

# Can an SME Become a Global Corporate Citizen? Evidence from a Case Study

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**ABSTRACT.** Global Corporate Citizenship (GCC) continues to become increasingly popular in large corporations. However, this concept has rarely been considered in small and medium size enterprises (SMEs). A case study of a Norwegian clothing company illustrates how GCC can be also applied to small companies. This case study also shows that SMEs can be very innovative in exercising corporate citizenship, without necessarily following the patterns of large multinational companies. The company studied engages as partner in some voluntary labor initiatives promoted by the government, employs people in marginal situations, and exerts influence for the adoption of good working conditions in its supply chain. Environmental issues and actions of solidarity are also considered within a global scope. Ethics of care and concern for specific aspects of the common good seem crucial as GCC drivers in this company, as do personal

values, character, and leadership of the owner-manager of the firm.

**KEY WORDS:** business–government partnership, common good, ethics of care, ethics-driven corporate social responsibility, global corporate citizenship, societal responsibility, Chinese factories, SMEs, supply chain, authentic ethical leadership, inclusiveness

**ABBREVIATIONS:** CSR: Corporate social responsibility; CEO: Chief Executive Officer; GCC: Global Corporate Citizenship; SMEs: Small and medium size enterprises; ILO: International labor organization; IEH: Initiative for ethical trade; IW-Agreement: Inclusive workplace agreement

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Global Corporate Citizenship (GCC) continues to become increasingly popular in large corporations. A milestone for introducing this concept took place in January 2002, during the *World Economic Forum* in New York, when 46 CEOs of the world's largest multinational corporations signed a document entitled "Global Corporate Citizenship – the Leadership Challenge for CEOs and Boards."<sup>1</sup> It emphasized that business leadership processes focusing on the company's impact on society and its relationships with stakeholders are not 'add-ons' but fundamental to core business operations. Klaus Schwab, current Executive Chair of the World Economic Forum, clarified that "Global Corporate Citizenship goes beyond the concepts of corporate philanthropy, including social investing; corporate social responsibility; and corporate social entrepreneurship in that it entails focusing on 'the global space,' which is increasingly shaped by forces beyond the control of nation-states." (2008, p. 114).

The question arises of whether GCC is only for large companies, particularly multinational, or whether it is also for small and medium size enterprises (SMEs) in a globalized competitive world? In fact, many relate GCC with the former. But, why should this be so?

An increasing interest in studying social responsibility of SMEs (included within GCC, as noted) has emerged in the last decade, and several articles and books on this topic have been published (Spence 2007). Most research in this field tries to identify what SMEs are doing regarding corporate social responsibility (CSR) through surveys or interviews (Jenkins, 2006; Murillo and Lozano, 2006; Perrini et al., 2007; Simpson et al., 2004; Spence and Schmidpeter, 2003) or by studying simple cases with special relevance (Castka et al., 2004; Enderle, 2004). Many findings report that SMEs are involved in supporting some projects in their respective local communities. However, so far ‘the global space’ has rarely been considered for small and medium size enterprises.

Apart from asking whether GCC is a concept applicable to SMEs, one might also wonder whether SMEs can afford the requirements of being a GCC. Enderle (2004) presented a number of difficulties for SMEs in assuming corporate social responsibilities – *a fortiori* also for GCC – in the context of global competition. He emphasized the insignificant role that SMEs play in economic globalization: “SMEs – he wrote – supposedly are only the tiny fish swimming helplessly, though in large swarms, in the stormy sea of international business. Whatever they try to do, they have to follow the gigantic whales, being themselves unable to improve globalization (...) even if we concede a proper place for SMEs, as small fish in aquatic populations, the basic question seems to be survival, not ethics.” (2004, pp. 51–52). In spite of these and others difficulties, Enderle (2004) suggested that SMEs involved in global competition can balance economic, social, and environmental responsibilities and presented the evidence of a small Swiss company (Rohner Textil AG) with only 30 employees which competes successfully in a global environment.

Although SMEs may be “small fish,” paying attention to them is highly advisable, since they are a significant fraction of the world economy. According to the United Nations Industrial Development

Organization (UNIDO, 2002), SMEs make up over 90% of business worldwide and account for between 50% and 65% of employment. Thus, summing a large number of small social actions can bring about a great social impact. No matter what, a company’s survival should not be separated from ethics.

The third question is whether large companies should be the GCC model for SMEs or whether SMEs should or would want to seek their own specific and innovative ways. Some authors have emphasized that SMEs are different not only in terms of their size, but also in their characteristics (Spence, 2000; Storey, 1994). Although large companies are frequently taken as the norm to understanding CSR for all kinds of companies, CSR of large corporations cannot be applied to SMEs by merely reducing the scale (Jenkins, 2004); a firm’s size matters in terms of CSR (Udayasankar, 2008). Tilley affirmed that there is no such thing as a “little big company” (2000).

