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Charitable Engagement Strategies

An Interview Study of Large Cap Companies on the Swedish Stock Market

Master's Thesis in the Master's Programme Management and Economics of Innovation

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Abstract

The total philanthropy market in Sweden has grown by 58% between 2010 and 2017, while the corporate donations have declined with 3% during the last couple of years, making Corporate Social Responsibility (CSR) work an exciting topic to study. The aim of the study was to identify the charitable engagement strategies of Large Cap companies on the Swedish stock market to understand what factors they consider and prioritize when choosing where to allocate their resources linked to charitable engagements. The explored research question generated to fulfill the aim of the report was *How do companies decide where to allocate their resources aimed for charitable engagements?* with the sub-question *What factors are considered and prioritized during the decision-process?*

The researches conducted an interview study with fifteen companies, listed on the Large Cap list, on the Swedish stock market. The interviewees did also get the opportunity to validate the responses to increase the credibility of the study. Carroll (2016)'s theory regarding companies' responsibilities along four dimensions was used to understand the context of CSR-related work. Moreover, the report presents theory regarding the different motives for companies to engage in charitable work.

The interviews provided knowledge regarding companies' engagement strategies, resulting in a five-step process describing the general decision-process from the point where potential collaborations between charity organizations and companies are proposed, until the end of a signed contract, or a re-signing of a contract after evaluation. During each of the five steps in the decision-process, the researchers found different aspects that the companies consider and prioritize.

Keywords: Charity, CSR, donations, corporate-philanthropy, sponsorship, CSR-strategy.

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Clara Holländer & Rebecca Hjertonsson,
Gothenburg, May, 2020

Prologue

In December 2019, we met the charity organization Hand in Hand in Stockholm, where the Fundraising Manager described the current situation of Hand in Hand and the Swedish philanthropy market. The discussions especially sparked an interest in the area of corporate donations and the challenges linked to these. One of the primary challenges identified during the meeting was that the corporate donations had declined during the past few years and the lack of knowledge of how companies' work with their engagement strategies.

The stakeholders in the study are charity organizations that aim to receive support from corporations. The study would provide the stakeholders with insight regarding the internal criteria and factors, of which companies consider and prioritize when choosing which charity organizations to fund.

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Terminology

Philanthropy: Altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy persons, by endowment of institutions of learning and hospitals, and by generosity to other socially useful purposes.

Large Cap: Companies on OMX Stockholm that have a market capitalization of over one billion euros.

CSR: Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

CRM: Cause-Related Marketing (CRM) is by Varadarajan and Menon (1988) defined as *“The process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives ”*.

Hand in Hand Sweden: Hand in Hand is a charity organization which fights poverty with entrepreneurship. Hand in Hand Sweden is the Swedish-based part of the organization.

Giva Sverige: An organization working with quality and governance, education and influence on issues that are important for giving and collecting. Giva Sweden creates meeting places and contributes with knowledge, but also demands that our members follow guidelines. The members of the organization are the leading charity organizations in Sweden.

1

Introduction

In this chapter the researchers aim to provide a background to the study, including a description of its context and the problem's relevance. In addition, the report's purpose, research questions, limitations, as well as the disposition of the report, will be presented.

1.1 Background

The philanthropy market in Sweden has experienced growth during the last few years, with an increase of 58% between 2010 and 2017, moving from a market size of 11 billion SEK to one of 17 billion SEK ¹ (Statista, 2019). The described increase is significantly high compared to the growth of the Swedish economy during the same period, which experienced a more steady growth of 9,6% between 2010 and 2017 (Trading-Economics, 2018). The growth of the philanthropy market was primarily driven by donations made by individuals, according to Giva-Sverige (2018). The growth can be explained by numerous factors, but with social media as the most impacting (Nonprofit-Tech-For-Good, 2018). According to Nonprofit-Tech-For-Good (2018), 32% of the donors in Europe stated that they got the most inspired to donate by social media, where Facebook had the most significant impact on the decision (58%). The share of European citizens, who participated in social media networks, increased from 38% in 2011 to 56% in 2018 (Statista, 2019). The growth of social media in combination with the emerged utilization of digital devices might also have acted as a catalyst for growing the philanthropy market.

There is an endless number of world-wide problems to solve, and many charity organizations are addressing the problems. All charity organizations are differentiated by their orientations, different efficiency-levels, objectives, and strategies. Charity organizations rely on donations to be able to operate, and most of the organizations prefer monetary donations over non-monetary donations. Many charity organizations believe that they know how to run their business the best by themselves. Therefore, they prefer monetary donations². However, monetary funding is a scarce resource, and naturally, the donors cannot support all charity organizations, even though all of them operate for a good cause.

¹This statistic over Swedish donations are based on information from annual reporting from organizations with a Swedish 90-account.

²Information received during a phone interview, conducted 2020-03-03, with Josefiina Ben Az-zouz at Giva Sverige

The donors of the philanthropy market in Sweden are mainly individuals, bequests, and corporates (Giva-Sverige, 2018). Companies have a highly significant role for the organizations since they are more consistent with their donations than individual donors, and also due to the size of their donations, which usually exceed the individual ones (Giva-Sverige, 2018).

Even though the philanthropy market in Sweden has experienced growth during the last couple of years, the total corporate donations have declined with 3% over five years (Giva-Sverige, 2014, 2018). The companies' share of the total donations in Sweden has also fallen from 16% in 2013 to 12% in 2018 (Giva-Sverige, 2014, 2018). Due to the decline of corporate donations, it is of interest to identify – and to obtain a deeper understanding of – the Large Cap companies' engagement strategies in Sweden. By to provide the charity organizations with a more profound knowledge of what factors companies value when deciding where to allocate their resources linked to charitable initiatives.

1.2 Problem Statement, Aim, and Research Questions

The decrease of the corporate philanthropy market, in contrast with the overall increase of donations in Sweden the past few years and a growing Swedish Large Cap stock market, indicates that the corporations might have changed their engagement strategies. The decline in corporate giving, therefore, sparked an interest in exploring the subject of Large Cap companies' engagement strategies, and in identifying what factors the corporations consider and evaluate when deciding where to allocate resources aimed for charitable engagements.

The purpose of this report is to identify the charitable engagement strategies of Large Cap companies on the Swedish stock market to understand what factors they consider and prioritize when choosing where to allocate their resources linked to charitable engagements. The objective was to advise the charity organizations with a more profound understanding of what factors the corporations value when initiating a charitable engagement, to optimize their chances of receiving support from companies.

The report explores the following research question and sub-question:

- How do companies decide where to allocate their resources aimed for charitable engagements?
 - What factors are considered and prioritized during the decision process?

1.3 Limitations

The report focuses on large Swedish companies, which were represented by a number of the biggest Large Cap companies, within different sectors, on the Swedish stock market. The reason for choosing Sweden as a nation was that the study was conducted in Sweden and, additionally, that national borders limit the laws and regulations related to giving.

1.4 Report Disposition

Firstly, we present an introduction to the report, including background, purpose and research questions. Afterward, the methodology follows, which will guide the reader through the underlying procedure of this written report. The next chapter presents the theoretical framework including relevant theory to build the foundation of the report. Lastly, the findings, a discussion regarding the findings, and finally, this report's dessert – an exciting conclusion that will leave the reader breathless – will follow.

2

Methodology

The following chapter aims to present the methodology of the study and the motives of the chosen research approach. Described elements are research approach, research design, research methods, data analysis, and research ethics.

2.1 Structure

The method consists of three parts: research strategy, research approach, and research design, which the upcoming sections will explain in a more detailed way. An overview of the methodology approach is illustrated in figure 2.1, where the light-blue fields in level three of the hierarchy represent the chosen approaches.

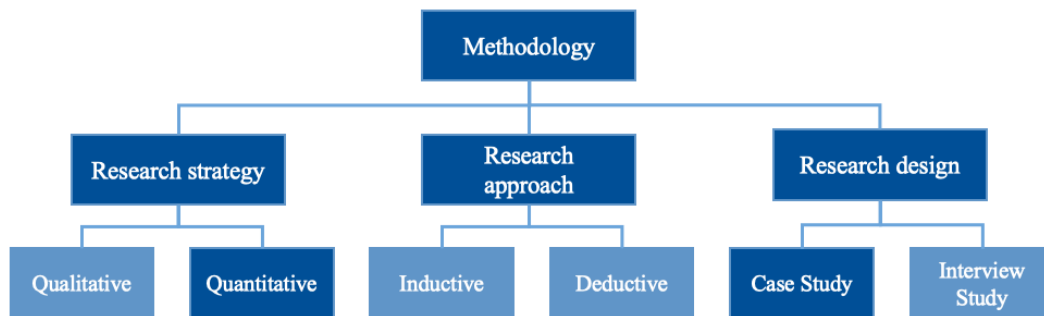


Figure 2.1: The methodology breakdown illustrating the approach of the study as a qualitative research strategy, an inductive and deductive research approach and a interview study research design.

2.2 Research Strategy, Research Approach, and Research Design

This study's purpose was to, in an exploratory way, understand what criteria companies prioritize during the decision-making process of where to put their resources aimed for a good cause. A qualitative approach was used due to the study's exploratory nature, the limited availability of quantifiable data, and also due to fea-

sibility as a consequence of the short project time. The methodology involved conducting interviews with sponsorship and communication managers in Large Cap companies on the Swedish Stock Market among different industry sectors, and with other experts within the field, which resulted in generating subjective data of the specific situation. In the field of research, Bryman and Bell (2007) defines two central orientation approaches – qualitative approach and quantitative approach. The qualitative approach emphasizes on interpretations and words, where it is fundamental to grasp the perceived and interpreted reality among individuals (Bryman, 2012; Holme & Solvang, 1997). A qualitative methodology is, according to Holme and Solvang (1997), preferred when data collection and data analysis takes place interactively, and where the study aims to investigate an unknown reality, which was the case in this study. This study complimented the qualitative research strategy with a quantitative analysis, where the interviewees' responses were translated into quantifiable numbers to get an objective view of the answers.

This study combined an inductive and deductive approach in an iterative way, where both theory and an empirical study formed the basis for conclusions. The combination is, according to Bryman and Bell (2007), referred to as an abductive approach. More specifically, an inductive approach uses reasonings from empirical observations to generate models and theories which describe reality. In contrast, a deductive approach uses beforehand formulated hypotheses, which are generated based on theory and afterward confirmed or rejected depending on observations of reality (Bryman & Bell, 2007).

