



# Corporate Social Responsibility: A Qualitative Analysis on the Strategy Formulation Process

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## Abstract

The urge for firms to contribute positively towards the society and the environment is increasing significantly. Demands of employees, customers, governments, NGOs and many more are putting firms under pressure to respond accordingly. Thus, it is vital for firms nowadays to formulate effective corporate social responsibility (CSR) strategies which provide guidelines for the firm's commitment towards the challenges of the society and environment. Plenty of research exists on the components of CSR strategy formulation, particularly regarding stakeholders, organizational vision and the CEO's influence. However, it is important to consider the whole process of the strategy formulation and to link the components together. By means of a qualitative analytical approach, I show that the internal input provided by the CEO and the CSR team plays an important role in deciding on certain CSR initiatives. Furthermore, the strategic fit between the potential CSR issues and the core business is a significant criterion. Through assessing the potential value creation, and thus the expected impact scope, prioritizations of CSR issues take place. The continuous monitoring and evaluation of the stakeholders' needs form an iterative process which leads to a constantly changing CSR strategy focus of the firm. My aim in this paper is to contribute to the understanding of CSR strategy formulation through a CSR strategy formulation process model. The model provides insights into firms' CSR strategy formulation from which I derive implications for management and further research.

**Keywords:** Corporate Social Responsibility, Strategy Formulation, Sustainability

## 1. Introduction

Constituting a key part of General Electric's business strategy, the Ecomagination initiative is a good example of a response to external pressures concerning the environment (Chesbrough, 2012; Dowling and Moran, 2012). Described as "a corporate-wide commitment to help customers meet their environmental challenges in ways that also benefit GE and the world" (GE, 2005: 9) the Ecomagination initiative was formulated using input from GE's stakeholders (Spitzeck and Hansen, 2010).

Practical relevance and theoretical research on the concept of Corporate Social Responsibility have tremendously increased in the last decades (Heli et al., 2016). Ongoing concerns and thus pressures from the external and internal environment of the company have raised the need for the management to take responsibility for the society and the environment. Responsible behavior of businesses nowadays is not limited to maximizing profits but includes contributing positively to the world (Heli et al., 2016). As the focus on CSR has shifted from debating whether a firm should engage

in such practices to how the firm should do so, considerable attention is paid to the firms' specific CSR strategies (Smith, 2003). The Ecomagination initiative by GE is often mentioned as an example when discussing CSR strategies. It was intended to increase GE's use of green and renewable energy and thus relates to the firm's business operations and stakeholder demands simultaneously (Chesbrough, 2012; Dowling and Moran, 2012).

Paying attention to the stakeholders and the environment of the firm is not only morally correct but also accounts for increased employee commitment, customer satisfaction and an improved financial performance (McGuire et al., 1988). Thus, the handling of CSR as a side-line commitment became insufficient. However, CSR engagement is not only accompanied by positive effects. Being judged for engaging in CSR activities only in order to use it in marketing campaigns or for green-washing the firm's operations can reduce the expected impact considerably (Banerjee, 2008; Smith, 2003). Concluding, it seems reasonable that firms pay considerable attention to the formulation of their CSR strategies. Herein

the respective strategies should not only peripherally address CSR issues but constitute the firm's activities in such a way to have an actual impact (Porter and Kramer, 2006). Researchers have already expressed the lack of clearly formulated, effective CSR strategies (McElhaney, 2009). In fact, sustainability reports or codes of conduct often seem like a rather diffuse set of CSR attempts mostly unrelated to the firm's core business (Galbreath, 2009). Thus, the strategies fail to pursue their underlying reason; to align the commitments towards society to the business's operations and purpose (Rangan et al., 2015). Yang et al. (2013) identified the prioritization and tackling of CSR issues by firms as a difficult challenge. Firms are faced with a myriad of potential issues to address, such as improved workplace amenities, non-animal-tested ingredients or proactive environmental practices (McWilliams and Siegel, 2001). Identifying the issues which are most relevant to the firm but also generate maximum value to society and environment exposes the firm to important decisions (Yang et al., 2013).

Literature on the constituents of CSR strategy formulation has particularly addressed stakeholder perspectives (Basu and Palazzo, 2008). Bundy et al. (2013) showed how management responds to issues put forward by stakeholders instead of focusing merely on stakeholder prioritization, as done by the majority of the existing literature. The scholars state that the management and response of firms to stakeholder demands depend significantly on the salience of the stakeholder issue. Another research field relating to CSR strategy formulation addresses the influence of CEO values on CSR strategy, describing how the CEO's personal values and ideologies might change the CSR approach of the firm (e.g. Adams et al., 2011; Chin et al., 2013; Hambrick and Mason, 1984). However, studies on the particular topic of CSR strategy formulation have been sparse. Literature addressing the CSR strategy formulation has mainly discussed the components that play a role when formulating the strategy (e.g. Galbreath, 2009; Husted and Allen, 2001; Husted and Allen, 2007; Mostardeiro, 2007; Smith, 2003). Through approaching CSR strategically and thus considering stakeholders, organizational values and organizational fit, firms can form a proactive CSR strategy (Galbreath, 2009; Husted and Allen, 2007; Mostardeiro, 2007).

Even though the important constituents regarding the CSR strategy formulation have been discussed rather extensively, only a few studies in the management literature exist that take into account several influences on this process. In an attempt to fill this research gap, my study addresses the question: How do firms formulate their CSR strategy and what influences their decisions when formulating the strategy? Using an inductive analytical approach, I conducted expert interviews with CSR managers of different firms. Aiming for qualitative rigor in the analysis of the interviews, I explored the stakeholder and individual-level inputs used by firms to form their strategy whilst considering influences such as core business relation. Thus, this paper contributes to the existing literature with a model of the CSR strategy formulation process, demonstrating how firms set their CSR strategy

focus.

## 2. Theoretical Background

For many years organizational scholars have been trying to agree on one definition for CSR (Carroll et al., 1991). However, CSR is hard to specify due to being a dynamic, ever-changing and country-specific concept (Holme and Watts, 2000; McWilliams, 2000). An example for a broad definition of the concept is "business firms contributing in a positive way to society by going beyond a narrow focus on profit maximization" (McWilliams, 2000: 1). The overlap with other related concepts or synonymous business-society concepts such as corporate sustainability and corporate citizenship further complicates the definition of CSR (Matten and Crane, 2005; Matten and Moon, 2008). Since many scholars sum up those overlapping concepts as CSR, I will also address all related concepts as CSR to provide a consistent terminology (e.g. Garriga and Melé, 2004; Matten and Moon, 2008). According to Waldman and Siegel (2008) a firm's decision on whether to engage in CSR should be handled as a strategic choice. Among many different perspectives of strategy, Mintzberg (1978) defined strategy as a pattern in a stream of decisions, stating that strategies can be formulated as deliberate strategies from the top-management but also emerge on an unplanned level from lower-level employees. Herein the question comes up which decisions play a role in the development of a CSR strategy. In contrast to the general business strategy, the CSR strategy differentiates itself in aspects such as consideration of stakeholder demands and influence of values (Galbreath, 2009; Husted and Allen, 2001, 2007; Mostardeiro, 2007; Smith, 2003). Additionally, balancing the strategy with the strategic vision and mission of the firm is very complex (Galbreath, 2009; Smith, 2003). The following sections examine the literature on these aspects carefully in order to prepare the background for the research in this paper.

