

# Corporate Social Responsibility in Finland: From Local Movements to Global Responsibility

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## 1 The Blurred Concept of Corporate (Social) Responsibility

The public have been preoccupied with the ethics of economic activities ever since the market economy began to emerge over 750 years ago (de George, 1987; Vogel, 1991). Business enterprises have always had to consider responsibility issues in their relations with the surrounding society, although the content of that responsibility has altered, as it inevitably reflects changes in the societal situation and debate with time and place.

The debate and research around the concept of corporate responsibility are lively, but the content of the terminology used often remains blurred for many people, whether they represent political affiliations, business or research. Responsibility in business has been described since the 1970s with various concepts such as corporate social responsibility, corporate responsibility, responsible business and sustainability, and the definitions of these concepts have been diverse.

In Finland, the business related responsibility focus has varied in time covering all three dimensions, originating from the definition of Sustainable development by Brundlandt's committee in the late 1980s, namely economic, social and environmental responsibility. Hence, "corporate responsibility" (CR) was considered here the most applicable concept covering the diversity of responsibility and providing a comprehensive understanding of the phenomenon in a Nordic state.

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## 2 Historical Development of Corporate Responsibility

### 2.1 *From Industrialization to the Welfare State: From the Late Nineteenth Century to 1950s*

The historical development of corporate responsibility in Finland can be divided into three phases: industrialization, emerging of environmental awareness and globalization. In this regard, Finland has followed much the practices of the Nordic and Central European countries.

The economic development of the industrializing Europe in the nineteenth century was based, to a great extent, on low labor costs and abundant natural resources in addition to the new available technologies. This led to the first criticism of industries in the late nineteenth century, when industrial workers and impoverished rural population started to claim their rights (Mikkilä, Kolehmainen, & Pukkala, 2005).

Few open-minded industrial owners and landlords carried their responsibility towards industrial and agrarian workers by establishing simple social services for the employees and their families. In Finland, the trade union was born in 1907 when workers demanded to limit the daily working time to 8 h. In those days, for example, a pulp and paper producer, Kymi Oy signed an agreement with Finnish Paper Workers' Union on 8 h working time in three shifts in 1907, although 14 or even 16 h working time per day was a common practice (Ala-Kapee & Valkonen, 1982).

Simultaneously with the industrialization and related social debate, Finland unified the forces into the movement for Finland's independence after the revolution in Russia in the end of the First World War. After Finland's declaration of independence from the Russian Republic in 1917, the 8 h working time was ratified by a law in the same year (SAK, 2014). Regardless of this step, a significant share of industrial and agrarian workers complained on overall working conditions and related rights. The contradictions between the labor movement or the socialists and the upper and middle class culminated in the civil war in 1918.

The representatives of labor side lost the traumatic war, but the value of labor in terms of steady production and productivity became concrete. As a consequence, larger number of industry owners increased their voluntary social responsibilities towards the labor and surrounding societies. An era of stable industrial development started when the owners demonstrated comprehensive social responsibility by building churches, schools and houses; borrowing money; providing health care and establishing various sport clubs for the industrial societies between the two World Wars.

The building of the so-called Nordic welfare society started after the Second World War. The position of the trade unions was strengthened. The social legislation and labor code were developed leading to the further development of working time and conditions. The public sector developed and took a larger responsibility of arranging and guaranteeing equal social services for all citizens (Harmaala &

Jallinoja, 2012; Juutinen & Steiner, 2010). The expectations on the social responsibility of the private sector were clearly lower compared to the pre-war era, even though the companies still had a significant role in providing employees' health services and other benefits as a part of their human resource policy and responsibility as employers (Juholin, 2004).

## ***2.2 The Rise of Environmental Concern: The Period Between 1960s and 1980s***

The industrialization boosted the economic growth, but it had its side-effects on the operation environment. The use of machineries and building of factories led to mass production, which in turn led to numerous environmental impacts, such as pollution of water and air systems. Many of these impacts were relatively local, and the effects on the environment could only be seen clearly years later. The industrial working places and options to become wealth were appreciated higher than the relatively invisible industrial environmental impact. Additionally, scientific knowledge about these problems was limited and long term effects of pollution were not yet well understood at that time (Harmaala & Jallinoja, 2012; *The Industrial Revolution and Its Impact on Our Environment*, 2012).

