A Responsible Start

Perceptions of Corporate Social Responsibility of Incubated Young Entrepreneurs: Case of Latvia and Sweden.
Abstract

The following graduation paper titled “Corporate social responsibility perception of incubated young entrepreneurs: case of Latvia and Sweden” provides an in-depth research into the understanding of the corporate social responsibility definition and its consideration among young entrepreneurs who lead their start-up businesses within the business incubators in Latvia and Sweden.

The research aims to provide a summary of the prevailing definitions and views of CSR as it is one of the most discussed, yet controversial topics in modern business world. Moreover, the global organizational and national community as well as individual consumers increasingly place demands and expectations on companies to integrate social responsibility within their business practices. Furthermore, as incubators are the place where many young and ambitious people decide to seek support for their business ideas, it is crucial to determine how CSR is perceived by these young entrepreneurs and to what extent it is given importance.

In this context, the following research issues were defined: (1) How do the incubated young entrepreneurs perceive the concept of corporate social responsibility? (2) How are CSR elements incorporated or planned to be incorporated in their business practices? (3) Are there differences in the perceptions and use of CSR between the start-ups of these Latvian and Swedish entrepreneurs? To answer these questions, a profound theoretical synthesis of concept of CSR, socially responsible entrepreneurship and business incubator environment was made and a framework for classification and analysis of research findings was chosen. The empirical foundation was obtained through qualitative studies of a total of six start-up companies founded by young entrepreneurs and engaged in business incubators in Latvia and Sweden.

It was concluded that generally young entrepreneurs have profound understanding of the various CSR dimensions and very personal approach to implementing CSR. Legal compliance and ethics are considered key to successful business and the latter often have significant impact on the economic and operational decisions. Differences were found on an industry and personal rather than country level.
Keywords

Corporate social responsibility, socially responsible entrepreneurship, young entrepreneurs, start-ups, business incubators

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Finally, author highly values the opinions and suggestions provided by her fellow students and examiner Susanne Sandberg during the preliminary meetings, which contributed largely to improving the quality of the bachelor thesis.
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1 Introduction

This chapter gives an insight into the main fields of study in this research paper and highlights the topicality of the issues further discussed. Moreover, it explains the theoretical gap that further marks the contribution this research can propose to the academic literature. Research questions, purpose and delimitations shall give a focused view and understanding of the particular theoretical and empirical grounds of the paper.

1.1 Background

Corporate Social Responsibility (CSR) is a concept that has received increasing attention and caused a worldwide resonance in the global economy (Jamali and Mirshak, 2006). In the core of this concept is the idea that business is an active partner in a world of scarcity and diminishing resources (Jamali and Mirshak, 2006).

As defined by the World Bank, engaging in corporate social responsibility means that businesses commit to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business itself and good for development of others (Petkoski and Twose, 2003).

Corporate Social Responsibility (CSR) and its application are essential to be studied for a number of reasons. To begin with, it is one of the main strategic priorities for the European Commission which views it as a crucial component of the overall industrial and economic development of the European Union (European Commission, 2014). According to the renewed EU strategy for Corporate Social Responsibility, the economic crisis and its social consequences have to some extent damaged consumer confidence and levels of trust in business. The public attention is increasingly being focused on the social and ethical performance of enterprises (European Commission, 2014). To continue, on an even larger scale, it also is a key element in other global policies such as Action2020 by the World Business Council for Sustainable Development (WBCSD), creating a strategy for sustainable development and engaging the global business community to address the urgent needs of the planet and people while strengthening companies’ own resilience to global challenges (Action2020, 2015).
Moreover, Jamali and Mirshak (2006) highlight that the recent developments in international trade and globalization continue to increase the complexity of businesses requiring enhanced transparency and corporate citizenship. The authors further argue that society’s needs have exceeded the capabilities of local governments and they are no longer able to be solely responsible for dealing with improvements of population’s living conditions. On the business side, companies are recognizing the opportunity to differentiate themselves with the help of CSR and are slowly changing their hesitant attitude towards embracing this concept while following the research to highlight more potential advantages of CSR policies.

It is important to recognize that CSR is a global issue. Firms in countries around the world apply the concepts of CSR to their businesses but the extent of this depends on such aspects as country’s policy and culture, the CSR perspective and development level. For example, according to the Sweden’s official website, Swedish companies have a long history of active CSR work and Sweden is viewed as a pioneer within the field (Sweden, 2015). Moreover, the global and largely influential non-profit organisation AccountAbility in its Responsible Competitiveness Index (RCI) ranks Sweden as the country that is doing most to advance its business competitiveness through responsible business practices. According to the organisation’s chief executive Dr Simon Zadek "Corporate responsibility is part of a coherent foreign policy strategy, of a trade and investment strategy, as well as of a domestic social cohesion strategy". Further he adds "I see the Swedish government right now grasping those linkages more than many other governments out there. That is very rare, and exactly what others need to do" (Wiles, 2008).

Nevertheless, not all countries have yet reached such level of CSR development. For less developed markets, such as Latvia, CSR is still something quite new and distant. However, according to Agnese Alksne the chairwoman of CSR Latvia, “the perception of CSR in Latvia is changing. Society still perceives it mainly as a way for companies to tell about the good deed they did on Christmas or any other sponsorship project”. (Csreurope, 2015). She adds that “customers do not actively follow the information about CSR, but when an NGO or media comes with a story about inappropriate suppliers or talk about the bad influence of the product, then society pays attention to it and companies have to react” (Csreurope, 2015). As the long term challenges for CSR Latvia, as well as for other Baltic countries, she mentions work with the wider society
by uniting resources to inform society about CSR, hereby explaining the value of CSR for society and creating pressure for businesses to be responsible. Alksne highlights that at present Latvia is experiencing a new trend - the rise of start-ups and social entrepreneurship: new businesses are changing the rules of the game by introducing new models where transparency, ethics and social innovation takes the spotlight of business success. The new businesses are able to answer the question of why they are doing business and what value they bring to society (Csreurope, 2015).

In this context, young entrepreneurs play an important role of shaping the future landscape of sustainable business environment and developing a striving and wealthy society. Moreover, in connection with the already mentioned increasing society demands, it further holds expectations for the ethical attitudes of business graduates and demands responsible behaviour from corporations they create while linking this behaviour to the corporations’ identity (Nicholson and DeMoss, 2009). Nevertheless, the challenges of creating a company that would be able to survive so long to actually begin implementing any CSR policy are rather substantial. According to OECD (2014), start-up rates remain below the pre-crisis level in most Euro area economies and their failure rate is quite high. Nonetheless, the global crisis increased the interest in entrepreneurship as an essential element to foster economic recovery and employment growth (OECD, 2014).

Aerts et al. (2007) suggest business incubators as one instrument to promote innovation and counter the high start-up failure rate by creating an environment especially designed to hatch enterprises. They do so by providing their tenant companies with several facilities such as management support, office space and capital, allowing the incubates to concentrate on their business plan thus raising the success rate (Aerts et al., 2007). Phan et al. (2005) name science parks and incubators as “international phenomenon” and highlight that many universities have established science parks and incubators to encourage the creation of start-up firms by young people and foster regional economic development. Students and recent graduates in particular have received much attention lately. For one, European graduate labour market is not doing as good as one might think and no longer is higher education a guaranteed pathway to a job with a clear career path (Nabi et al., 2006). The authors further highlight the increasing student aspirations to a career in own/small businesses which have arisen from the job market conditions. With this in mind, it becomes evident why there is a growing interest in
entrepreneurship from the student perspective, with business incubators seen as a good place to facilitate this process.

By consolidating the global phenomena - corporate social responsibility and incubated start-ups of young entrepreneurs, respectively, it is possible to determine fascinating grounds for research with a very contemporary outlook. In other words, when looking at the concept of corporate social responsibility through the eyes of the new or to-be business leaders we are able to determine the relevance of CSR in business practice and predict its future development in a growing socially responsible entrepreneurship environment.

1.2 Problem discussion

To begin with, it can be observed that corporate social responsibility and business incubators comprising their incubates have been studied rather separately by the academia and mostly looked upon as two different phenomena.

There have been several attempts to look deeper into the somewhat ambiguous concept of CSR. Even though such business aspect has been distinguished for quite a long time and accumulated substantial amount of literature, there is no general agreement about the meaning of corporate social responsibility neither from an operational nor a managerial viewpoint (Clarkson, 1995). Votaw (1972:11) successfully summarizes the different perceptions:

*The term (CSR – aut.) is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of "responsible for," in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for "legitimacy," in the context of "belonging" or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large. Even the antonyms, socially "irresponsible" and "non-responsible," are subject to multiple interpretations.*
Nonetheless, CSR has been approached from various perspectives to somehow provide a systemization. Archie Carroll is known for his important contribution to providing a hierarchical pyramid for systematization of CSR (Carroll, 1991). It is based on four main responsibilities to be obeyed by a corporately and socially responsible enterprise: economic, legal, ethical and discretionary (philanthropic). All of the mentioned responsibilities are aggregative, meaning that a company must first reach the economic, then legal responsibilities until it can successfully move towards being ethical and discretionary (Carroll, 1991).

Wood (1991) had a slightly different approach. She combined the principles of CSR (institutional, organizational and individual) with the processes of corporate social responsiveness (environmental assessment, stakeholder and issues management) to determine the social outcomes of corporate behaviour (impact, programs and policies) which, finally, create a very comprehensive model to understand the corporate social performance of a company (Wood, 1991).

Jamali and Mirshak (2006) combine the four-part definition of CSR by Carroll (1991) and the framework of principles, processes and outcomes provided by Wood (1991) to create a practical framework for assessing and comparing different domains of CSR used among businesses. This model shall be further explained in the literature review.

Attention has also been devoted to develop patterns to implement CSR in a way that is coherent and consistent with strategy and other activities of the business as well among the CSR activities themselves (Yuan et al., 2011). Some authors argue that stakeholders hold the fundamental key for success of a company, thus in their research take a more stakeholder-oriented approach in designing CSR implementation strategies and determining its success (Maon et al., 2008), while Gjølberg (2009) highlights that national context can also significantly affect the use of CSR and for this purpose develops measurements to perform comparisons among several European countries.

