novo Nordisk A/S and Novozymes A/S. One of the interesting points about Novo Nordisk Foundation is that it has its own Mission and Vision statement, separate from the organisations it owns ("Our Mission," 2015).

Regarding shares and voting rights, Novo Nordisk's share capital is split into A share and B shares. The shares carries different voting rights, A share carries 10 votes per 0.01 DKK while B shares carries 1 votes per 0.01 DKK. Thus, the A shares carries 10 times as many votes as the B shares and since there is only around 4 times as many B share (412,512,800 DKK) as A share (107,487,200 DKK), the Novo Nordisk foundation, which is the owner of all the A shares through Novo A/S, control the direction of Novo Nordisk ("Shareholder Rights," 2015).

If put into Mintzberg's structural configurations the divisionalized form will be the best fitting, since the whole is owned by the Novo Nordisk foundation and then split into divisions of independent companies, Novo Nordisk A/S and Novozymes A/S. This is also in line with the standardized product a pharmaceutical company needs to deliver every time. Furthermore, this makes the middle part of the organisation the key part of the organisation, which also makes sense as the supervisors and team leaders are the once responsible for that the output is standardised. Hereby, there will be room for only limited vertical decentralisation, again as the middle level is the key part of the organisation, and the standardised measures has to be met by the employees.

### 4.1.3 What is the Mission and how is it related to social responsibility?

As mentioned in the previous part the Novo Nordisk foundation and Novo Nordisk A/S has both separate mission and vision statements. Both are considered important for the development of the organisation as a whole. Thus, both will hereby be presented and commented on in the following:

**The Novo Nordisk Foundation, Mission:**

*"1) that our companies create world-class business results.*

*This will be achieved by generating research-based products and services that improve how disease is combated and how natural resources are used.*

*2) to promote research at universities and hospitals within the health sciences and biotechnology.*

*This will be achieved by developing a knowledge environment in which innovative and talented people can carry out research of the highest quality.*("Vision and Mission," 2015)".

This mission seems to be focused mainly on generating results, like a conventional business would do. Thus, no direct indication on social responsibility in the Novo Nordisk foundation's mission statement.

**Novo Nordisk A/S, Mission:**
*"To be the best in our businesses and a challenging place to work."* ("Our Mission," 2015).

Again the mission has not much directly to do with social responsibility, but it is following the mission of the Novo Nordisk foundation, as it is about being the best in the business. Since Novo Nordisk is a conventional business it is not surprising that the mission statement is aimed for being the best in the business.

### 4.1.4  What is the Vision and how is it related to social responsibility?

The vision part is also split into two parts, the Novo Nordisk foundation and the Novo Nordisk company.

**The Novo Nordisk foundation, Vision**:
*"To contribute significantly to research and development that improves the health and welfare of people."* ("Vision and Mission," 2015).

This vision is more "people" based than the mission, but it is still not more than one can expect of a foundation owning a pharmaceutical company. Though, by adding the last part *"… that improves the health and welfare of people"* it shows the organisation has a purpose there is more than just making profit.

**Novo Nordisk A/S, Vision:**
*"To be the world's leading diabetes care company."* ("Our Mission," 2015)*.*

*"Our goal is to defeat diabetes by working toward better prevention, detection, and treatment. We will work actively to promote collaboration between all parties in the healthcare system in order to achieve our common goals."* ("Our Mission," 2015)*.*

Again here the company is not directly promoting social responsibility. It mainly focuses on being the leading business in the field. The last part mainly describes how it plans to achieve the desired position, but collaborating with the needed parties.

### 4.1.5 What are the values in the organisation and how are they related to social responsibility?

The values will only be described for the Novo Nordisk A/S as the foundation does not have any direct values for itself.

The Novo Nordisk values can be found in what the company itself call "The Novo Nordisk Way". This is a set of rules that the management has laid out for the employees to follow, which clarifies the values of the organisation ("Novo Nordisk Way," 2015).

The values in the Novo Nordisk Way, is by the company described as following:

*"Our actions reflect our values.*
*Decency is what counts. Every day we strive to find the right balance between compassion and competitiveness, the short and the long term, self and commitment to colleagues and society, work and family life."* ("Our Mission," 2015).

These values have again nothing directly to do with social responsibility, but one thing, the commitment to the society is in the last section. Thus, it could seem that Novo Nordisk here in the values shows that the society is an important partner for the company.

This leads to the next part about what kind of CSR Novo Nordisk is practicing and if it can be related to the way Wayne Visser (2011) sees modern CSR or if it is more traditional.

### *4.1.6* **What kind of CSR projects does the organisation practise*?***

This section will also view the CSR activities in both organisations, both in the Novo Nordisk foundation and Novo Nordisk A/S as the foundation has an important role for how the company is viewed as well.

**The Novo Nordisk foundation**

Giving out grants are the main CSR activities of the Novo Nordisk foundation. This is not necessarily a negative thing. The grants are not exclusively been given to social project, but to many different cases, from Ph.d. grants to support to research in diabetes and many other cases. The humanitarian and social projects, the foundation was supporting in 2014, are mainly the large organisations such as Save the children, UNICEF and Red Cross. Thus, the Novo Nordisk foundation is not directly actively arranging CSR projects, but it is supporting organisations that are. Furthermore, it is important to look into the Novo Nordisk foundation's annual report, which is split into three sections. First a section about the grant the foundation has handed out, then a section about the results of the foundation, but it is the third and last section, which is more interesting when looking at the foundation's connection to CSR. This section is called "The Novo Nordisk Foundation Group and society" it is about three topics *"1) the Foundation's policies on corporate social responsibility; 2) how the Foundation puts these policies into practice; and 3) the quantifiable results the Foundation achieves as a result of the initiatives."* (Scheibye and Nauntofte, 2014, p. 18). The section acknowledge that common future, by the name of it "*our common future",* then when going through the report there is nothing about specific CSR projects, but it might in some way fit into Wayne Visser's description of a successful CSR project.