The present article tries to contribute to a better understanding of GCC in SMEs through a case study which explores how a small company understands its responsibilities in a global context. This case also sheds some light when discussing the questions mentioned above.<sup>2</sup>

The case study presented here refers to the Norwegian clothing enterprise Stormberg A/S, which operates with less than 40 employees, although with an annual turnover of more than \$700 million. The information used comes from publicly available material, the company website, and observations made during a presentation by the founder of the company in a public speech in Norway in February 2008. Additional knowledge was gathered by one of the authors (von Weltzien Hoivik) through several personal interviews with the owner-manager and other managers of the firm and during a site visit to Stormberg headquarters in Kristiansand, Norway.<sup>3</sup>

### Stormberg A/S

Stormberg A/S (Stormberg Ltd., in English) was founded by Steinar J. Olsen in 1998. Its main activity is the design and sale of outdoor and sports clothing. Being synonymous with reasonably priced clothing for the whole family,<sup>4</sup> it has become extremely popular among younger generations in

only 10 years. It is currently ranked the number three Norwegian brand in the outdoor clothing sector.<sup>5</sup> Though the administration and designing of the collections are carried out in Norway, Stormberg produces textiles in 14 factories in China, mostly in Shanghai and Ningbo Industrial Development areas in Zhejiang province, on the shore of the East Sea.

Norwegian labor legislation is considered to be one of the strictest in the world in terms of safe working conditions and social protection. However, Stormberg not only complies with the legislation but goes beyond it on several points. One of these was to sign what in Norway is called the “Inclusive Workplace Agreement” (IW-Agreement), a standard jointly set by government authorities and both employers’ and labor organizations. This agreement was established in 2001 with the purpose of reducing worker absenteeism due to illness by 20%. When an employee is unable to continue in his job as a result of sickness, an IW-enterprise is obliged, in collaboration with the authorities, to contribute to retraining and/or continuing, or further education, so that the employee can become qualified for another job in the enterprise. This requires short-term financial support from the government to provide workplace adjustment, training, and free consultancy. An ODCE study regarding the implementation of the IW-Agreement in the first 3 years, although provisional in some points, revealed it was quite successful.<sup>6</sup>

Even more significant is an employment policy voluntarily adopted by Stormberg which goes clearly beyond minimum legal requirements. It focuses on workers who have greater difficulties entering or re-entering the labor market, and the company’s goal is that at least 25% of their staff should consist of such employees. Presently, 30% of them are former prisoners, school drop-outs, or persons with former drug abuse problems. Supporting the company in this scheme is “Way-Back,” an organization specializing in helping former prisoners with forms of rehabilitation and in their “way back into society.”

Regarding participation, Stormberg employees are engaged in many aspects of business decision-making processes. This is a democratic decision-making process, which is time-consuming, but, according to Olsen, essential for generating a high level of employee satisfaction, and for creating a sense of responsibility and loyalty.

In respect of the supply chain, Stormberg has a code of conduct compulsory for factories working for the company. Thus includes strict working conditions in accordance with international standards, set down by the conventions of the International Labor Organization (ILO). This code of conduct has been translated into Chinese and is displayed in public areas throughout the premises of the Chinese suppliers of Stormberg.

Mr. Olson knows that what is crucial is not having a code, but compliance with it. That is why Stormberg, together with IEH (Initiative for Ethical Trade) Norway, an organization devoted to promoting fair working conditions,<sup>7</sup> has developed an audit approach for inspecting Chinese factories. This is done regularly by representatives of IEH and the Norwegian Confederation of Trade Unions. At times these inspections are announced in advance but more often they occur unannounced. There is a special focus on labor cost, wages, and fair compensation for overtime. The recorded working hours including overtime payment are compared to production output. Any discrepancies are discussed with the Chinese factory owners, and this has slowly resulted in some improvements.

Stormberg also became the first wholesale retailer in Norway to publicize the names of his associate factories in China and its annual evaluation of working conditions<sup>8</sup> (see Table 1). In a scale of 1–7, the vast majority of factories working for Stormberg are rated as “good” (4 points) or superior to “good.”

Stormberg became a member of IEH in 2002, and Mr. Olsen became personally engaged in this organization. Since then, he has been promoting greater transparency in the textile industry regarding labor conditions in Chinese factories that contract with Stormberg, where over 200 seasonal workers are employed. Olsen has tried to improve the working conditions by increasing the size of his orders, and thus having more influence. The larger the orders and the longer the contracts can run, the more he can influence factories to retain workers and assert a greater influence on working conditions.