### 2.1. Stakeholder Input

Freeman (1984) already articulated the relevance of addressing the demands and needs of a firm's stakeholders through the concept of stakeholder theory. The scholar defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984: 46) and without which the firm would not be able to survive (Freeman, 1984). With numerous scholars trying to specify the scope of stakeholder groups, ranging from employees, customers, suppliers and shareholders to public and non-profit organizations, there is a consensus on the vagueness of stakeholder definitions (Clarkson, 1995). Nevertheless, stakeholder theory has played a significant part in the strategic management literature during the last decades. While Clarkson (1995) described the importance of balancing out the distribution of value creation among stakeholders, Mitchell et al. (1997) proposed that stakeholder groups should be prioritized based on the legitimacy, power and the urgency of their

claims. Stakeholder-related literature addresses all types of issues: identifying who stakeholders are, the importance of addressing stakeholders, distribution of attention towards stakeholder groups and many more (Donaldson and Preston, 1995; Wood, 1991). While stakeholder theory is also treated as a general strategic management issue it is regarded as especially relevant in the context of CSR (Campbell, 2007). Therefore the next sections address the relevance of stakeholder input to CSR.

### 2.1.1. Stakeholder theory in the CSR context

Solely the definition of CSR as “businesses bearing a responsibility to society and a broader set of stakeholders beyond its shareholders” (Heli et al., 2016: 534) demonstrates a relation between stakeholders and CSR. Basu and Palazzo (2008) identified that a main part of the CSR literature classifies CSR as stakeholder-driven. CSR acts as a response to the demands of the firm’s stakeholders regarding its business transactions and social commitments (Basu and Palazzo, 2008). Thus, a significant reason why firms get involved in CSR is the pressure from stakeholders (Campbell, 2007; McWilliams and Siegel, 2001). CSR defines the appropriate behavior of firms towards their stakeholders and hence stakeholder management is a necessary but not sufficient condition to successfully integrate CSR in the firm (Campbell, 2007; Matten et al., 2003).

### 2.1.2. Stakeholder input in CSR strategic decision-making

Stakeholder influence on corporate decision-making has been proven several times (Clarkson, 1995; Freeman, 1984). Depending on the importance or salience regarding the power, legitimacy and urgency, the stakeholder will have an influence on the strategy of the firm (Mitchell et al., 1997). With regard to this pressure and the power of stakeholders over firms, stakeholder management has become a significant research field (Laplume et al., 2008). One part of effectively managing stakeholders is the dialogue with them, described as the “involvement of stakeholders in the decision-making processes that concern social and environmental issues” (Pedersen, 2006: 140). This dialogue accounts for the main exchange of CSR related issues between the firm and its stakeholders and therefore plays a crucial part in developing CSR (O’riordan and Fairbrass, 2008). Whilst literature on stakeholder dialogues is quite extensive, it merely focuses on the interchange of demands and issues between the two parties. Limited research has been spent on the phase after this exchange, namely how the exchanged information is processed and handled within the firm (Bundy et al., 2013; Wood, 1991). Bundy et al. (2013) addressed this research gap through the concept of issue salience as the “degree to which a stakeholder issue resonates with and is prioritized by management” (Bundy et al., 2013: 352). In the hereby developed framework, the relationship of the issue to the firm’s strategic frame and organizational identity shapes the way managers evaluate it (Bundy et al., 2013). Even though this paper contributes to the existing research in this field, literature regarding this particular process in

CSR strategy formulation is missing. As already identified, stakeholder theory is the essence of CSR (Watts and Holme, 2000); therefore it should be researched embedded in the CSR context in order to find out which other aspects influence the decision of CSR management when prioritizing a certain stakeholder issue.

## 2.2. Internal Input on the Individual-Level

Stakeholder theory and decision-making is often researched on the organizational-level (Bundy et al., 2013). However, the individuals within the firm making the decisions and evaluating strategic actions play an important role in the process and should therefore be considered as well (Adams et al., 2011). In this section I review the literature on the role of the CEO as the person with the final say on any strategic decision and the CSR team preparing the groundwork for it.

### 2.2.1. CEO influence

The influence of the top management’s values on strategic decisions has already been introduced by Hambrick and Mason, 1984. Managers’ values have been found to moderate the stakeholder salience function and partially mediate the relationship between a firm’s resources and corporate giving (Agle et al., 1999; Buchholtz et al., 1999; Mitchell et al., 1997). Thus the question about the exact role of the CEO’s attributes in stakeholder theory is a major concern.

The values of CEOs influence their behavior and accordingly have a huge impact on the firm’s operations (Simsek et al., 2005). Most leaders will adhere to their principles when making decisions, subsequently the strategic decisions made in firms are not only shaped by external injections but also by the director’s beliefs and goals (Adams et al., 2011). In the CSR context this CEO influence plays a crucial role because some initiatives in CSR might not be linked directly to the firm, therefore other aspects must play a role in deciding on them (Buchholtz et al., 1999). Several other scholars have discovered similar findings concerning the impact of top managers’ values on CSR decision-making (e.g. Godos-Díez et al., 2011; Huang, 2013; Waldman and Siegel, 2008). However, in many of those papers the focus is only on the influence of CEO values without considering other attributes such as organizational vision. Therefore an interesting examination would be, how the impact of CEO values on CSR decision-making interacts with other influences in the CSR strategy formulation. It can be concluded that even though some literature exists in this individual-level field of research many aspects remain unclear, which might be due to the fact that values and correspondingly personal preferences are hard to observe (Adams et al., 2011; Chin et al., 2013).

### 2.2.2. CSR team influence

Employees are often mentioned as one of the most important stakeholder groups (Berman et al., 1999). Thus, the CSR team which is responsible for defining and implementing the CSR strategy throughout the firm, has a significant

influence in its role as internal stakeholder and contributor to the firm's CSR practices (Mittal et al., 2008). Especially in large firms the position of the "head of CSR", leading a CSR team and directly reporting to the CEO of the firm, is common nowadays (Strand, 2013). Therefore, according to van Doorn and Reimer (2016) it is important to differentiate between the CEO of the firm and the top-management's team members when formulating a CSR strategy. Though the two parties are closely related, differences in the interactions exist (van Doorn and Reimer, 2016). Although most of the research on the individual-level relates to the CEO influences on CSR, some of these aspects can be reflected onto the CSR team members. It is said that generally on an organizational-level the cultural norms affect the attitudes towards CSR which might show when the CSR team tackles specific chosen projects together (Angus-Leppan et al., 2010; Sharp and Zaidman, 2010). However, organizational literature on the influence of the CSR team on the strategy formulation is rare. Thus, the question about the impact of the team in CSR strategy making seems adequate.