Nevertheless, equally fascinating to researching into the concepts of CSR is determining the factors which encourage the “sustainable mindset” and the creation of sustainable ventures in general. In this subject Muñoz and Dimov (2014) provide a very extensive literature overview with entrepreneurship and sustainability interaction as their main focus. Schick et al. (2002) further argue that it is very sensible and much easier to plant sustainability ideas in newly formed enterprises. Moreover, they look at the start-up process, challenges and compare these among conventional and sustainable start-ups.
With specific regards to perceptions and attitudes towards CSR, there is a lack of empirical research into young entrepreneurs’ attitudes towards CSR and even fewer are related to the European context (Alonso-Almeida et al., 2014). To contribute to the theory, Alonso-Almeida et al. (2014) try to somewhat look into students’ perceptions through developing several hypotheses from what has been previously studied and applying them to a new empirical research. As a study of Kleinrichert et al. (2013) proves, university lectures on CSR can also significantly reinforce students’ beliefs that a well-run company operates according to a strong code of ethics and values.

As previously mentioned, the academic research provides hardly any link between young entrepreneurs’ understanding and attitudes towards CSR and the way it is implemented once these young business leaders truly encounter practical business situations, i.e. establish start-ups. Moreover, when narrowing the research down to their engagement in business incubators there is hardly any empirical study.

Similarly as with the definition of corporate social responsibility, there is still no universally accepted definition of business incubation and its processes (Theodorakopoulou et al., 2014), which hinders the possibility to objectively assess their performance and determine which aspects would be most valuable to focus on. This being said, there exist reflections on the aims and characteristics of business incubator, science parks and the like (Phan et al., 2005); different types of incubators and the respective impact on their performance (Barbero et al., 2012); as well as the role of incubators for start-up success, particularly in the European context (Aerts et al., 2007).

The synthesis of the three concepts: corporate social responsibility, socially responsible entrepreneurship of students or recent graduates and business incubator environment marks new grounds for observations on how these aspects interrelate and complement each other. Moreover, as incubators are the place where many young and ambitious people decide to seek support for their business ideas, it is crucial to determine how CSR is perceived by these young entrepreneurs and to what extent it is given importance. In brief, such study can (1) highlight the young entrepreneurs’ level of understanding of CSR; (2) determine certain existing or non-existing trends in socially responsible entrepreneurship; and (3) outline the situation within business incubators from incubates perspective; which finally gives an insight in the kind of newly established companies which will further enter the market and shape the future business
environment. Additionally, the information presented in the paper can be found relevant to business incubators themselves and organizations shaping the national business environment, to help to understand and reflect upon the current situation as well as consider new policies in order to direct future incubates in a certain CSR oriented direction.

1.3 Research questions

1. How do the incubated young entrepreneurs perceive the concept of corporate social responsibility?
2. How are CSR elements incorporated or planned to be incorporated in their business practices?
3. Are there differences in the perceptions and use of CSR between the start-ups of these Latvian and Swedish entrepreneurs?

1.4 Research purpose

The purpose of this research is to describe young entrepreneurs’ understanding of CSR concepts as well as to determine whether and how CSR is used in their start-ups while being engaged in business incubators.

1.5 Delimitations

The literature review attempts to merge various concepts and create a relevant theoretical synergy. It is aimed towards providing a theoretical framework to describe and classify the various dimensions of corporate social responsibility in order to facilitate the structuration of the qualitative research. The theory does not give an insight in any psychological analysis that might affect young entrepreneurs’ understanding of corporate social responsibility nor will it distinguish between such similar concepts as “incubators” and “science parks”.

The empirical research is limited to only six start-ups engaged in business incubators located in the city of Kalmar, Sweden and Riga, Latvia, thus cannot claim to show a widespread tendency within the two countries. The start-up companies interviewed are not chosen and classified according to specific industries or products/services. Furthermore, the in-depth interviews be limited to the business incubates, thus the management’s input of the business incubators shall be disregarded.
1.6 Disposition

Here are listed the main parts of the research paper, including a short summary of its contents.

**Introduction**
This chapter introduces the subject area and the relevance of studying it. The research questions and purpose of the study are presented, followed by the limitations and outline of the thesis.

**Literature review and conceptual framework**
The chapter presents the previous research on the chosen topics. Its subchapters give an extensive overview of the CSR definition, conservative and liberal views of CSR, its historic development as well as contain a framework of CSR that is used for conceptualisation and analysis. Author also gives a brief insight into the literature of socially responsible entrepreneurship and business incubator environment.

**Methodology**
This chapter introduces the structure and methods of the research conducted, and presents motivations for the choices made regarding the methods of this study.

**Empirical Findings**
The interviewees are introduced and a short overview of the concept of the company and creation of their business idea is presented. Empirical findings of the qualitative research are presented in a comparative form and classified according to the conceptual framework.

**Analysis and interpretations of results**
Here the author presents analysis, in which the empirical findings are interpreted in connection to the theoretical framework as well as the theoretical and managerial implications are discussed. Furthermore, the similarities and differences which have appeared during the course of this study are compared.

**Conclusions and recommendations**
In this chapter author sums up the theoretical and managerial implications that have been discussed in the analysis and the answer to the research issues is presented. Practical recommendations are given, theoretical contributions are provided and suggestions for further research are made.
2 Literature review and conceptual framework

This chapter presents the theoretical foundation for the research, gives detailed insight in the main concepts such as corporate social responsibility, socially responsible entrepreneurship and business incubators, and introduces a conceptual framework that is further used in the empirical research and analysis.

2.1 The concept of corporate social responsibility

Few subjects in management arouse as much controversy as corporate social responsibility (Crane et al., 2008) and there is still no strong consensus on the one single definition and implications of CSR (McWilliams, Siegel and Wright, 2006). CSR has moved from simply an ideology to reality and represents an important dimension of contemporary business practices (Maon et al., 2008). Nevertheless, anyone hoping to look at the field of CSR and find clarity, consensus and cohesiveness is most likely to be disappointed; the area that CSR represents is broad and diverse, encompassing debates from many perspectives, disciplines and ideological positions (Crane et al., 2008). The authors further outline the main disciplines and sources CSR studies can find its roots, such as strategy, marketing, accounting, law, economics, political science, sociology, geography, history and many more which are the main cause for such a large diversity in theoretical perspectives, conceptual approaches and makes it extremely hard to find consensus around one core concept.

Furthermore, McWilliams, Siegel and Wright (2006) emphasize the definitional issues such as that CSR has often been used as a synonym for business ethics, defined as a synonym to corporate philanthropy, considered strictly as relating to environmental policy and also been confused with corporate social performance or corporate citizenship. The authors highlight that the lack of consistency and a general definition leads to confusion, but also hinders academic debate and corporate implementation. This makes it harder for companies to create effective and efficient CSR programs (McWilliams, Siegel and Wright, 2006). What is more, the different ways companies are likely to view CSR through the prism of their line of business makes it difficult for researchers to find the definition from the real business practices. Kakabadse et al. (2005) note that in practice CSR becomes extremely contextual and sensitive to the organizational, environmental and individual specificities of a company. This makes CSR a very rich concept, however extremely complex and difficult to define.
However, it does not mean that there have not been many attempts to find the most suitable definition. Despite the fact that corporate social responsibility seems to be only quite recently debated by the business executives and academia, it is possible to trace for centuries evidence of the business community’s concern for society long before any definitions emerged (Carroll, 2008). The first to articulate the concept of CSR is considered to be Bowen (1953:6) who described CSR as “[…] the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. Interestingly, Carroll (2008) points out that around the time when Bowen presented his definition, it was mostly talked about a notion “social responsibility” (SR) and the business dimension, thus the abbreviation “CSR”, emerged only later.

A very widely stated concept by Windsor (2006:93) defines CSR as “any concept concerning how managers should handle public policy and social issues”. While some authors see CSR as a “discretionary spending in furtherance of an explicit measurable social objective consistent with relevant social norms and laws” (Dunfee, 2008:349), Scherer and Palazzo (2008:414) consider it as “an additional political responsibility to contribute to the development and proper working of global governance”. On the whole, it can be assumed that CSR, broadly construed, includes the concepts, ideals, attitudes and practices of companies that demonstrate ethical concern with the well-being of their stakeholders and the society (Kleinrichert et al., 2013).

Dahlsrud (2008) has probably been one on the authors to go the deepest in trying to find and compare various CSR definitions. He made a content analysis of a total of 37 different definitions of corporate social responsibility from different time periods and applied an emergent coding scheme to make analysis. The results Dahlsrud obtained were truly fascinating and help to grasp the essence of CSR within the diverse array of definitions. First, he concluded that all of the definitions were consistently referring to many of the same dimensions of CSR, namely: the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntariness dimension (Tab. 2.1).
The environmental dimension  
“a cleaner environment”  
“environmental stewardship”  
“environmental concerns in business operations”  

The social dimension  
“The relationship between business and society”  
“contribute to a better society”  
“integrate social concerns in their business operations”  
“consider the full scope of their impact on communities”  

The economic dimension  
“contribute to economic development”  
“preserving the profitability”  
“business operations”  

The stakeholder dimension  
“interaction with their stakeholders”  
“how organizations interact with their employees, suppliers, customers and communities”  
“treating the stakeholders of the firm”  

The voluntariness dimension  
“based on ethical values”  
“beyond legal obligations’”  
“voluntary”  

<table>
<thead>
<tr>
<th>Dimensions of CSR</th>
<th>The definition is coded to the dimension if it refers to</th>
<th>Example phrases</th>
</tr>
</thead>
<tbody>
<tr>
<td>The environmental dimension</td>
<td>The natural environment</td>
<td>“a cleaner environment” “environmental stewardship” “environmental concerns in business operations”</td>
</tr>
<tr>
<td>The social dimension</td>
<td>The relationship between business and society</td>
<td>“contribute to a better society” “integrate social concerns in their business operations” “consider the full scope of their impact on communities”</td>
</tr>
<tr>
<td>The economic dimension</td>
<td>Socio-economic or financial aspects, including describing CSR in terms of a business operation</td>
<td>“contribute to economic development” “preserving the profitability” “business operations”</td>
</tr>
<tr>
<td>The stakeholder dimension</td>
<td>Stakeholders or stakeholder groups</td>
<td>“interaction with their stakeholders” “how organizations interact with their employees, suppliers, customers and communities” “treating the stakeholders of the firm”</td>
</tr>
<tr>
<td>The voluntariness dimension</td>
<td>Actions not prescribed by law</td>
<td>“based on ethical values” “beyond legal obligations’” “voluntary”</td>
</tr>
</tbody>
</table>

Table 2.1: The five dimensions, how the coding scheme was applied and example phrases (Dahlsrud, 2008).