Regarding environmental protection, from its early days Stormberg has focused strongly on actions contributing to the reduction of its own GHG (Greenhouse Gas) emissions along the entire value chain. The company regularly publishes a report called “Stormberg’s carbon footprint,” in which

TABLE 1  
Factories of Stormberg suppliers and the corresponding evaluation (May 31, 2008)<sup>a</sup>

Factory	Current number of employees	Percentage of production made for Stormberg	Stormberg's evaluation of the factory (1-7)
Ningbo Tianming Garment Factory, Ningbo, China	120 (90 female, 30 male)	20	5
Ningbo Zhiyou Garment Factory, Ningbo, China	150 (135 female; 15 male)	15	4
Ninghai Lixing Knitting Factory, Ningbo, China	115 (110 female; 5 male)	15	4
Ningbo Everwell Glove Manufacturing Co., Ltd., Ningbo, China	100 (85 female, 15 male)	0	3
Wandelong, Guling Town, Ningbo, China	300 (210 female, 90 male)	50	5
Kalida Clothing Factory, Ningbo, China	250 (170 female, 80 male)	35	6
Hua Lei, Xiangshan, China	192 (144 female, 48 male)	1	3
Zhu Ji Kai Kai, Zhuji, China	310 (265 female, 45 male)	30	5
Sen He, Ningbo, China	350 (240 female, 110 male)	1	Not evaluated <sup>b</sup>
Yi Li, Ningbo, China	420 (300 female, 120 male)	<1	4
Fuda, Fujian, China	800 (480 female, 320 male)	0	3
Zhen Jiang S&C Headgear Co. Ltd., Zhenjiang Jiagsu, China	258 (193 female, 65 male)	(?)	4
XingZhongHua Fashion Co. Ltd., Chagshu, China	600 (480 female, 120 male)	5	5
Santiago de Compostela Enterprise, Guandong, China	280 (126 female, 154 male)	5	6
China Rainbow Industrial Group Ltd, Fujian, China	350 (210 female, 140 male)	(?)	3
Bao Yu Lan Apparel Co., Ltd., Jiagsu, China	350 (150 female, 200 male)	1	5
Wuxi Union Works Co., Ltd., China	120 (100 female, 20 male)	0	4
Ounce Footwear Co. Ltd., China	160 (107 female, 53 male)	4.6	4
JSC "Sparta", Vilnius, Lithuania	300 (232 female, 68 male)	0	4

<sup>a</sup>Evaluations of the factories are done on the basis of the Factory Profile, experiences with the factory, and inspections and controls. They are rated from 1-7, where 1 is poor, 4 is good, and 7 is excellent.

<sup>b</sup>More experience needed to evaluate.

targets achieved are discussed and plans for the future are assessed. As of April 2008 Stormberg has been a signatory to the UN and the Kyoto Protocol (and its Clean Development Mechanism) in an attempt to reduce global GHG emissions and to contribute to sustainable growth in developing countries. Stormberg supports this cause by offsetting its own remaining GHG emissions through the acquisition of official, UN-issue, carbon credits (CER). The carbon credits bought are being used for a targeted project in China's Shandong Province. The project makes use of landfill methane to produce electricity. The alternative would be to release the methane straight into the atmosphere, which would be 21 times more harmful than CO<sub>2</sub>.

In addition, Stormberg carries out some actions of solidarity. The company is annually devoting about 10% of its pre-tax income to humanitarian projects, such as SOS Children's Villages, or local Norwegian Shelters for Mistreated Women and Children. Stormberg also supports the non-governmental organization "Europe in Focus," which helps street children in Romania. Some occasional contributions, especially for emergencies occasioned by natural disasters, are also included within Stormberg solidarity projects. Thus, in 2008, the company financed help for children in China after an earthquake in the province of Sichuan.

In 2006 the company decided to communicate its social and ethical engagement policies more widely by adding labels in all clothing informing customers that 10% of pre-tax income is set aside for humanitarian projects.

Another practice, introduced in 2007, refers to both recycling and solidarity. It consists of a system to collect used Stormberg sports clothing from Norway by offering a refund for all clothing returned to them. The collected items can be reused in other parts of Europe. Stormberg ships and distributes them for free among the poor in Romania and Moldova, again utilizing the NGO networks existing in the areas.

Apart from these direct actions of solidarity, Stormberg employees are supported in their social and community involvement and are paid time-off for these activities.

In the last 2 years Olsen has been a sought-after speaker at seminars, conferences, and business meetings. In 2006 he and his company were

honored by the Norwegian Mental Health Organization with an award. In addition, this year he was also granted a special Norwegian honorary title – *Leder viser vei – Job for Livet* (Leading the way – Job for Life) – for his special efforts in creating job opportunities for society's "unemployable."