### 2.3. Organizational Vision in Strategy Formulation

Another aspect that influences a firm's strategy is its organizational vision. Organizational vision is a concept without a generally agreed upon definition (Larwood et al., 1995). A broad definition provided by Collins and Porras (1991) is that "vision consists of two major components – a guiding philosophy that, in the context of expected future environments, leads to a tangible image" (Collins and Porras, 1991: 33). Further confusion about vision exists because of overlapping concepts such as vision, mission and values (Collins and Porras, 1991). While a vision is mostly formulated in the mission statement of an organization, many organizational members use those terms interchangeably (Collins and Porras, 1991). During strategic planning all of the goals and activities developed should be derived from the vision of the firm, thus having a clear strategic vision is often mentioned as a mature premise of strategy formulation (Collins and Porras, 1991; Langley, 1988). Therefore it seems reasonable that an organization's vision also shapes the CSR strategy formulation process. Aligning the CSR program to the values, norms and mission of the firms and hence incorporating what the firm is trying to achieve in the long-term is essential for a successful CSR approach (Galbreath, 2009; Maon et al., 2009). Burke and Logsdon (1996) named this "centrality", a measurement of the fit between a CSR program and the firm's mission and goals. It allows the firm to decide whether a given CSR initiative is consistent with the firm's mission or vision (Burke and Logsdon, 1996). Another important aspect in this context is that some firms even have CSR stated as their fundamental purpose (Galbreath, 2009). In both cases, the balance between CSR and strategic vision or mission of a firm has to be taken into account when formulating a strategy and consequently the question of the exact role of strategic vision in CSR strategy formation comes up (Galbreath, 2009).

## 3. Methodology

In order to investigate the process companies undertake in CSR strategy formulation, I undertook a qualitative empirical study. Qualitative studies are especially useful and adequate approaches when studying dynamic processes such as strategy formulation (Maitlis, 2005). The following section explains the researched content, demonstrates the study sampling and design and describes the analytical approach following the data gathering.

### 3.1. Research Content

The subject of this research revolved around the formulation process of CSR strategies. The leading question of this study was: Which aspects influence the strategy formulation of a firm's CSR strategy? I wanted to find out why certain CSR topics are considered in the strategy of a firm and why others are neglected.

To investigate which processes underlie this question, I conducted interviews with ten CSR managers of different firms. Some of the interviewees are head of a distinct CSR department, whereas others are linked directly to the top management and work with a task force of representatives from different divisions. Furthermore two of the ten firms have completely unified their CSR and general business strategy, in contrast to the other eight firms where the CSR strategy is a separate formulated strategy. All of the firms comply with the Global Reporting Initiative in their sustainability reporting measures, thus the content of the sustainability reports has to adhere to the principles of materiality, sustainability context, stakeholder inclusiveness and completeness (GRI, 2011). An overview of the experts interviewed can be found in the appendix A; however the names have been changed to provide anonymity.

### 3.2. Qualitative Study Samplings and Design

To gain an in-depth view of the researched content I chose purposeful sampling as the sampling strategy. According to Patton (1990) purposeful sampling is especially valuable in the context of information-rich subjects. In this sampling technique the researcher chooses specifically who could give him or her deep insight into the subject. This explains why I chose to interview CSR managers as they have the main responsibility when it comes to formulating the CSR strategy. They are the cross-cutting link among all the departments regarding the CSR activities of the firm and are in close contact with the top management which supplements their key role in the CSR strategy formulation. Another element of purposefully selecting the interviewees was the extent of the firm's CSR activities. Two basic criteria's dominated the decision of contacting a specific firm. They either had a lot of information on their website in the CSR rubric or they had already been awarded for their CSR efforts. I then contacted the firms via email explaining my research intention and why the firm should be a part of my research.

All interviews were conducted via telephone and took approximately 25 minutes. The interview protocol was a

semi-structured questionnaire providing the possibility for an adaptable question sequence with all topics being discussed at some point. The questionnaire was constructed using three general topics with each containing several questions. The main question regarding the CSR strategy formulation was very broadly formulated, allowing the interviewees to elaborate on the topic. Books about the appropriate structuring of interview questionnaires were used to ensure high quality outcomes (e.g. Gläser and Laudel, 2010). The detailed interview questionnaire is shown in the appendix B. As the research followed a qualitative study design with inductive reasoning, I limited my literature research prior to the conduction of the interviews in order to avoid biased beliefs about concepts.

### 3.3. Analytical Approach

According to Ketokivi and Mantere (2010) the use of credible and understandable ways in inductive reasoning is one of the major problems in qualitative research. Considering this difficulty, I aimed for qualitative rigor in my analytical approach. In order to ensure a high standard of rigor but still being able to discover new concepts I followed the approach of Gioia et al. (2013). The authors point out that using their systematized inductive method helps to achieve plausible interpretations of data on the essence of organizational dynamics (Gioia et al., 2013). The method is built upon three basic assumptions: The world is socially constructed, the interviewees are “knowledgeable agents” whose explanations are a correct reflection of their thoughts and actions and the researchers are also “knowledgeable agents” who are capable of analyzing the data (Gioia et al., 2013).

After fully transcribing all of the interviews, I reviewed the transcripts and roughly marked the relevant parts. Thereafter I thoroughly analyzed the content searching for words and phrases related to my research question and then coding those parts using informant-terms through in-vivo coding and 1st-order codes as advised by Gioia et al. (2013). In this first-order coding I ended up with twenty-five codes, which I examined for similarities and discrepancies to summarize those into categories for the 2nd-order analysis. The 2nd-order analysis produced eleven topics which I grouped further into four aggregate dimensions. The whole coding process can be reviewed in the data structure as established by Gioia et al. (2013) in the appendix C. After obtaining the data structure I analyzed the content further through browsing for relations between the 2nd-order codes which resulted in the conceptual model shown and explained in the next chapter.

## 4. Findings

During the conduction of the expert interviews I talked to managers of departments such as CSR, sustainability, corporate citizenship and corporate responsibility. Answers to the question about the scope of the firm’s corporate responsibility

ranged from the three pillars of economical, ecological and social aspects to explicit examples such as fair labor conditions, transparency, corruption prevention, quality issues and human rights. After discussing the structural circumstances in which the interviewee is working, the questions focused on the strategy formulation process of the firm. In the following sections I analyze the interview contents closely through explaining and summarizing the statements of the interviewees and underpinning it with examples of specific citations. They are structured according to the 2nd order themes, first showing the antecedents of the model and then the consequential process. Further citations which are not displayed in the text can be found in the appendix D.

### 4.1. Antecedents

It became clear in the interviews that some aspects are generally mentioned first when asking about the formulation of the CSR strategy in the respective firms. Thus the following chapters explain those antecedents.

#### 4.1.1. Stakeholder input

All interviewees indicated that they include stakeholders in their CSR strategy formulation. Mentioned stakeholders included but were not limited to customers, employees, business partners, NGOs, neighbors, and investors. Due to the variety of the stakeholder groups they have to be prioritized based on their impact on the firm or the firm’s impact on them. The consideration of stakeholders was mentioned as one of the most important aspects of defining a CSR program. This stakeholder perspective allows the firm’s CSR initiatives to gain a wide acceptance. The stakeholders on the other side anticipate that the companies’ contribution to their life is not limited to products and services.