*Creativity:* the way the Novo Nordisk foundation is handling the CSR programme does not seem to be creative nor innovative, from other foundations, since most foundations are giving out grants, to cases they wants to support.

*Scalability:* When the foundation is able to award grants worth 689 million DDK and pay out 784 DDK in 2013, which is expected to grow in the following years, it must be considered as a project with scalability opportunities.

*Responsiveness:* With all the information about whom the foundation is awarding grants and in detail how the foundation is practising policies in the foundation, it must be considered as transparent. Though, the foundation cannot know if the grant is spend on what it is supposed to be spend on. Meaning that there are possibilities for a certain amount of corruption, from the award takers.

*Glocality:* Again the size of the foundation is favouring the foundation, as it, with its size, can think local and act global. The report and the mission statement shows this, by describing for the local employees what is expected from them and at the same time have a mission to be the best in the business.

*Circularity:* As the foundation, with the help from the companies under the umbrella, is able to award more money to different causes year after year, the circularity exists, but not without the companies in the group. This could be a problem if the underlying companies one year are not performing.

The Novo Nordisk foundation seems to be handling Visser's test acceptably, but the annual report mentions that the CSR projects are delegated to the companies in the Novo Nordisk Group, which leads to a look at the CSR in Novo Nordisk A/S.

**Novo Nordisk A/S:**

Novo Nordisk A/S has not on its website nor in its annual report a section called CSR, but this does not mean that the organisation is not concerned about its

social responsibility. On Novo Nordisk A/S's website, the company's CSR is under the section called *"Our approach to sustainability"*, this section is covering different topics, among others *the triple bottom line, stakeholder engagement, and ISO 26000* ("Our approach to sustainability," 2015). These topics are all CSR related, but, as mentioned in an earlier section, it is topics from the traditional CSR literature.

*The Triple Bottom Line* has, as mentioned in an earlier section about CSR, been criticised from various scholars, for not showing an acceptable picture of the organisation's social responsible activities, and is also a manipulative tool (Sridhar and Jones, 2013). Novo Nordisk A/S has the triple bottom line incorporated into its annual report, with a 55 pages section about the financial, social and environmental statements (Ando and Sørensen, 2014).

*ISO 26000* is a standard of social responsibility, it provides guidelines for companies for acting socially responsible. Novo Nordisk A/S has through commitment to social responsibility, such as the triple bottom line, crested a foundation, which has recognised them as a socially responsible company, since 2002. It is among other things its stakeholder engagement that has made the opportunity possible for the company ("Novo Nordisk and ISO 26000," 2015).

*Stakeholder engagement* is, as mentioned before, one of the cornerstones in Novo Nordisk A/S's CSR strategy. It is also one of the older views from the literature, as the stakeholder might not have any influence on decisions made by the company, as the shareholders posses the power of the company. I the case of Novo Nordisk A/S this might be different, as the voting power lies within the Novo Nordisk Foundation.

Novo Nordisk A/S furthermore, states on its website that the stakeholder engagement lies in the will to achieve "*long-term business success based in the Triple Bottom Line principle* ("Stakeholder Engagement," 2015). And that Novo Nordisk A/S has five main principles it is following in the pursue of stakeholder engagement:

- *"Pursue an on-going dialogue with key stakeholders based on mutual respect.*
- *Identify and understand the priorities and perceptions of key stakeholders and take these into account when we define our priorities and shape activities.*
- *Collaborate with key stakeholders where priorities intersect and where collaboration will maximise value to all parties.*
- *Secure transparent disclosure of any monetary or in-kind support to stakeholders.*
- *Track and report engagements with key stakeholders and ensure timely feedback on the outcome."* ("Stakeholder Engagement," 2015).

These points are good, but it is nothing surprising, as it is simple points, which one might find in any conventional business case promoting that they are socially responsible. The statements though, are in thread with the perception of CSR from the 70's-90's when stakeholder engagement was the central point. One might ask again, how Novo Nordisk A/S's CSR programme fits with Wayne Visser's (2011) view on CSR.

*Creativity* is not what is over shadowing the programme, it is a conventional CSR programme, which any conventional business could come up with. Thus, it can be described as traditional, which necessarily is not a bad thing, as it must be better with a CSR programme, compared to have no programme at all, it also shows that the company has thought about it.

*Scalability* is only possible, because of the company's size, this as an outcome of that the CSR is mainly internal in the company, meaning that it is not a project in itself, more guidelines on how to behave. With that said, it has an impact on the world since the company is placed in different parts of the world and are engaging with many different stakeholders from many difference parts of the world.

*Responsiveness* is a big part of the programme as Novo Nordisk A/S are trying to inform the visitors of the annual report about the activities through the triple bottom line and ISO standards. Thus, Novo Nordisk A/S has big pride in the programme and enjoys showcasing it to the investors. Furthermore, Novo Nordisk A/S released a report in 2012, celebrating 20 year of business sustainability, showing what the company has done and achieved since 1992 (Kingo, 2012).

*Glocality* is also a result of the size of Novo Nordisk A/S. Thus, the company can think globally and act locally, because it is a part of a global organisation with local offices all over the world. Due to the fact that the programme is incorporated into the core of the company, the company will act according to certain guidelines, no matter if it is in Brazil, the US or Denmark, but the guidelines will be perceived in accordance to the local norm and rules. Thus, the company is thinking global, but acting local.