Second, by using frequency counts the results showed that four of the dimensions had ratios over 80% (the stakeholder dimension: 88%, the social dimension: 88%, the economic dimension: 86%, the voluntariness dimension: 80%), while environmental dimension scored 59%. This, as Dahlsrud suggests, could be due to the fact that the environmental dimension was not included in the early definitions, and this might have influenced current definitions to not include it either. Nevertheless, he notes that the environmental dimension in most cases is implicit and, if explained in more depth, is equally emphasized to the social dimension.

The variations of CSR definitions over the past 60 years are truly many, ranging from very broad and even philosophical to practical management statements. Table 2.2 summarizes only some of the academic definitions of corporate social responsibility.
<table>
<thead>
<tr>
<th>Author</th>
<th>Definition of CSR</th>
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<tbody>
<tr>
<td>Bowen (1953)</td>
<td>[CSR] refers to the obligations of businessmen to pursue those policies, to make</td>
</tr>
<tr>
<td></td>
<td>those decisions, or to follow those lines of action which are desirable in terms</td>
</tr>
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<td></td>
<td>of the objectives and values of our society.</td>
</tr>
<tr>
<td>Friedman (1962)</td>
<td>There is one and only one social responsibility of business – to use its resources</td>
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<tr>
<td></td>
<td>and engage in activities designed to increase its profits so long as it stays</td>
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<td></td>
<td>within the rules of the game, which is to say, engages in open and free</td>
</tr>
<tr>
<td></td>
<td>competition without deception or fraud.</td>
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<tr>
<td>Carroll (1979)</td>
<td>The social responsibility of business encompasses the economic, legal, ethical</td>
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<td></td>
<td>and discretionary expectations that society has of organizations at a given point</td>
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<tr>
<td></td>
<td>in time.</td>
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<td>Jones (1980)</td>
<td>CSR is defined as the notion that corporations have an obligation to constituent</td>
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<td></td>
<td>groups in society other than stockholders and beyond that prescribed by law or</td>
</tr>
<tr>
<td></td>
<td>union contract, indicating that a stake may go beyond mere ownership</td>
</tr>
<tr>
<td>Wood (1991)</td>
<td>The basic idea of corporate social responsibility is that business and society</td>
</tr>
<tr>
<td></td>
<td>are interwoven rather than distinct entities.</td>
</tr>
<tr>
<td>Hopkins (2003)</td>
<td>CSR is concerned with treating the stakeholders of the firm ethically or in a</td>
</tr>
<tr>
<td></td>
<td>responsible manner. ‘Ethically or Social responsible’ means treating stakeholders</td>
</tr>
<tr>
<td></td>
<td>in a manner deemed acceptable in civilized societies. Social includes economic</td>
</tr>
<tr>
<td></td>
<td>responsibility. Stakeholders exist both within a firm and outside. The wider</td>
</tr>
<tr>
<td></td>
<td>aim of social responsibility is to create higher and higher standards of living,</td>
</tr>
<tr>
<td></td>
<td>while preserving the profitability of the corporation, for peoples both within</td>
</tr>
<tr>
<td></td>
<td>and outside the corporation.</td>
</tr>
<tr>
<td>Baker (2004)</td>
<td>CSR is about how companies manage the business processes to produce an overall</td>
</tr>
<tr>
<td></td>
<td>positive impact on society.</td>
</tr>
</tbody>
</table>

**Table 2.2:** *Academic definitions of CSR* (Dahlsrud, 2008; Kakabadse et al., 2005).

In contrast, Table 2.3 represents the definitions and interpretations put forward by various organizations or companies themselves. As Kakabadse *et al.* (2005) have also concluded, these definitions usually are more practical and managerial, take a more business-oriented approach and are frequently related to the concept of sustainability.
<table>
<thead>
<tr>
<th>Source</th>
<th>Definition of CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Business Council for Sustainable Development (WBCSD, 2015)</td>
<td>The continuing commitment by business to behave ethically and contribute to sustainable economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.</td>
</tr>
<tr>
<td>Organization for Economic Co-operation and Development (OECD, 2015)</td>
<td>Corporate Responsibility involves the ‘fit’ businesses develop with the societies in which they operate. [...] The function of business in society is to yield adequate returns to owners of capital by identifying and developing promising investment opportunities and, in the process, to provide jobs and to produce goods and services that consumers want to buy. However, corporate responsibility goes beyond this core function. Businesses are expected to obey the various laws which are applicable to them and often have to respond to societal expectations that are not written down as formal law.</td>
</tr>
<tr>
<td>United Nations Industrial Development Organization (UNIDO, 2015)</td>
<td>Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.</td>
</tr>
<tr>
<td>JSC “Latvenergo”, Latvia (Latvenergo, 2015)</td>
<td>CSR is a voluntary activity of enterprises to improve the public welfare and the environment in cooperation with its stakeholders.</td>
</tr>
<tr>
<td>LLC “Iecavnieks”, Latvia (Iecavnieks, 2015)</td>
<td>CSR (corporate social responsibility) is a voluntary business initiative that positively affects the public social conditions, national economy and the environment. It implies sustainability, care for your company’s future, future generations, whilst ensuring the consumer purchasing power and that resources are stored in an honest market.</td>
</tr>
<tr>
<td>JSC “Electrolux”, Sweden (Electrolux, 2015)</td>
<td>Developing a culture of high business ethics, being transparent and accountable for our actions and sharing in the concerns of the people around us.</td>
</tr>
</tbody>
</table>

**Table 2.3: Definitions of CSR- business and organization perspective** (Kakabadse et al., 2005; author’s own contribution).

To conclude, from the variety and definitions it can be generally agreed to the perspective suggested by Van Marrewijk (2003), which is that “one solution fits all – definition for CS(R) should be abandoned, accepting various and more specific
definitions matching the development, awareness and ambition levels of organizations” (Van Marrewijk, 2003:95). Instead, he suggests, “each company should choose – from the many opportunities – which concept and definition is the best option, matching the company’s aims and intentions and aligned with the company’s strategy, as a response to the circumstances in which it operates” (Van Marrewijk, 2003:96).

2.2 Conservative and liberal view of corporate social responsibility

The various arguments for and against CSR, the opinions what CSR can do and should do and the suggestions as to how the objectives may best be achieved all reflect fundamental ideological stances (Brejning, 2012). Following this statement, the author explains how CSR is generally divided into two main discourses: conservative and liberal; and it is possible to see resemblance with the political ideologies where proponents are split for and against state intervention in social issues, intervention in trade and business and wealth redistribution among the society. As Brejning (2012) defines, in the conservative CSR discourse, the idea of corporate social responsibility is fundamentally rejected. Companies already contribute to the society by creating wealth and jobs, their obligations are legal and economic and they are responsible only towards their shareholders or, in other words, “the business of business is business” (Friedman, 1979). CSR to them is antithetical to sound business practice and serves to dilute its focus on generating profits. One of the greatest supporters for this discourse, Milton Friedman, in 1970 wrote a much celebrated article for the New York Times Magazine called “The social responsibility of business is to increase its profits” whose title rather successfully sums up the main ideas presented in his paper (Friedman, 1970). These ideas imply that there ought to be clear boundaries between the business and social sphere or commercial sector and governmental sector. Even though Milton Friedman was a Nobel Prize laureate, the reality has proven that it is difficult for businesses to distance themselves so strictly from what happens in the society, thus his view has slowly eroded and some level of stakeholder importance (rather than only shareholder) as well as sustainability considerations are increasing parts in even the most reluctant management strategies.

This leads to the second, liberal approach, which considers CSR as a good thing as long as there remains a clear advantage for business when they engage with CSR. Known as the “business case for CSR”, the list of often quoted CSR benefits include strengthening a company’s brand; attracting best new staff; improving employee relations; building
trust between the business and its consumers; spurring innovation within the company; and achieving cost savings from energy efficiency measures (Brejning, 2012). This belief, following Brejning’s (2012) explanations, argues for the business benefits of companies who operate not only on focusing to satisfy their shareholders but also conducting their business in a way that takes into account a wider range of people and places with a “stake” in the company. Moreover, it can even include all those entities that maintain a “critical eye” on the corporate actors, such as non-governmental organizations (NGOs), researchers, policy makers, media, consumers, and public opinion (Boomann-Larsen and Wiggen, 2004). As a matter of fact, the concept of stakeholders is often considered to be central to CSR (Maon et al., 2008).

2.3 Historic phases of corporate social responsibility

As already noted earlier, the concept of corporate social responsibility still remains rather broad, is understood from different perspectives and there is not a single definition of CSR agreed upon by the academia despite its long presence in the business environment. Observing the different viewpoints of the conservative and liberal supporters of CSR it becomes clear that the way corporate social responsibility is perceived has a lot do with what is understood by the responsibilities of businesses. Understanding of what businesses can do and should do according to Brejning (2012) has undoubtedly changed largely over the years and could be one of the main reasons for modifications of the CSR concept. This being said, when looking back to the business history in general, it becomes clear that people have always held some concept of responsibility owed by business management to society (Hay and Gray, 1974). To understand how exactly CSR concept has changed over the years and how it has found its way in today’s business environment, Robert Hay and Ed Gray (1974) have provided a model to follow the historical evolution of the CSR concept by moving through three distinct phases (Figure 2.1) with a later contribution from Choi and Gray (2008) to the last ongoing phase of Quality-of-Life in order ensure its relevance in the modern business environment.
Phase I – Profit Maximization Management

The first phase concept was based on the idea that business managers have only one single objective, that is, to maximize profits while staying within the legal framework (Hay and Gray, 1974). This way of thinking can well be seen in the publications of such authors as previously mentioned Milton Friedman as well as Adam Smith’s *Wealth of Nations* (Smith, Cannan and Lerner, 1937). In fact, Smith believed that businessmen who would only act in their selfish interests while abiding the law would be guided by the “invisible hand”, i.e. competitive marketplace, thus creating the greatest wealth for the society.

This view was widely accepted throughout the 19th century and the early decades of the 20th century and reasons for this mind-set were not only economic but also reflected the general goals of the society (Hay and Gray, 1974). For instance, as explained by Hay and Gray (1974), in this period countries such as the United States of America were societies of economic scarcity and thus the primary national goals was to achieve maximum wealth and economic growth. In this process, labour conditions, environmental sustainability, ethics and minority poverty issues were given second priority and few questions were asked as long as companies could maximize their profit, which was seen as a sufficient contribution to the society (Hay and Gray, 1974).
Phase II – Trusteeship Management

The second phase emerged around 1920s - 1930s and was a result of significant structural changes in both the business environment and the society (Hay and Gray, 1974). External pressures began demanding companies to include not only their shareholder interests but also the primary stakeholders such as customers, employees, suppliers, creditors and the community. The manager was began to be seen as a trustee for these various contributor groups rather than only acting as an agent of the owners of the company (Hay and Gray, 1974).