The public became aware of global environmental limitations in the 1960s, partly as a consequence of Rachel Carson's well-known novel "Silent Spring" in 1962. Another milestone for the modern environmental movement was the book "Limits to growth" by the Club of Rome Club in 1972, which emphasized the connection between the economic growth, population and environmental degradation. The start of the environmental movement was reflected also in Finland by the establishment of the first environmental non-governmental organization, WWF Finland in 1972 (WWF, 2014).

The first and most visible environmental criticism was targeted at the pulp and paper industry and related forestry in the late 1970s until the early 1980s due to its visibility of the operations to a large number of people. The industry has been among the cornerstones of the Finnish economy since the beginning of industrialization. Historically, commercial centers and wood processing plants were established along good water transport routes, both inland and by the seaside. Due to this, majority of the production units were located at the close proximity of communities. In addition, raw materials, like roundwood, were produced in large land areas of land.

The increased environmental awareness and economic welfare led to intensive public movements by the local people and representatives of the environmental non-governmental organization and consequent media visibility. The industry was criticized for the utilization of indigenous forests as industrial raw material and intensive forest fertilizations in state owned forests. Also, the production techniques were subjected to criticism on account of their pollution effects.

### ***2.3 Globalization and Corporate Social Responsibility: From the 1990s up to Today***

The United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit in Rio de Janeiro in 1992 turned the focus of the environmental debate to the sustainability and biological diversity related to the industrial utilization of natural resources in the early 1990s (Hellström, 2001).

The environmental criticism led to the tightening of environmental norms and later the legislation in Finland. Various industries were forced to invest in environmental technologies (Harmaala and Jallinoja, 2012). Simultaneously with the environmental techniques, the general production technological development strengthened the productivity in addition to the decreasing environmental impacts to land, water and air.

The industries recognized that proper governance of environmental issues is part of their responsibility, which may even have positive economic consequences in terms of better quality production, efficient use of inputs and capacity, as well as good stakeholder relationships. The industries started to apply environmental management systems, for example ISO 14001 (Juutinen & Steiner, 2010) and related environmental management tools and reports. Environmental reporting started to become a common practice in the 1990s. For example, a grocery chain, Kesko and a pulp and paper producer, Stora Enso published their first reports in 1998 (Kesko, 2014; Stora Enso, 2014). The environmental reports were developed into the form of more comprehensive responsibility or sustainability reports covering both environmental and social issues in the early 2000s. Among other Nordic and Central European countries, Finland has been a forerunner both in qualitative and quantitative terms of responsibility reporting (Kuisma & Temmes, 2011).

The debate returned to economic and social responsibilities in the early 2000s. The first initiative in the post-modern context of corporate responsibility was taken by Confederation of Finnish Industries (2009) by stating to its member industries the business idea of “taking care of the values concerning the welfare on the environment and people is a prerequisite for a success of the company as well as for long-term profitability”. The Confederation printed also its first primer and various promotional materials on CR which outlined the fundamental pillars and requisites of a sustainable corporation.

Three phenomena, globalization, a crisis of the welfare state and some norm hazards by a few large-scale companies, determined the relevance of corporate responsibility for the industries. Globalization started already in the 1970s when the pulp and paper sector purchased the first production units outside Europe, but the intensive period of globalization was the phenomenon of the 1990s and onwards. The large-scale industries expanded their operations to new, emerging markets. Consequently, the globally operating industries were forced to consider the social conditions of the host countries in addition to the norms of the home country. They needed to take a stance on how they arrange the employee-related issues and whether they need to provide wider social services, such as health care or leisure

time activities, for their sent and local employees and their family members. Commonly the companies were committed to arrange conditions that were comparable with those in the production units in the home country.

Globalization led the expanding industries to the same questions which the industry owners had met during the pre-war era when arranging social services for their employees and surrounding societies in order to motivate people to work efficiently. Especially, natural resource-based industries, such as pulp and paper industries, have met the demands to provide larger social services to the employees, as host-country operations are commonly located in peripheries, far away from reasonable, public health care and education.

The Nordic welfare state provides equal services for all citizens, but its reverse side is the relative high costs. The public sector has incurred debts in 2000s, which sets its challenges to keep the current social service level and quality. This has increased the pressure towards the private sector to participate more intensively in the production of social services and take a more active role in maintaining the societal issues. Related to this, the recent social debate has highlighted also the responsibility of the private sector as an employer, both in terms of working conditions and number of working places.

The debate around CR has been active since the beginning of 2000s also due to legal offences, corruptions and high remunerations of high executives, even though the general numbers of economic offences are reasonable and Finland has ranked among the world's least corrupted countries (Transparency International, 2014).