“And we don’t only have values, we also have a purpose. Yes, we defined a purpose for us. That means, what are we here for as a firm? And that is ‘to be essential’. And being essential only has a meaning, if someone else says ‘you’re essential to me’. I can never claim I am essential based on my perspective. Well, I could but it doesn’t mean anything. It is this particular external view which plays a role and which is really a 360 degrees perspective. And this basically involves everyone, customers, business partners, local communities, and citizen, really everyone.” (Interviewee 1, High Tech)

Considering stakeholders makes sure that the CSR initiatives cater to everyone’s needs. As mentioned by the CSR manager of Force One, “if your only concerned with your own issues, [...], the outcome won’t be the best. Other external perspectives should be taken into account as well.” (Interviewee 10, Force One). Surveys to customers, employees and others are sent out on a regular basis to find out which topics are relevant to the stakeholders. The concerns, ideas and

thoughts from the stakeholders are used as input for potential CSR programs or focal points which the firm wants to set.

“Well you can’t just say ‘Okay, well, for us as a firm the issue water is especially significant.’ You rather have to show that this issue is actually significant according to your customer groups and your whole environment.” (Interviewee 2, Smart Living)

Consequently, including stakeholders in the process of defining a CSR strategy serves as a crucial idea generator while ensuring that the CSR programs have a stakeholder perspective and will meet the demands of the stakeholders. However, the firms cannot deal with all of the concerns at the same time. Therefore the stakeholder input is seen as an antecedent to the underlying, dynamic process happening in the firm.

#### 4.1.2. Internal input

Next to the input gathered from stakeholders, it became apparent that the CSR team is a significant driver of developing the CSR strategy. The interviewees stated several times that it is their job as CSR managers to identify new topics and to foresee issues that could become relevant soon. Many impulses arise through the identification of the current status of the firm’s CSR strategy and brainstorming about further development. During this process the influences of the firm on the environment and society are evaluated, determining the scope of the responsibility of the firm. The following quote shows that next to surveying stakeholders it is also the job of the CSR team to identify the potential issues and develop further actions.

“And if it’s about particular issues, then we, the CSR team often bring new impulses into the firm. That among other things is my job, to gain an overview of what’s happening in the world and what we could do to improve the circumstances. So, basically how can we realize our responsibility, what can we contribute.” (Interviewee 10, Force One)

The interviewees stressed the importance of the CEO’s personal preferences concerning the social commitment of the company. This can be traced back to the CEO’s personal interest in the firm’s CSR contribution and furthermore his or her interest in certain topics. It can be said that the CEO has an impact on the CSR team in setting the general direction of the strategy but also on the evaluation process when it comes to prioritizing CSR issues. The representative from Force One argued that some initiatives are not directly related to the firm but chosen because they are “closer related to the fact that our CEO is very involved in sports and personally interested and is very committed to social issues.” (Interviewee 10, Force One). Another aspect mentioned was the commitment of the CEO as the most important driving force

for the development and the successful implementation of a CSR strategy.

“And you need this long-term orientation of the firm, and the CEO really has to believe in it. If you have this in the background, and that’s really the case here, our CEO is the strongest sustainability driver which we have in the firm. That’s worth a lot. If you don’t have that, then it can quickly become a fight against windmills.” (Interviewee 6, Light It Up)

This chapter shows that internal perspectives and impulses play a significant role in the CSR strategy. As it is the job of the CSR team to foresee potential problems and issues, impulses are not only assembled externally. Additionally the personal preferences of the CEO shape the way CSR is approached in the firm.

#### 4.1.3. Strategic vision and values

When setting the focus on a certain CSR strategy, the firm’s vision and values are used to define the strategy. The findings of the interviews prove that the firms’ vision and values, outlined in the general business strategy, have a strong impact on the CSR strategy. In most cases the CSR strategy derives from the general strategy of the company or is completely incorporated into the general strategic vision. Therefore CSR initiatives are considered as part of the strategic decisions of a company.

“Yes, we have a firm vision, [...]. And yes, we form all strategies in line with it. And we derived a CSR strategy from it. But there is not a one or a single CSR strategy phrase, but instead we defined action fields and focus points. (Interviewee 3, Square 46)

Moreover, the values shared by the firm and often formulated in the firm’s vision likewise play a role in formulating the strategy.

“So, these elements which I have written down here are important. The values play a role. Which values does the firm have, what does it stand for?” (Interviewee 1, High Tech)

The CSR team has to bear those aspects in mind when formulating a CSR strategy. Thus, the strategic vision and values of the firm which identify the long-term orientation of the firm, have a compelling impact on the way the CSR team sets its focus when defining the strategy.

#### 4.2. Evaluation Process

The antecedents explained above influence the process which the firm undergoes when deciding how they want to set the CSR strategy: Where do they want to get involved? Which main issues are they addressing? The stakeholder input influences this process in so far as it generates potential

problems or issues that are demanded from the society. The strategic vision and values affect the CSR team's focus. This team and the CEO with his or her personal preferences undergo several decisions, take into account different aspects and evaluate all of the potential issues for the CSR strategy. Those aspects and evaluation processes are described in the following chapters, starting with the constituents followed by the evaluation practices.

#### 4.2.1. Constituents

The constituents of the evaluation process play an important role as they showcase the main aspects which the CSR team considers when evaluating CSR initiatives.

*Macro problems.* The stakeholder input depicts the problems which the society currently deals with. Those macro problems relate to environmental or societal issues that are a concern for the stakeholders such as resource scarcity and migration issues.

“And then you have societal developments which bother you as a firm and you have to react to those and integrate such aspects.” (Interviewee 3, Square 46)

As stated from the interviewees, those societal developments offer the firms potential issues to which they can contribute something or where they have to in order not to fall short.

“Yes, and what I always say and from what I am really convinced of, is that the CSR strategy, through the outside-in, through taking in of ‘where is the society moving to? What does the society need? Where are potential points of conflict?’” (Interviewee 1, High Tech)

Through the stronger focus on the CSR commitment those macro problems and the firms' actions against them are getting even more recognition than before. Though this also means that if an issue is currently highly urgent and prominently discussed in the media, it will be easier for the firm to gain acceptance when tackling this issue. The bottom line is that stakeholder input reveals and gives voice to macro problems which the firm has to process and evaluate in order to form a CSR strategy which addresses stakeholder needs.

*Core business.* A topic that appeared to be quite significant for the interviewees was that CSR should be a part of the core business. In the best case, the processes and products or services of the firm should be aligned to the CSR issues and contribute towards the identified macro problems.

“And there the focus topics are defined. But they all count towards the core business; we want to be part of this core business. And, of course, we want to extend our business through sustainable products and solutions, through the generation of sustainability contributions.” (Interviewee 3, Square 46)

In addition to this quote, the comment of the CSR manager from Smart Living that “sustainability should be part of the service offer of the firm” (Interviewee 2, Smart Living) points in the same direction. Hereby, the customers want the firm to supply them with products that help them to be more efficient. As already briefly mentioned in chapter 3.1, for two of the firms CSR is the main direction of the business and hence the core business revolves around sustainability issues. For other firms it is less about integrating sustainability into the products but more about ensuring that the business processes and supply chain prevent the business from causing damage to the environment or society.

“And the third topic, as I just mentioned, the topic business integration. The topic ‘how can we get this into the business?’ That's a significant component of our strategy, that sustainability should be a cross-cutting topic if you're serious about it.” (Interviewee 2, Smart Living)

Many of the interviewees pointed out, that the focus on integrating CSR into the core business has increased in the last years. However, that is also the reason why the impact of the CSR strategy – both economically and for society and environment plays a much larger role nowadays.