As Hay and Gray explain, the necessity for such a shift was caused by the development in the stock markets where the shares became increasingly diffused among many shareholders with very few options other than selling their shares if they were displeased by the company’s performance. On the other hand – as companies’ management is designed to follow the interests of the owners, i.e. shareholders, who, in this case have no real influence over management’s decisions, a question emerged: to whom is management responsible? This is the moment when the trusteeship concept became important to reinforce the notion that management is responsible to all of the contributors to the firm: stockholders, employees, customers, suppliers, creditors and the community (Hay and Gray, 1974).

Furthermore, Hay and Gray (1974) highlight that around the 1930s society divided into several autonomous or semi-autonomous groups among which the power was diffused and became pluralistic. This meant that these groups had increasing power over corporations that they could not simply ignore such as labour unions and governmental organizations. Managers were thus forced to reconcile and balance these interests.

Phase III – Quality-of-Life Management

The third phase emerged around 1970s and is what we can still see as the latest tendency of CSR implementation in the modern business practices. It suggests that companies are an integral part of the society and have responsibilities to solve their fundamental issues. Companies are expected to extend beyond their traditional task described in Phase I with both their managerial and financial resources and a responsible company in the Phase III is considered to be one that is deeply involved in solving society’s major problems (Hay and Gray, 1974).
According to Hay and Gray (1974) such a large shift has occurred mainly due to the alteration in society’s goals on national levels. By this they mean that countries whose main aims were to increase the standard of living up to the middle of the century eventually achieved this economic stability and affluence, meaning that the scarcity of basic goods and services was no longer a major issue. However, other societal problems had developed as a result of this economic success, such as pollution, consumer disregard, unacceptable labour conditions, and minority issues to mention only a few. Here the improvements of the overall quality of life not only economic aspect became crucial and, combined with the increasing influence of the major society groups, began to further encourage and pressure companies to go beyond the profit generation.

In the 1970s when the historic phase model was created, the third phase had just emerged on the horizon and marked a new shift in the way businesses are looked upon. However, as a significant period of time has passed since the last phase, a review of the concept of CSR with relevance to nowadays becomes crucial. As reviewed by Choi and Gray (2008), the current concept of CSR can still be considered as a part of the third phase. They add that from the 1990s the meaning of quality of life has further expanded to encompass business ethics, corporate governance, international social issues and broad environmental concerns.

According to Clement-Jones (2005), nowadays pressure groups with widespread popular support have had particular success in targeting companies that have broken no laws but rather have offended modern norms and standards, particularly with regard to human rights and employment practices. For instance, the use of sweatshop labour by Nike and Gap in Indonesia and Cambodia, the campaign against Nestlé’s marketing of powdered milk in developing countries and criticism of Shell’s disposal of the Brent Spar oil platform and conduct in Nigeria (Clement-Jones, 2005). These campaigns marked a sharp increase in expectations about the role of the company in society and declining faith in the power of national governments to tackle social and economic problems that spread across geopolitical borders (Clement-Jones, 2005). As he further notes, the perceived power and reach of multinationals make them appear a better target for pressure group campaigners than domestic politicians.

Summarizing the historic developments of corporate social responsibility, the previously stated notion that CSR is nothing new at a conceptual level is reinforced. Dahlsrud (2008) highlights that businesses have always had social, environmental and
economic impacts, been concerned with stakeholders and dealt with regulations which have been managed through established patterns developed over many years. However, Dahlsrud highlights that at an operational level, a lot has changed. “Due to globalization, the context in which business operates is changing at an increasingly rapid pace. New stakeholders and different national legislations are putting new expectations on business and altering how the social, environmental and economic impacts should be optimally balanced in decision making” (Dahlsrud, 2008:6).

2.4 Frameworks for understanding and determining CSR practices

2.4.1 Carroll’s pyramid of corporate social responsibility

Similarly to many other subjects, more thorough research into CSR reveals its countless dimensions and applications. Nevertheless, purely textual descriptions are not sufficient to give managers clear understanding of how to put their companies on the socially responsible track and to what extent are they already performing in such way. As Carroll (1991:40) has put it “for CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire range of business responsibilities are embraced”. Therefore, he has made a substantial contribution to the corporate social responsibility theory by proposing a four-part definition of CSR, where he distinguishes between four dimensions of corporate social responsibilities: economic, legal, ethical and discretionary (Figure 2.2).

![Figure 2.2: The Pyramid of Corporate Social Responsibility (Carroll, 1991).](image_url)
Economic Responsibilities

The first and most basic responsibility of a company is to make profit and be financially viable. It becomes apparent from the previously discussed historic phase I and the views of Morgan Friedman and other authors, that to a large extent the profit incentive has been the main driver and responsibility of business. Examples mentioned by Jamali and Mirshak (2006) include providing a return on investment to shareholders, creating jobs and fair pay for workers, creating jobs and fair pay for workers, promoting technological advancement and creating new products and services that the society needs. Carroll (1991) emphasizes that all other business responsibilities can only be fulfilled upon achieving the economic responsibilities because without those the others become mere considerations.

Legal Responsibilities

All companies are bound to obey to the legal framework of the local governments and institutions, meaning that their economic mission can only reach as far as the legislation has set its boundaries. Carroll calls these legal responsibilities “codified ethics” which have been set by the society for companies to fulfil the “social contract” and in their essence encompass basic ideas of what is considered as fair business. Even though according to the layout of Carroll’s pyramid the legal component comes second to the economic responsibilities, in reality he notes that they both coexist as the fundamental principles of the free enterprise system. Thus, these both responsibilities were the basic requirements in the Phase I – Profit Maximization stage developed by Hay and Gray (1974).

<table>
<thead>
<tr>
<th>Economic Responsibilities</th>
<th>Legal Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>To perform in a manner consistent with maximizing earnings per share.</td>
<td>To perform in a manner consistent with the expectations of the government and law.</td>
</tr>
<tr>
<td>To be committed to being as profitable as possible.</td>
<td>To comply with the various federal, state and local regulations.</td>
</tr>
<tr>
<td>To maintain a strong competitive position.</td>
<td>To be a law-abiding corporate citizen.</td>
</tr>
<tr>
<td>To maintain a high-level of operating efficiency.</td>
<td>To be defined as a firm that fulfils its legal obligations.</td>
</tr>
<tr>
<td>To be successful and defined as consistently profitable.</td>
<td>To provide goods and services that meet the minimal legal requirements.</td>
</tr>
</tbody>
</table>

Table 2.4: Economic and Legal Responsibilities of CSR (Carroll, 1991).
**Ethical Responsibilities**

Ethical responsibilities essentially are “activities that are not necessarily codified into law, but nevertheless are expected of business by societal members such as respecting people, avoiding social harm and preventing social injury” (Jamali and Mirshak, 2006:246). Carroll (1991) explains that the ethical values are the driving force of the establishment of law because they are the driving force behind any legislative creation thus is constantly in a dynamic interplay with the legal dimension, constantly pushing it to expand. As an example he mentions that the environmental, civil rights and consumer movements reflect the basic changes in societal values and thus in many cases result in the law amendments. This can also be linked to the second phase of the historic development of CSR (trusteeship management), where companies gradually became more concerned with the justice and rights issues not presented by the law.

**Philanthropic Responsibilities**

If fulfilling economic and legal responsibilities are required for businesses to exist and ethical ones are socially expected, then the philanthropic dimension could be considered socially desired and determines company’s own judgment in terms of deciding on specific activities or philanthropic contributions aimed at giving back to the society (Jamali and Mirshak, 2006). Carroll (1991) distinguishes between philanthropic and ethical responsibilities by saying that the former are not expected in a moral or ethical sense and are rather discretionary and voluntary; even though some societal expectations always exist in this dimension as well, companies will not be considered unethical if they do not fulfil them. Examples Carroll mentions are business contributions of financial resources or time, contributions to the arts, education or community. Nevertheless, Jamali and Mirshak (2006:247) call this as “the most controversial of all since its limits are broad and implications could conflict with the economic and profit-making orientation of business firms”. In fact, in their empirical findings of several Lebanese companies, Jamali and Mirshak (2006) discovered that for most of the companies the philanthropic dimension defined the whole concept of CSR, and, when asked about the ways CSR is performed in their companies, all constantly referred to the philanthropic dimension without mentioning the importance of ethical conduct, legal compliance or economic viability. Yet, authors firmly believe that, even
though valuable, voluntary community contributions comprise only a small part of social impact: everyday activities of businesses have much more profound effect.

When linked with the historic development of CSR, it is evident that the philanthropic responsibilities represent the latest (phase III: quality-of-life) and current trends in CSR, which could explain why by many managers specifically this dimension is associated with the whole concept of CSR.

Table 2.5 summarizes the main ethical and philanthropic responsibilities.

<table>
<thead>
<tr>
<th>Ethical Responsibilities</th>
<th>Philanthropic Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>To perform in a manner consistent with expectations of societal morals and ethical norms.</td>
<td>To perform in a manner consistent with the philanthropic and charitable expectations of society.</td>
</tr>
<tr>
<td>To recognize and respect new or evolving ethical/moral norms adopted by the society.</td>
<td>To assist the fine and performing arts.</td>
</tr>
<tr>
<td>To prevent ethical norms from being compromised in order to achieve corporate goals.</td>
<td>For managers and employees to participate in voluntary and charitable activities in their local communities.</td>
</tr>
<tr>
<td>To be defined as doing what is expected morally or ethically.</td>
<td>To provide assistance to private and public educational institutions.</td>
</tr>
<tr>
<td>To recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.</td>
<td>To assist voluntarily projects that enhance community’s “quality of life”.</td>
</tr>
</tbody>
</table>

Table 2.5: Ethical and Philanthropic Responsibilities of CSR (Carroll, 1991).

The criticism for this model however has been presented by such authors as Wood (1991), who states that while the model shows how to distinguish between the types of phenomena, it does not represent motivators for these or any fundamental truths. As an example she mentions that “within the economic domain, a business organization might act on a principle of self-interest, trying to maximize profits, or on a principle of mutual interest, trying to balance the firm's interests with those of stakeholders, or even on a principle of societal interest, seeking to maximize jobs, production, or some other state-determined goal” (Wood, 1991:695).