## ***2.4 Academic Research and Debate Around CR***

Regardless of the long roots of practices around social responsibility, the formal academic debate and research around the concept is clearly younger following much the corresponding development in other European countries. Tuomo Takala was among the Finnish forerunner scholars when publishing his work "Discourse on the social responsibility of the firm in Finland, 1930–1940 and 1972–1982" in 1989, but the majority of the research focused on environmental management in 1980s and 1990s reflecting the social debate around industrial environmental impacts at the time.

The European debate among scholars and practitioners speeded up in the 1990s. This was reflected in the academic research that boosted also in Finland in the early 2000s. From early 2000 onwards, academic research in Finland has also proliferated among universities and research institutes. As pointed out by Kourula (2010), institutions with larger programs on CSR both in teaching and research include Aalto University, Hanken School of Economics, Turku School of Economics, University of Tampere and the University of Jyväskylä. Table 1 summarizes some of the recent academic research works among Finnish universities. As noted, research works around CR revolve around the themes: theoretical and conceptual development, stakeholders' perceptions on CR, ethics and responsibility

**Table 1** Examples of research on corporate responsibility in Finland

Theme	Author(s)	Classification
Theoretical and conceptual development	Halme and Laurila (2009)	Journal article
	Ketola (2009, 2010a, 2010b)	Journal articles
	Mäkinen and Kourula (2012)	Journal article
	Takala (1989)	Journal article
Stakeholders' perceptions on CSR in Finland and other countries	Juholin (2004)	Journal article
	Kourula and Halme (2008)	Journal article
	Panapanaan (2006)	Doctoral dissertation (monograph), incl. one journal art
	Wang (2011)	Doctoral dissertation, incl. four journal articles
Ethics and responsibility within large-scale business	Hartman, Rubin, and Dhanda (2007)	Journal article
	Joutsenvirta (2011)	Journal article
	Lindfelt (2004)	Doctoral dissertation
	Lämsä et al. (2008)	Journal article
	Mattila (2005)	Journal article
	Mikkilä (2006)	Doctoral dissertation, incl. three journal articles
	Mikkilä and Toppinen (2008)	Journal article
	Strand (2009)	Journal article
	Toppinen, Li, Tuppura, and Xiong (2012)	Journal article
SME's responsibility	Hakala (2012)	Bachelor thesis
	Katila (2012)	Bachelor thesis
	Korpela (2010)	Master thesis
	Lähdesmäki (2005)	Bachelor thesis
	Nippala (2014)	Master thesis

within large-scale business, and small- and medium-scale enterprises' responsibility.

A few scholars had interest in the theoretical development of the corporate responsibility concept. However, the recent responsibility research has much fulfilled the needs of business focusing on stakeholders' perceptions and the application and adoption of the responsibility practices within large-scale, commonly globally operating companies. This can be explained well because of the strong linkage between the academic institutions and industries in Finland. On the other side, few theses have dealt with the responsibility within SME business, and probably very few journal articles have been published with this focus.

In addition to universities, some special institutes and centers research and promote corporate responsibility as a social and business issue. The focus of their research, however, is more on policy analysis and business implications of CR in the Finnish society. Leading organization is the Finnish Business and Policy Forum which conducts or contracts out research on social issues and publishes the results and analyses in the form of reports. Other organizations doing similar research activities in the field of CR are the likes of Finnish Business and Society (FiBS) and Central Chamber of Commerce (ICC).

Public debate around CR is relatively smooth in Finland, and although some discourses are arising and getting seasonal attention, for example economic downturn, election and closure, open discussion or forum is a conventional and preferred approach in the Finnish corporate world. The discussions about CSR have been going on since the early 2000 and were a bit intensified by the European Commission's Green Paper in 2001 (Hietanen, 2002). However, most of the discussions have been steered by the Finnish Business and Society (FiBS) CSR Network, which is a part of CSR Europe. Through FiBS, various social partners can actively join and participate in the so called "ethical forum", which promotes the development of CR ideas and practices in Finland.

Accordingly, Hietanen (2002) pointed out that the main discussion agenda pertaining to CR in Finland are the current linkages between the public and private sectors because many perceived these sectors to be distant from each other despite the various existing links, for example companies financing public services. Other issues of discussion in the recent past are on the questions about mandatory CR reporting of Finnish companies, CR practices of small companies that lack sufficient resources or will, and various workplace issues, such as shortage of labor or ageing workforce. Hietanen (2002) furthered that by way of addressing these issues, the FiBS network plays a steering role in creating partnership between companies, the public sectors, citizens and consumers in order to achieve socially and economically sustainable development in Finland. FiBS therefore seeks to find new perspectives, allowing companies by networking, to compare effectively their experiences and share good practices.