The research design of this study consisted of an interview study, where fifteen different interviewees helped generate a nuanced view of the situation. Turner (2010) describes that many researchers strive to gain more experiences and to expand their knowledge through a qualitative research design, since it allows the researcher to, in a better way, use a variety of research methods. The chosen research design seemed appropriate, since the researches studied a relatively unexplored area and wanted to obtain an objective view of the situation. Interviews, as a research method, aim to provide in-depth information about the interviewees' different viewpoints and perceptions of a specific topic (Turner, 2010). Hence, the researchers can resemble perspectives from several organizations and identify similarities and patterns (Bryman & Bell, 2007; Turner, 2010).

2.3 Research Methods

The research methods in this study are literature studies in combination with interviews. The interview phase took place in parallel with the literature study since the information obtained from the theory, to some extent, formed the basis for the requested data. The purpose of the data collection was to generate all the necessary data needed to answer the already formed research questions. The following section will present a description of both methods, including the considered aspects during the execution.

2.3.1 Literature Studies

The researchers conducted a literature study, which built the foundation of the literature framework, accordingly with theory from Rienecker and Stray-Jørgensen (2004). The literature study focused on scientific articles, reports, dissertations, and academic literature related to fundraising among charity organizations, objectives behind CSR-work, and engagement strategies within corporations. Literature written from a company-perspective was preferred by the researchers since this study solely focused on the companies' decision processes. The different ways to engage as a company depends on the culture and laws bound by national borders. Since this report focused on Swedish companies, Swedish sources were used more frequently in some sections, whereas in other sections, describing more general phenomena, international sources were used. The researchers used different search methods to obtain a broad scope of relevant theory and to refine the search, and thus to possess relevant information, the researchers used well-chosen keywords. The above-described approach to gathering information is called systematic search (Rienecker & Stray-Jørgensen, 2004).

The literature study was carried out iteratively during the study, and all the collected information was critically reviewed and evaluated to be considered reliable. In addition to searches in Chalmers libraries and databases, such as Google Scholar and Summon, the researchers used chain searches. A chain search enables a further increase in knowledge level, both in terms of width and tip, by searching in source lists within subject-relevant literature (Blomqvist & Hallin, 2014).

2.3.2 Interviews

Mainly interviews, with sponsorship and communication managers at the companies, were used as a data collection method to answer the research questions. The purpose with the interviews was to collect qualitative data, and thereby gain an understanding of how the companies create their engagement strategies, how the decision-making process for choosing a charity organization works, how often it is evaluated, and to identify the reasons behind the elections.

There is a lot to keep in mind when conducting and planning interviews to optimize the results and to reach the target. According to Griffie (2005), there are several points to reflect on when constructing an interview. One crucial point is to decide on whom to interview. Griffie (2005) recommend to select people who have a history of the situation and that the interview should end when reaching the goal of the interview to get the most efficient post-processing of the data.

For this study, giving that the objective was to identify giving strategies in large companies, the target persons had positions within sustainability or communication and deep insights in the area. Moreover, the researchers chose to set up a sample of large Swedish companies that could represent all large Swedish companies – businesses on the Large Cap list on the Swedish stock market. The aim was to conduct interviews with at least two companies within each industry sector to be able to

compare the results both within a specific sector and between different sectors. Before contacting the companies, a prioritization list was made, based on the value of the companies, with the aim of contacting the highest-valued companies first. Some responses were missing, and in those cases the next company, within the same sector, on the prioritization list was contacted. As mentioned above, the target persons had positions within sustainability or communications, and table 2.1 presents the respondents. All of the interviewees agreed upon sharing their names, companies, and positions within the company. However, the researchers chose only to present the positions of the interviewees and the company names since the individual thoughts were not of interest to this study, but rather the interviewee represented a company and its actions.

Table 2.1: Interviewees that shared their knowledge and ideas during the data collection phase.

Title	Company	Sector	Date
Community Investment Manager	Stora Enso	Commodity	2020-03-06
Head of Communications	SCA	Commodity	2020-03-24
Head of Communications	Boliden	Commodity	2020-03-12
Head of Sustainability	Tele2	Communication & Technique	2020-03-19
Manager Agency Management & Sponsorships	Ericsson	Communication & Technique	2020-03-16
Head of Sustainability	Axfood	Consumer Products	2020-03-24
SVP Communications & Investor Relations	Thule Group	Consumer Products	2020-03-11
Acting Head of Sustainability	Handelsbanken	Finance	2020-03-13
Head of Group Public Affairs	Swedbank	Finance	2020-03-05
Global Director Sustainability & External Affairs	Sobi	Healthcare	2020-03-06
Corporate Communications Manager, Holding Nordic & Global Corporate			
Manager of Holding Nordics	Atlas Copco	Industry	2020-03-20
Communications Event & Partnership Manager	Sandvik	Industry	2020-03-12
Communications & Investments Manager	Fabege	Real Estate	2020-03-13
Director of Sustainable Business	Pandox	Consumer Products	2020-03-24
CEO	Sagax	Real Estate	2020-03-12

The interviews were in all cases held online, due to the pandemic Covid-19 situation. According to Gill et al. (2008), the location has an essential impact on how relaxed the interviewee feels, making the interview subject more open and able to answer the questions in a more explanatory way (Gill et al., 2008). The location of the interview should be clearly described in the final report to enhance the reader's

understanding of the context of answers and questions (Griffie, 2005). Due to the fact that the interviews were held online, the interviewees in this study could choose the interview location by themselves, increasing the chances of a relaxed interviewee.

Another point to consider before execution is the design of the interview questions (Griffie, 2005). There are, according to Bryman and Bell (2007), three different types of interviews: structured, semi-structured, and unstructured. This study used a semi-structured interview technique due to the exploratory nature of the problem and want of receiving open and knowledge-enriching answers. In line with the semi-structured approach, goals existed for what the researchers wanted to obtain from each interview subject. The semi-structured approach creates more flexibility than a structured approach, by being able to mix the order of questions, ask follow-up questions and to go into more detail about the interview person's involvement and area of expertise (Denscombe, 2009). Moreover, according to Gill et al. (2008), new approaches or solutions that have not been up for discussion previously could be found when using a semi-structured format. The researchers neglected the unstructured technique due to the risk that the interviewee would go into areas that are not of interest to our report (Gill et al., 2008). In contrast, the risk with a structured technique, when following a predetermined path, is to miss out on important information (Bryman & Bell, 2007). The mixture between the structured and unstructured approach is called semi-structured interviews. With a semi-structured approach, the goal is to predetermine the majority of the questions to steer the interview into focus areas (Bryman & Bell, 2007).

Pre-interviews were performed with both Hand in Hand and Giva Sverige to get feedback on how the questions are perceived, to optimize the interview technique. The reason was to ensure that the background information and understanding of context were correct and, additionally, to mitigate the risk of having misinterpreted interview questions.

After finishing the data collection, the researchers compiled and analysed the data considered relevant to the research questions, and eventually draw conclusion of how companies create their engagement strategies.

2.4 Data Analysis

During the interviews, the researchers iteratively wrote down what the interviewees said. A qualitative coding followed after conducting the fifteen interviews, where the researchers categorized the answers from the interviews around different touchpoints in an excel sheet. Once all fifteen interviewees' answers were categorized, it was easier to analyze the interviews and to identify patterns in the responses. The coding provides ideas of which categories the researchers can sort the data into (Guvå & Hylander, 1998). The emerged concepts are then audited and verified by comparison with data (Guvå & Hylander, 1998). According to Guvå and Hylander (1998), coding is a method of forming concepts by sorting, systematizing, varying, correlating, and integrating data.

The researchers also did two smaller quantitative analyses to describe the importance of the affecting factors when identifying the underlying reasons for initiating an engagement, and when identifying how the companies believe that the engagements favor their business. The analysis was made by looking into similarities in the interviewees' answers, and by counting the frequency of the different answers' occurrence.

2.5 Credibility of the Study

This report mainly used primary data, which the researchers collected during the interviews. Primary data is generally preferable over secondary data as the risk of subjectivity and misinterpretation always increases with the number of steps from the original source (Eriksson & Wiedersheim-Paul, 2008).

An iterative dialogue was held with Giva Sverige and Hand in Hand Sweden to ensure that the researchers' understanding of the market of charitable engagements were correct, and to increase the study's credibility. The contact persons, with expertise from two different perspectives within charitable engagements, were the Head of Fundraising at Hand in Hand and a Business Analyst at Giva Sverige. The contact persons were acting as sounding boards with different aims with their work related to charity, and the researchers could thereby evaluate the study from two different perspectives.

After finding patterns of the decision-processes, the preliminary findings were sent to the interviewees to validate the responses. The preliminary findings linked to the decision-making-process and the incentives for engagements, as found during the analysis of the empirical study, were summarized in two simplified figures – figure 4.1 and figure 4.2. These figures were sent to the involved interviewees, asking them whether or not they recognized the figures in their specific companies – and to what extent they agreed on a scale ranging between one and ten, where ten meant that the level of recognition was very high. A respondent validation allows the interviewees to confirm, or critique, the found correlation between the perceptions and the reality (Torrance, 2012). A respondent validation thereby decreases the risk of subjectivity when doing an analysis (Torrance, 2012).

2.6 Ethical Aspects in Research

At the beginning of the interviews, the interviewee was given information about the interview's purpose and the message that the researchers would record the interviews if the interviewees did not refuse. Bryman (2012) describes the importance of explaining the usage of the collected data and the purpose of the interview to the interview subject. The researchers asked the interviewees if they wanted to be confidential and if they wanted to anonymize the company's name. These questions about confidentiality are essential factors to consider, according to Bryman (2012). However, all interviewees agreed upon sharing their names, companies, and their positions within the company. We also told the interviewees that they would receive

the finished report and that they should get in touch if there were any particular parts they did not want to expose. The researchers did, however, omit the interviewees' names in the report, since the individual thoughts were not of interest to this study, but rather the interviewee represented a company and its actions.

To ensure that the perception of the fifteen interviewees' answers was correct, the researchers conducted a respondent validation. According to Resnik et al. (2015), people do not perceive things the same way, due to one's values and previous experiences, which stresses the importance of validating the interviewees' responses. What might be common sense for one person might not be common sense for another person (Resnik et al., 2015). According to Resnik et al. (2015), the ethical norms, knowing what is right and wrong, are learned in the early years of life but are further developed continuously during one's lifetime. In qualitative research, human involvement plays a more significant role when interpreting the meaning of sentences instead of analyzing patterns from numbers; thus, the risk of having ethical problems increases (Orb et al., 2001). It is of importance to consider the ethical aspects when doing research, to avoid misinterpreting the collected data, and to increase the chances of having an outcome that coincides with the purpose of the study (Resnik et al., 2015).