To summarize the framework, its main contribution, according to Carroll (1991), is that it presents distinct components of CSR that could help managers to see how the
different obligations and expectations constantly interact well as highlight the possible conflicts between “concern for profits” versus “concern for society” and develop a corresponding CSR strategy.

2.4.2 Wood’s corporate social performance model

Donna J. Wood’s 1991 model of corporate social performance (CSP) is important to note when trying to understand and determine CSR for a number of reasons. First, it goes beyond simply stating the different responsibilities as done by Carroll’s pyramid, but also “examines the degree to which principles of social responsibility motivate actions taken by the company, the degree to which the firm makes use of socially responsive processes, the existence and nature of policies and programs designed to manage the firm’s societal relationships, and the social impacts (i.e., observable outcomes) of the firm's actions, programs, and policies” (Wood, 1991:693). Here, the CSR principles are only the first step towards the full conceptualization. Second, it helps to correlate the three elements – principles, processes and outcomes – to understand results that can occur, such as “good outcomes from bad motives, bad outcomes from good motives, good motives but poor translation via processes, good process use but bad motives, and so on” (Wood, 1991:693).

<table>
<thead>
<tr>
<th>Principles of corporate social responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional principle: legitimacy</td>
</tr>
<tr>
<td>Organizational principle: public responsibility</td>
</tr>
<tr>
<td>Individual principle: managerial discretion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Processes of corporate social responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental assessment</td>
</tr>
<tr>
<td>Stakeholder management</td>
</tr>
<tr>
<td>Issues management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcomes of corporate behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social impacts</td>
</tr>
<tr>
<td>Social programs</td>
</tr>
<tr>
<td>Social policies</td>
</tr>
</tbody>
</table>

Table 2.6: The Corporate Social Performance Model (Wood, 1991).
Principles of corporate social responsibility

The author first considers the three principles that motivate company’s social responsibility actions, these being institutional, organizational and individual. In this context Wood relates back to Carroll’s four-part categorization of CSR mentioning the economic, legal, ethical and discretionary aspects, however going further into the different motivators for these.

By institutional principles or legitimacy is meant the responsibility of business as a social institution that must avoid abusing its power which it has been granted by the society. If in the long term a company would constantly use its power in ways which are unacceptable for the society, this power shall be lost. Another motivation could arise from the organizational perception of public responsibility that concern company’s primary and secondary areas of involvement with the society. This implies that “businesses are not responsible for solving all social problems. They are, however, responsible for solving problems that they have caused, and they are responsible for helping to solve problems and social issues related to their business operations and interests” (Wood, 1991:697). Finally, the main initiative could also arise from individual manager principles and their personal level or preferences of social responsibility. What is more, all of these aspects can interact and are not mutually exclusive.

Processes of corporate social responsiveness

According to Wood (1991), responsiveness contributes an action dimension, a "how to" component, that is needed to complement the normative and motivational concept of corporate social responsibility. Essentially it means monitoring the external environment in order to create strategies of adapting or changing it. In her article, Wood bases these processes on Ackerman’s (1975) characteristics of a responsive firm: a) it monitors and assesses environmental conditions, (b) it attends to the many stakeholder demands placed on it, and (c) it designs plans and policies to respond to changing conditions. All of these three are, however, very closely linked and directly impact one another.
Outcomes of corporate behaviour

As previously acknowledged by Wood, everything a firm does has some social impact and thus is relevant to corporate social performance. Clearly, the outcomes of corporate behaviour are of a direct interest for the society and links back to the institutional principles of the first part of the CSP model. In this perspective, conceptual model can be relevant to determine the explicit actions a firm does to manage its social impacts. These may include but are not limited to investment of resources in social programs to achieve specified ends as well as the establishment of social policy to institutionalize socially responsible motives and socially responsive processes (Wood, 1991).

Since their publication, empirical application for both Carroll’s (1991) and Wood’s (1991) models has been rather extensive and diverse. For example, Jamali and Mirshak (2006) have merged the two models as they consider them to be complementary and, in fact, look at Wood’s model as an extension to that of Carroll’s. Their purpose was to investigate the corporate social performance (CSP) of Lebanese companies that are considered to be socially responsible and active. From their findings the CSR application in those companies was called as “amateurish and sketchy” despite their good awareness and intention. The research also identified such pitfalls as “none of the companies interviewed have developed clear targets, rigorous metrics, and due diligence in their pursuit of CSR” (Jamali and Mirshak, 2006:260). This is only one of the many researches that have used one or both of these frameworks, however, gives an insight into the empirical application they are still able to be successfully used for, despite the fact that both of these models have been created more than two decades ago.

2.5 Socially Responsible Entrepreneurship

According to Muñoz and Dimov (2014), with the decision to create value by starting a new venture, there is no indication of what this value should be. When it comes to socially responsible or sustainable businesses, financial and time resources are generally considered to be the most important obstacles to making more progress towards this type of business orientation (Schick et al., 2002). That is why Choi and Gray (2008) note that typically entrepreneurs are not expected to concern themselves with CSR too much because of their limited resources and constrained potential for social impact. Despite this, many entrepreneurs have proven capable of reconciling the dual goals of social responsibility and wealth accumulation, therefore solving the dualism between
opportunistic business and altruistic charity (Muñoz and Dimov, 2014). The authors refer to Elkington’s (1997) triple bottom line notion, which sets the standard to identify a form of business value that delivers simultaneously economic, social and environmental benefits.

As stated by Muñoz and Dimov (2014:3), the entrepreneur (founder) is a main driving force behind the venture and perhaps one of the few factors present all along the venture’s development path. Choi and Gray (2008) mention various researches that have proved that conventional entrepreneurs start businesses for various honourable reasons such as desire for autonomy, financial betterment as well as dissatisfaction with the current position. Yet, Yuan et al. (2011) introduce a concept of “born CSR oriented” companies who, from their birth, have been heavily involved in CSR activities and seek to complement business operations with CSR practices. What is more, in many ways it makes more sense to implement these responsible and sustainable practices in new ventures, as the new businesses have not yet established an organizational culture and avoids conflicts commonly observed when adding CSR components only after core business practices have been established (Schick et al., 2002; Yuan et al., 2011). Authors suggest that by providing the entrepreneurs with opportunities and ideas to implement these practices, it could speed up the process of sustainable restructuring of industry and commerce.

With their research of 30 socially responsible companies of various sizes and industries, Choi and Gray (2008) have made a valuable contribution to the research of socially responsible entrepreneurship and the commonalities that can be observed in their business practices. Firstly, strong personal values and wish to make a difference is the main driver for such socially responsible entrepreneurs to start acting. They essentially “perceive the business enterprise as a vehicle for not only achieving their personal financial goals, but also for accommodating their strong social and environmental values” (Choi and Gray, 2008:345).

Second, capital and resource acquisition is one of the basic elements in any company’s growth which is an even more complicated and time-consuming activity for the entrepreneur. As Choi and Gray’s study (2008) showed, it can be even more challenging for socially responsible entrepreneurs, because they need to be especially selective about their sources of financing since traditionally-minded businessmen could threaten
their pursuit of non-financial objectives. Nevertheless, many of these companies managed to survive slow growth and financial difficulties partially because of their strong wish to make a difference and in the end were able to build more authentic and purposeful companies that are effective and resilient in the long run.

Third, as values are central to the creation of socially responsible enterprises, these entrepreneurs placed greater emphasis on the personal values than conventional businessmen when hiring employees in addition to their professional competencies. It helps to build coherent organizational cultures, survive the previously mentioned hardships as well as eventually supports the brand image (Choi and Gray, 2008). For many of the researched entrepreneurs, workplace provided an opportunity to create the kind of community they believe in. In addition many of them they try to communicate the values externally by promoting them alongside their products’ features and benefits.

To continue, minimization of the negative environmental and social impacts was one of the main considerations of the young entrepreneurs and it often included non-conventional and in some cases even aggressive steps to achieve that. Some of these were financially beneficial for the company itself, however, not in all cases. Yet, they all had evolved from a sense of duty or mission of the firm (Choi and Gray, 2008). It must be added that having these environmentally and socially sustainable practices was also an important success factor: it demonstrated how company was operationalizing its values, giving credibility to promotional messages and brand image as well as giving employees a chance to be proud of their work.

Discretionary or charitable giving is another important aspect for socially responsible entrepreneurs and their start-ups. As the research results of Choi and Gray (2008) indicates, donating part of their financial resources and time was not something that emerged in the process of their business, but an important preliminary goal. These included either financial donation as a percentage of their profits, establishment of their own social programs or supporting and mentoring other companies who are trying to achieve the same level of social responsibility

On the whole, if a firm is characterized by CSR core practices, this indicated that CSR co-determines organizational purpose, helps to unite the firm’s identity, and heavily influences the resource distribution across the organization (Yuan et al., 2011). This implies, as stated by Yuan et al. (2011), that if these practices are such fundamental to
the company, significant attention must be given to the coherence among the various CSR initiatives and the consistency between those and the core business activities. Lack of coherence is likely to reduce credibility of CSR activities and essentially serve as pure expense without adding any real value to the enterprise (Yuan et al., 2011).

To conclude, it should be added that socially responsible companies do not exist in vacuum. They must be financially viable in order to survive, thus need to be embedded in an enabling business context, i.e. where the commitment of solving social and environmental issues would give a competitive edge and long term prospects for the business (Muñoz and Dimov, 2014). In environments with absence of supporting social context, pursuing the above mentioned goals becomes extremely challenging. Still, slowly building sustainability acceptance and such initiatives as ISO 14001 certification, fair trade agreements or eco-labelled products can help these companies to obtain a competitive advantage, thus encouraging more such companies to emerge (Muñoz and Dimov, 2014).

2.6 Business Incubator Environment

As it is not the main focus of this research, author is not going to meticulously analyse definitional issues of business incubators and the many similar notions (such as “science parks”, “enterprise centres”, “innovation parks”, knowledge centres”, among others). Thus, a definition from Phan et al. (2005:166) will encompass all of those which respond to their criteria: “science parks and incubators are property-based organizations with identifiable administrative centres focused on the mission of business acceleration through knowledge agglomeration and resource sharing”. Aerts et al., (2007) describe incubator main activity being provision their tenant companies with several facilities, from office space and capital to management support and knowledge. They also provide social environment, technological and organizational resources, and managerial expertise for the transformation of a technology-based business idea into an efficient economic organization (Phan et al., 2005). This allows the entrepreneur to concentrate on the business plan and raises the overall success rate.