*Circularity* is not directly the essence of Novo Nordisk A/S's CSR programme, since it is mainly a set of guidelines and not a project in itself. Though, practising the triple bottom line set the responsibility of environmental focus in frame. Meaning that the company has to consider optimisation of the use of resources, this is though not completely clear.

Again, as with the Novo Nordisk foundation, the CSR programme can fit to Visser's (2011) focus points, but it can be argues that it is not in the way Visser (2011) intended the guidelines to be. Thus, it can be concluded that both the Novo Nordisk foundation and the Novo Nordisk A/S are not fully fulfilling the criteria from Wayne Visser (2011). Though, they might fulfil criteria from other scholars.

## 4.2 Case presentation Grameen-Danone

### 4.2.1 Where is the organisation located? What industry is the organisation in? When was the organisation founded?

Grameen Danone is a joint venture created by the founder of Grameen Bank (Bangladesh), Muhammad Yunus, and Groupe Danone (France). It was realised in 2006 with focus on providing children in Bangladesh the nutrients needed to live a healthy life. The first product was a yogurt sold to around market price in the Bogra district.

### 4.2.2 What structure is there in the organisation?

Grameen Danone does not have its "own" website, like the case of Novo Nordisk. Grameen Danone is a part of the grameen crative lab, but also the danone communities. There is no clear description of the organisational structure, it might be, because of that the social aspect is more important, than the structure of the organisation. Though, the mother foundation "danone communities" has a board of director consisting of 13 members, where the two founders, Franck Ribound and Muhammad Yunus also are members. Danone had to create this external foundation for the Grameen Danone, as Muhammad Yunus insisted on that the money to fund the organisation, could not come from Danone directly, it should come from social investors and hereby the danone communities was established. Muhammad Yunus admits that he made a mistake in the beginning, by giving the investors 1% in dividend. Later the investors, agreed to give up that one per cent and only get back what they put in. This made it a social business, since the investors in a social business does not get back interest on their investment, but only what they invested into the organisation (Yunus, 2009).

Muhammad Yunus mentions, in his book *"Building social business",* that the force making the Grameen Danone concept work is the sells unit. This unit solely consists of women from the villages, who sells the product to their friends in the village. But later shops has been allowed to sell the product in the city (Yunus and Weber, 2010).

Taking this strategy into perspective with Mintzberg's division of organisational structures, Grameen Danone would fit best as the *professional bureaucracy* because of the sells force as the key part of the organisation also called the operating core. This is also following the point of having standardized skills for the sells force to ensure that the rural parts of the market are reached.

### 4.2.3 What is the Mission and how is it related to social responsibility?

The group Danone writes in a press release, that Grameen Danone is created, not to generate profit, but is created with a declared mission: *"to bring health through food to the largest number of people."* ("Press release: Launching of Grameen Danone Foods Social Business Enterprise," 2006).

This mission shows much more social responsibility than the ones from the Novo Nordisk foundation and Novo Nordisk A/S. There is nothing about business and making a financial profit in the organisation, it is purely about changing lives and impact the society where the people are struggling.

### 4.2.4 What is the Vision and how is it related to social responsibility?

Grameen Danone has no written vision itself as an independent organisation, but one of the organisations, Grameen Danone, is a part of, Grameen Creative Lab, has a common vision for all the projects, which are part of it: *"to serve society's most pressing needs"* ("Vision - Grameen Creative Lab – passion for social business," 2015).

This again shows that the organisation is mainly focused on the social impact, and helping the ones in needs. It is again different from the business-orientated vision from both the Novo Nordisk foundation and Novo Nordisk A/S. The focus is not on writing down the mission and vision statement in order to show people you have one, but the focus is on really practicing the vision and mission, because the customers, one is serving, does not care about, what is written on a website, maybe they do not even have internet. And the organisation is focused on benefitting the society not the profits. Thus, the organisation is

searching a different kind of investors who are more interested in making an impact than getting back their funds.

### 4.2.5 What are the values in the organisation and how are they related to social responsibility?

Just as the vision, Grameen Danone, has not written down values for the organisation as an independent organisation. But as it is a social business it has to operate by seven principles defined by Muhammad Yunus, he argues that in order to be a social business an organisation has to operate by the following principle:

1. *"Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization.*
2. *Financial and economic sustainability.*
3. *Investors get back their investment amount only. No dividend is given beyond investment money.*
4. *When investment amount is paid back, company profit stays with the company for expansion and improvement.*
5. *Environmentally conscious.*
6. *Workforce gets market wage with better working conditions.*
7. *...do it with joy."* (Yunus, 2015).

Grameen Danone was also created on these principles, which as mentioned before meant that the investors are only getting their investment back, but no dividends. Furthermore, that all profits are going back into the organisation, with purpose of expending the organisation over time. Furthermore, the workforce is paid the same, as they would get in other organisations. Thus, it is not volunteering work, but they have the same benefits as by working for a competitor who might not be solving a social problem.

### 4.2.6 What kind of CSR projects does the organisation practise?

Grameen Danone can be viewed as a massive CSR project in itself, as it is a social business, but the objective with the project is not to gain legitimacy as it might be in the case of Novo Nordisk. The objective is much more simple to overcome the problems the poor can have in order to get the right nutrition and solve the problem of malnutrition in poor countries. Thus, it is not just a campaign from a company, it is the whole concept of the company and the business model. Profit is not as important as social impact, though the company needs to be economical sustainable anyhow, as if the company is not financial sustainable it will not be able to live out its vision and mission in a capitalistic world.

So as the business model is based on social responsibility, the company as a whole is to be analysed by Wayne Visser's (2011) guidelines, but first, a little more about the concrete project.