### **Societal responsibility as engagement in public policy**

In order to better understand Olsen's unusual efforts to further the responsibility of business in society, one needs to recall the Norwegian context, in which there is an extensive body of regulations for business. This regulation entails many "implicit CSRs." In accordance with Matten and Moon's (2008) terminology, "implicit CSR" refers to corporations' role within the wider formal and informal institutions for society's interests and concerns. It normally consists of mandatory and customary requirements for corporations to address stakeholder issues. In contrast, "explicit CSR" refers to voluntary corporate policies that assume and articulate responsibility for some societal interests beyond any mandatory or customary requirement.

In Scandinavian countries, and particularly in Norway, the implicit CSRs are very high in matters related to labor regulation, health and safety at the workplace, worker and consumer rights, and other issues related to state welfare.

Regarding employees, for example, Norwegian labor legislation can be considered as one of the strictest in the world. Thus, Act No. 4 of 1977, amended to Act No. 2 of 1995, respecting worker protection and working environment, says that the employer shall only employ workers who can document that they have completed a training program which satisfies specific requirements regarding skills or knowledge. Thus, dangerous accidents are reduced in number. Another paragraph of this Act says that in enterprises that manufacture, pack, use, or store toxic or noxious substances, including toxic or noxious biological material, in a manner that may involve a health hazard, the working environment and the health of the employees shall be kept under continuous control. Finally it obliges the employer to ensure that employees are informed of any risks of accident and illness that may be connected with the

work and that they receive the necessary training, practice, and instruction.<sup>9</sup>

In spite of so many implicit CSRs, in Norway there is still space for voluntary corporate programs and strategies to address issues perceived as being part of the social responsibility of the company. This is particularly true if we consider the wide sense in which social responsibility is understood in Norway. Translated into Norwegian terms, CSR means “societal responsibility” (Norwegian *bedriftens samfunnsansvar*), a concept used both for descriptive and for normative purposes.

Societal responsibility can also refer to activities such as sponsorship or engagement with the local community. These activities are common in many SMEs (Besser, 1999; Jenkins, 2004). But in Norway, at times, legislative requirements regarding health, security, and protection of the environment are also included in the concept of societal responsibility. This fact blurs the distinction between corporate voluntary policies and government regulations, or, in other words, between implicit and explicit CSR.

In Norway most government legislation regarding labor and employment is brought about by a negotiated agreement between the so-called social partners, i.e., employer associations, trade unions, and labor organizations. Voluntary corporate CSR-type activities are therefore rare in Norway. When they do occur, they are initiated personally by individual top managers, more commonly in small and medium enterprises (Kvale, 2007, p. 24). The latter is what happens in Stormberg.

From its very beginning, Stormberg had a clearly formulated mission statement –*vi bryr oss* (we care), which has recently been extended to *vi skal gjøre verden til et bedre sted* (we want to make the world a better place). In order to give work a deeper meaning, Olsen’s strategy has been to involve his employees in major decision-making processes. The four values chosen for the company are honesty, courage, inclusiveness, sustainability.

Mr. Olsen sincerely believes in people and in their ability to contribute with their own unique resources if only given the opportunity. He often emphasizes that it is all about *caring* and *daring*: “caring for others and daring to find employees from outside the normal channels and giving them another chance.”

Olsen’s sense of caring leads him to a particular way of understanding social responsibility. In his

own words, “social responsibility in companies is fundamentally simple. It is about caring, about having the courage to do things in a simple yet different way.”

### Olsen’s motivations and the Stormberg philosophy

A question arises. Might Stormberg’s social policies only be promoted for the sake of profits? Some studies (i.e., Rose, 2007) show that experienced corporate directors of large companies sometimes make decisions which emphasize the legal defensibility of maximizing shareholder value at the expense of ethics. Owner-managers of SMEs, such as Olsen, have no legal pressure to maximize shareholder value. However, they should attempt to keep their companies profitable and try to grow so as to create new jobs and continue with their social function.

Social and ethical motivations are not incompatible with economic motives. For instance, hiring marginalized people is good for them because they can have serious difficulties in finding a job, which in the long-term would be a burden to Norwegian society. But, this practice is also beneficial for Stormberg because the unemployment rate in Norway is low, and the company is heavily dependent on its workforce.

Mr. Olson makes a strong sense of responsibility compatible with excellent financial performance, as the development of the company in its first 10 years shows. In 2007 a record number of 1156 million sports garments were sold by Stormberg with a turnover of NOK 121 million (\$707 m). In spite of aggressive market competition within this industry, Stormberg increases its income year after year.

Adopting a public image of an ethical company through product labels explaining the actions of solidarity carried out by the company is very possibly related to an economic motivation. Cynics might say that Olsen and his company are interested in caring only as a tool for profits. Olsen likes to say “every company can contribute to the society, and this can pay off, financially.” In fact, these words lead one to discover economic consequences of his policies and practices. However, one wonders if motivation for CSR can be only economical or only ethical.