*Expected impact scope.* The scope of the potential impact that could be achieved through the firm's activities in a certain CSR issue is crucial to the decision whether the firm will get involved in the issue. This expected impact can be differentiated into two components, the economic impact and the impact for society and environment. It became clear that most of the time the firm will not pursue a CSR initiative if it does not contribute to either one of those components. The relevance of loss and profit was revealed as a crucial criterion for deciding on a certain topic.

“And I believe that whatever you do, the three dimensions (ecology, economy, social) should still be in the back of your mind. A firm is not here to save the world, if that means it won't be successful economically and cannot survive. So, you always have to be sure this goes hand-in-hand.” (Interviewee 5, World Cloud)

In relation to achieving an economical impact through CSR initiatives it was often brought up that through sustainable products and services the business can be extended. CSR as a business case was considered quite important as it functions to serve the society or environment as well as the firm's success. It was not the case though that CSR would only be done if it generates profits, rather that it will generate a larger impact for the stakeholders if it also helps the business grow. Estimations on the impact of CSR programs for the society and environment were mostly connected with how a specific firm and its capabilities can contribute to the solution of the problems, evaluating where the firm can actually offer something significant.

“Those results were then discussed with the team, in the previously mentioned task force, and then we thought: where do we have a chance to offer something? In which topics do we have an impact? Basically how the GRI proposes to do and where can we realize something together?” (Interviewee 7, Pencase)

The expected impact both economically and for society and environment therefore serves as a major criterion for the CSR team and CEO to decide in which topics the firm should engage in.

*Doing good in Philanthropy.* Philanthropy, or donating and supporting non-profit associations, is often mentioned as a significant part of the firm’s CSR activities. However, according to the interviewees, recent developments have put the focus a lot more on incorporating CSR into the core business. Nevertheless, it remains an important part of firms CSR strategies. The interviewees stated that philanthropic activities do not necessarily have to be related to the core business, even though it would be preferable that some kind of connection exists. Especially if no connection to the core business exists, the personal preferences of the CEO play a significant role in deciding what initiatives the firm should support. Another important aspect is that in many firms the philanthropic actions are clearly separated from the CSR management which also takes into account strategic considerations.

“...for example, we founded our own association in 2015, it is called [...] and this association is purely responsible for the societal component and supports children and teenagers’ education. And this association is explicitly distinguished from the CSR management at Conscious Life. That means we separated the societal component a little bit from CSR.” (Interviewee 8, Conscious Life)

However, some firms even expressed that philanthropy is only a minor thing to them because it does not create value and neglects the long-term orientation of the firm’s CSR activities. Due to the changing focus on incorporating CSR into the core business, philanthropic activities become less important. As a result I separated doing good in philanthropy from the core business in the conceptual model proposed in this paper, supposing it has sort of lost its significance and is often not related to the core business. Nevertheless, the macro problems of the society are connected to the philanthropic activities of the firm.

#### 4.2.2. Practices

The following chapter explains the evaluation practices the firm undergoes when deciding on certain CSR issues.

*Preparing for the future.* The interviews demonstrated that a main reason why some CSR initiatives are put into effect is because they will prepare the firms for the future. Tackling the macro problems through the core business not

only potentially extends the business but also ensures the sustainability of the firm’s products and services. This can be traced back to the fact that the demands of the future, as explained by the interviewees, can be found where the needs of the society are. If customers demand certain products to be more efficient than before, or to provide more sustainability driven solutions, the firm will have to comply with those demands, otherwise the customers will turn to a competitor.

“This fig leaf discussion is in so far rubbish as those who pursue sustainability as a green fig leaf today will disappear from the market in the long-term.” (Interviewee 2, Smart Living)

A problem that accompanies this anticipation of the future is the unpredictability that comes with it.

Because in the end, the timing is quite difficult here, but in the end the markets of the future are to be found where the society in sum needs it. (Interviewee 1, High Tech)

Nonetheless, the relation between the macro problems and the core business can partially be explained through the firms preparing themselves for the future. Catering towards the needs and demands of the society will possibly widen their future competitive advantage whilst avoiding losing market share. This contributes to the evaluation process of CSR programs in so far that some issues might merely be tackled because if the firm will not do so, future business success might deteriorate. Accordingly, the macro problems influence the core business as they offer aspects that the core business must deal with in order not to lose significance in the future market.

*Determining strategic fit.* The interviews with the CSR managers showed that the relation between the macro problems and the core business are a crucial part of the evaluation process. It was identified that those two constituents somehow have to be linked with each other in order to make sure that a strategic fit exists between the potential CSR tackling points and the features of the core business. Two reasons that can account for this are firstly that through this strategic fit it can be ensured that the general strategy is in balance with the CSR strategy and furthermore it contributes to a successful approach of the issue. The firm has to identify which potential overlaps exist between the macro problems and the core business and if there are options that could be adapted in a way so the core business addresses the macro problems. The interviewees stated that the specific features and core capabilities of the firm have to be taken into account in order to find out where overlaps exist. Moreover, the core business might also be questioned critically in reference to the current societal problems, to evaluate what it contributes to this problem and how it could improve it.

“[...] that we want to do more for the society, so basically extend our products in relation to societal needs, scrutinizing the core business criti-

cally and developing it further.” (Interviewee 8, Conscious Life)

As showcased in the quote above, the firms try to reflect the societal needs in their core business and therefore some kind of strategic fit has to be given. In regard to this, the relevance of the topic to the firm’s features has to be evaluated again. Another reason why the strategic fit is so important is because it offers a relatively easy starting point for a CSR strategy.

“It’s really important that you systemize everything. Because then you end up with a lump of topics and you have to debate, okay, which topics are absolutely important, what are the time-critical topics. And here it really helped us, this perspective of looking at the core business. That’s usually how firms start, because it’s easier, because you have the right influence there.” (Interviewee 6, Light It Up)

In the context of the firms where the general strategy is completely related to CSR this strategic fit should be apparent in every action they undertake. Consistent to the future preparation aspect, the strategic fit is a main decision criterion for firms when evaluating which CSR programs to conduct. It offers the possibility to tie the CSR initiatives directly to the core business whilst not having to completely think of something new. Furthermore, CSR initiatives revolving around macro problems that are not related to the core business will be harder to pursue as the commitment from employees might be missing.

*Assessing potential value creation.* As already explained previously, the societal and environmental problems the firm tackles should either have a strategic fit with the core business or be pursued to prepare the firm for future developments. A further part of the strategy formulation process is the analysis of the expected impact scope mentioned earlier. The constituent core business influences the expected impact scope through the assessment of the potential value creation. The interviewees stated that it is important to concentrate on the firm’s strengths when addressing macro problems. Hereby it should be analyzed how much the firm can actually contribute to the specific topics with its know-how and assets. It was clearly expressed that the firms want to create value towards addressing the macro problems with their CSR strategy. Due to the fact that the firm is part of the society, the core business contributions should generate more value for the society besides offering products or services.