### **3 Policy Initiatives that Promote Corporate Responsibility**

The European Union has considered corporate social responsibility (CSR) as a public policy issue ever since the publication of its 2001 Green Paper 7 and the establishment of the European Multi-stakeholder Forum on CSR, defining CSR as companies' voluntarism to go beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities (European Commission, 2014).

Regardless of the intensive responsibility debate in the society in the 2000s, the documentation of the Finnish Parliament debates (Parliament of Finland, 2014) indicated that there is no corresponding policy on corporate responsibility at the

national level unlike in the European Union. The main reason for this might be the welfare state status and advanced social legislation that have created an adequate framework guaranteeing minimum social services to the citizens and reasonable business environment for the private sectors. Also the free-willing status of corporate responsibility as a set of actions that go beyond the legal obligations explained the low number of policy initiatives during the last decade.

The first policy initiatives concerned the state role as a major shareholder and related corporate governance of a few listed companies. The Parliament discussed especially the role of the State in the cases that have led to social or environmental problems. For example, the State owns shares of the two world's largest pulp and paper companies, namely Stora Enso and UPM-Kymmene, as well as the telecommunication giant, Nokia. All these global actors closed several production units in Finland owing to the low financial profitability incurred in 2000s. Simultaneously, new production units were established closer to the raw material sources and markets, mainly in Asia and South America.

The Finnish Government joined the international responsibility mainstream in June 2012 by launching its decision to support initiatives to strengthen international norms and guidelines related to corporate responsibility. Furthermore, the Government promised to promote the consideration of responsibility issues in the industry, development and trade policy as well as in public purchases. The declaration aims at making the Finnish business sector and the administration as forerunners in dealing with responsibility issues (Ministry of Employment and the Economy, 2012).

Regardless of some social debates and environmental problems, the non-governmental sector seems to trust in the legal framework in guaranteeing a reasonable level of national business operations. Non-governmental organizations focus mainly on the responsibility within international operations of the Finnish companies. A few representatives listed tax avoidance, hiding behind subcontract chains and the origin of raw materials as the most crucial themes of responsibility debate and implementation (Yle, 2013). The Government declaration and official initiatives to handle these challenges were considered inadequate.

## **4 Socio-economic Factors that Influence Corporate Responsibility**

### ***4.1 Democratic Decision-Making***

The long democratic history, welfare state status, wide freedom of speech and well-established and functioning legislation and administration are the legal and social cornerstones for the legitimacy of the Finnish business sector. Freedom of speech and assembly has been the citizen's rights from the beginning of independency for



nearly a 100 years already. The rights set the basis for an active civic society, which has been reflected throughout the history of corporate responsibility in Finland.

## ***4.2 Limited Home Market***

The public is still interested in the social and environmental consequences of domestic operations, but the heightened internationalization and globalization in the recent past decades have brought the global responsibility agenda to the scene. The limited home market of a total of five million people together with highly considered production costs boosted several direct or indirect international operations by the Finnish industries. For example, clothing and grocery industries like Marimekko and Iittala have outsourced their production to the countries with lower production costs. Large-scale pulp and paper industries have expanded closer to the market and raw material sources. Recently, small and medium-scale business, especially those operating with clean tech and new innovations, has become interested in the business opportunities in the emerging market economies.

The specific character of the Finnish business is the participation of international civic society and media in the responsibility debate. Some non-governmental organizations (e.g. FinnWatch) monitor the operations of Finnish-based companies and their counterparts outside Europe. The observed faults and misconducts are oftentimes reported in the Finnish media. People's trust in media in Finland is considerably high compared to many other European countries.

Finnish companies have recognized the relevance of good media reputation to their business operations both at home and in host countries. The large-scale industries export a significant share of their products. Consequently, conscious Central European customers and non-governmental organizations observe the production processes of the products delivered to the European market. The Upper Lapland case in the early 2000s was a case example of this where protection of indigenous people (Samis), animals and forest ecosystems were blown up in the media, when a pulp and paper company, Stora Enso, purchased round wood from Metsähallitus (Finnish Forest and Park Services).