3

Theory

In this chapter, we present the theoretical framework of the study. The theories explain the context of charitable engagements from a company-perspective, which is crucial when analyzing the empirical findings.

3.1 CSR – Corporate Social Responsibility

Corporate Social Responsibility work (CSR-work) can, according to Clarke and de la Rama (2004), be seen as a tool that can be utilized to communicate a company's engagements addressed to its surrounding. Another author, Wulfson (2001), described the CSR-work as an obligation that the company has against its environment to make decisions that favor not only the company itself but also favor, protect, and enhance the world. This statement means that the companies should take environmental responsibility and not operate in an unethical or immoral way (Wulfson, 2001). Kotler and Lee (2005) states that companies have more responsibilities beyond generating revenue, such as societal responsibility, which is described as the CSR-work. The definition of CSR used in this study is a combination of all of the three interpretations.

3.2 Responsibility in Four Dimensions – Carroll's CSR Pyramid

There is broad research on the issue of corporate responsibility. This section aims to present the dominant view on CSR-work based on Carroll's theories, and also criticism against the theory. Carroll et al. (1991) published in *The Four Faces of Corporate Citizenship* his views on the four types of corporate responsibility. The model, which goes by the name Carroll's CSR Pyramid, is one of the most widely accepted in research (Leal Filho, 2018).

According to Carroll (2016), CSR is about companies taking responsibility along four dimensions – economic, legal, ethical, and philanthropic. According to Carroll (2016), the design of CSR should be seen as a pyramid where companies can gain legitimacy with the help of the dimensions. Carroll (2016) states that CSR is based on both formal and informal laws. CSR can be seen as a philosophical way of thinking, since norms and values are usually not written down in the same way as laws are, it is something that companies engage in because it is in accordance with

society at large and because it is the right thing to do (Carroll, 2016).

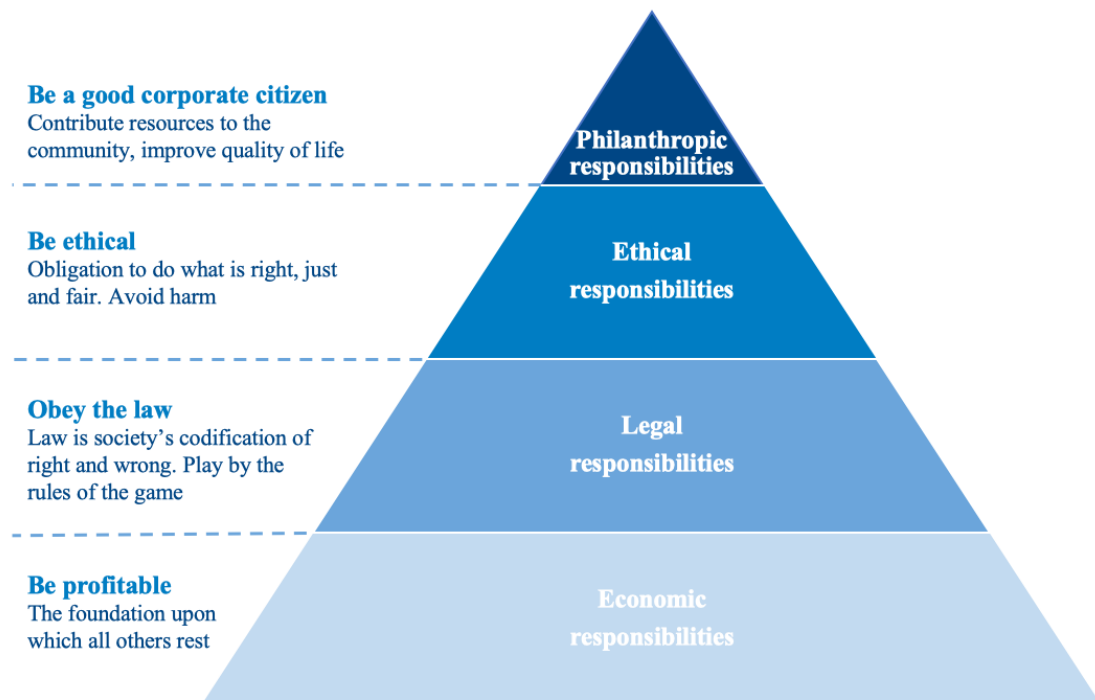


Figure 3.1: Carroll (2016) describes a company's responsibilities in four dimensions, which comprise Carroll's CSR Pyramid. The researchers' interpretation of the CSR Pyramid is illustrated in the figure.

Each dimension thus acts as a guideline for companies to be able to understand and adapt their business according to society's expectations or desires of the company Carroll (2016), Carroll et al. (1991). By ensuring that the company's operations are in line with the stakeholders' norms and values, companies can gain legitimacy (Suchman, 1995). Spear et al. (2013) consider that stakeholders seek different types of legitimacy, which can be explained as Carroll's four dimensions respond differently to the stakeholders. Carroll (2016) further explains that all dimensions in the pyramid are not of equal importance; this can be illustrated by the pyramid-shaped model, meaning that the further down the pyramid, the more critical it becomes for the company to fulfill that dimension of responsibility. The economic and legal dimension is thus more important than the ethical and philanthropic as they cover more basic requirements (Carroll, 2016).

At the bottom of the pyramid lies the economic dimension, which is based on companies being profitable and generating returns to their owners. In Sweden, companies that are listed on the Nasdaq Stockholm are covered by the Limited Companies Act (SFS 2005:551)¹, which states that a company on the Swedish stock market is ran with the aim of providing the shareholders with a profit unless otherwise is

¹Svensk författningssamling: Aktiebolagslag (2005:551)

stated in the articles of association. The economic dimension should be seen as an essential condition or requirement that companies have towards their stakeholders. Without complying with this requirement, companies will not be able to continue to operate in the market and thus the remaining dimensions of the pyramid will not be significant (Carroll, 2016; Carroll et al., 1991).

The next step in the pyramid is the legal dimension, which is based on companies complying with the laws and regulations that authorities impose on the company. This dimension should be seen as an essential requirement that society places on the company. Without fulfilling the requirements of this dimension, companies will not be able to obtain permission from authorities and the state, and thus society, to operate in a market (Carroll et al., 1991). The ethical dimension, just like the legal one, assumes that companies must act ethically. On the other hand, it differs from the legal plane in that these requirements are not statutory.

The last dimension in the pyramid is the philanthropic dimension, which means that the company must be good citizens and give back to society; this is one of the most visible ways a company can work to improve the community in which it operates. The philanthropic dimension encompasses all forms of gifts the company makes, either directly through monetary donations or more indirectly through sponsorships; Philanthropy may also include other forms of donations, such as volunteering (Carroll, 2016; Wulfson, 2001).

3.2.1 Criticism Against Carroll's CSR Pyramid

As mentioned in the section above, Carroll's model describing companies' responsibilities in four different dimensions is the most widely accepted theory. There are, however, some criticism regarding the theory. Friedman (2007) argues against Carroll's theory that companies have no duty of taking social responsibility and should, therefore, not engage in CSR-work. According to Friedman (2007), companies should only work to satisfy the shareholders through profit maximization. Companies that work with CSR-initiatives negatively affect owners through, for example, lower share dividends. Companies should instead act according to what is considered to be best based on their owners' purposes. According to Friedman (2007), this means that companies operating in the free market cannot be required to have social responsibilities. Such responsibilities lie instead with the individuals in society (Friedman, 2007).

In contrast, Halme (2007) emphasizes the relationship between profitability and CSR, where the latter has long been discussed as a separate issue. Halme (2007) also discusses that companies act differently based on which industry they belong to, which has not previously been taken into account. The important thing to examine, based on industry affiliations, is the type of CSR-work that improves profitability and under what circumstances it occurs, rather than discussing whether CSR improves profitability or not (Halme, 2007). Since, Carroll's CSR-pyramid is

the most accepted theory in this field, we will use the model by Carroll et al. (1991) to explain the companies taking responsibilities along four dimensions.

3.3 Why do Companies get Involved in Charitable Engagements?

Many companies decide to engage in societal engagements to create a better world. The motives behind the engagements differ, where the counterparts are strategic motives and altruistic motives (Graafland & Van de Ven, 2006).

From a business perspective, it is conceivable that CSR is only a cost to companies, which in turn degrades the financial results. This cost is something that research contradicts, where research highlights CSR as an important competitive tool (Borglund et al., 2009; Oh et al., 2017). Philanthropic CSR-work improves the company's image and reputation, which in itself can improve the company's profitability (Okoye, 2009). CSR thus becomes a tool for companies to be able to niche themselves on the market and thus create a better market position. Hence, companies can help with their CSR-work to improve or maintain the stakeholders' perceived image of them (Austin & Gaither, 2017; Borglund et al., 2009; Oh et al., 2017). Oh et al. (2017) further discusses that companies that work with CSR increase their ability to generate profits for the company. Thus, it may be relevant for companies to adopt a CSR-thinking when designing their action plans, as CSR has proven to have positive effects on image and on companies' ability to generate profits. Oh et al. (2017) outlines more benefits that companies, in general, can benefit from when working with CSR. Benefits, such as facilitating companies' way to obtain important resources might increase the ability to attract and retain competent staff, and thus increase the ability to gain or maintain legitimacy. On the other hand, many companies decide to engage in societal engagements to create a better world (Novus, 2019). The motives behind the engagements differ and can either be altruistic or pure business strategic (Carroll, 2016; Oh et al., 2017).

3.3.1 Strategic Motives

Porter and Kramer (2006) describes that any company has to choose a unique position and differentiate itself from its competitors to stay successful, to lower costs and serve customer needs in a better way. These principles apply to CSR-work, too, since strategic CSR involves moving beyond best practices and good corporate citizenship (Porter & Kramer, 2006). Vanhamme et al. (2012) describes the primary reason for being involved in CSR-initiatives as increasing revenues. However, the long-term objective is to build a strong brand, to which consumers associate with positively and have a positive attitude towards, which is achieved when the business strategy is aligned with the CSR-strategy (Vanhamme et al., 2012). Jahdi (2014) emphasizes that when the CSR- and business strategy are on the same page, the willingness to purchase among customers, brand recognition, and credibility of the brand increases. From a report by Novus (2019), based on interviews with 102 peo-

ple in high-level positions at different companies, one could see that only 4% stated that it is not important for the employees that the company takes an active role in creating a better world. The majority, nearly 95%, of the interviewees stated that it is either quite important or very important that the company takes an active role in creating a better world.