“No, no, no, no. Philanthropy is a minor thing to us. We are focusing on several areas that give more value to us in our business model. And we think that’s important; to create value for the world, not just to be philanthropic.” (Interviewee 4, 360 Degrees)

One question I asked the interviewees was if they see CSR as a driver for innovation and efficiency. This strongly relates

to the value creation aspect since innovation and efficiency help firms to create more value. Through the development of CSR initiatives in the firm many new and creative ideas arise on how things can be dealt with.

“[...] because if you have this mentality, trying to find creative solutions for something, a lot of innovation potential can be unfolded. Completely new ways and options can arise. Both for technologies and materials as well as for processes and the firm’s organization. Yes, so that’s why the orientation towards sustainable management is an absolute innovation driver to us.” (Interviewee 6, Light It Up)

Examples of potential value creation through innovations related to CSR activities ranged from organizing tech festivals for students to the new invention of a resource efficient product. The potential value creation of the firm determines the scope of the expected impact. Through focusing on the firm’s strengths and the relation of the CSR activity to the core business, additional value for the society can be generated which then results in an increased expected impact of the initiative. Herein innovations and new ways of how to conduct business contribute a major part to the firm’s CSR strategy. Furthermore, it was identified that if the value created will not be very significant, the firm might rather decide to engage in a different issue.

#### 4.3. Outcome

All of the findings presented above were related to the question how the firms form their CSR strategy, therefore which aspects they consider and what input they use. As the answers mostly focused on how the firm decides on topics or projects it will get involved in, the outcome of the conceptual model presented below is the CSR strategy focus. Should the firm focus its CSR activities on water scarcity, education support or migration issues? The CSR strategy focus identifies topics in which the firm can then define its detailed course of action. Developing an authentic and balanced CSR strategy which addresses the most important issues concerning the firm and its stakeholders involves complex decision-making.

##### 4.3.1. Feedback loop

An essential aspect mentioned by the interviewees was that the formulation of a CSR strategy does not have an exact sequential arrangement. Moreover it takes a lot of time and continuous re-definition and evaluation to keep up with the societal developments and adapt the strategy accordingly. Thus the evaluation process leads to the CSR strategy focus but will occur constantly, leading to a dynamic and progressive process with changing outcomes.

“Hmm, what comes with this sustainability idea and the implementation of sustainability topics in the firm or in other firms per se, is a continuous change and improvement process, because

you will never be 100 percent sustainable. You never reach perfection. That means there is always something to do, there is always something to change and to optimize.” (Interviewee 6, Light It Up)

By being attentive to changing internal and external stakeholder demands and needs, the strategy must be monitored and it should be tested if the firm is still on the right track. Consequently, a lot can be learned from the process which will then change the perception and evaluation again. Furthermore, the interviewees stated that it is not possible to develop everything at once; hence the process takes up a lot of time.

#### 4.4. Conceptual Model

The displayed findings are all part of the strategy formulation process model which is presented below. The antecedents stakeholder input, internal input and strategic vision influence the following evaluation process which leads to a CSR strategy focus. Reconnecting the outcome to the evaluation process is the continuous evaluation and re-definition of the strategy. Figure 1 shows the conceptual model of the CSR strategy process, which the firm is considering in their evaluation process. Therefore, it influences one constituent of the evaluation process in contrast to the strategic vision which has an impact on the antecedent internal input. The strategic vision affects the internal input considerably because the CSR team and the CEO have to adhere to this vision when setting their focus and taking into account their personal preferences. Subsequently, the internal input has an impact on the complete evaluation process, as it is the CEO and the CSR team who go through this dynamic process, making the decisions and deliberating about the potential CSR issues.

The commencing point of the evaluation process are the macro problems because when deciding on where the firm wants to get involved all relevant options have to be considered. As explained earlier, the core business should be linked strategically to the macro problems or overlaps between those two constituents should exist. The macro problems are furthermore connected to the core business through the firm preparing for the future when choosing a certain CSR aspect. Further evaluating the fit of potential CSR action fields is the expected impact scope. The predicted economic impact and the impact for society and environment are defined through the potential value creation of the firm's core business towards a specific issue. The CSR team and CEO therefore assess how large the contribution to the issue could potentially be, which provides another important evaluation criterion when formulating the CSR strategy.

One aspect which is not necessarily linked to the core business is the firm's efforts in philanthropy. Nevertheless this is still a relevant part of most firms' CSR strategy and is therefore incorporated into the evaluation process of the CSR team and CEO. Through undertaking this dynamic process, it is proposed that the CSR team and CEO take into account all

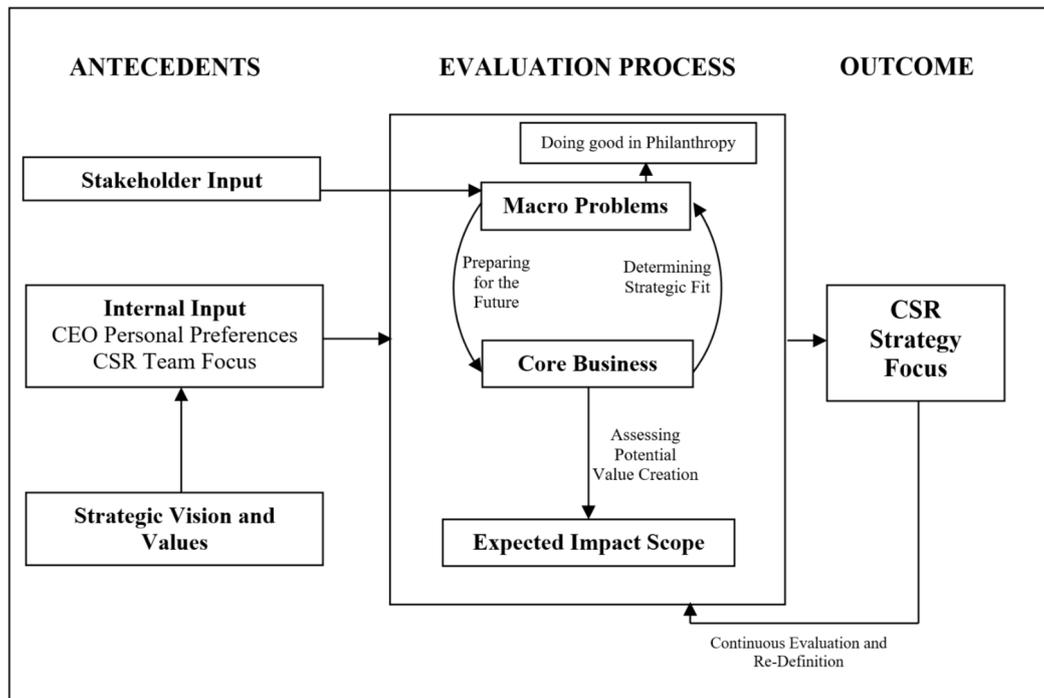
the presented constituents of the process and evaluate the macro problems accordingly. The result of this process is the CSR strategy focus. However, CSR is a constantly changing topic and therefore continuous evaluation and re-definition of the strategy has to take place.

## 5. Discussion

This study addresses the question of how a CSR strategy is formulated in firms, and thus contributes to the existing research about CSR strategy and its relation to stakeholders, CEO influence and strategic choices. It seizes the changing focus on CSR literature as “it is no longer about whether to make substantial commitments to CSR, but how?” (Smith, 2003: 55). Galbreath (2009) already expressed that the research on building a CSR strategy which leads to an increased competitive advantage and responsibility of the firm is fairly scant.