Greenpeace launched a campaign to inform the European paper consumers that valuable indigenous forests were being logged, and the rights of indigenous Sami people were being violated in the area, as the logging took place on the historical winter pasture of reindeers. European consumers required the company to resolve the conflict between its stakeholders, local reindeer herders, and Metsähallitus. The company passed the decision over to the Finnish government. Finally it had to decide not to purchase wood from the old, indigenous forests concerned, as to do so would have been too great a risk to its reputation as an environmentally responsible company (Yle, 2010).

Regardless of or in particular due to the active civic society and despite Finland's limited market, the country still provides a socially and politically stable operating environment for the existing production units in the long-term. Obviously, the

active civic society together with well-established legislation creates the atmosphere of trust in the society both from the citizens' and business perspective. This can explain the relatively marginal role of the Government in the official corporate responsibility debate.

## **5 The Practice of Corporate Responsibility by Businesses**

### **5.1 Focus Area**

The Finnish business sector can be categorized into three types: export-oriented large-scale industries, traditional or home-market operating small and medium-scale enterprises (SME) and newly established SMEs based on the commercialization of an innovative business idea. The financial, social and environmental operating environments of these actors varies significantly from each other, leading to various responsibility focuses.

A significant number of the large-scale industries was founded before the time of the intensive corporate responsibility debate. Thus, these industries have grown together with the debate, but nowadays applying globally applied forms of corporate responsibility practices. The companies have recognized that the application of corporate responsibility is a useful tool to standardize the operations and strengthen the communication with their stakeholders. The focus is more on the integration of corporate responsibility in the existing operation—not that much on the adjustment of the operation towards a new, responsible-business-idea based path.

The traditional SMEs may be the most hesitant towards corporate responsibility among the business groups. The Finnish legislation sets a profound ground for the business related social and environmental issues. When operating at the home market, it is challenging to observe potential benefits of the wider responsibility application compared to the additional costs and required time for the adjustment of responsibility as a part of daily operations.

The business idea of the innovative SMEs rises often from the internalization of responsibility and turning the issues of sustainable development into business opportunities. This is manifested by their drive for innovations and approaches such as clean technology, recycling, new renewable materials, etc. Thus, the focus is on responsibility based value creation, which is often referred to as CR-driven innovation.

### **5.2 Strategic Integration**

Strategic integration can take place and be applied in the compliance with legislation and regulations, recognition and management of risks and strategic business

opportunities (Juutinen & Steiner, 2010). By this strategic integration, the three categories of businesses in Finland can be characterized accordingly.

The Finnish large-scale companies integrate corporate responsibility dimensions in the operations through environmental and social management systems. The application of the systems is typically accredited through international standards, such as the ISO 14001 (environmental management systems), OHSAS 18001 (health and safety standard) and FSC (Forest Stewardship Council certificate). The application of the management systems and other social and environmental programs and initiatives have been observed as a part of annual report or as an independent responsibility report.

Global Finnish companies have started to standardize their responsibility reporting in the mid-2000s by adopting the Global Reporting Initiative (GRI) reporting format (GRI 2014). The industrial sector started to adopt the GRI first followed by the banking and insurance companies later in the 2000s (Harmaala & Jallinoja, 2012).

The reporting practices vary significantly both in terms of quantity and quality. A few non-governmental organizations, for example, the Service Centre for Development Cooperation (KEPA, 2011) and Finnwatch (2011) promote the mandatory corporate responsibility reporting in order to ensure the quality and transparency of reporting. The Ministry of Employment and the Economy (2010) recognized also in its recent study that corporate responsibility reporting is obligatory in the countries like Denmark, France and the United Kingdom, but so far this has led no corresponding actions at the governmental level in Finland.

For the time being, Finland follows the practice of the majority of the other European Union countries in the voluntary corporate responsibility reporting. The listed companies have the legal obligation to publish the financial key figures in the annual report, but the Parliament has not initiated to enlarge the legal demand of annual reporting to cover also a larger set of social and environmental indicators. However, a significant share of the listed companies published this kind of information already, especially when operating outside Finland. Corporate responsibility reporting is a sort of risk management tool for many companies in the large, socially and environmentally diverse operating environment.

In addition to the standardized reporting, the strategic integration requires communication on daily operations on the companies' homepages and readiness for ad-hoc-type share of information related to possible social and environmental problems. Relatively seldom companies report free-willingly problems that can be classified as crimes according to the Finnish legislation, such as corruption, embezzlement, sexual harassment or negligent homicide. They rather react on media debate through their crises communication. Minor social and environmental problems seem to be easier to announce spontaneously. Obviously, the companies count that such a spontaneous communication strengthens their legitimacy in the society while the silence can be a risk for the reputation. The criminal charges and official processes are treated somehow beyond the local media debate, not as a direct tool to strengthen legitimacy—even though honesty is considered one of the basic values of the Finnish society.