The concept of Grameen Danone is that the organisation is producing fortified yogurt for, at first, to the Bengali market, as there is a problem about malnutrition among children since the families does not have enough capital to buy the right and enough food for the family. Thus, Danone together with Muhammad Yunus, developed a yogurt, which tastes almost like the conventional yogurt danone is producing, but they have added the missing micronutrients that the children would need in order to develop in a normal way. The best engineers at danone did this during a long innovative process. Then in order to have the production in Bangladesh a manufacturing architect created small production facilities in Bangladesh, with all the modern features, seen in the European factories, just much smaller, as the plan was to start small and then build production facilities around Bangladesh, in pace with the growing demand. This was so Grameen Danone also would take good care of the environment, as the company then did not need trucks to drive all around Bangladesh with goods and the workplaces was hereby also spread out all over the country (Yunus and Weber, 2010).

One of the biggest challenges was to keep the price down so the families could afford to buy the yogurt. Another challenge was to be able to put enough micronutrients into the small containers with yogurt, this was solved by clever engineering from Danone's side. Furthermore, another challenge was to create distribution channels, here the organisation chose to employ the poor women from the rural areas who was selling the friends and families in the villages. In the beginning the women did not enjoy selling, as it is tradition that the man is making the money for the family, but after having focus groups with both the women and men, this barrier was broken down. The women was paid on as commission based salary, which could give them some extra money in the family (Yunus and Weber, 2010).

The distribution channels in the urban areas were the shops, which was already established. Here the yogurt could sell for a little more than in the rural areas, since the people has a little more money. It was this differentiation that help making Grameen Danone financial sustainable, though it took some time before the organisation reached breakeven (Yunus and Weber, 2010).

*Creativity* is both seen in the business model, but also in the development of the product. Danone needed to come up with a certain degree of creativity and innovation just to make the product, as a product like this had never been made before in a commercial way. Thus, having so many criteria to fulfil with, low price, easy to produce, healthy, and full of micronutrients called for rethinking the way of making yogurt. Furthermore, as said before, the business model was unique. Muhammad Yunus had already with Grameen Bank created the concept of social business, but that was by lending money to the poor, now through Grameen Danone they were selling goods to the poor. Then doing it by not wanting any money for the investors was a new way to do it.

*Scalability* is clear when seeing the dimensions this project has reached, by spreading to many of the poor countries in the world, such as Cambodia, Senegal and rural areas in China ("Projects' Lives | danone.communities," 2015). That is simple evidence that the project can expand to other countries,

but Grameen Danone also developed yogurt with different tastes, to fit the different preferences of the children.

*Responsiveness* is seen in the way, the organisation through different websites, like danonecommunities.com or grameencreativelab.com, is posting about the organisation and the activities. It is also found in the books one of the founders, Muhammad Yunus, has written about the project and the ted talks plus seminars at universities. Furthermore, the fact that there is given no dividends to the investors is also ensuring that the purpose really is to make social impact.

*Glocality* is in the aspect that the milk and production of the yogurt is made locally, but the concept has global potential as yogurt is a common either snack or breakfast in many countries. Of course the taste might be modified for different markets, some like is sweet others like it sour. But in general with the whole distribution channels, which are local and the ultra local farming and production is creating jobs and wealth for the local people, and then with the modern facilities the global natural environment is spared.

*Circularity* is seen in the way that the profit is reinvested into the organisation again. This ensures sustainable growth and it is also seen that it has secured the business in the financial crisis (Yunus and Weber, 2010).

Grameen Danone can almost be called a perfect example of an organisation following Wayne Visser's (2011) guidelines, even though there has been no direct evidence of that the two has been inspired by each other. Now from the joint venture of a conventional business and a social business to TOMS.

### 4.4 Case presentation TOMS

### 4.4.1 Where is the organisation located? What industry is the organisation in? When was the organisation founded?

Blake Mycoskie founded TOMS in 2006 in California. It was after he had been on a trip to Argentina, where he experienced that a lot of the children could not afford to wear shoes. He decided to start TOMS with the slogan One for One, meaning that when a customer buys a pair of shoes TOMS will give a pair to a child in need of one. TOMS is in the retail industry selling shoes, sunglasses and bags.

### 4.4.2 What structure is there in the organisation?

TOMS' structure can be difficult to decode, as the company does not have a public chart of the company structure. Furthermore, TOMS has many different partners around the world, who are both internal and externals. It can also be assumed that the company is kind of split in two, a part focusing on selling to customers and a part focusing on giving to the poor.

In the part of the organisation selling the goods, which the company is doing through external retailers around the world, it can be argued that TOMS focus is on producing the goods and on managing the partnership with different resellers. In the second part the focus is on managing partnerships with different humanitarian organisations, plus making sure the production is coordinated correctly. Thus, by having this organisation that has to be flexible, the structure fitting from Mintzberg's five structures might be the adhocracy, since the support staff (the resellers and the external humanitarian organisations) is the key. Also selective decentralization can be seen as a benefit in an organisation focusing on the wellbeing of the staff.

### 4.4.3 What is the Mission and how is it related to social responsibility?

The mission is not directly written down on TOMS' website, but the mission can be said as simple as "One for One", which as mentioned before is about that when one buys something from TOMS one is also giving something to the one

in need. This was the whole idea the company has been based on from the beginning and has then turns *"into a powerful business model"* ("About TOMS," 2015).

This mission must be considered as being socially responsible, as the company is not based on the profit like Novo Nordisk, but it must also be said that it is not as clear as the case Grameen Danone. It is not specifying, but since the whole idea is built on giving to the ones in need it is considered as a socially responsible oriented mission.

### 4.4.4 What is the Vision and how is it related to social responsibility?

The vision is neither pined out in a single vision statement like the case of Novo Nordisk. The vision is considered to be the belief of the company, which is: *"At TOMS®, we believe we can improve people's lives through business."* ("About TOMS," 2015).