Beyond the dichotomy of “profit-oriented” or “ethical-oriented” there may be a multilevel system of motivations. In this respect, Aguilera et al. (2007) pointed out that motives for CSR can be simultaneously economic (to achieve long-term profits), relational (to increase social cohesion), and ethical (to act in a meaningful way). All of these motives might contribute to Olson’s behavior. He has always been socially minded. Olsen’s concern for caring may be related with his background. He served 8 years as local politician and as a member of the board of a “Shelter for Battered Women and Children.” Thus, he knows what the downside of life can be like (Kvale, 2007). The economic consequences of CSR may be a relevant motive for Olsen’s behavior, but other motives also seem to be present, and are possibly even more important. This is made clear in a speech given in 2004, where the founder and present CEO of the Stormberg summarized the business philosophy of his company in the following words:

My employees and I don’t believe we can change the world. We know we can change the world, or at least a small part of it. We know that through our caring, several hundred workers in Chinese factories have a better day at work. We know that by caring about safety in the children’s clothing we produce, the accident rate in daycares has been reduced. We know that by caring for each other in Stormberg we have created a pleasant and safe workplace for everyone, including those who are otherwise on the outside.

At close sight the real business philosophy of Stormberg seems to confirm these words. Stormberg’s policies appear to be related to social concerns, caring for people, and making a contribution to society, although economic results are not forgotten. In fact, some of the social activities carried out by the company may be profitable in the long term, but it is hard to say whether recycling practices or other actions of solidarity can provide sufficient return on “investment.”

*Is Stormberg an ethics-driven company?*

Another question which arises is over what kind of approach Stormberg is following in its particular

way of understanding the societal responsibility of business: Is it ethics-driven? Or is the company driven only by social expectations or demands? Let us briefly review these two approaches.

According to Bowen, a pioneer in CSR thought, corporate social responsibility “refers to the obligation of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953, p. 6).

Later this reference to societal values and objectives to determine managerial social responsibilities was extended to ethical requirements. Thus, Eells, Walton, and Fox wrote that “when people talk about corporate social responsibilities they are thinking in terms of the problems that arise when corporate enterprises cast their shadow on the social scene, and of the ethical principles that ought to govern the relationships between the corporation and society” (1961, pp. 457–458). Likewise, Davis, who was a great champion of CSR in the 1960s and 1970s, asserted that “the substance of social responsibility arise from concern for the ethical consequences of one’s act as they might affect the interest of others.” (1967, p. 46).

In some current definitions of CSR, ethics is explicitly mentioned. This is what occurs with the definition of CSR given by a publication of the World Business Council for Sustainable Development: “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improve the quality of life of the workforce and their families as well as the local community and society at large.” (Holme and Watts 2000, p. 8). In other definitions ethics is not mentioned explicitly, but neither is it excluded. Thus the European Commission (2001) sees CSR as “a concept whereby companies integrate social and environmental concerns in their business operations.”

While some authors see the responsibility of business in society driven exclusively by social expectations or demands, others propose an “ethics-driven” view of CSR (Donaldson and Preston, 1995; Solomon, 1992; Swanson, 1995; Wicks et al., 1994; among others).<sup>10</sup> An ethics-driven view of CSR allows the company to “attempt to systematically favor decisions and procedures that stimulate equality, liberty, and fairness of opportunity for its

various partners and associates” (Maignan and Ferrell, 2004, p. 4).

What Stormberg is doing is in line with what society would probably applaud; yet there are reasons to think that the main driver is not societal expectations but ethical principles and moral imagination, for instance, practices such as hiring former prisoners and providing recycled clothes to people of Eastern Europe, not to mention encouraging the relevant people to promote good working conditions in Chinese factories. Democratic decision-making within the organization is neither demanded by society nor required by common ethical standards. However, in certain conditions democratic decisions for specific issues within an organization might be an appropriate manner of employee participation, and this is in accordance with human freedom and dignity.

### **Ethics-drivers: justice and care**

If we look at what Stormberg is doing, we can see compliance with duties of justice, including both those already regulated by Norwegian law and others that go beyond such regulation. The latter is the case with the norms included in the code of conduct which suppliers have to accept to work for this company. According to Arnold and Bowie (2003) respect for workers in global supply chains includes adherence to local law, but additionally to refrain from coercion, and to pay workers a living wage. Stormberg’s code of conduct includes this and other usual standards of justice set down by ILO, such as avoiding illegal contracts and forbidding forced employment and child labor, no discrimination, no harsh or inhumane treatment, safe and hygienic working conditions, and a living wage, among others.<sup>11</sup>

But Olsen’s company is not only driven by minimum requirements of justice. It exceeds this by caring about people when possible and seeking innovative ways to contribute to the common good.