Promoting incubation and growth of small innovative firms is singled out in the EU2020 strategy, proposed by President Barroso, as one of the ways of creating value by basing growth on knowledge (European Commission, 2010). These, however, need to be easy to access and relevant to the needs of businesses. Aerts et al., (2007) have
studied the European incubator landscape and conclude that the sector in general is rather well developed, however, considering its power and impact, they need even higher control and strategy. Moreover, their criticism is aimed towards incubator tenant screening which should be improved as it is beneficial for both sides: the tenant failure rate would be lower for the incubators, while the entrepreneurs could be aware of different incubator clusters regarding screening practices (ibid).

According to the European BIC Network (European Commission, 2010), an independent organisation globally recognised for its expertise in incubation processes, three distinctive stages of business incubation can be observed:

Pre-incubation represents the primary activities necessary to support the potential entrepreneur in developing his business idea/model/plan and to increase the chances to result in an effective start-up creation. It usually implies a first assessment of the idea, training, and personal mentoring sessions necessary to put the client in the conditions to write a fully complete business plan. University-affiliated incubators are usually pre-incubators (ibid.).

Incubation provides support to the entrepreneur from the start-up to the expansion phase. Normally this is a mid-term process, lasting approximately for the first three years of activity of the newly established company, which is the time when it is safe to determine whether the new venture is successful and has a good chance to develop into a fully mature company. The assistance provided mostly is in the form of access to finance, direct coaching and mentoring services, as well as hosting services and specific training. Therefore physical incubation, although a very important service, represents only a subset of the overall incubation process (ibid.).

Post-incubation relates to the procedures important to be carried out when the company has reached its maturity phase, and therefore is ready to become independent. It is the time when, if it has been physically incubated, the company will leave the incubator. Different services might still be needed such as advice on how to increment its sales, improve its productive processes by using internationalization services as well as introducing innovation. Incubators who specifically position themselves as “post incubators” occasionally name themselves as “accelerators” (ibid.).
Finally, as managerial consultations are a very essential part of business incubation in every stage, it is important to acknowledge that “start-up business ventures are also affected by the advisers who work with them” (Schick et al., 2002:63). In fact, they state that “whether the new venture will work in a more sustainable manner could depend on how advisers assess and put forward ideas regarding more sustainable business practices” (Schick et al., 2002:63). According to their research, most advisers provided help in the form of discussions with the to-be entrepreneur to help developing the start-up concept, however, their belief towards ecological or social orientation was often “dangerous” as it provides “additional financial burden” that the newly established start-up could not handle. Having said this, Schick et al. (2002:64) conclude that “if advisers were prepared to make environmental issues a regular part of their start-up consulting services, more new businesses might adopt a proactive approach to sustainable business practices”.

2.7 Conceptual framework

As the theory has proved, there is a wide variety of ways to look at corporate social responsibility, therefore it is important to cover all the main areas when selecting the most comprehensive and suitable model.

The basis for the conceptual framework is Carroll’s pyramid of corporate social responsibility dimensions (Figure 2.2). It includes the most important aspects of CSR (economic, legal, ethical and philanthropic) and helps to determine whether there is a profound understanding of CSR beyond the superficial perceptions. Furthermore, the conceptual framework takes into consideration the unique aspects such as that these companies are run by their young entrepreneurs and that they are simultaneously engaged in a particular business incubator: both of which have the possibility to impact how CSR concept is understood. The synthesis of the theoretical concepts will assist a comprehensive and profound analysis of the empirical results and determine the understanding of CSR among the interviewed entrepreneurs.
**Figure 2.3:** Conceptual framework (author’s own contribution).
3 Methodology

*This chapter introduces the approaches and methods author has used in order to answer her research questions and fulfil the purpose of this report. It explains the research strategies used and choice of interviewees as well as gives an insight in how the theoretical framework was applied to develop a tool for the empirical study.*

3.1 Deductive approach

Gray (2004) outlines a general paradigm of enquiry that underpins the scientific approach, consisting of inductive discovery (induction) and deductive proof (deduction). Deduction begins with a universal view of a situation and works back to the particulars; in contrast, induction moves from fragmentary details to a connected view of a situation. The abductive approach is considered to be a mix of these two approaches and a process that starts from a set of accepted facts and is interpreted through a comprehensive hypothetical pattern.

Bryman and Bell (2011) note that deductive approach is the most common view of the relationship between theory and practice. The authors highlight that on the basis of what is known about a particular domain, researcher deduces a hypothesis (in this paper – research questions) which needs to be translated into researchable entities and specified how data can be collected in relation to the concepts that make up the hypothesis.

As the topicality of this research has emerged mainly from the biased theoretical field of CSR and its considerations by the understudied student start-ups, especially during their cooperation with business incubators, the approach is deductive, with guidance from the frameworks and concepts provided from the previous theoretical research and framework developed by Carroll (1991).

3.2 Qualitative research method

According to Jha (2008), when deciding upon the research method, the researcher must begin with the nature of the research question, followed by the accessibility of the data and whether the data are or are not quantified, according to the design of the study. In other words, the decision about what data to collect, as well as what to do with those data after they are collected, should be dictated by the research question (ibid).
Kumar (2014:132) describes quantitative studies as “specific, well-structured, have been tested for their validity and reliability and can be explicitly designed and recognized”. In contrast, according to Creswell (2013:44) “qualitative research begins with assumptions and the use of interpretive/theoretical frameworks that inform the study of research problems addressing the meaning individuals and groups describe to a social or human problem. To study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data in natural setting sensitive to the people and places under study, and data analysis that is both inductive and deductive and establishes patterns or themes. The final written report or presentation includes the voices of participants, the reflexivity of the researcher, a complex description and interpretation of the problem, and its contribution to the literature or a call for change”.

Kumar (2014) notes that the study designs in qualitative research are more appropriate for exploring the variation and diversity in a certain aspect, while in qualitative research attempts to see the extent of these variations or diversity.

Following these statements, author uses the qualitative study design. This helps to follow the research purpose of determining the student considerations of CSR as well as to answer the research questions of their understanding of corporate social responsibility and to make comparisons between Swedish and Latvian start-ups. Thus, the nature of research questions and purpose require individual approach in the form of in-depth interviews with the student start-up representatives and the open-ended questions give the opportunity to ensure rich and relevant data samples.

3.3 Type of data

As stated by Kumar (2014:171) “when you undertake a research study, in most situations, you need to collect the required information; however, sometimes, the information required is already available and need only be extracted”.

3.3.1 Secondary data

“A literature review means locating and summarizing the studies about a topic [which] may also include conceptual articles or opinion pieces that provide frameworks for thinking about topics” (Creswell, 2014:31). As the basis for secondary sources, significant number of up-to-date academic journal articles is used to ensure that the
information discussed and presented is valid and relevant to the existing issues in the research area. The main topics these academic sources cover are corporate social responsibility, socially responsible entrepreneurship and business incubators. The articles used date back up to 60 years in order to give a comprehensive understanding of the historical developments of CSR, nevertheless, recent articles from scientific journals are constantly used in order to ensure the relevance of the information presented.

Books concerning corporate social responsibility and socially responsible entrepreneurship assist in giving insight into the main concepts and trends in these subjects. A framework for classifying and describing CSR activities is obtained from the study of Carroll (1991), which has been found relevant for the particular research and will assist in classifying and clarifying the empirical results. The framework for understanding CSR presented by Wood (1991) is decided not to be used due to the fact that this model is more suitable for established companies with some years of experience. However, some of the student start-up companies were only in their initial stage of idea realisation which would complicate the data analysis.

3.3.2 Primary Data

The primary data obtained from the qualitative research design in the form of in-depth interviews which gives a comprehensive understanding of what CSR means to each of the respondents. The responses are further divided into the main responsibility dimensions according to Carroll’s (1991) pyramid of corporate social responsibility, in order to give clarity and structure to the interview results and allow making further comparisons and descriptions.

3.4 Research strategy

3.4.1 Semi-structured interviews

Creswell (2014:177) states that “when interviewing a respondent, a researcher has the freedom to decide the format and content of your questions, choose how to word them, decide how to ask them and in what order.” The process of asking questions can be either very flexible (unstructured interviews) or inflexible (structured interviews).

According to Creswell (2014), the main advantages of unstructured interviews is the complete freedom in terms of structure, contents, wording and order in a format that suits best for the particular situation. Also, he notes that it is possible to add questions, if
necessary, to clarify the subject and in general is useful in situations where the researcher wishes to dig deep into a certain phenomenon or issue.

In contrast, structured interviews are based on predetermined questions where the same words, in identical sequence are asked from a written list, which has been tested for standardised wording, meaning and interpretation (Creswell, 2014). Here, the prepared interview schedule also serves as a research tool, while interview itself is a method for data collection. Creswell (2014) states the main advantage of structured interviews is the uniformity of information which ensures the comparability of data later when performing the analysis.

The research uses semi-structured interviews with a prepared interview guide consisting of a list of main questions to be asked and designed to cover the CSR dimensions from Carroll’s pyramid of corporate social responsibility (1991), whilst allowing the interviewer to decide upon the sequence and additional questions during the interview. This allows to reconcile and systemize the data according to the chosen framework of determining and assessing CSR, whilst giving flexibility and possibility to derive hints and subtle information from responses and reactions of the interviewees, which would otherwise be lost if any other method was used.

3.4.2 Operationalization

According to Gray (2004), before a deductive experimentation can take place, underlying concepts must be operationalized (made measurable) in such a way that they can be observed to confirm that they have occurred; hence, measures and indicators are created. The author further notes that through the creation of operational indicators, there is a tendency to measure and collect data only on what can actually be observed; hence, subjective and intangible evidence is usually ruled out.

In total, 28 questions were prepared corresponding to the economic, legal, ethical and philanthropic responsibility dimensions or Carroll’s (1991) pyramid of corporate social responsibility, as well as introductory and additional question groups (Tab. 2.1). The information from the latter groups (introductory and additional questions, respectively) was grouped in the corresponding dimensions after the interview, depending on the response (see Appendix A and B).

Interviews were conducted and questions compiled in Latvian language for conversations with the Latvian student start-up companies and later translated in
English. English language was used when interviewing the Swedish entrepreneurs as the author is not able to communicate in Swedish. The interviews were recorded and the results presented in the empirical findings chapter.