Again it is difficult to conclude that it is a clear socially oriented vision, but TOMS is showing with this belief that they really can change people's lives through business. This is not meant in the same way as in the case of Novo Nordisk, as in the case of TOMS the whole business model is centred on giving, while it is the guidelines in Novo Nordisk. Comparing TOMS and Grameen Danone also shows different way of understanding the vision, where Grameen Danone is selling to the poor, TOMS is selling to the rich and then giving to the poor, but both cases with production facilities in the poor countries, with the objective to create jobs for the poor.

### 4.4.5 What are the values in the organisation and how are they related to social responsibility?

The values lies in the DNA of TOMS, the main value is giving. It is so important for the company that it even has a Chief Giving Officer. TOMS says on its website that *"giving will always be core to the work as a responsible company"* ("Corporate responsibility at TOMS," 2015).

The giving is not only in the way that TOMS gives a pair of shoes every time a pair has been purchased. It is also in the way TOMS treats its employees. The employees receive a lot of training and along the line the employees are receiving leadership training. Furthermore, the employees are receiving education in prevention of human trafficking and slavery, as the human aspect is in the centre of company, also when working with external stakeholders.

TOMS also provides the employees with great benefits such as healthcare packages with everything from medical care, dental care to fitness and wellness classes and paid time off where the employees can spend time with their families ("Corporate responsibility at TOMS," 2015). Thus, TOMS whole business is based on the value of giving, both to the poor, the suppliers and the employees. It seems like an important thing for the company since it is highlighted on its website.

### 4.4.6 What kind of CSR projects does the organisation practise?

Like Grameen Danone, TOMS is a CSR project in itself, meaning that the company does not have a side project where the company is practising CSR. As mentioned before, the whole business model is based on principles of having a different agenda than just making profit. Though, it is not as social business in the sense of Grameen Danone, as the company is not following the 7 principles presented by Muhammad Yunus. TOMS is also honest about this as it states on its website that it is a for-profit company, but with a social agenda ("About TOMS," 2015). Thus, it is not in the same category as Grameen Danone, but more in category with Novo Nordisk A/S, though not same industry.

Since TOMS started buy selling shoes and donating shoes, it has moved on to other products: Eyewear, Coffee and Bags. With these product TOMS is not trading one for one. By purchasing eyewear the customer gives the gift of sight. By purchasing coffee the customer gives one week of clean water. And by

purchasing a bag the customer makes it safer to give birth. Thus, the concept can be twisted with different gifts.

It is not only the gifts there are important also the fact that everything is produced locally. This has created more than 700 jobs in the regions where TOMS give ("TOMS : Production," 2015). It might not sound as a lot, but when it is in 6 factories, it is big improvements.

*Creativity* might not be found in the product itself, like seen in the case of Grameen Danone. The creativity and innovation can be found in the business model, in that the company can be seen as both a great social project, but also as a great marketing project. The interesting thing is that the company does not have a marketing budget ("About TOMS," 2015). Thus, it is interesting that, by making the company as a full marketing project one can save the marketing budget and focus on practising the promise made in the mission and vision, help the ones not having as much as the rest.

*Scalability* is clear in the fact that the company is in 6 different countries and that the company are coming up with new initiatives regularly such as coffee, bags and eyewear. This might be considered as the must obvious case of scalability among the three cases presented in this analysis. The product range and expansion does not seem to have an end in the case of TOMS, as the company is represented in fashion with shoes, eyewear and bags, but also in beverages with coffee. Thus, the next step could be a different kind of product, as the company is not set on one single product.

*Responsiveness* is provided through an informative website, but also by the "giving report", which TOMS is publishing ever year. Furthermore, TOMS is having what it calls a "tribe" or a movement. Here TOMS is engaging interested customers, partners, critics etc. in the development of the company. TOMS is among other things letting the tripe community design new products and is also engaging collages by having student organisation like movement spreading the word about *"making something that matters"* ("TOMS tribe," 2015). Thus, the company is trying to create transparency by engaging everybody who is willing.

*Glocality* is like with Grameen Danone also an aspect of TOMS, since it is producing locally while also having the company spread out on a global scale. This is all done through sustainability, the coffee TOMS sells is sustainable, and the shoes it makes are sustainable etc. This in order to protect the environment as well as living up to its responsibility ("Beyond One for One," 2015).

*Circularity* is in this case connected with the argument from glocality. The mind-set of sustainability is also contributing to the circularity of the project. When the children are growing out of the shoes, a new pair replaces the shoes while the small shoes are given to another child in the village ("Beyond One for One," 2015). Furthermore, engaging the audience can also be interpreted as a form of circularity, since the company then will create projects in the interest of the audience, and also sell products demanded by the audience.

## 4.5  Summary of analysis

The analysis has presented four different ways for organisations to be socially responsible, it is not to be judged if one is better than the others. All the cases are from different industries, different locations, but two are founded around the same time, while one is an old organisation. It is interesting that the two newer organisations (TOMS and Grameen Danone) are the ones having more intensive CSR projects, where the core of the organisation is being socially responsible, while Novo Nordisk is mainly have guidelines for how to behave and are using tools such as the triple bottom line, which can be characterised as "old" tools.

Furthermore, the differences in mission, vision, and values is also interesting as the younger organisations are not promoting them as much as Novo Nordisk who is advertising the all the statements. But also the purpose shown is different where the younger organisations are focus on the social impact, while Novo Nordisk is focused on the business part. This can be because of the philosophy of what to do with profit, where Novo Nordisk needs to attract investors who would like dividend, and the two younger organisations might be

more interested in attracting socially oriented investors, who wants to make social impact.