Hence, to succeed in CSR-related work, strategic choices of what social issues to focus on, need to be done (Porter & Kramer, 2006). Responsive CSR includes addressing every possible social harm the business creates and thereby being a good corporate citizen, while strategic CSR is built upon a much higher level of selectivity (Porter & Kramer, 2006). There are endless social issues to be addressed. However, only a few of them would provide opportunities to increase competitive advantages or enable changes that make a difference to society (Porter & Kramer, 2006). Moreover, the Swedish nation's laws do not allow tax deductions on charitable giving, meaning that all engagements to address the social harms of the business will also mean a cost for the companies (Skatteverket, 2020). The conclusion is that since monetary resources are scarce and that philanthropic initiatives imply a cost for the companies, a careful and strategic selection of where to engage, needs to be done by the corporations. Moreover, the more money the companies donate to charitable organizations, the higher demand, and expectations of increased levels of CSR-work are put on the company (Porter & Kramer, 2006).

3.3.1.1 An Increased Sustainability-Awareness Among People

Organizations have no values or culture in themselves; it is people in organizations that create them (Forslund, 2013). Porter and Kramer (2006) argues that corporate philanthropy often reflects the personal beliefs and values of managers and employees. Wheeler (2018) further describes that the younger generations, which have grown up with the use of the internet, (the Millennials² and the Z-generation³) place a higher demand on businesses when it comes to sustainability and entrepreneurship. Augustinsson and Solding (2012) emphasizes that younger people often support companies that deal with various societal problems and that they make other demands on their employers when it comes to contributing to social or ethical purposes. Independently on age, it is a fact that the world's population nowadays is becoming more aware of the global sustainable development challenges that exist. We move towards an even more globally transparent society, driven by the usage of internet and social media, and where the normality is to have a sustainable mindset (Froehlich, 2009). With the increased sustainable awareness among people, it should, therefore, be essential to understand that we might experience more engaged companies in the future (Augustinsson & Solding, 2012).

²Also called Y-generation and includes people born between 1981 and 1996.

³Includes people born between 1995 and 2014.

3.3.2 Altruistic and Moral Motives

There are different intrinsic motives for companies' CSR-work. One motive is the internal moral or religious belief that tells one to be socially responsible, meaning the obligation one feels to act in the right way, which might not always be pleasurable (Etzioni, 2010). Unless there would have been religious or moral motives behind the duties, the same duties would possibly not have been undertaken. A motive closely related to the moral and religious ones is the altruistic motive, which implies that a company contributes to CSR-work due to genuine concern and want to help the society (Etzioni, 2010; Rabin, 1998).

3.4 Different Engagement Ways

There are several alternative ways to be engaged in philanthropic initiatives. Corporate philanthropy, where a donor donates a sum of money to a specific organization or foundation, has for long been the dominating way, but recently, alternatives have grown more popular (Giva-Sverige, 2018). According to Novus (2019), there are several ways for companies to collaborate with charity organizations, with the most popular ways of contributing as giving support through economic forms, knowledge, products, or services. Novus (2019) states that today only two-thirds of the engagement's are supported economically by companies. During the literature study, the researchers encountered different structures of how companies can arrange their engagements, and the most common ways of arrangements are described in the following section.

3.4.1 Pure donations – Corporate Philanthropy

Corporate philanthropy is explained as donations, to which there are no requirements for return, but where there are requirements for measurable societal effects. The requirements for reporting, having transparency, and measurability of the initiatives do also exist in the case of corporate philanthropy (Augustinsson & Solding, 2012). The donations that corporations might do can either be of monetary type or non-monetary type, such as human capital or goods.

3.4.2 Sponsorships – Give- and Take-Arrangements

If a company chooses to sponsor an organization, it means that the sponsored counterparty is giving something back to the company, such as an advertising space, a lecture series, or the use of the name (Givarguiden, 2020). Sponsorships, unlike gifts, are deductible for companies, which might work as an incentive for companies to sponsor organizations rather than using pure donations (Givarguiden, 2020).

The sponsorships that a company provides an organization must be proportionate to the returned value. If the sponsorship sum exceeds the value of the considera-

tion, parts of the sum will be counted as a gift, meaning that deductions will not be applicable on that sum. This means that, for example, if the consideration consists of a seminar series of three seminars for the company and these seminars are never held, it is no longer a deductible sponsorship, according to Hellman et al. (2000).

Several authors define the concept of sponsorships in different ways. Hagstedt (1987) defines sponsorships as follows: *"Sponsorship refers to corporate (and other organizations, exclusive state and local government) voluntary exchanges and events collaborating with organizations and others whose primary (or formal) purpose of the exchange is to finance fish operations rather than to generate a financial surplus. The exchange is expected to be of benefit to both parties."* The sponsorship definition of Roos and Algotsson (1996) reads as follows: *"Sponsorship is a commercial method of communication and marketing that aims to increase sales for the sponsor in the short and long term. Sponsorship should benefit all parties involved and provide a result that can be measured and reviewed with pre-set goals."*

Based on the above authors' definitions of sponsorships, it can be concluded that sponsorships are commercial, meaning that they must be carried out on commercial grounds. Furthermore, sponsorships can be seen as a collaboration between the sponsor and the sponsored party, which should be highlighted as the nature of sponsorships, where the aim is to be beneficial to both parties. A distinction in this report is that sponsorships involve monetary funding.

3.5 Concluding the Theory

Some parts of the theory is particularly important to keep in mind when proceeding into the findings of this report. Carroll's theory regarding companies' responsibilities along four dimensions, where the philanthropic responsibility being the smallest, helps one to understand the company's perspective on the CSR-work. The theory regarding the strategic and altruistic motives are also essential when analysing the potential benefits with the companies' engagements. One should also remember the potential advantages of aligning the companies' visions with the focus areas of the engagements to optimize the CSR-work. Lastly, the population's growing awareness of the global sustainable development goals implies a growing need for companies to consider the philanthropic responsibility.

4

Findings

The following chapter aims to present the findings of the literature study and the conducted interviews. The main finding is a decision-process comprised by five different steps, which this chapter will describe step by step.

4.1 Decision-process – Five Steps Towards a New Engagement

The interviews provided insights into how different companies work with the process of initiating, working, and evaluating engagements with various organizations. The interviewees explained, in their ways, the different steps from the moment of receiving proposals from different organizations, until re-signing of a contract, after evaluation of a particular engagement. Additionally, the interviews provided information regarding the number of involved people of each step – including where in the structure of the organization these people operate. Hence, an overall-picture, of what each of the involved companies' decision-making-processes looks like, could be developed.

After summarizing the answers from the interviews, the researchers identified some similarities and differences regarding how companies work with their engagement strategies. The similarities and differences involved patterns in the decision-making-processes among the different companies, which figure 4.1 illustrates. The similarities touched upon five different steps, covering the complete contact between the companies and the organizations. The five different steps were identified to be *Proposals are received*, *Screening of proposals*, *Different initiatives*, *Contracts are signed*, and, last but not least, *Evaluation*. The stated steps were areas that fourteen out of the fifteen interviewed companies described in their own words. The fifteenth interview subject did not have any charitable engagements due to the belief that it would not favor the business and that it is not in line with the purpose of a public limited company – to maximize profits for the shareholders, which a company do not do by donating the shareholders' money, accordingly with Friedman (2007).

To understand whether the researchers' perception of the interviewees' words were correlating with the interviewees' thoughts, and hence reality-check the decision-process, the researchers conducted a respondent validation. The interviewees stating to have engagements were provided figure 4.1 to validate the finding. The objective with the respondent validation was to understand their level of recognition with the

identified process, and also to what extent it correlated with their process. The answers that were received indicated a high level of recognition. All of the fourteen companies stated that they recognized the process, and the average level of recognition for all of the companies was eight, on a scale ranging from one to ten, where ten meant that the process to a great extent correlated with their working methods. During the respondent validation, the companies highlighted some small deviations. The deviations only touched upon individual steps and were not recurring among the involved companies. One company did, for instance, not entirely agree with the step *Screening of proposals* in the matter that different persons are responsible for screening, depending on the characteristics of the proposals. Another company highlighted that they, in step *Contracts are signed*, not always sign contracts when the engagements involve projects that they manage by themselves.

Figure 4.1 describes the general decision process from the point where the companies receive proposals until the end of a signed contract. The following section will describe each step in the five-step process.

DECISION PROCESS

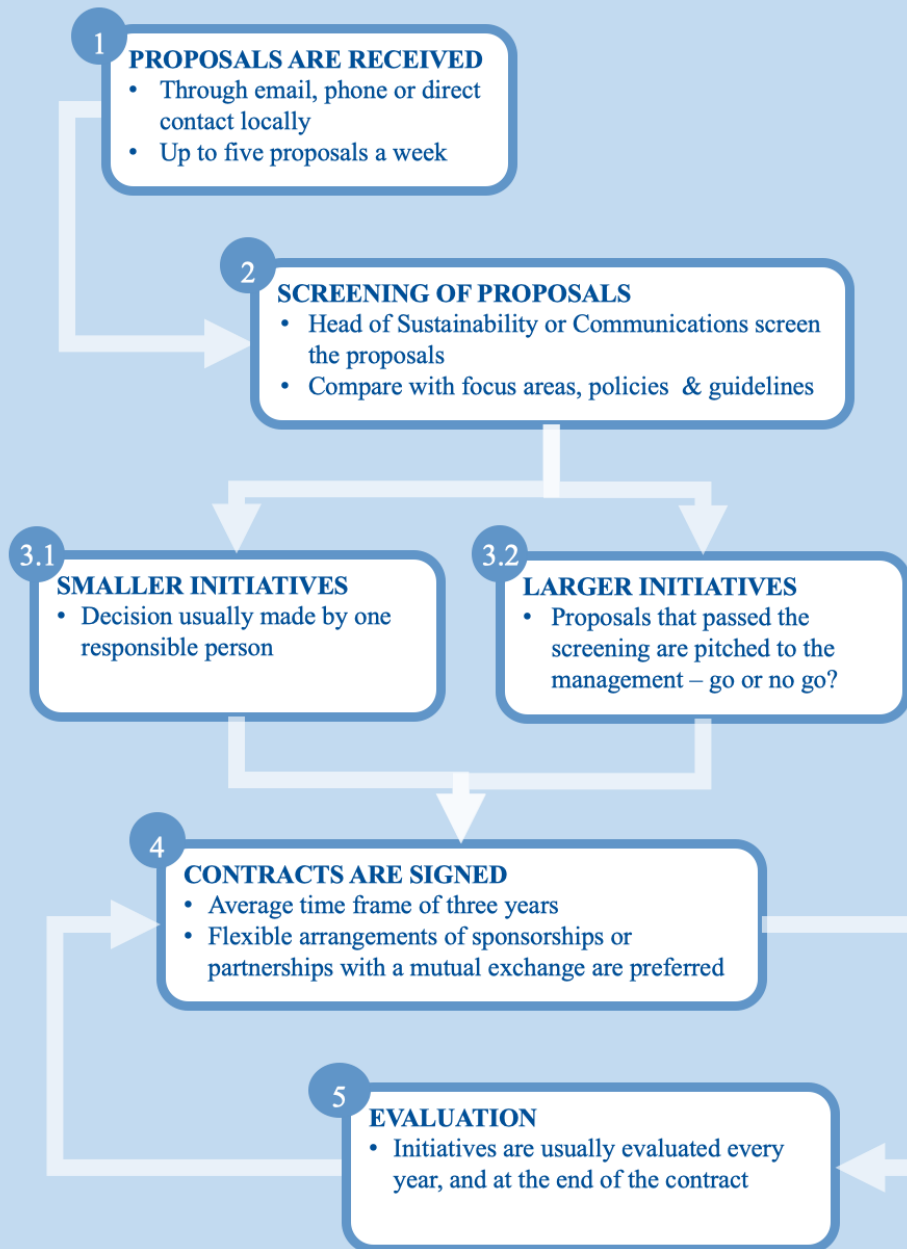


Figure 4.1: The decision process consisting of five steps, as identified during the interviews, which are: *Proposals are received*, *Screening of proposals*, *Smaller and larger initiatives*, *Contracts are signed*, and *Evaluation*.