<table>
<thead>
<tr>
<th>Concept or dimension</th>
<th>Responding questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Responsibilities</td>
<td>7-10</td>
<td>Help to determine respondent’s understanding of economic dimension as a foundation and significant part of CSR; see the role economic aspect has in their business concept.</td>
</tr>
<tr>
<td>Legal Responsibilities</td>
<td>11-13</td>
<td>Help to determine respondent’s understanding of legal dimension as a foundation and significant part of CSR; observe their views and level of compliance with the legislative bodies.</td>
</tr>
<tr>
<td>Ethical Responsibilities</td>
<td>14-18</td>
<td>Observe the ethical considerations of conducting business; the presence or absence of values and principles when conducting business as well as determine if respondents link this concept to socially responsible enterprises.</td>
</tr>
<tr>
<td>Philanthropic Responsibilities</td>
<td>19-22</td>
<td>Note if respondents support discretionary business activities, determine their level of willingness to participate in charitable or social programmes.</td>
</tr>
<tr>
<td>Overall CSR concept</td>
<td>23-25</td>
<td>Determine if respondents are familiar with the concept of CSR and learn what components they consider it encompasses.</td>
</tr>
<tr>
<td>Additional questions</td>
<td>1-6; 26-27</td>
<td>These questions provide information about the start-up and its incubator environment, as well as give supplementary information such as company’s vision, mission and general view on business, that help the researcher to get a sense of respondents’ mindset towards CSR and business in general.</td>
</tr>
</tbody>
</table>

Table 3.1: Operationalisation (author’s own contribution).

3.4.3 Company selection

The start-up companies were contacted via email after obtaining their contacts from the representatives of the Creative Business Incubator of Riga International School of Economics and Business Administration (Latvia), University “Turiba” (Latvia), Kalmar Science Park (Sweden) and Drivhuset (Sweden).
According to Patton (2002), purposive sampling is virtually synonymous with qualitative research as “qualitative inquiry typically focuses in depth on relatively small samples, even single cases (n = 1), selected purposefully” (Patton, 2002:169). It essentially means making a series of strategic choices about with whom, where and how to do your research. As Patton explains, “the logic and power of purposeful sampling lies in selecting in formation-rich cases for study in depth”, however, “not only are the techniques for sampling different, but the very logic of each approach is unique because the purpose of each strategy is different” (ibid). The author also defines several different strategies of purposeful sampling, such as extreme or deviant case sampling, typical case sampling, maximum variation sampling and many others. The choice of these depends on what the researcher wants to accomplish or know. One of the alternatives for purposeful sampling includes criterion sampling, which involves searching for cases or individuals who meet a certain criterion. Another alternative mentioned by Patton is the theoretical or operational construct sampling, which is specifically useful for researchers who are following a more deductive or theory testing approach as they would be interested in finding individuals or cases that embody theoretical constructs. The sample becomes, by definition, representative of the phenomenon of interest. As this could be considered a particular type of criterion sampling, it also illustrates the overlaps that can exist between these categories (e.g., theory-based sampling might also lead the researcher to look for particularly intense or extreme cases)”. Thus, for this research paper the combination of criterion sampling and theoretical sampling dimensions of purposeful sampling will be used to answer the research questions and fulfil the purpose of this paper.

The companies were not sampled according to a particular field of business, as author considered different backgrounds and stages would enrich the research. Moreover, there were no criteria or exclusion of potential start-up companies concerning their stage in the incubation process. For the purpose of this research, the sample includes companies of the young entrepreneurs which can be at their very early stage of development or reaching towards their expansion, i.e. “soon-to-exit”. The major criteria, however, was that the young entrepreneur or founder of the start-up company must be a university student or post-graduate for no more than 5 years and the entrepreneurs’ age should not exceed 30 years.
3.4.4 Company profiles

As previously mentioned, the incubated student start-ups both form Latvia and Sweden come from various incubators, span diverse industries and are in different stages of their business. The comprised sample, therefore, was the following:

### Latvia

<table>
<thead>
<tr>
<th>Representative</th>
<th>Company</th>
<th>Business Incubator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Krišjānis Zviedrāns</td>
<td>“SOMAA”</td>
<td>RISEBA Creative Business Incubator</td>
</tr>
<tr>
<td>2. Jānis Zelčš</td>
<td>PixartME</td>
<td>StartUp Academy, Business Incubator of Turiba</td>
</tr>
<tr>
<td>3. Matīss Šteins</td>
<td>AureaLana</td>
<td>RISEBA Creative Business Incubator</td>
</tr>
</tbody>
</table>

### Sweden

<table>
<thead>
<tr>
<th>Representative</th>
<th>Company</th>
<th>Business Incubator</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Andreas Ekblom</td>
<td>Kvadrat Fastighetsförmedling AB</td>
<td>Kalmar Science Park</td>
</tr>
<tr>
<td>5. Danny Dressler</td>
<td>LifeSymb</td>
<td>Drivhuset, Kalmar Science Park</td>
</tr>
<tr>
<td>6. Karin Linder</td>
<td>HORISAKI</td>
<td>Kalmar Science Park</td>
</tr>
</tbody>
</table>

**Table 3.2: Company profiles (author’s own contribution)**

3.5 Method of data analysis

“The goal of data analysis is making sense out of data” (Merriam, 2009:175). He further emphasizes that “data analysis is the process used to answer your research questions” and it is done through “moving back and forth between concrete bits of data and abstract concepts, between inductive and deductive reasoning, between description and interpretation” (Merriam, 2009:176).

As the purpose of this research is to describe student entrepreneurs’ understanding of CSR concept as well as to determine whether and how CSR is used in their business practices, the interview data is systemized according to the framework presented by Carroll (1991) in the literature review, which shows a pyramid of corporate social responsibility that consists of four distinctive yet interactive dimensions: economic, legal, ethical and philanthropic. As mentioned previously, the interview questions are intentionally designed to fit the answers in these categories, as well as to directly ask to present interviewees’ understanding of the CSR concepts. The additional tables, describing the four responsibility components also designed by Carroll (1991) and
presented in the literature review, were used to further clarify the classification of empirical data according to the framework. The author further compares the findings according to the country of origin of the companies to draw comparisons.

3.6 Quality of research

“All research is concerned with producing valid and reliable knowledge in an ethical manner” thus “ensuring validity and reliability in qualitative research involves conducting the investigation in an ethical manner” (Merriam, 2009:209).

3.6.1 Validity

Internal validity or credibility, according to Merrian (2009), deals with how the research findings have managed to capture the objective reality. The author continues that the interpretation factor plays a significant role due to this “validity must be assessed in terms of something other than reality itself” (Merriam, 2009:213).

Merrian (2009) uses some of the approaches provided by Creswell (2014) in order to improve the research validity, such as using rich descriptions to convey the findings, self-reflection to clarify researcher’s own bias as well as using peer debriefing: receiving comments and questions so that the study resonates with other people besides the researcher. Furthermore, external validity or transferability is defined as the extent to which the findings of one study can be applied to other situations and is generally considered to be a struggle for most quantitative researches (ibid).

The researcher of this paper tries to enhance transferability by doing a thorough job of describing the research context and the assumptions that were central to the research. If identical interview guide and framework would be applied to very similar companies, the result is likely to be similar, however, always slightly different according to a specific background of the interviewee.

3.6.2 Reliability

According to Kumar (2014) one of the main differences and disadvantages of qualitative research methods versus quantitative ones is the possibility of introducing researcher bias; because of flexibility and lack of control it is more difficult to check for researcher’s bias in qualitative studies. Moreover, Kumar notes that while quantitative
research provides enough detail about a study design for it to be replicated and verified, this is almost impossible in qualitative research due to the fact that significantly less attention is paid to study designs or other structural aspects. However, the author of this research paper paid a lot of attention to carefully systemizing the information according to the relevant categories and presenting an unbiased reflection of the interviews. Even though the full transcriptions are not to be found in the appendix, the recordings are available on request.

3.6.3 Ethical considerations

According to Merriam (2009) the two previous concepts - validity and reliability – largely depend on the ethics of the investigator.

Patton (2002:408-409) provides an “Ethical Issues Checklist” with items to be considered when engaging in qualitative research, which include but are not limited to: explaining the purpose of the inquiry and methods to be used, risk assessment; confidentiality; informed consent; data access and ownership, interviewer’s mental health and others.

The author fulfilled the following procedures prior to every interview to ensure the ethical conduct is strongly considered: (1) articulated the research purpose and objectives in written format prior to the meeting and verbally before the interview took place; (2) offered to provide anonymity, (3) ensured data confidentiality that might be harmful for the respondent; (4) gave respondents the possibility to access the data; (5) provided truthful analysis and interpretation of data.
4 Empirical findings

This chapter provides the empirical results of the research. It introduces each of the start-ups, their line of business and development stage, as well as the entrepreneur who contributed his/her views on the CSR concepts. It is followed by a comparative presentation based on the CSR considerations of the respondents within four CSR dimensions.

4.1 Entrepreneurs and their start-ups

4.1.1 “SOMAA Bags”, Latvia

The first start-up emerged as a response to the initiative of Riga International School of Economics and Business Administration Creative Business Incubator that offered grants for perspective student business ideas. At the time one of RISEBA’s students, Krišjānis Zviedrāns had considered an idea of making reversible tote bags from linen with original prints designed by Liene Mingailīte, student of the Latvian Academy of Arts. After winning the grant for the business idea, both students began to seriously develop this idea and make plans for production, design, web-page, places to sell and others. They fully joined the Creative Business Incubator October 2014 and since then have actively engaged in the design and production process development as well as participated in such events as Baltic Fashion &Textile RIGA 2015.

Currently all of the bags are made by the two entrepreneurs themselves in their private facilities, i.e. they do not have an office or a specific production place. Their main selling place is intended to be the international online marketplace www.etsy.com which provides a platform for creative entrepreneurs to sell their unique crafts, vintage items and other goods that cannot be found anywhere else. This website accommodates creative sellers ranging from hobby level to full-time businesses. This allows “SOMAA Bags” to become a born-global start-up, as it markets and sells its goods internationally from the very beginning. One of the owners, Krišjānis Zviedrāns, states that currently their main focus is on the Scandinavian customers, who expressed their interest during several exhibitions as well as their aesthetical preferences match well with the design of the bags. Sellers give the website a percentage of each bag sold, thus other operational aspects are flexible and depend on the individual capabilities of each marketer. Since 1 May, 2015 “SOMAA Bags” has entered the online marketplace as well as launched its website www.somaa.lv to better serve its potential customers.
4.1.2 “Pixart.Me”, Latvia

The creators of the second start-up launched their business idea as a part of the highly entrepreneurship-oriented bachelor’s programme of business management “StartUp Academy” in Turiba University, which also serves as the university’s business incubator. After several mentoring sessions and assignments, four of the fellow course mates decided to launch a business idea that would be an online-based art project. In the core of “Pixart.Me” is the concept of creating a digital painting which consists of thousands of pixels that can each be purchased for 2.00 EUR. Pixart has designed and integrated a Virtual CanvasTM system, that will eventually become one, solid painting of up to million artists. According to Jānis Zelčš, the creator and entrepreneur interviewed, it is aimed at giving people the chance to create a unified artwork that could both serve as a representation of friendship and solidarity of people across borders. Also, people have the opportunity to do good while expressing their creativity: 51 percent of their incomes shall be donated to a certain charity project or an organization that the company cooperates with and the buyer is able to select from any of these projects.