All the organisations can be analysed according to Wayne Visser's principles, though is should be mentioned that the principles might fit in general better on to the more social oriented organisations, as they seem to have been more creative in the way of doing business than the conventional organisation. Furthermore, the more social oriented organisations seems to fulfil the other requirements, not because they are big organisations, but because they are more geared to both scalability, with the product range, and the responsiveness, by creating communities around the organisation, which can support the organisation in developing further. The "think local, act global", seems to be best presented in the younger organisations as well. This said, as the only thing enabling Novo Nordisk to act on the parameters is the size of the company. Last, the circularity seems to be best on the more socially oriented as well.

# 5 Discussion

This section strives to take up the points from this thesis and discuss them. This includes developing a tool to conclude this thesis. The section will go through the following topics: different business models, structure, elements, purpose of businesses, the discussion of legitimacy, and in the end develop the final framework. The topics are selected on the background of the research question and sub questions.

## 5.1 Three different business models

It seems like, three different business models has been presented in the previous section. One conventional, one focused on solving a problem, and one focused on giving to the poor. One with a CSR programme, maybe in order to gain legitimacy, and two established as sustainable social project.

Taking the Novo Nordisk model, it is clear that it is built in order to mainly have focus on the profit. This can perhaps be found in the age of the company, since the two other companies are young and alike. Novo Nordisk is also a merge between two large organisations, which would already at the merge have had investors maybe with the objectives of making profits to get dividends for themselves. It can be argued that Novo Nordisk is following a traditional business model with traditional components, presented in figure 5.1.

**Figure 5.1: Components of a Business Model**
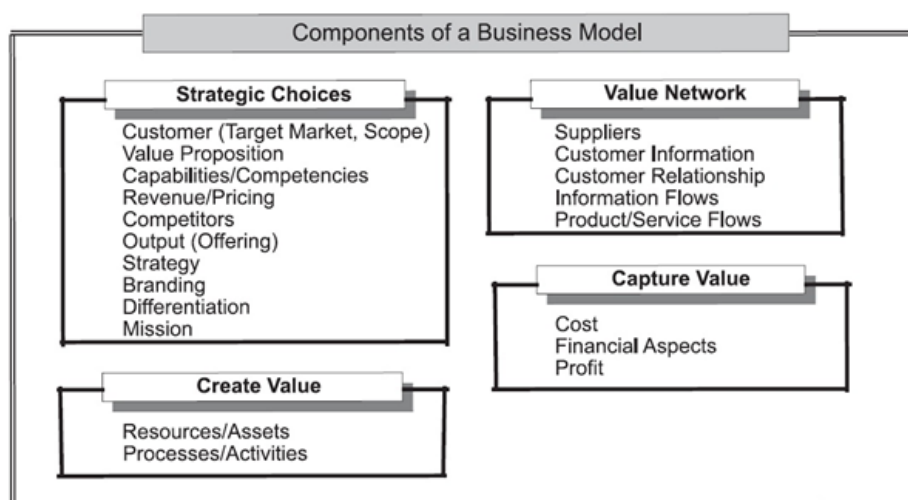


*Source: (Shafer et al., 2005)*

This collection of component is made by (Shafer et al., 2005). It points out, the different components found in business models. These components are the ones that can also be seen in Novo Nordisk, as the focus of Novo Nordisk seems to be of capture the value in a materialistic way, with cost, financial aspects and profit. Furthermore, Novo Nordisk's end customers are the patients needing the medicine, and the organisations receiving the grants, but Novo Nordisk is not directly doing good like the case of Grameen Danone and TOMS.

As mentioned earlier, Grameen Danone has built the whole business model on doing good in the world, and trying to create a world without poverty. This business model is also growing on helping the poor, by having them as clients, employees, and consumers. Thus, even though the management is wealthy and had the idea, one can argue that the poor are solving their own problem by grabbing the opportunity and creating a better place for themselves. This business model is not focusing on the profit, but on the social impact, this by still being sustainable. Thus, the organisation will not count in how much profit it made, but rather in how many children it helped becoming healthier, without making the company go bankrupt.

The case of TOMS is not far from the Grameen Danone case, as TOMS' business model also is not based on making profit, but is as well based on doing social good in the world. The biggest difference is that TOMS might have a hybrid business model split into two parts, one part focused on selling as many goods as possible, while making enough profit to be sustainable, this in order to keep the other part of the business model alive, which is giving away goods to the poor. This second part of the model would not be able to work without having the first part generating enough resources to give away. Thus, in the case of TOMS there has to be two focuses, one of selling and one on giving. The first model could be like the one in figure 5.1, while the other half probably would have a lot of focus on the network to give through.

## 5.2 Structure

Structure might not be the most essential thing when looking at the way an organisation is socially responsible, but it is interesting to discover that Novo Nordisk A/S and the Novo Nordisk foundation has a structure with division while Grameen Danone and TOMS has a more unclear structure.

The division and still unionisation, of the Novo Nordisk structure, can have something to do with the way it is prasticing social responsibility. The companies under the Novo Nordisk foundation are responsible on their own to make a social strategy, but it should be according to the guidelines of the Novo Nordisk foundation. Thus, the foundation can control the activities overall, while still give the ownership of the task to the companies under the umbrella. Some might argue, that the fact that all voting right in Novo Nordisk is owned by a foundation donating to charity and other social causes, is making Novo Nordisk more responsible, but the case might not be so, as the foundation can only give out grants if there is profit. Furthermore, that the foundation has all the voting right means that the foundation are able to solely to make all decisions, but since the organisation is feeding on other investors investing money into the organisation, the strategy and direction from the organisation needs to attract the investors. Thus, the organisation might have to follow trends in the investing society in order to attract enough investors.