4.2 Proposals are Received

The process of establishing a new engagement, as found during the interviews, starts with receiving a large number of proposals from organizations, foundations, or society. The responsible person usually receives at least five proposals each week through phone calls or emails. In some cases, when the corporation is relatively decentralized, the proposals are given to employees locally. The earlier mentioned responsible person usually has a role in sustainability or communications. The interviews concluded that only one company deviated from the rest as having the responsible person in the position as "Head of Group Public Affairs" .

A budget that is set each year at the start of the companies' fiscal year guides the number of initiatives that can be accepted and initiated. Due to the corporations' desire to plan far ahead, the offers received at the end of the budget year have a lower chance of getting support during that same year, since the sweet spot occurs the months after the budget is set.

The interviews did also show examples of employees pitching proposals. The employee-pitching is a relatively standard process in companies that are operating in rural areas or in decentralized companies. Proposals by employees are common both when the focus is on stimulating the local society, and when the donations are of a one-time type – usually in the form of a "corporate Christmas present". If that is the case, the corporations receive and prioritize the proposals from employees in an organized way, making the employees feel integrated into the decision-making process.

4.3 Screening of Proposals

After receiving offers, the next step of the decision-process to be presented is the screening of the proposals. Each company's screening-process depends on the reasons for the company to engage, and its guidelines and policies. This section will also present the findings of similarities between – and within – sectors.

4.3.1 Incentives for Companies to Engage

The companies have several reasons to be engaged in CSR-work, and different ideas of how they believe the engagements favor their businesses. The different reasons, as found during the interviews, were summarized to seven different factors – *Internal pride*, *Knowledge & Credibility*, *Attract employees*, *Stakeholders*, *Stimulate local society*, *Hygiene factor*¹, and *Commercial & Communicative value*. The empirical definitions of the factors are presented in table 4.1. Most of the different empirical factors are in line with the strategic and altruistic motives for engaging described in

¹A factor at work that may not solely make the employee feel satisfied, but is required to avoid employee dissatisfaction, for example, equal pay, respect between the workers, or acceptable working environment

section 3.3.1 and sector 3.3.2, even though the researchers used other notions based on the interviewees responses.

Table 4.1: The identified incentives for companies to engage that was found during the interviews when asking how the companies believe that the engagements favour their businesses.

Factor	Empirical definition
Internal Pride	Engagements create pride among the employees, since they feel involved in contributing to a good cause.
Knowledge & Credibility	By being engaged, knowledge exchange and new perspectives are received, creating higher credibility for the corporation.
Attract employees	By having engagements, the employer gains positive branding value which will help attract employees.
Stakeholders	Contributing to charitable engagements increases the value for shareholders, investors and other stakeholders.
Stimulate local society	Engagements in the local areas help to create more activities for the inhabitants in those areas, hence stimulate the societies, increasing the chance of people wanting to stay there.
Hygiene factor	A factor at work that may not solely make the employee feel satisfied, but is required to avoid employee dissatisfaction, for example, equal pay, respect between the workers, or acceptable working environment.
Commercial & Communicative value	By being engaged, the company will be able to communicate their contributions and thereby gaining a higher branding-value, thus more customers.

Figure 4.2 describes the different factors found during the interviews, and the frequency of their occurrence compared to the other factors, as an answer on the question *How do you believe that your engagements favor you as a company?*. Nine out of fourteen companies explicitly stated that they are charitably engaged since they believe it creates internal pride among the employees. Eight out of fifteen mean that the engagements attract potential employees. Only three companies mentioned stakeholders and investor relations as motives for engaging, but seven companies explicitly stated that they believe that their engagements have a commercial and communicative value for the brand.

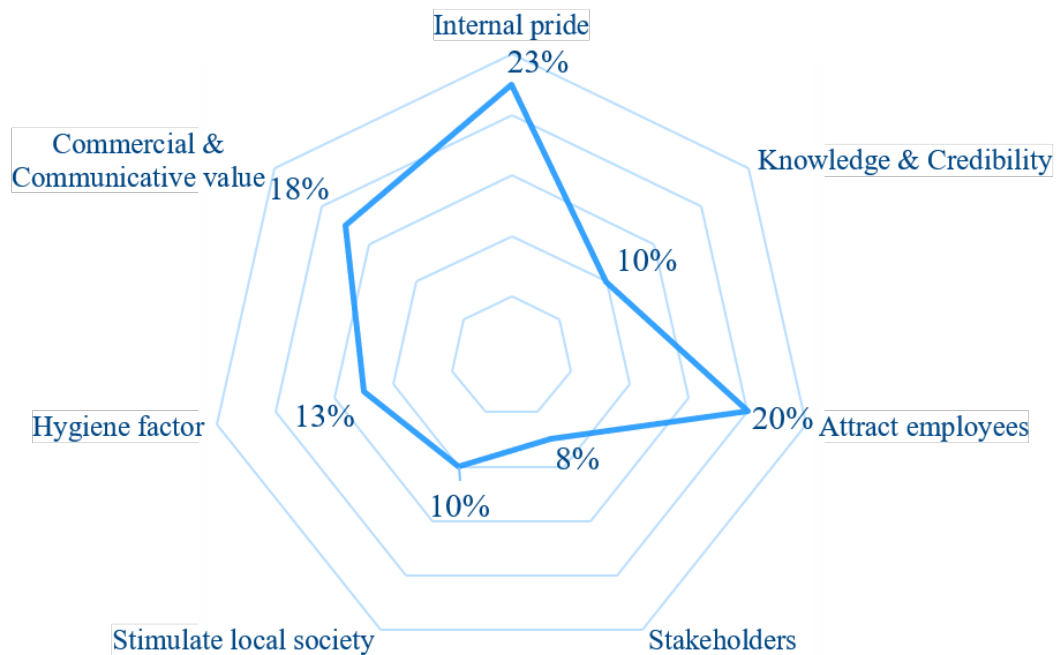


Figure 4.2: The different factors found from the interviews, and the frequency of their occurrence compared to the other factors, as an answer on the question *How do you believe that your engagements favour you as a company?*

4.3.2 Guidelines and Policies

The interviews showed that the responsible person evaluates the offers with regard to already set focus areas and policies. If the particular offer satisfies the guidelines, the proposal makes it to the next step of the process. The interviews showed that typical focus areas are Children & Youth, Culture, and Healthcare, while various policies usually consist of both geographical restrictions and restrictions regarding the type of engagements, i.e., donations or sponsorships. Another important factor taken into consideration within policies is the professionalism of the organization, referring to abilities such as reporting, money-efficiency, and business sense.

The findings showed that the majority of the companies try to link the focus areas to the companies' visions. Even though the fifteen different interviewed companies are within seven different sectors and have different business models, the vast majority of the companies' societal engagements focused on Children & Youth, Healthcare, and Technique & Innovation. Apart from the above-described screening process, some companies deviated during this step - especially the companies within the commodity sector. These companies have different objectives with their CSR-related work, namely to stimulate the local society in which they operate. The reason is that the commodity sector often operates in remote rural areas, to which it is harder to

attract labor. Therefore, it is of high importance to offer different kinds of social activities to the families of the employees.

The respondent validation made regarding the overall decision process, in figure 4.1, also included the figure 4.2, describing how engagements favor a company through seven aspects, where the interviewees got asked to what level they recognized the factors involved and the internal prioritization between these. The answers received indicated a high level of recognition. The average level of recognition among the companies was seven on a scale ranging from one to ten, where ten meant that the factors and the prioritizations to a great extent correlated with how the particular company looks at the benefits from their engagements.

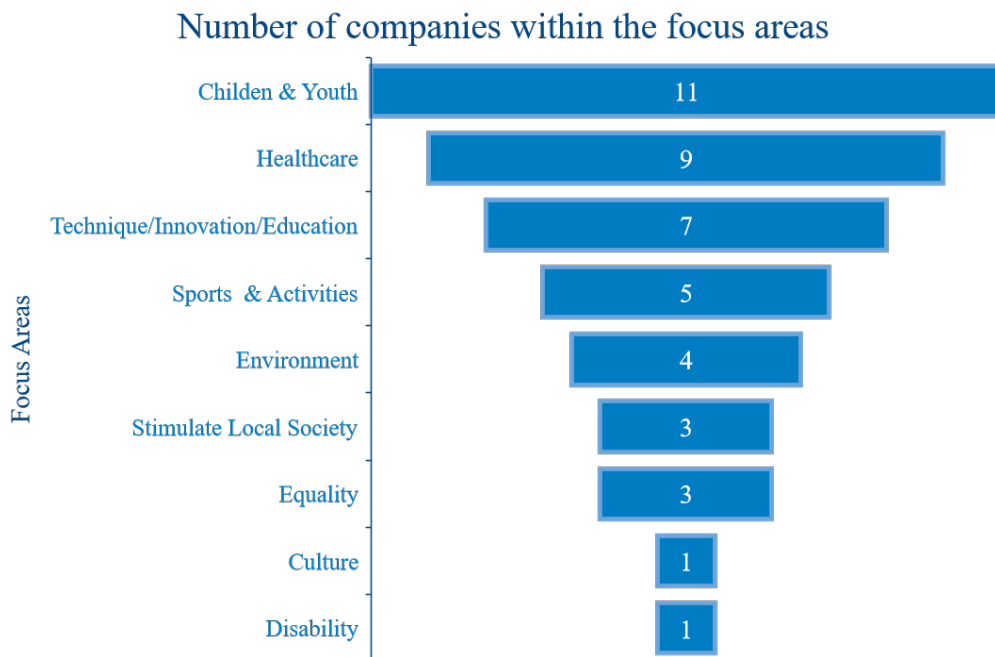


Figure 4.3: The focus areas that were identified during the interviews, where Children & Youth and Healthcare were the most common focus areas.