Justice is related to ethical principles and duties while ethics of care is more related to paying attention to people’s needs and to maintaining connections of networks. Ethics of care helps to identify solutions by focusing on the interests underlying each party’s needs or desires (Reiter, 1996). Caring is

a fundamental category which is understood as both a value and an activity. It is about human relatedness and seeks to reaffirm this connection through action. Held (2006) correctly emphasizes that the ethics of care offers a view of both the more immediate and the more distant human relations on which satisfactory societies can be built. “It provides new theory with which to develop new practices and can perhaps offer greater potential for moral progress than is contained in the views of traditional moral theory” (Held, 2006, p. 28).

Ethics of care, in the sphere of gender behavior, was initially related to “feminist ethics”<sup>12</sup> in contrast to justice, which was more related to “male ethics” (Gilligan, 1982). However, from a normative perspective, ethics of care is a complementary aspect of justice (Cavanagh et al., 1995), and a guideline for individuals, both male and female. Furthermore, according to Held (2006, p. 131), there is wide agreement that the ethics of care should not be limited to the personal, but that a connection should be made to civil society, since it is more suitable than traditional moral theories for dealing with many of the concerns in civil society. In both families and groups of friends, and in civic associations and political entities, there is a presumption of social relations holding individual persons together (p. 131). Ethics of care also fits with organizations. Within business organizations, ethics of care focuses on relations between persons, on such relations as trust, mutual responsiveness, and shared consideration.

When Steinar J. Olsen decided to recruit released prisoners as part of his workforce, giving them a second chance, he saw clearly their need to be taken care of as human beings and full members of society. Ethics of care does not require impartiality but instead allows us “room at the foundational level for the partiality that connects us to those we care for” (Held, 2006, p. 27). It allows us to include relations of family, friendship, and identification with other groups which have largely been missing in the other ethical theories.<sup>13</sup>

Dietmut Bubeck (quoted in Held, 2006, p. 32) offers a definition of care which seems to capture best what Olsen is doing. She writes, “Caring for is the meeting of the needs of one person by another person, where face-to-face interaction between carer and cared-for is a crucial element of the overall



activity and where the need is of such a nature that it cannot possibly be met by the person in need herself." According to Bubeck, care is a response to a particular subset of basic human needs, i.e., those which make us dependent on others. In this respect ethics of care can be part of management and business because it does not require a particular personal or emotional bond between carer and cared-for.

Steinar J. Olsen could leave the problem of finding work for former prisoners and drug addicts to government institutions, yet he does not do so. To Olsen, caring is not just an action, a response to a need, but essentially an expression of an attitude and a relationship where both the carer and the cared-for share an interest in their mutual well-being.

In addition, Olsen involves his employees in the decision-making process. From a managerial point of view, his democratic style adds another dimension to the "caring process." By sharing decision-making with other employees from the very start he includes them in "caring" for the new employees. Giving them a say in the decision not only gives them "authority" but also shared responsibility for the success of this courageous employment policy.

Employees experience a higher level of involvement with the company and become more affectively committed, which can lead to greater job satisfaction and increased performance (Kuvaas, 2004), a sign of good management. At the center of this policy is seeing others as human beings, seeing their humanity before seeing them as "cases" or workers with a history. Caring for others is clearly more than "taking care of" and therefore in line with the Norwegian translation *å bry seg om en annen*, which expresses aspects of mutual connectedness and obligations existing among people. Another term, *ta vare på hverandre*, which means "to care for each other," stands for an attitude which "values" the other person's "value." This can take various forms, from giving shelter, food, or clothing to a continuous involvement in the other person's well-being, including happiness. Olsen does what he can locally, yet leaves the care-taking of others elsewhere to institutions who can administer this far better, like the NGO Europe in Focus.

The goal of Stormberg's mission might be better understood as a contribution to a positive societal development by looking after each other and caring for employees and customers' welfare. This is

understood by considering that in Olsen's mind "the general view of the relation between the company and the society is that the company is dependent on the well functioning of the society which surrounds it." (Kvale, 2007).

Olsen's view is in line with the understanding that "business organizations need to engage in the development of the society in which they want to do business, since business is influenced by the society in which it operates and societal problems often affect the efficiency and effectiveness of business activity." (Spence and Schmidpeter, 2003, p. 94). Consequently, Olsen's view, based on justice and care, seems oriented to the common good, understanding the common good heuristically as the shared good in a free society "with a well developed order which generates gains of cooperation and allows for freedom and responsibility of its citizens." (Spence and Schmidpeter 2003, p. 94).

All of this leads us to conclude that Stormberg is following the stakeholder approach based not on justice but, above all, on ethics of care (Burton and Dunn, 1996; Wicks et al., 1994). However, Stormberg goes beyond a narrow view of a stakeholder approach which would only consider employees, stockholders, suppliers, consumers, and local community. Instead it adopts a global perspective. Olsen's concern for working conditions in Stormberg's Chinese suppliers' factories and his personal efforts to encourage other business people to do the same is an example of this. Others are the actions of solidarity described above which include collaborations with NGOs and providing recycled clothes to people of Eastern Europe.