In the case of Grameen Danone, the structure might have a smaller role of the shareholders, since the shareholders are not receiving any dividends, the whole focus is simply changing lives. Thus, the stakeholders (the sells staff, the customers, etc.) might play a bigger role in the decision making process, as most things depend on the stakeholders. The focus is, as mentioned earlier, not on making a lot of profit to receive high dividends, but it is on making a lot of social impact to change a lot of lives. The ownership structure is then not as important in this case, as the real ownership is not from the owners, but by the ones the company is helping, meaning the staff and the customers.

TOMS is not a social business like Grameen Danone, it is a for-profit company with the belief of solving social problems through business. TOMS was not created like Grameen Danone, it was founded by one man and he had the sole ownership of the company until august 2014 where Bain Capital bought 50% of the company (Healy, 2014). This has made it easier for Blake Mycoskie to form the company, as he wanted it to be, because he was the only one making decisions. Thus, Blake Mycoskie has been able to live out his mission with the company and this way made sure it would be his way. Then that Bain Capital buys 50% of the company in 2014 enables Blake Mycoskie to expand the project faster.

The organisational structure as mentioned in the analysis seems to be as an adhocracy, which has enabled the company to use local partners to give away the product, while the rest of the company has been able to focus on selling the product to the healthier parts of the world, which is the main advantage of the hybrid business model as mentioned in the section before.

## 5.3 Elements

The three cases are different from each other in many ways. They are in different locations, from different years, different industries etc. But at least one thing they have in common, they was all founded because of experiences. August and Marie Krogh experienced a cure for diabetes in Canada, Muhammad Yunus experienced malnutrition in Bangladesh, and Blake Mycoskie experienced children without shoes in Argentina. These events was the catalysts for the existents of the organisations, but what was the elements forming the companies as they are? One might argue that it is because of the kinds of entrepreneurs they were/are, but it might also be because of different elements in the environment both internal and external or simply because of the product the organisations are offering. The last assumption can fast be disproved, as there are many other producers of shoes and of yogurt who are doing it differently than Grameen Danone and TOMS.

One reason that can be possible of forming the way the organisations are acting socially responsible is the reason about the environment and the background story. Taking Novo Nordisk, the oldest organisation, it was founded in the 20's after a trip to America, in one of the most welfare countries, Denmark. This background does not involve any disasters or poor families, it is the story about a professor and his wife wanting to make life better for people with diabetes. They do this for many years as a conventional company and later when it becomes popular to be socially responsible, for the environment, the employees and others in general, they establish a CSR programme.

Grameen Danone is founded mainly by Muhammad Yunus, who was a teacher in Bangladesh and experiencing poverty everyday, he even already had founded another social business, Grameen Bank. Thus, it is logical that his next adventure should also involve establishing a social business. He then meet the CEO of Danone Foods at a conference in France and asks him if he wants to start a social business with him curing malnutrition in Bangladesh. They do this in a time where it is already popular to care about each other. Thus, in this case the elements are also making sense for the reason why the whole business is a CSR project.

TOMS was founded after Blake Momycoskie had spent time in Argentina with poor children who did not have any shoes to wear. He was coming from one of the most capitalistic countries, United States of America, which then makes sense that he has a part of the company generating capital. But by had worked in Argentina in an NGO is also makes sense that he has the social side of the project also when his whole purpose was to start a company in order to provide children with footwear. Furthermore, the fact that TOMS was, like Grameen Danone, founded in a time where the focus on helping the ones in need is important it makes sense to start something helping others.

Thus, it can be argued that the time, place, founders etc. are all a part in why the companies are acting as they are. Novo Nordisk might have been more like the other two if it was founded today, or the other two might have been more like Novo Nordisk, if they had been founded in the 20's.

## 5.4 Purpose

The big question is often why does it exist? In this case why does the organisation exist? In some cases it can be obvious to answer, to make money for the owner, especially just after the financial crisis, when many companies was taken for fraught. In the three cases from this project in can be argued that none of the organisations are in this world only in order to make money for the owners.

Novo Nordisk has a mission and vision focused a lot on the business aspect, both for the company and the foundation. But the product it is offering is solving a certain problem, diabetes. Thus, it can be argued that the purpose of Novo Nordisk is to help as many people with diabetes as possible, the organisation does also have this in its DNA, as it was founded in order to help people with diabetes. The business aspect might be a strategy to attract investors, as it is a competitive industry it is operating in and it can be a big risk to take, if the organisation would turn in to become a social enterprise.

The two other cases are more obviously not about the profits, though it might be there a little as they both need to be sustainable, without donations in order to do what they do. Grameen Danone's purpose is to solve the social problem of malnutrition in Bangladesh and other poor countries. It is done through a joint venture between a for-profit organisation (Danone) and a social business (Grameen Bank). What is making this joint venture unique is that they together are building new facilities, in stead of using Danones, which is making the business able to not only fighting malnutrition, but also fight poverty by employing the poor in their own country. Thus, the purpose is fully followed and the organisation can grow sustainable with a healthy pace.

TOMS' purpose is also to solve a social problem, the one of children not being able to afford to buy shoes to wear. This is solved by giving them the shoes, but not only that also like Grameen Danone, creating jobs by producing the goods in the poor countries. Other shoesmakers are also producing in the poor countries and under the same conditions, but where TOMS is becoming more

responsible for its surrounding are in the fact that the company is giving the shoes to the poor and are working together with the local humanitarian organisations about how to improve the conditions, not only for the workers, but for the whole village by for instant installing water in the village or making it safer for the women to give birth.

Thus, it is different how the purpose of an organisation is, but it seem like the purpose is kind of the DNA of the organisation and not mater if it a social business or for-profit the purpose can be more than making profit for the owners.

## 5.5 Legitimacy

Legitimacy is as explained in the literature review, the "reputation" of the organisation and how the organisation is handling it. Novo Nordisk might be the only of the case being fitting to the legitimacy theory, as most of the research it made on conventional organisations.