Figure 4.3 illustrates the distribution between the different areas in which the interviewed companies have chosen to put their efforts linked to charitable engagements. Ten out of fifteen corporations stated that they have engagements that address challenges related to Children & Youth. Nine of the fifteen interviewed companies have engagements related to Healthcare, and six of them are committed to initiatives linked to the focus area of Technique & Innovation.

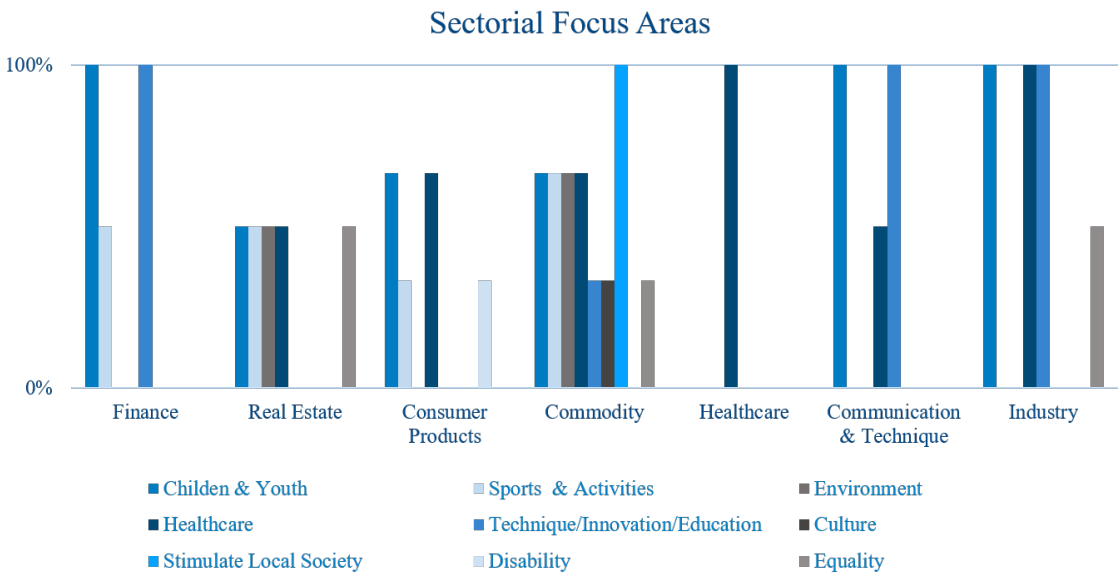


Figure 4.4: The frequency of the focus areas' occurrence in the different sectors, shown as a share of the interviewed companies within each sector stating to have a specific focus area.

When the researchers mapped the findings per sector, illustrated in figure 4.4, they noticed that all sectors except the Healthcare sector, have engagements that aim to address challenges related to Children & Youths. The same applies to the focus area of Healthcare. All three of the interviewed companies within the sector of commodities have a focus on stimulating the local society in which they operate. The Industry and Communications & Technique sectors both have engagements towards the focus area of Technique, Innovation & Education.

The majority of the companies are using a top-down approach during the screening step of their decision process. The top-down approach means that the companies have relatively clear guidelines of what types of organizations that should pass the screening. The guidelines are, in general, extensive, and each company covers many different focus areas, leaving only a few uncovered. One of the interviewed companies in the industry sector is, for example, implementing a relatively clear top-down approach in their engagement strategy and have the focus areas: Youth, Society, Sports, Education, and Culture. These five focus areas result in a broad range of engagements, stretching from a data initiative called "Hello World"² to providing water for those in need in the "Water for all"³ initiative.

A deviating finding was that a few other companies were using a bottom-up approach when choosing organizations to support. The bottom-up approach leaves the responsibility of screening to many individuals situated in different locations

²Hello world is a initiative that focuses on teaching children how to programme through providing coding camps

³Water for all is an initiative that focuses on providing access to clean drinking water and helps to improve facilities for sanitation and hygiene

and without clear guidelines. This approach usually applies to companies with a decentralized business model. Since many individuals are involved in the decision process, the lack of clear guidelines has resulted in broad focus areas of their initiatives on an overall-company-perspective. Decentralized companies' engagement strategies also imply a more significant number of smaller initiatives rather than a few larger ones.

Regarding the policies, the companies are considering different factors before entering a collaboration with a charity organization. As illustrated in figure 4.5, the companies state that the most critical factor when deciding to engage, is the opportunity to relate strategically with the organizations' purposes – it should be easy to understand why the two parties collaborate. With a slightly lower total average score, the opportunity to establish collaborations with flexible arrangements is the next most crucial factor. The companies prioritize, without any exceptions, different arrangement types depending on context and the objectives of the collaboration. Firstly, the companies need to decide whether the collaboration should be of the type of sponsorship or pure donation. Secondly, the yearly plans need to be discussed, deciding the expected mutual achievements. These achievements could include specific events, activities, donations at particular moments, or any kind of knowledge exchange.

What could be found during the interviews was that pure donations have become less and less frequent and that many companies have reported a change of engagement-type during the past ten years. Many of the interviewees said that pure donations did not satisfy the companies' wants and made them feel unconnected to the end-result, but instead that they were "only providing a small, unrecognizable, donation to a big pile of money." Simultaneously, sponsorships, where there is an exchange, have become more common due to the opportunity to be involved at a higher level, making it easier to communicate the achievements of the collaboration and increasing the internal pride among the employees.

Regarding the impact that a personal connection has on the decision to engage in a specific engagement, that factor is not very important compared to the other factors presented in figure 4.5. However, five of fifteen companies explicitly stated that personal connection had a more substantial impact before, for example, one of the interviewees said that it was a commonly seen phenomenon that the CEO's daughter's football team would receive a donation. Nearly all corporations, however, mentioned that they do not think that personal connection should have any impact on the decision-making process since it is not appropriate.

4.3.3 Similarities Within Sectors

The conducted interviews cover nine different sectors. Since some of the sectors are similar the researchers clustered those – namely, Communications and Technique, as well as Stable Consumer Products and Cyclical Consumer Products. When mapping the findings of the specific sectors, the researchers found some similarities and dis-

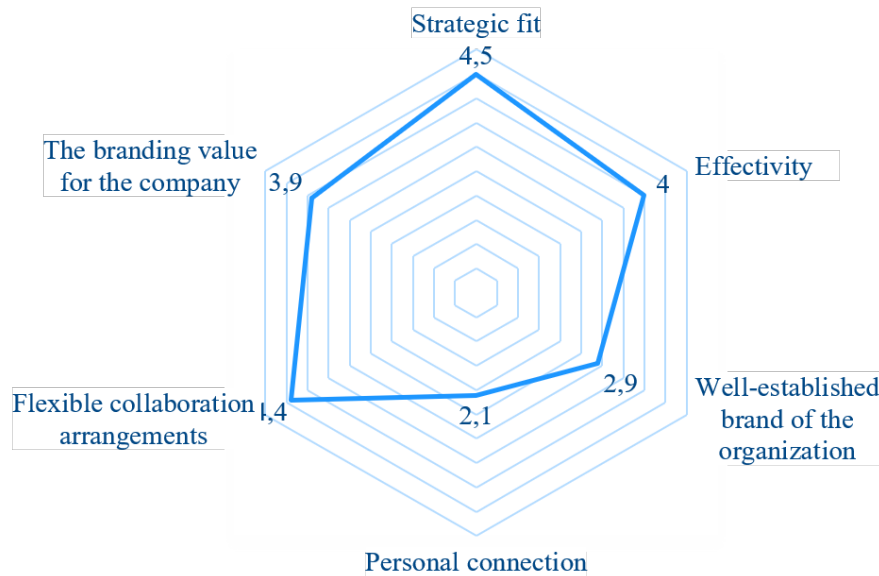


Figure 4.5: The average number, for the interviewed companies, on a scale between 1 and 5, describing the importance of the different factors describing the underlying reason for initiating an engagement, where 5 is considered a very important factor, while 1 is not that important.

similarities, even though the sectors mostly have relatively similar decision-processes.

Regarding the finance sector, the two different companies have different strategies for making their decisions. One of them have a strong focus on local commitments, which is in line with their decentralized strategy. In contrast, the other company's decisions are, to a greater extent, in line with what they are doing: finance and business. Concerning the decision-making process, the latter company might be seen as more thoughtful regarding their types of engagements, whereas the other delegate the decision to the local offices, meaning no top-down view and thereby no clear strategy. However, despite the lack of decision-strategy, one could subsequently identify areas of focus.

Regarding the real estate sector, the interviewed companies have opposite opinions considering their corporate social responsibility work. One of the companies mean that this type of commitment is not in line with the purpose of a public limited company - especially within the real estate sector, while the other party did not seem to have the same view at all. The main point of the first party was that their business does not impact individuals' daily life since the company's target group only consists of corporations. The interviewee believed that the further away a companies' products are from individuals, the less important it is to be engaged in CSR-work. Further, the interviewee explained that the main task of their business is to maximize profits for the shareholders, which they do not by donating the shareholders' money.

In general, for the commodity sector, the same underlying reasons apply to enter a collaboration, where a significant focus is on creating value for employees and the community they operate in at a local level, as mentioned earlier.

4.4 Decision-Taker Depends on Size of Initiative

The offers that make it through the screening process will reach the next step, where the proposals are to be evaluated a final time before contract signing. In all cases, a budget set each year guides the number of initiatives, since the total amount of money that all proposals mean need to stay within that budget. Depending on the characteristics of the proposals, usually distinguished on the magnitude of the type of initiative, the decision-step looks slightly different.

4.4.1 Smaller Initiatives

The majority of the companies state that if the donation sums are small, the responsible person during the screening process does also, by themselves, has the mandate to decide whether to engage or not. The smaller amounts do, in general, range between a couple of hundred SEK and ten thousand SEK.

4.4.2 Larger Initiatives

In general, if the donations sums are large, the responsible person presents the reasonable offers, that have made it through the screening process, to other colleagues on higher-level positions within the company. Thereby, more people, in the corporation, are involved in the decision-making process, making sure that the larger initiatives will add value to the company.