### 5.1. Individual-Level Input

As identified in chapter 2.2, one research gap in CSR strategy is the specific influence of the individual-level input on the formulation process, precisely the impact of the CEO and the CSR team. This study tries to provide answers to fill this gap. One major finding of my research is that the personal preferences of the CEO and the focus of the CSR team can significantly change the outcome of the CSR strategy formulation. CEO values and characteristics have already been proven to be related to the implementation of CSR strategy in a firm (e.g. Chin et al., 2013; Tang et al., 2015). Herein, it was identified that CEOs interpret, filter and process information according to their values (Chin et al., 2013; Tang et al., 2015). The research focused mainly on specific psychological characteristics of the CEO and the relation to CSR. Thus, this paper takes into account the whole CSR strategy formulation process and analyses where the CEO's personal preferences is actually influencing the process and which interactions come in to play. Furthermore, it was identified that the CSR team also has a significant impact on the formulation process. This finding develops the researched antecedents of CSR strategy further as it states that it is not only the CEO who influences the strategy on the individual-level but also the CSR team. Contrary to most of the research which primarily studies the perspective of employees as stakeholders with CSR demands, the model presented here focuses on the CSR team as employees of the firm with a significant stake in the decision on a CSR strategy. Research about the employees' role in demanding increased CSR activity of the firm, perception of organizational justice through the firm's CSR initiatives and concluding stronger organizational commitment do not take into account the employees' potential influence on which CSR activities the firm engages in (Aguilera et al., 2007; Yang and Rivers, 2009). The findings delineate the individual-level input of the CSR team setting the patterns in the CSR strategy formulation. This is due to the fact that the CSR team foresees important topics, generates



**Figure 1:** Conceptual Model of the CSR Strategy Formulation Process

new ideas and evaluates the stakeholders' demands. Undergoing the process of critically evaluating and analyzing risk and chances of the stakeholders' demands and wishes, the CEO and the CSR team decide on the CSR strategy focus. In the philanthropic part of the CSR strategy the influence of the individual-level input is even stronger as this part does not necessarily relate to core business attributes.

However, some additional aspects regarding the individual-level input have to be considered. Firstly, the impact of the individual-level input can change according to the size of the firm. In smaller firms the influence might be higher because others will not scrutinize the decisions regarding the CSR strategy (Schneper et al., 2015). Moreover, due to the closer contact between the CEO and the CSR team, the personal preferences of the CEO might play a larger role. Furthermore, this can also depend upon the importance of CSR in the firm. In firms with a strong focus on CSR, decisions on the CSR strategy might be highly systemized, limiting the individual-level input. But it could also be argued that in this case the CSR team is granted even more time to develop a strategy, leading to an increased individual-level input. Nevertheless, it is essential to recognize that it matters who the CEO is and of whom the CSR team consists of, because their characteristics, values and therefore personal preferences and prioritizations influence the CSR strategy focus.

## 5.2. Strategic Fit to Core Business

As identified preliminarily, a vital part of developing a CSR strategy is the adherence to the strategic vision of the firm (Galbreath, 2009). Yet, the findings in this study show

that the acknowledgment of the attributes of the core business and processes of the firm are even more important than considering the strategic vision. Therefore, the focus should be less on "where do we want to go?" but more on "how is our business constituted and how can we use it for our CSR strategy?" Even though CSR has moved away from being solely a myriad of philanthropic activities, it still does not live up to its full potential in most firms (McElhaney, 2009). The limited research on the topic of integrating CSR strategy into the business emphasizes that a predominant number of firms' CSR strategies are still a "hodge-podge of disconnected activities" (McElhaney, 2009: 34) separated from the business operations and failing to see the connection of business and society (McElhaney, 2009; Porter and Kramer, 2006; Yuan et al., 2011).

The findings of this study show that the relation to the core business of the firm is a fundamental criterion when evaluating potential CSR issues. It is essential that the social or environmental problems addressed are a strategic fit to the firm's core business, precisely to the product, service or the processes of the business operations. Sustainability as a service offer or CSR as a general strategy are two constructs that align with this core business relation. Significant economic and social or environmental impacts have been identified as only being feasible and sustainable if the addressed CSR issues are linked to the business operations. Moreover, innovation and efficiency were predicted to be interrelated with CSR as well. Those findings align with the view of CSR serving as a incorporated business strategy that is connected to the core business and takes advantage of the firm's strengths (McElhaney, 2009; Yuan et al., 2011). The perspective of

sustainability as a service offer strongly relates to the statement of Dawkins and Lewis (2003) that CSR issues should be chosen if the firm can offer a solution to the problem. Through focusing the CSR strategy on the core competencies of the firm and thus simultaneously addressing business and society or environment, the firm can advance their competitive advantage, possibly enter new markets and strengthen its market position (McElhaney, 2009; Yang et al., 20133). My research findings show that firms evaluate a large part of their CSR issues according to the fit with the core business and the potential value created through it. The findings underline that the CSR strategy has moved from a collection of unrelated activities to a streamlined incorporation into the business strategy. The benefits emerging out of aligning the CSR strategy to the business operations, such as employee commitment to CSR, sustainable impact and economic performance are important reasons to this development.

Yet, the question about the actual degree of the CSR issue integration into the core business remains appropriate. This degree probably varies according to the specific market and industry of the firm (Dawkins and Lewis, 2003). Depending on the industry sector more or less weight might be put into the core business relation to CSR. For instance, a chemistry firm has a lot more environmental issues to tackle than a financial service firm. For some firms the importance of CSR issues to relate to the core business might not always be considered essential. As an example, the CSR manager of World Cloud argued, that even though their products are increasingly addressing sustainability issues, this is not necessarily due to the firm's CSR strategy. Thus, it was stated that the CSR strategy takes into account many other aspects as well and not only focuses on the product. Rangan et al. (2015) criticized the recent "pressures to dress up CSR as a business discipline" (Rangan et al., 2015: 1) and proposed to divide CSR activities among three theaters: philanthropy, improving operational effectiveness and creating shared value. However, my research findings show that creating value for society is considered increasingly important. Yet, doing good in philanthropy is still seen as a significant aspect of a CSR strategy, therefore it can be concluded that even though the focus on aligning the CSR strategy to the core business is growing, firms still adhere to their individual style when developing the CSR strategy.