This is in line with what the Executive Chair of the World Economic Forum affirms regarding "Global Corporate Citizenship." For him this notion "is an extension of the stakeholder concept and involves the corporation acting as a stakeholder in global society, together with government and civil society (...) Global corporate citizenship integrates both the rights and the responsibilities that corporations have as global citizens. And in relying on a multistakeholder approach to tackling global problems, it can point out the way to new models of effective global governance that integrate business as a key stakeholder." (Schwab, 2008, pp. 116, 118)

Reciprocity and the pursuing of the common good is clear in policies such as employing former

prisoners and marginalized people in this particular industry, which is beneficial for both the country and for Stormberg.

### Values and character of the owner-manager

In SMEs social responsibilities usually depend on the quality of the relationship of the owner-manager and the firm's stakeholders rather than on formal processes and bureaucratic structures (Jenkins, 2006; Tilley, 1999). Furthermore, it has been reported that the social concern and performance of SMEs is closely related with values of their respective founder (Spence and Rutherford, 2003; Spence et al., 2003). Murillo and Lozano (2006) found that the values and character of the founder are extremely significant in the social practices carried out by the companies they analyzed. Similarly, leadership seems clearly relevant. Stormberg confirms the importance of values, motivations, and character of its founder and current owner-manager who leads the company. Those who know Stormberg have no doubt that Steinar J. Olsen is the main motivator of the company's social policies and activities, and his character, virtues, and attitudes are highly relevant.

Steinar J. Olsen has been a real architect in building ethics and values into both hearts and minds. As Collier and Esteban (2007, p. 30) suggested, ethics is not just a question of training. Corporate ethics requires making ethics part of the cultural fabric as well as the brand of the company.

Steinar Olsen exerts what is often called authentic ethical leadership, as identified by Treviño et al. (2003), which could be defined as the "demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005, p. 120). Olsen's involvement of the employees in the recruitment and employment process of former prisoners and drug addicts has an impact on the organizational culture. This is one of those practices which help to create, build, and strengthen positive capacities in others (Gardner and Schermerhorn, 2004).

The value added to the organization is a heightened awareness of the need to care and a greater capacity to dare to be different. It fosters a shared set

of understanding of how ethics and business can work together both inside and outside the company. André Delbecq explained it in the following way:

The transformational system you create to receive inputs and transform outputs will also shift, allowing greater attention to stewardship, justice and inclusiveness of the concerns of all stakeholders. The character of the organization's culture will shift. The relational culture of the organization will be more attentive to the gifts of all, and compassionate regarding each person's needs. (quoted by Pruzan and Mikkelsen, 2007, p. 191).

Stormberg A/S under Steinar Olsen's leadership has an identity which comes close to what Balmer et al. (2007) have called "ethical corporate identity," not as a framework for defining an atomistic identity, "but rather as a roadmap for identifying a more socially, dialogically embedded-kind of corporate *modus operandi*" (Balmer et al., 2007, p. 13). Stormberg A/S is a company that fits the description of a business "that is formed relationally between parties within a community and ostensibly managed through new levels of critical reflectivity" (Ibidem). With ethics of care as part of the normative basis, this company has gone far in operationalizing an "ethics-driven view of CSR" (Maignan and Ferrell, 2004, p. 31). The Norwegian understanding of societal responsibility is rooted in justice-based ethics, duty-based ethics, and ethics of care which favor decisions and policies that value equality (*likeverd* = equal value), fairness of opportunities for all citizens, and sharing of wealth. Stormberg A/S is a role model in this respect. In many ways it resembles Tom's of Maine, a company created by Tom and Kate Chappell in 1970. Tom Chappell was the first business leader to emphasize reflection, openness, and responsiveness to the needs of others (Balmer et al., 2007, p. 13). Chappell's employees were given paid time-off to work in the community, and he donated 10% of pre-tax profits to social, and particularly environmental, causes (Gray and Petropoulos, 2002). When asked, Steinar Olsen said that he did not know of Tom's of Maine. Both companies are excellent examples of how top managers and owners when genuinely committed to ethics have embedded their policies deeply into the organization by creating a collective organizational identity in which all employees participate.

## Conclusion

Some researchers have reported that many SMEs traditionally show responsible behavior through their core business activities, and are involved in their respective local communities making social investment and supporting philanthropy programs. Engagement in public policy is more rarely reported.

In this paper, we have portrayed the Norwegian clothing company Stormberg to illustrate how the concept of global corporate citizenship can be understood and implemented in a SME. This company was born with a strong social concern and a wide scope, which, as noted, includes employing people in marginalized situations, and positive actions in terms of working conditions and employee participation, environmental protection, and actions of solidarity. Stormberg's social engagement and societal responsibility refers to its work not only in Norway but also in China, especially regarding working conditions in their suppliers' factories. In addition, the company engages voluntarily in some public policies. All of this, while acting within a global context, and what is more, having a global vision of business responsibility.