4.4.3 Employees Decide

Some companies state that the employees can be engaged in the choice of charity organizations, which the companies should support with donations. Out of these, the most common type is replacing the Christmas presents to the employees with donations to charity organizations. The companies describe two ways for the employees to be engaged. Either the people responsible for the donations evaluate and choose between the employees' proposals before donating a certain sum to one or many organizations, or the people responsible for the donations bring up multiple organizations that the employees can choose between and donate a specific sum to.

4.5 Contracts are Signed

The fifteen interviews resulted in the findings that fourteen out of fifteen companies have societal engagements, arranged in different ways. The engagements differ in

length, size, type and activeness. The interviewees described that most of the societal engagements are three years long and that the majority of the companies prefer more prolonged collaborations due to the administrative costs, and the time related to switching organizations to support.

The interviews concluded that the majority of the companies prefer more flexible arrangements over a fixed contract implying a pure yearly donation. The flexibly arranged contracts provide the opportunity to customize the initiatives to the preferences a company has, which, for instance, could mean that the company wants to support an organization with knowledge rather than money, or with products and activities, such as specific events. Providing knowledge and arranging activities to a greater extent means that employees can participate during these sessions and meet the particular organizations in person.

4.6 Evaluation

When the contract is about to expire, the collaboration gets evaluated to see if both parties are satisfied with the engagement, including the communication between the two parties, the created activities, the publicity, etc. The reasons for dissatisfaction linked to the engagements can be many. However, the most common reasons are the lack of reporting or that the experienced results do not reach the expectations. If a company is satisfied with the engagement with a particular organization, it might want to renew the contract. Renewing a contract includes, among other things, resetting expectations for the collaboration, planning of activities for the upcoming year as well as reconsidering the ways to communicate – in other words, the initiative will move back to step 4, "Contracts are Signed," again.

As mentioned in the previous paragraph, as long as the companies are not dissatisfied with the initiative and the budgets remain the same, most of the companies prefer to extend their engagements over finding new ways to engage. The companies seem to have an ad-hoc perception about how big the disappointments must be to end a contract, making it difficult to distinguish specific requirements that a particular collaboration needs to fulfill. Ending a contract, or deciding on not to extend one, but rather look for a new one, is linked to an administrative cost for the company making it more favorable not to change their engagement strategy. Therefore, to start a new engagement instead of extending an existing one, the value-adding effect must exceed the added cost related to the change.

5

Discussion

The previous chapters explained the theoretical framework, the methodology, and the empirical study. During the empirical study, a decision-process, including five different steps, was discovered, describing the phases that a proposal of an organization will come across when facing a company. The discussion will hence aim to address such issues that relate to previous chapters. The chapter will also present recommendations for how charity organizations might increase their chance of getting support from companies.

5.1 The Decision-Process had a High Recognition-Level Among the Companies

The conducted respondent validation indicated on a high level of recognition of the decision-process, meaning that it highly reflects the companies' decisions linked to their CSR-initiatives. Although the average recognition-level of the decision-process was high, some companies highlighted a few deviations in some of the steps. However, the few identified deviations were small and scattered, meaning that the identified general decision-process remained the same.

5.2 Companies Prefer Long-Term and Flexibly Arranged Engagements

Most of the companies explicitly stated that they value long-term initiatives, ranging for at least three years since changes of engagements imply high costs. The fact that the long-term engagements are preferred and that the companies resist changing engagements if it is not necessary might lead to difficulties for other organizations to be considered for contract signing. The new organizations might need to work harder to get attention from and to establish a contract with the companies. The harder work is a consequence of the mentioned complication in combination with the fact that the CSR-related work is not part of the companies core-businesses and that the resources allocated for that type of work are scarce. With that thought in mind, the organizations might need to be more proactive by having a deeper understanding of the particular company's perspective and vision, by preparing a more worked-through material describing the potential win-win situation that could be reached by collaborating, and last but not least – by taking the timing aspect

into account and proposing the collaboration at the start of the fiscal year.

As discussed above, companies are reluctant to end commitments. Therefore, the evaluation step of the five-step decision-process might be a bit biased in the matter that the evaluation only leads to an ending contract if there have been any apparent disappointments. It is difficult to distinguish specific requirements from the companies since the definition of a disappointment and also the degree of disappointment needed to end a contract is quite unclear and differs between the companies. One might, therefore, argue that the companies would benefit from having a more structured evaluation-procedure with precise requirements concerning mutual expectations.

Another finding was that flexible engagements were preferred, meaning that the company wants to contribute with, for example, time, products, knowledge, rather than only through a pure donation that might end up unrecognizable in a pile of money. The underlying reasons for this could be many and might correlate with the companies' desire of having more concrete societal engagements. A more concrete societal engagement might simplify involving the employees and increase the feeling of internal pride linked to the company's actions. More specified engagements, with clear objectives, are also easier to communicate – both internally and externally – and might make the company appear more engaged. A more engaged-looking company might gain higher branding value than if it only would have made a monetary donation. The reasoning above is supported by Novus (2019), stating that one-third of the companies that have engagements only make their contributions with other factors than money, such as knowledge, time, or products.

5.3 The Companies Often Have Clear – but Broad – Guidelines

As found during the empirical study, the majority of the companies have relatively clear guidelines and policies regarding the type of engagements to initiate. Taking into consideration the type of interviewed companies – only companies on the Large Cap list on the Swedish stock market – these guidelines and policies might be a consequence of a large company's hierarchical set-up and need of structure within each department, rather than describing the general case for all companies.

The findings also illustrated the companies' desire to have a linkage between the companies' vision and the focus areas of their engagements. However, when looking into the companies' current engagements, it was found that only a few areas of focus were left uncovered. Thus it might be questioned whether the companies' do fulfill their want of having a good strategic fit between the charitable engagements and the companies' visions. Moreover, some focus areas were clearly over-represented, such as *Children & Youth* and *Healthcare*.

Several things might explain the over-representation and gap. Firstly, companies

are, according to Forslund (2013), Kristensson et al. (2014), Porter and Kramer (2006), comprised of individuals, and it is their values and opinions that create the organizational culture and corporate values. The individuals' thoughts, values, and persuasions are thereby also reflected in the CSR-work (Forslund, 2013; Kristensson et al., 2014; Porter & Kramer, 2006). It is usually only one person responsible for the engagements and the fact that the responsible person has emotions, and therefore cannot be 100 percent rational, might be an underlying factor of the overrepresentation of some focus areas, such as *Children & Youth*. However, initiatives involving a greater effort either in money or time are often connected to more involved people in the final decision, and thereby the risk of the responsible person's subjectivity decreases. The more people involved in a decision, the more thought and perspectives are taken into account, which increases the objectivity of the decision.

Secondly, many initiatives have been ongoing for many years as a consequence of the administrative cost of changing organizations to support. In many cases, the focus areas have then remained the same. Concurrently, the thoughts of the importance of strategic fit, within the company, might be something that has grown during the past years. The growth stems from the fact that CSR-related work has become a requirement for big companies to report each year¹, increasing the transparency towards the society, i.e., potential customers, employees, and investors. Therefore, one might question whether the companies actively have worked towards achieving a good connection between their visions and the engagements. In section 3.3.1, some positive effects that companies get by working with societal problems are presented, such as improving the brand image, and thereby increasing the chances of attracting more customers, hence potentially generating more revenue. The theory further emphasizes the positive effect of aligning the CSR-related work with the business strategy. As detected during the interviews, many companies have an awareness of the potential benefits from charitable engagements, which are favored when aligning the engagements with the companies' visions. However, a perfectly established charitable engagement work comes with an administrative cost, which might explain the gap between the companies' visions and the focus areas of their engagements despite the companies' desire of having a linkage between them. Perhaps, an explanation could be that the companies have implemented a "good-enough"-strategy, balancing the costs and the value of optimizing the charitable engagement work.

5.3.1 Identifying Similarities and Dissimilarities Within Sectors

Subsection 4.3.3, contains an analysis of the empirical results. The analysis involved comparing findings from the companies to detect similarities or dissimilarities within, and between, each sector.

Regarding the finance sector, even though the two interviewed parties have chosen

¹According to the Swedish Accounts Legislation SFS(2019:286)

to see the alignment of their engagements and their business strategies from totally different perspectives, both parties seem to have a relatively clear purpose with their engagement strategies. One of the parties, with a more centralized organizational structure, has chosen a top-down engagement strategy, where the guidelines and policies are clear – especially in aligning focus areas of the engagements with the characteristics of their business. The other party, with a decentralized organizational structure, have not aligned focus areas with their business strategy, but rather emphasized their local focus, supporting their decentralized organizational structure and indirectly their vision. However, the latter party do not have as clear guidelines for focus areas, but rather value creating a strong brand on a local level by being an engaged part of the society independently on where, in the society, the involvement takes place. The first party has taken both focus areas and organizational structure into account. In contrast, the latter company has only focused on structuring their engagements in line with their decentralized strategy by being a part of and supporting the societies on a local level. One can, therefore, argue that the first party might have executed their engagements with a more successful alignment of the company's vision and focus areas of the engagements. However, one can argue that the second party has succeeded in creating a positive branding value on a local level, but that the lack of logical reasoning in the selection of the engagements might not lead to the best charitable engagements from a business perspective.

The two interviewed companies within the real estate sector had different views on the value created by engaging in societal problems. One of the companies was against re-allocating money from their core-business to charitable engagements, due to the belief that such engagements do not contribute to increasing the company's revenues and thereby affect the shareholders negatively. The reasoning is in line with what Friedman (2007) explains regarding a company's obligation to maximize profits for shareholders. However, it is not in line with what Halme (2007) states regarding the positive effects on the company's profits, of an optimally aligned CSR-work with its context. The other company had engagements, although the magnitude of these were quite small compared to the other sectors. Moreover, the latter company only focused on commercial exposure as an outcome from the engagements and no alignment with the business' vision could be detected, except for the geographical aspect.

What both parties in the real estate sector had in common was the low belief in the potential outcome, from a business perspective, of being engaged in charitable initiatives. The characteristics of the business for the two interviewed companies might explain the reasons for the disbelief. Coincidentally, both the companies have business models where the end-customers are corporate consumers and no private consumers. The business-to-business structure might decrease the need to build a positive brand to attract a large number of private customers to generate revenues. Instead, it might be of higher importance to build a good relationship with high reliability and credibility with a smaller amount of companies. Moreover, another reason related to the characteristics of the real estate sector might be the potential imbalance between demand and supply of estates, with a demand surplus, which might decrease the need for branding themselves to get customers. With that ar-

gument in mind, the same logic might apply to companies in the real estate sector working towards private customers as well.