Few large-scale companies have looked actively for opportunities in the strategic responsible business. The oil sector and pulp and paper industries integrated functions in the 2000s in order to produce biofuel from national and abundant forest biomass. However, the biofuel initiatives based on the imported palm oil have not reached high acceptability and have not been considered responsible.

Several small and medium-scale enterprises have been established during the last 10 years to create business based on recycling materials and nutrients, establishment of virtual bank for marketing of recycling materials or looking for new biomass sources for the bioenergy production. Along with this development, few innovative SMEs with responsible business ideas have grown to truly large-scale internationally operating companies, one of them being a top-design company, Globe Hope—an innovative company that designs and manufactures ecological products from recycled and discarded materials (Globe Hope, 2014).

### ***5.3 Difference Between SME and Large Businesses***

#### **5.3.1 Small and Medium-Scale Enterprises**

The Federation of Finnish Enterprises counted over 322,000 enterprises in Finland of which only 0.2 % or around 600 are classified as large-scale companies, i.e. employing more than 250 people. Nearly 94 % are micro enterprises, employing less than 10 people. The SMEs cover the sectors like fishery, agriculture and forestry, trade, traffic, service industries and contract labor works (Federation of Finnish Enterprises, Finnvera Oyj, Ministry of Employment and the Economy, 2014). The SME sector is divided into two sectors: the traditional home-market oriented enterprises and innovative, partly internationally oriented start-ups.

A few characters delineate the phenomenon of corporate responsibility within small and medium scale enterprises: legislation, limited human and financial resources and home market operations. The legislation provides a comprehensive framework for the SMEs that is respected by the enterprise owners. The handling of legal obligations may still be perceived an adequate way to demonstrate responsibility within SMEs. Furthermore, the majority of the SMEs employ a limited number of people whose main task is to work with the productive operations. The SMEs may also have scarce financial resources to be allocated for support functions, such as implementation and management of corporate responsibility management programs. Finally, the newest enterprise barometer indicates that the industrial entrepreneurs are export oriented selling some 40 % of the production in the international market while the majority of the remaining actors operate mainly on the home market (Federation of Finnish Enterprises, Finnvera Oyj, Ministry of Employment and the Economy, 2014).

At the time of increasing corporate responsibility debate in the early 2000s, the SMEs were not among the forerunners in launching corporate responsibility programs, but the concept became more concrete by the 2010s. Corporate

responsibility was often associated with the different kind of regulations and restrictions set to business activities somewhere from above the businesses, and it had somewhat negative tone for the entrepreneurs. Although small businesses may be lacking the exact knowledge of the content and applicability of the concept of corporate responsibility, their everyday business operations were viewed as responsible (Lähdesmäki, 2005). Family-owned companies were more responsible in the issues concerning employees, local operating area and environmental responsibility. With this, small business owners were primarily focused on the steady production processes and their legitimacy within the local societies (Katila, 2012).

The corporate responsibility management approaches of newly established startups have not been analyzed systematically so far. Modern businesses are often based, one way or another, on responsibility and new innovations. It can be construed that these companies have integrated responsibility into their business ideas and operations, even though they may not express it in the form of regular reporting yet. Within all types of SMEs, corporate responsibility is perceived as part of the business, even though its implementation may not yet be integrated very concretely throughout the production chain. For example, social responsibility reports are relatively rare so far.

### 5.3.2 Large-Scale Industries

Many of the large-scale companies operate globally; hence they need to apply a wider set of social and environmental indicators in their daily operations compared to the locally operating SMEs. For example, the questions of child labor or forced-labor are irrelevant in the Finnish context due to the advanced social legislation, but the companies face such issues in other countries particularly in the developing countries (Panapanaan, 2006). The large-scale, export oriented industries have developed their own management methods and principles to correspond with the requirements of various host countries since the 1990s, as the national legislations were commonly inappropriate compared to the international requirements (Mikkilä, 2006).

The two business world extremities and cornerstones of the Finnish national economy, natural resource-based industries and telecommunications have lived through very different paths when adopting today's corporate responsibility practices. The natural resource based industries, like mining or pulp and paper production, are among the most criticized branches in Finland because of the visibility of the operations, in that the exploitation and utilization of raw materials. Furthermore, the production plants of these industries are usually located at the close proximities of communities where their industrial environmental impacts, like effluents and emissions, are very concrete to the local populations.