### 5.3. Iterative Process

Another contribution of this study to the existing research is the finding that the CSR strategy formulation process is an iterative and dynamic process, requiring constant monitoring and development. This follows Mintzberg (1978) perception of strategy as a pattern in a stream of decisions, because through adhering to the societal and environmental developments constant decisions form the CSR strategy. It was identified that the formulation process demands continuous re-definition due to the fact that the outcome depends on the global social and environmental developments. As those aspects often change in a fast and unforeseen way, the strategy has to be adapted accordingly. Rather than seeing

the process as a sequential step-by-step arrangement, it was explored that continuous adaption is vital to attend to the demands of stakeholders. This finding is contrary to a large part of literature which often depicts CSR through several dimensions, neglecting the interrelations and the dynamism between them (e.g. Burke and Logsdon, 1996; Carroll et al., 1991; Galbreath, 2009). However, Galbreath (2009) added a social dynamics variable to the markets dimension, recognizing the "potential changing nature of social expectations" (Galbreath, 2009: 116). Calling for a more dynamic view of CSR instead of a static one, Tang et al. (2012) emphasized this facet of CSR as a changing process as well. My research findings confirm this statement as the CSR strategy formulation has to be perceived as a situational, environment responding and therefore highly dynamic process. If new developments occur, the stakeholders could demand different CSR attention from the firm than prior to the development. This matches with the work of Mitchell et al. (1997) who proposed the urgency of a stakeholder claim as a criterion of who managers should pay attention to. Conclusively, the CEO and CSR team undergo the evaluation process of the CSR strategy formulation multiple times. The repeated evaluation of the macro problems proposed by the stakeholders could lead to a differing outcome than before. This fast changing-, and dynamic nature of the process leads to challenges in formulating a balanced and successful CSR strategy. Repeatedly aligning the CSR issues to the core business requires constant work from the CSR team as well as the whole firm. This however might not be possible in many cases, leading to a rather imbalanced CSR strategy. Accordingly, increased attention should be paid to this aspect since my research findings emphasize that the firm's constant monitoring of its external and internal environment is an essential part of the CSR strategy formulation.

## 6. Managerial Implications

In order to form a CSR strategy which reflects important elements such as stakeholder consideration, core business relation and value creation, several requirements should be considered by the firm. In the current business world a wide spectrum of firms' commitments to CSR can be found. This changes the prospect of how to formulate a strategy. From a peripheral perspective of philanthropic activities or attempts to balance the general and CSR strategy, through to CSR as the purpose of the firm, many differing approaches to CSR exist (Pearce II and Doh, 2005). This spectrum was also represented accurately through the firms whose CSR managers I interviewed. Therefore, the practical implications drawn from my research can be applied to a vast number of differing firms, individualizing the specific steps to their need. As the model in this paper shows an iterative process the recommendations to formulate a CSR strategy will adhere to this process addressing the most important steps.

As identified earlier, an important antecedent of the evaluation process is the input gathered from stakeholders. Thus, an important task for the management, and particularly for

the CSR team, is the screening of demands and needs of stakeholders. Thorough research about the potential needs of society and environment and evaluation of the affected suspects and the main hurdles when attacking the issue should be conducted to gain deeper insight into the CSR issue (Pfitzer et al., 2013). Following the screening of potential topics, the evaluation process through the CSR team and CEO to prioritize certain issues should start. Thereby it is vital that the intersections between the core business and the macro problems are identified (Porter and Kramer, 2006). Through analyzing the contact points between the business's operations and society or environment, the potential issues that are affected by or affect the firm can be exposed (Porter and Kramer, 2006). This step can be conducted through the CSR team and the top-level management in brainstorming sessions and be further refined using checklists, for instance provided by the GRI (Porter and Kramer, 2006). Additionally, it seems important to mention that when it comes to supporting certain social issues the personal preferences of the CEO should only be considered if there is at least some connection to the firm's social commitment strategy and the decision to engage in the issue will still be supported by the employees of the firm (Raggio et al., 2010). Another implication for the management is the deconstruction of the potential value creation towards the issue by the firm (Pearce II and Doh, 2005; Porter and Kramer, 2006). It is essential that the management focuses on the firm's core capabilities and uses the expertise and assets of the firm when evaluating what it can do to improve the social issue (Pearce II and Doh, 2005). Furthermore, the impact on both the economic performance and the societal and environmental obstacles should be measured to gain an overview of the potential contribution of the firm (Porter and Kramer, 2006; Rangan et al., 2015). Depending on the outcomes which are measured, external help might have to be consulted (Rangan et al., 2015). When measuring economic impacts the firm can depend on its traditional methods, whilst in measuring environmental issues such as CO<sub>2</sub> emissions or social outcomes like the improvement of children's progress in working on computers, NGO's can provide valuable knowledge (Rangan et al., 2015). Combined with these steps, a significant part of a successful CSR strategy formulation is the constant monitoring of the progress and screening of changing social and environmental problems (Kramer, 2011).

Taking account of these recommendations, the firm should be able to prioritize CSR issues to be included in its CSR strategy. Following these steps, an exact plan on how to address the prioritized issues should be developed (Porter and Kramer, 2006), though this aspect is not included in my research.

## 7. Limitations

One limitation of the presented research is the sample size of ten interviews. Due to time and length restrictions in assembling the present study, the number of interviews had to be limited. It can be assumed that additional interviews

would have generated more data and could have possibly changed the conceptual model. Potential impacts of this limitation could be that an aspect of the CSR strategy process was missed or the current constituents and practices might have been perceived differently. Another limitation is the so called interviewer bias which relates to the fact that different interviewers can provoke different answers of the interviewees (Kavale, 1983). As I was the only interviewer in this study, the style of asking questions can influence the respondents' answers. During the coding process this one-person-study problem caused an additional limitation. Reaching a consensus in the coding process through a team of several researchers could have possibly led to different results. Even though in qualitative research the limited generalization of the findings often decreases the external validity, it can be stated that the interviewed firms offered a good mix of size and industry. However, problems in the generalization of the findings can occur. This is due to the fact that the approach of firms concerning CSR issues is quite different across firms and industries.

## 8. Future Research

The model presented offers a general perspective of the CSR strategy formulation process, while providing possibilities for individualization. Hence, I suggest that future qualitative and quantitative research takes into account the size and industry of firms and incorporates those variables into the strategy formulation process. In order to explore this further, a larger sample size might be needed. Although some research looks at differing firm sizes and their CSR strategy further research in this field is needed (e.g. Perrini et al., 2007). I advocate to not separate the research according to the studied firm sizes but rather to research how the strategy formulation process changes depending on those aspects. The same recommendation accounts for the distinction of specific industries. As aforementioned, the potential CSR issues to address can differ from industry to industry; offering further research material. Additionally, research about the degree of commitment to CSR and the respective CSR strategy formulation has been scant to date. Therefore, increased attention to this aspect is important, looking at the distinctive CSR commitment types independently to offer useful insights for management. As proposed in chapter 5.3, the fast changing society and environment requires constant diligence from the firm in adapting their CSR strategy. This aspect of the CSR strategy formulation process requires increased attention, because it unquestionably demands a fast response in the CSR approach and thus adaption to changes in the firm. Last but not least, the research about the CEO influence on CSR has been rewarded with quite some attention. As my research results showed, the CSR team also has considerable influence on the formulation of a CSR strategy and thus future research may explore this further to provide a better understanding of the sometimes irrational decisions made by individuals when deciding on CSR issues to address.

## 9. Conclusion

The goal of this study was to explore the CSR strategy formulation, hence researching the influences and interactions which determine the process of making a CSR strategy. The findings show that CSR strategy formulation is not only influenced by the stakeholders' demands but also by the internal input and the strategic vision. Firms evaluate those aspects according to their fit to the firm's core business and expected impact. The conceptual model developed out of the findings from the conducted interviews contributes to the existing literature on CSR strategy, and thus the research findings implicate considerable knowledge for firms when formulating a CSR strategy. Nonetheless, additional research in this field is needed to explore the dynamism of CSR strategy formulation further.

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