5.4 How CSR-Work is Believed to Favor Companies

The empirical study sheds light on several reasons for how the companies believe that their engagements favor their businesses, which were summarized into seven different factors, as described in figure 4.2 and table 4.1. Figure 4.2 described that creating internal pride among the employees, attracting new employees, and creating commercial and communicative value are seen as the factors favoring the companies the most. The result correlates with Novus (2019), which states that nearly 95% out of the interviewed Chief Executive Officers believe that it is either quite important or very important for the employees that the company takes an active role in creating a better world, confirming the high value of creating internal pride through CSR-related work.

Also, as the young people put a higher demand on companies' sustainability work, and value their contribution to societal problems to a higher degree, the charitable engagements could be even more favorable for the companies in the future. Since the population's environmental awareness will increase, philanthropic engagements might play a more important – or even crucial role – when trying to attract new and keep current employees, and when trying to improve the company's image. The reasoning might have an impact on the distribution of the different dimensions of Carroll's Pyramid, as described in 3.2, in the future in the matter that the top of the pyramid, *Philanthropic responsibilities*, might gain a more significant share of a company's total responsibilities.

The high belief that the factor Commercial & Communicative value will favour the company is aligned with theory stating that philanthropic CSR-work improves the company's image and reputation – especially if the CSR-related work has a good strategic fit with the companies' visions, as stressed by Porter and Kramer (2006).

5.5 Timing is Key

Regarding the timing aspect of the received proposals, the companies stated that they prefer to receive the offers at the start of companies fiscal year since it allows the companies to plan farther ahead. However, the corporations also mentioned that they receive up to five proposals a week independently on the time of the year, indicating that the charity organizations and foundations do not consider the time aspects. One might, therefore, argue that if the organizations would propose their offers more sensitively concerning the timing aspect, they might have a higher chance of making it through the next step of the decision-process.

5.6 More People Involved in the Decision-Making implies Higher Transparency and more Anchored Decisions

Fewer peoples' involvement in the decision-process could be connected with a smaller size of the initiative, while the opposite applied to the initiatives of larger size. Larger initiatives imply a higher prioritization within the company since more resources are involved. More risked resources increase the importance of a "good", decision, which is why involving more people to anchor the decision might be preferable.

The findings indicated a phenomenon where employees get to be involved in the selection of organizations to support. The employees' involvement implies taking more people's opinions into consideration, which would be a good thing to decrease subjectivity and increase transparency. However, the employees might not be as aware of the guidelines and policies as the responsible person on the company-level. In combination with the lack of rationality of individuals, the chances of aligning the companies' visions with the focus areas of the engagements might decrease. On the other hand, while the employees get a higher responsibility for the selection-process, they might feel a stronger sense of belonging to the particular company, and thereby the internal pride increases. Since the empirical study indicated that achieving internal pride is seen as the most essential aspect of being engaged in CSR-related work (see figure 4.2), this achievement might exceed the consequence of having a loss of linkage between the focus areas of the engagements and the company's vision.

In some cases, the employees were not only part of the selection-step, as described above, but also involved in searching for and proposing collaborations with organizations. The proposals by employees were most common in decentralized companies or companies operating in remote rural areas. For the case of decentralized companies, the phenomenon might be a corollary to how decentralized companies are structured. The decentralized firms are less regulated by central functions, leading to a higher number of points-of-decision, which might be the reason why employees, to a greater extent, were found to be involved in the task of proposing initiatives. For the companies, operating in rural areas, the employees' involvement is more connected to the purpose of the CSR-work in these firms. The findings indicate that companies operating in rural areas want to stimulate the local societies with their CSR-work to attract employees to these areas. Therefore, it is more natural for these types of companies to engage their employees in the task of proposing initiatives to optimize the perceived value for the employees.

5.7 CSR-Work is Not Part of the Core Business and Therefore Not Prioritized

The involved companies receive up to five proposals a week, and there is often only one person responsible for considering the received proposals. Since the CSR-related work is not part of the core business and is not directly generating revenue to the firm, this kind of work will, therefore, be placed at a higher level of Carroll's pyramid, as described in section 3.2. Hence, these activities are given less attention within the firm, which might explain why only one person is involved in the first step. The low attention might also help explain the passive role, which the companies have been found to take, by not actively looking for new charity organizations or foundations, but instead passively letting the organizations initiate the contact.

5.8 Concept Confusion

As the interviews were ongoing, some confusion arose around the concepts describing how the companies arrange their engagements. There was a clear gap between how the companies defined the different engagement types and how the theory defines the notions, as described in section 3.4. Many companies reacted when the used concepts were sponsorships and donations as defined in theory, and the interviewees often referred to the concept partnership when they were explaining an arrangement that was a sponsorship. The word partnership was also widely used when the companies described donations that did not involve monetary support. The empirical study, therefore, suggests that it might be useful to, first of all, clarify the different concepts to avoid misunderstandings, and secondly, to use the notion partnership, when the sponsorships or donations do not involve monetary support.

5.9 How the Charity Organizations might Increase their Chance of Getting Support

The companies' preferences of flexibly arranged initiatives, which not necessarily include monetary funding, in combination with the organizations' preferences of monetary support, create a mismatch of funding, leading to a lower amount of initiated engagements than what potentially could have started. As Novus (2019) described, one-third of all the support, given by companies, are of the non-monetary form. Since the companies hold a dominant position over the charity organizations, it might be a good idea for the organizations to try to adapt their business models according to their "clients" – the companies – desires. The organizations could try to adapt to the companies' preferences of flexibly arranged initiatives, which not necessarily include monetary funding. Moreover, charity organizations should try being more proactive by gaining a deeper understanding of the target company's perspective and vision. They should also take the timing aspect into account by

proposing the collaboration at the start of the fiscal year. Lastly, but not least – the organizations should consider preparing a more worked-through material describing the potential win-win situation that could be reached by collaborating.

6

Conclusion

This exploratory study has aimed to provide insights regarding how companies, listed on the Large Cap list on the Swedish stock market, decide where they allocate their resources related to charitable engagements. More specifically, the aim was to identify the different aspects that companies consider and prioritize when choosing to engage in a new CSR-initiative. To conclude the master's thesis, the research questions *How do companies decide where to allocate their resources aimed for charitable engagements?* & *What factors are considered and prioritized during the decision-process?* will be addressed. Lastly, the chapter will propose further research possibilities within the topic.

The researchers succeeded in identifying a five-step decision-process that all of the interviewed companies, that have engagements, could recognize to some extent. The five steps were identified to be *Proposals are received*, *Screening of proposals*, *Smaller and larger initiatives*, *Contracts are signed*, and *Evaluation*.

During the first step, *Proposals are received*, two of the findings were particularly interesting. Firstly, in the more centralized companies, there are usually a central function and one responsible person for handling the received proposals, whereas there in decentralized companies, there are more people involved in the process of receiving proposals – often on a local level. The same patterns as for the decentralized companies applied to companies situated in rural areas. More people on the local level are involved in receiving proposals, which might correlate with the aim of the charitable engagements for companies operating in rural areas – namely to stimulate the local societies. The other finding covered the time aspect of the received proposals. The researchers found that the proposals received at the beginning of the fiscal year had a better chance of making it through the screening process than those received at the end of the fiscal year, due to companies' desire of planning far ahead.

In the second step, *Screening of proposals*, one finding included the companies' thoughts regarding how the CSR-work favors their company. The researchers identified creation of *internal pride*, *commercial & communicative value*, and the effect of *attracting employees* as the three top factors favouring the company. The belief is that the CSR-work's value creation will increase in the future due to the high environmental awareness of the rising young generation in the labor market. The second finding was related to the companies' guidelines and policies, which for the majority of the companies are relatively clear. We identified a gap between reality and the companies' desire of having a linkage between their vision and the engage-

ments' focus areas. It was clear that the focus areas of the companies' engagements were very similar, with a clear over-representation of Children & Youth and Healthcare, even though all the companies operate in various sectors with very different characteristics of the businesses. An explanation could be that the focus areas have remained the same for a long time.

In contrast, the companies' desire to have an alignment between the companies' vision and the focus areas of their engagements might be something that has arisen the past years. Another explanation could be that the companies have implemented a "good-enough"-strategy, balancing the costs and the value of optimizing the charitable engagement work. A third reason might be that individuals comprise companies and that it is those individuals' values and opinions that create the organizational culture and corporate values – which inevitably have an impact on the taken decisions.

In the third step of the decision-process – *Smaller and larger initiatives* – the highlighted main point was that the more resources an initiative implies, the more important to involve a higher number of people in the decision process. The involvement of more employees reduces the level of subjectivity and increases the chance of aligning the charitable engagement strategy with the company's vision.

During the *Contracts are signed*-step, the conclusion is that companies prefer long-termed flexible arrangements, where time, products, knowledge, among other things, are donated rather than money. This move from monetary donations might correlate to the companies' want of having more specified societal engagements, which might involve the employees to a greater extent and thereby increase the feeling of internal pride linked to the company's actions. The same level of engagement and pride among the employees might be hard to reach if a company only support with monetary donations that might end up unrecognizable in a pile of money. More specified engagements, with clear objectives, are also easier to communicate – both internally and externally – and might make the company appear more engaged and thereby gain a higher branding value than the company would if it only would have made a monetary donation.

The discussion around the last step of the five-step-process, *Evaluation*, concluded that companies are reluctant to end commitments and that the evaluation-step only leads to an ending contract if there have been any apparent disappointments within a collaboration. The companies do, however, have situational judgement about what kind of disappointments that will end a contract, making it difficult to distinguish specific requirements that a particular collaboration needs to fulfill. Companies might, therefore, benefit from having a more structured evaluation-procedure with precise requirements concerning mutual expectations.

The authors of this report provide charity organizations with recommendations regarding how to increase their chances of getting support from the companies. The discussion chapter presents those recommendations.

6.1 Further Research

This study focuses on companies listed on the Large Cap list on the Swedish stock exchange market. Hence, the conclusions only apply to large Swedish companies. It would, therefore, be interesting to explore other types of companies distinguished on geographical location – both national and international – and on the size of the companies. The researchers therefore suggest further research to identify how companies handle the decision of allocating resources related to CSR-work depending on both geographical areas or size of the company to identify the impacting factors further. The findings in these future research studies could also help to validate the researchers' findings in this report. Another possible further study could be to either perform a case study and follow a company and its engagements during a year to see if the actual decision-process differs from the interviewees' perceived reality, or to conduct a quantitative study with longer time-frame, where more companies could be involved, making the study more quantifiable. In addition, it would be interesting to involve other employees' experiences with the companies' CSR-work to obtain more perspectives and to get an even more valid result.

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