The legitimacy in Novo Nordisk is formed by the whole way both the foundation and the company is affecting each other. The way that the foundation is openly showing what initiative it is supporting with grants and describing in a report how the money was made and how the grant takers has been found suitable for the grants, is a way to convince the audience about the legitimacy of the organisation and that it is doing things in a right way. Thus, the audience will begin trusting the organisation through *cognitive comprehensibility* legitimacy. The company Novo Nordisk is in the same way, with the transparency, trying to convince the audience by including the triple bottom line auditing in the annual reports. It can also be speculated in that Novo Nordisk through lobbyism can try to influence the audience through *pragmatic influence legitimacy* as some of the customers are hospitals connected to governments, but there has been no clear evidence of this in this project.

Grameen Danone is operating in a different market than Novo Nordisk, but also in a market, which needed work to gain trust. Grameen Danone has also had to

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convince the audience about that the product was good enough, and as it was a new product there had to be put a lot of work into that. By using the women from the villages as sells people Grameen Danone has been able to align with the audience, since the women themselves had the problem with their children and their friends as well. Thus, Grameen Danone was able to practise both *pragmatic dispositional and cognitive comprehensibility legitimacy* to make the product and company a success.

TOMS has in the same way as Novo Nordisk through reports convinced the buying audience about the product and project. But TOMS also had to convince the receiving audience (the humanitarian organisations) about the legitimacy of the company. This might have been done because of Blake Mycoskie's personality and the fact that he already had been working for a NGO in Argentina. Thus, legitimacy might have been created through *moral person legitimacy* meaning that Blake Mycoskie has been an important person in the organisation.

## 5.6   Final framework

After being through the analysis and discussion of the cases the evolution of four different kinds of businesses comes to mind. (1) There is the for-profit company not focused on one specific social problem (Novo Nordisk). (2) There is the for-profit company focused on solving a specific social problem (TOMS). (3) There is the social business focused on solving a specific social problem (Grameen Danone. (4) Then there is the foundation focused helping society, but not by solving a specific social problem (the Novo Nordisk foundation). The four cases can be summaries in the framework showed in figure 5.2 below.

**Figure 5.2: Business model matrix**

|  | Solving social problem in developing countries | Supporting the near society |
|---|---|---|
| **For-profit** | TOMS | Novo Nordisk |
| **No dividends** | Grameen Danone | The Novo Nordisk foundation |

This matrix is made in order to make it easier to index companies according to the parameters worked with in this thesis. The analysis cannot be done by Wayne Visser's priciples alone, but also needs some inputs from the other scholars who have been writing about CSR during time. If one should use Wayne Visser's approach completely on the cases from this project, the result shown in table 5.1

**Table 5.1: Summary of cases on Visser's principles**

| Principle\The organisation | Novo Nordisk (Foundation) | Novo Nordisk (Company) | Grameen Danone | TOMS |
|---|---|---|---|---|
| Creativity | 1 | 1 | 5 | 4 |
| Scalability | 3 | 2 | 4 | 5 |
| Responsiveness | 3 | 3 | 5 | 5 |
| Glocality | 3 | 3 | 5 | 5 |
| Circularity | 2 | 2 | 5 | 5 |
| Total | **12** | **11** | **24** | **24** |

The calculations are based on a ranking from 1 to 5 of the cases from the analysis. 1 means that the organisation only fits the principle a little, while 5 means the organisation fits the principle a lot. Thus, the table shows that the two organisations fitting to Visser's approach to CSR are Grameen Danone and TOMS, while Novo Nordisk (both the foundation and the company) is behind. This can be because, as explained earlier, that the organisations are older and has a different approach to social responsibility as shown in figure 5.2.

# 6  Conclusion and limitations

In addition to the well-used and common conventional way of doing business, this thesis has presented two different approaches to being socially responsible, than the conventional way. The knowledge of different business models, has opened up for the fact that structure might not being the factor deciding if an organisation is responsible or not. Thus, an organisation should be structured in a way benefitting the business has a whole and supporting the activities best possible.

Elements, which might have an effect on the vision of an organisation, could be the founder and the founder's experiences. Thus, the personal factors seems to be playing a major role in the development of an organisation. Furthermore, is seems like that younger organisations, based on this thesis, are more innovative, when it comes to developing new ways of doing things.

The purpose of an organisation is not necessarily found in the vision, but rather in the way an organisation is acting and why the organisation started. Thus, the purpose of an organisation can be more than mainly survive financially. It seems that the purpose of an organisation mainly is to solve problems, whether it is finding a specific social problem and put everything on solving that, or it is to solve a wide range of problems.

Furthermore, legitimacy does not seem to be a concern for the socially responsible organisations. Though there seems to be a link, between the business model, and the need for legitimacy. If the business model is not focused on getting investors, but on just being sustainable enough to survive financially, then the legitimacy seems to come by its own.

The thesis also shows that both a not-for-profit organisation and a for-profit organisation can be socially responsible. The deciding factor seems to be with the founder and trends in the society. Thus, it is up to the founder to decide on a path from the beginning. This path does not have to be a certain one, as there are different ways to be socially responsible.

Some of the limitations in this thesis are, that the study is narrow, due to the fact of using three plus one case. This is showcasing four cases of CSR, but the study does not show if there are more different ways to practice CSR. Thus, it would be advised, for future studies, to make a quantitative study, in order to decide if there are more kinds of CSR, or ways to do business in a socially responsible way.

Last, it could be interesting to investigate, if using other principles than Wayne Visser's (2011) would create other results. The idea could be, to make the same study, based on a different approach, from one of the other scholars in CSR. Thus, make a study for every decade and compare the results.

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