Due to the importance to their reputation, the natural resource -based industries started to adopt various social and environmental management systems and report in the early phase of responsibility debate, even though this does not prove the implementation of corporate responsibility in practice yet (Mikkilä & Toppinen,

2008). The general reputation and legitimacy of operations can even be a stronger indicator of responsible operations than the reporting.

The telecommunication giant, Nokia Oyj, represents a branch with high legitimacy all over the world. During the active environmental debate, in the 1990s, Nokia Oyj had good operation conditions. Its production plants were new, quiet and clean delivering no emotional reaction by its local and international stakeholders. In addition, Nokia's acceptability rocketed in the mid-1990s when it was the key-business actor pulling the Finnish economy from the extremely deep depression to the period of economic growth. The part of the modern image was to adjust all modern managerial tools to the operations. Nokia's first corporate responsibility report was published in 2002 (Nokia, 2014). However, Nokia started to lose its dominant position among the world's leading mobile phone companies in the end of the 2000s. Due to the tough competition and worldwide economic depression, Nokia started to close its production units in Finland, which decreased its dream-team reputation. The Nokia story ended in 2013 when the mobile operations were sold to Microsoft.

These two cases demonstrate that the closer the industry interacts with the surrounding societies, the more essential tool corporate responsibility is for successful business operations. The industries with lower external pressure may see corporate responsibility as a managerial tool, but its connections to long-term profitability and competitiveness can be perceived to some extent invisible.

#### ***5.4 Drivers and Barriers of Corporate Responsibility***

Their hesitation to address larger environmental and social duties of enterprises was conspicuous among the representatives of both large industries and SMEs at the early phase of the responsibility debate. The external pressure to improve environmental management was seen to lead to higher managerial costs and time consuming activities. The connection between the international pressure and financial profitability became clear in the quickly changing operational environment when the stakeholders, especially non-governmental organizations, arranged national and international campaigns against large-scale industries. Nationally operating SMEs have seldom been criticized due to their home-market operations within the national legislation.

The establishment of new environmental and social management systems required additional input, but its pay-off options have also been recognized recently in terms of more efficient managerial and operational activities in the daily operations. The installed systems facilitate the employees' daily work, as they can follow the standardized practice. The standardization improves also the health safety, especially in the production sector.

By the beginning of the 2010s, the standardization was widely understood as the application of environmental and social management systems and regular reporting within the large-scale business. Also, many SMEs have noticed the standardization

as a managerial tool that can boost operations instead of meaning only extra costs. Regardless of the existing models, the jungle of standards and measurement instruments can still be a problem within SMEs, like the situation was 10 years ago among the large-scale industries 10 years ago (Juholin, 2004).

It can be implied that the major barriers for corporate responsibility have throughout its history been the attitudes within industries and the fear of increasing costs. The same reasons motivate nowadays the companies to integrate corporate responsibility in their strategies and operations; the moral value of the responsibility to do the right things today and tomorrow and the opportunity to strengthen the financial outcome through responsible operations.

## 6 Furtherance and Prospects of CR

In Finland, CR has some characteristics that make it distinct and differ from the general view. The view is very much affected by the pattern of county's development and the formation of the welfare state. The recent development of CR is a resurrection of the historical social responsibility, but with a new form and broader and global scope. CR relates to the Finnish way of thinking that one should be responsible and behave ethically in business. Although a normative statement, such thinking is hinged on the Northern European high regard for ethics and good morals. This is reflected in many references by Finnish managers claiming the representatives of the company to act responsibly and behaving ethically in dealing with their employees as well as other stakeholders and community around them (Panapanaan, 2006). Based on this premise, it can be said that CR has come a long way, to be established and accepted in the Finnish modern business and society. Further development and prospect of CR is therefore seen in the increased importance and internalization of the CR issues in the activities of Finnish companies. With the continuing enforcement of strict domestic regulations and external pressures, for example from the European Union, Finnish companies are bound to be more serious in dealing with their CR. On the other hand, the role of social partnerships as steered by the FiBS networks is seen in the practical implementation of CR in the everyday lives of companies. Because of the social networks and well-functioning cooperation channels, CR in Finland is believed to progress more effectively (Hietanen, 2002).