The case study presented and discussed in this article permits us to state that the concept of global corporate citizenship is not limited to large corporations but to any company which in some way is operating in the global context or can act by fostering good practices worldwide. Many SMEs can be included in this category. However, the way in which GCC is implemented would probably depend on each situation. Specific policies and practices should be adapted to the specific circumstance of every company and its social and natural environment.

An SME, such as Stormberg, can afford the requirements of being a GCC while simultaneously facing its financial, social, and environmental responsibilities. There is no dichotomy between the "business case" and the "moral case" but an integrative strategy which includes being a GCC. Thus, although further research is required, it seems that being an SME with a sense of global citizenship is compatible with also being a profitable company.

Regarding the question of whether large companies are the GCC model for SMEs, in this specific case, the answer is negative. The company studied

sought specific and innovative ways to become a GCC.

Finally, the case study presented here supports the idea that the character and values of the owner-manager and his/her leadership have a decisive influence on how CSR is understood and implemented in SMEs.

Our research is in line with some aspects of Spence's (2007) agenda regarding social responsibilities of SMEs. However, ours is only a modest contribution. Future research might provide more examples of such companies to examine the extent to which SMEs can become a GCC and whether or not that adds value over time. A multicase approach would allow for greater generalization and validity using a cross-case analysis.

## Notes

<sup>1</sup> [http://www.weforum.org/pdf/GCCI/GCC\\_CEO\\_statement.pdf](http://www.weforum.org/pdf/GCCI/GCC_CEO_statement.pdf), Accessed on November 21, 2008.

<sup>2</sup> A first version was presented at the 15th IESE Symposium on Ethics, Business and Society, Barcelona, May, 16–17, 2008, the theme of which was "Business and Management: Towards more human models and Practices."

<sup>3</sup> This case study is not meant to be all inclusive since its purpose is only to discuss the specific issues mentioned above.

<sup>4</sup> Climate Neutral Network, Stormberg, [http://www.climateneutral.unep.org/cnn\\_members.aspx?m=279](http://www.climateneutral.unep.org/cnn_members.aspx?m=279). Accessed on November 7, 2008.

<sup>5</sup> Gro Kvale, KMU Forschung Austria, Austrian Institute for SME Research, 'CSR and Competiveness, European SMEs' Good Practice – National Report Norway, <http://www.kmuforschung.ac.at/de/Projekte/CSR/Report%20Norway.pdf>. Accessed on November 7, 2008.

<sup>6</sup> <http://www.oecd.org/dataoecd/4/12/36892986.pdf>. Accessed on November 7, 2008.

<sup>7</sup> [www.etiskhandel.no/](http://www.etiskhandel.no/). Accessed on November 7, 2008.

<sup>8</sup> See Stormberg corporate website: [www.stormberg.no/Global/Dokument%20linker%20p%C3%A5%20nettsiden/Stormberg\\_FactoryList\\_Evaluation\\_31.05.08.pdf](http://www.stormberg.no/Global/Dokument%20linker%20p%C3%A5%20nettsiden/Stormberg_FactoryList_Evaluation_31.05.08.pdf). Accessed on November 7, 2008.

<sup>9</sup> Legislation Norway, <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/13291/64814/E95NOR01.htm>. Accessed on November 7, 2008.

<sup>10</sup> Similarly, Antonacopoulou and Méric argue that CSR as a stakeholder theory cannot be value free, but

rather that it is inherently normative in the sense that it is about caring relationships and interdependencies (2005, p. 30). They considered that the firm is more than a trustee for the interests of its multiple stakeholders where managers are morally obliged to balance business self-interests with stakeholder interests.

<sup>11</sup> See the Stormberg corporate website: [www.stormberg.no/Global/Dokument%20linker%20p%C3%A5%20nettsiden/Codes%20of%20Conduct%20for%20Stormberg%202008.pdf](http://www.stormberg.no/Global/Dokument%20linker%20p%C3%A5%20nettsiden/Codes%20of%20Conduct%20for%20Stormberg%202008.pdf). Accessed on November 7, 2008.

<sup>12</sup> Feminist thought began in the United States and Europe in the late 1960s. However, ethics of care, in its essence, is older than feminist thought, and many of its postulates are not exclusively for women. Aristotle included friendship and not only justice in his ethical system, and in the Judeo-Christian tradition neighborly love, which in a certain sense can be related with ethics of care, is central.

<sup>13</sup> While Kantian and utilitarianism as theories are primarily rational, ethics of care does not ask us to reject feelings or emotions in determining what we ought to do. On the contrary, this theory builds concern and mutual responsiveness to needs of others (Held 2006, p. 28).

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