With established CR corporate frameworks, regulatory measures and social networks, a three dimensional model of corporate responsibility has been institutionalized both in the public and private sectors by the second decade of the 2000s. In many cases, CR is adjusted to be a part of communication and reporting activities, although its application in organizational strategies varies according to the operational sector, business idea and size of business.

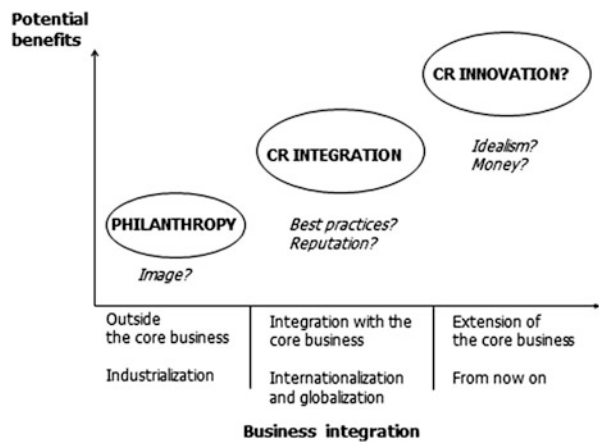
The CEO of one of the world's largest pulp and paper companies, UPM-Kymmene, summarized the key-elements of corporate responsibility in his

social network tweet: “*risk management, dialogue, eco-design, competitive advantage and environmental certificates*”.

Research-wise, Halme and Laurila (2009) developed a model of business integration of corporate responsibility types and the potential for expected financial and social benefits. Although, not specifically modelled with Finnish companies, such generic model may do locate Finnish companies as they do their CR strategically. The model outlines the three types of corporate responsibility: philanthropic CR, CR Integration and CR Innovation. Philanthropy tends to be the least integrated with the core business of the company, whereas the CR Integration and CR Innovation approaches are more tightly interwoven with the core business Fig. 1.

Philanthropically oriented enterprises implement their responsibility, for example by donating money for some socially or environmentally justified target. The CR Integration refers to the management of environmental and social performance of existing business operations by developing environmental management systems, applying certificates for the operations and products and reporting on the environmental and social performance. Various national and global social inequities and environmental challenges led to the development of the CR Innovation model. The target is to alleviate a social or environmental problem by turning the problem as a new, innovative business idea.

The model adjusts well to conclude the development of corporate responsibility and its future prospective in Finland. The industry owners practiced philanthropy up to the Second World War by providing social services to the employees and their families. Also the social CR Integration could be recognized during the pre-war era when the trade unions pushed forward reasonable working conditions, such as the 8-h working day. However, the increased environmental awareness and consequent tighter environmental and social norms and legislation made CR Integration a common practice in terms of the application of various certificates and launching of environmental and responsibility reports. CR Integration is becoming a part of



**Fig. 1** CR in Finland within the three level framework. Adjusted according to Halme and Laurila (2009)



business as usual, especially among large-scale industries, even though it is not a strategic part of business planning yet.

Nowadays philanthropy is still a common way to show responsibility. For example, cause-related marketing has become relatively popular among the clothing stores. These enterprises promote some of their products by promising to donate a share of the price of each sold unit to a certain charity destination.

The division between Philanthropy and CR Innovation can be sometimes unclear. Some non-governmental organizations, like Finn Church Aid, promote philanthropy of citizens and business enterprises in terms of donating a price of a productive animal or a bag of agricultural crops for a person in a less developed country. With the donation the local farmer can improve the living standard and establish even a small scale business by selling eggs, dairy products or left-over harvest in the local market (Finn Church Aid, 2014).

CR Innovation is not only a form of foreign aid, but such business is becoming common in Finland, too. The Nordic welfare state model has been criticized for its incapability to guarantee their citizens the basic services. Especially, the Government is willing to cut off the social costs during the economic depression periods. This has created space and demand for private social enterprises that can, for example, provide services to senior citizens.

The environmentally innovative business ideas originate from the recognition of limited natural resources and long-term consequences of various industrial environmental impacts. For example, the operations of Biovakka (2014), which was founded in 2002 by a group of south-western farmers, are based on the principle of sustainable development. The company provides waste processing services for the needs of industry, communities and agriculture and produces renewable energy and safe recycled nutrients for various purposes.

The role of corporate responsibility as a managerial tool and basis of business will strengthen further in the future. Both the large-scale business and SME sector will continue integrating various responsible management systems, implementing the philanthropic project and developing sustainable technologies and commercializing responsible business ideas. Corporate responsibility in all its forms will continue strengthening its role in business as usual both in the home country and global operation environment.

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