The project is currently at the pre-launch stage, the website is fully completed and working, however, the entrepreneurs still need to finalize contacting organizations that would wish to cooperate (current partners are “Labie darbi”, LLC SMS Credit, Ogres Rotary Klubs) as well as launch a marketing campaign on the social media in order to inform people about their website. The business development takes place within the facilities provided by Turiba University incubator where the entrepreneurs also receive other business support such as consulting.

4.1.3 “AureaLana”, Latvia

Matīss Šteins came up with his business idea during winter 2013. At this period Latvia has rather cold weather and people are in need for warm knitwear such as socks, hats, scarves and sweaters. Many people receive these things as a gift from their beloved grandmothers who often take up this hobby to spend their time and give joy to their loved ones. Sadly, a significant number of elderly people in Latvia do not have any children or grandchildren to whom such gifts could be useful and also live well below the average standard of living. That is why he decided to give these grandmothers a
chance to earn some extra money while customers could design customised hats and other knit handicrafts.

Matīss Šteins decided to seek support in his university’s (RISEBA) Creative Business Incubator to determine the perspective and best development strategy for his business idea. The company is not selling its products to the wider society yet and the owner is developing firm’s logo and contacting potential elderly workers who would be willing to participate. So far they are three; however, Matīss Šteins it not limited to Latvia – in fact, his vision is for this project to encompass elderly knitters from all over the world and thus provide cultural uniqueness to each of the products.

4.1.4 “Kvadrat Fastighetsförmedling”, Sweden

The start-up company which has been already running for 3 years found its beginning in Stockholm, Sweden, where both of its founders had just graduated from the Stockholm School of Economics and wished to pursue their own business. They established a real estate agency with a unique concept: by handling all their services via internet through a head office, customers (both buyers and sellers) incur significantly lower broker fees as the brokers do not show the apartments to the buyers themselves. However, all other services and administrative help that guide both parties through the purchase remain at the same quality level as for the traditional real estate agencies. As explained by Andreas Ekblom, one of the founders, when Kvadrat Fastighetsförmedling decided to move its head office to Kalmar, Sweden first, they required facilities and, second, had to get some local contacts and knowledge. Thus, they got in contact with Kalmar Science Park which provided facilities along with guidance in the local community businesses and finding potential customers.

Currently Kvadrat Fastighetsförmedling have their own head office in Kalmar with four employees as well as several brokers who are located in various cities around Sweden and the management usually communicates with them via internet or telephone. The company is planning to soon exit the incubator as it feels stable enough to manage its own operations.
4.1.5 “LifeSymb”, Sweden

The company was created as a sole trader by Danny Dressler and Prudhvi Raj Balasetty in May 2013 during their final year of master studies and registered as a stock company in September 2014. LifeSymb started with the simple idea to make personalised health care and fitness available for everybody. This is achieved through system GEORG that is a result of a scientific study by the entrepreneurs over a period of several years. GEORG can be considered as a new approach of digital health care and fitness with focus on active prevention, self-screening and self-monitoring. It is an innovative mobile health solution, intended to improve the autonomy of populations to manage their health and fitness more independently. In order to use GEORG, a Kinect™ camera and a computer is necessary and it can be done either at home, with a personal trainer, gym, medical advisor or a health institution that has the necessary equipment. Afterwards, the 3D device collects 3D coordinates and angles of a movement by using a rule-based approach. These rules are based on the findings of international experts such as the functional movement screen®. GEORG uses the screening results to automatically identify body’s weaknesses and their potential causes. Moreover, a few minutes after the screening the user gets individualised recommendations and tips on how to reduce risk of injury and improve health and fitness through various exercises and others.

LifeSymb currently is located within the facilities of Kalmar Science Park and uses their guidance in such areas as accounting and marketing.

4.1.6 “Horisaki”, Sweden

Horisaki is a family business established in 2014 by Karin Linder and her husband. After graduating from a millinery school in Gothenburg the woman found it difficult to find a full-time job in the hat-making business and was struggling to pursue her passion full time. That is why they decided to establish their own company that produces hand-made, exclusive design hats. The hats are made at their home in Rockneby, Sweden, a small village in the south. Horisaki employs two part time milliners but are planning to recruit two full time workers as the demand increases. Horisaki sells their hats to customers who are mostly specialised clothing shops and do very few personal orders. 95% of their customers are not from Sweden but come from Paris, New York, Japan, China, Germany, Russia, Taiwan and many others. The impressive international
contacts are obtained through a showroom in Paris where they attend two times per year - January and June – with a sample collection and sign contracts for the following six months of orders. The owner admits to have very little understanding of business as she has never studied the subjects; however, she emphasizes the significant support Kalmar Science Park gives through various mentoring sessions, seminars and private consultations on business matters. The owners “learn by doing” and are very careful to adjust the growth of their company to their capacity to manage it, as personal control over every aspect of business is highly important to Karin Linder. The company is extremely selective as to which clients they choose and feel lucky to be in a position where demand is much higher than supply, thus the buyers are more willing to take care of many business transactions on their part, such as shipping and others.

4.2 Research findings on CSR perceptions

4.2.1 Economic responsibilities

On the economic level, all of the companies recognise the financial viability as the key for company’s existence and also name it as one of the main goals that a company must achieve throughout its existence.

“Pixart.me” founder Jānis Zelēš mentions that obtaining funds to further expand his business ideas is the most important motivator for his company at this point because he feels it is impossible to have, for instance, a successful marketing campaign or further development with insufficient funding. He believes that the main responsibility that companies carry is towards the state of Latvia to enhance the business environment and living conditions in order to encourage people to stay. When asked about the impact from various social activities to the economic performance, Jānis Zelēš (Pixart.me) believes that it might give financial returns in terms of legitimizing company’s public relations and marketing activities. The economic success of a company is determined by the product or service it offers, how relevant and original it is.

The entrepreneur of “SOMAA Bags” holds similar views stating that “the purpose for any business is to offer something that is actually useful for the people”. Making profit is also mentioned as a very important aspect; however, the importance of good products and services is specifically highlighted. Moreover, for Krišjānis Zviedrāns creating a company seems like a good way to influence and change things that one finds
dissatisfactory within his community as well as surround oneself with people who hold similar views. Currently the company is struggling with efficiency and determining precise cost of materials which are mentioned as the main obstacle to successfully continuing its business.

Financial stability and the creation of a powerful brand image are the immediate goals for Matīss Šteins and AureaLana. Yet, he believes that success is primarily determined by the ability to provide quality products offering them to the right customers. Matīss Šteins (AureaLana) also points out the importance of companies “telling a story” rather simply selling their products; he believes that such approach creates a personal link with the customer. However, in order to truly convince people, it must be coherent with company’s activities and overall marketing strategy.

For Matīss Šteins (AureaLana) profit motivates only up to the point when it can generate maximum wealth and well-being to the elderly people. He is highly concerned to ensure fair pay that would be adequate to the work and materials invested. The entrepreneur predicts it to be challenging ensuring consistent and high-level efficiency as the handcrafters would be very diverse and difficult to monitor. Nevertheless, to some extent this is also part of his uniqueness and differentiates the company from industrial clothing.

The founder and manager of Kvadrat Fastighetsförmedling has rather ambitious goals for his company and wishes to achieve real estate market leadership in the following years. To achieve this, as one of the key elements he mentions very meticulous financial calculations and constantly increased efficiency that helps the company to create more value. As other key contributions companies have with their mere economic activity he mentions paying salaries and national development. Profit is an important factor, nevertheless, only one of many; others being the sense of creating something new, watching ideas grow, among others.. Andreas Ekblom (Kvadrat Fastighetsförmedling) believes he would be wealthier at the moment if he would have pursued a conventional career, however, the entrepreneurial drive and sense of accomplishment is what makes him continue.

Danny Dressler from LifeSymb notes that even though his company exists for two years already having provided a lot of screening sessions and helped many people, the company has not made any profit yet. Moreover, he states that company’s shareholders
are more focused and united by the idea and do not really care about how much shares
they currently have. In his view, financial success follows as soon as all other
components (product, team, operations) are in place. Surely, he does not deny the
fundamental importance of financial resources. Nevertheless, he sees liquidity not profit
as the main goal for a business and believes that if a company is able to generate
sufficient revenues to pay its costs and salaries to employees, it can be considered
successful. This way it is also able to provide good life and quality products without
being overly focused on growth which, in his mind, is not always necessary. LifeSymb
owner states that “it doesn’t make sense if one company makes so much profit that the
others cannot exist”. Yet, company’s economic success can be ensured by useful and
quality products, efficiency, teamwork as well as by being attractive as a company to
customers, investors and other stakeholders.

The financial and economic considerations for Karin Linder (Horisaki) and her family-
owned company are deeply rooted in the concern for the local community and family
life. As she states, one of the main goals for her is to provide herself and her husband a
full living with her business and not being forced to work any other jobs. The profit
comes as a secondary concern which is also proven by their strict selection of new
clients. She explains that Horisaki does not wish to have more than one store per city
that sells their products, except large metropolis such as New York. She considers the
brand identity to be more important than short-term profit, quick market penetration and
growth. Furthermore, Karin Linder also notes the dilemma that most companies have in
the high-cost countries such as Sweden, where local procurement and production
significantly increases company’s costs. Nevertheless, it is in her deep conviction and
business concept to give talented people from the region a chance to prove themselves
and she believes it helps to have a very high level of control over all aspects of her
business. She explicitly acknowledges willingness to pay significantly more for local
labour, services and materials that come from Rockneby or Småland region. The
efficiency is rather low as all of the products are meticulously hand-made and it takes
several days to make a single hat. Karin Linder admits that higher costs and slow
production might seem like a threat to company’s profitability, however, she feels lucky
to have customers willing to pay for their efforts to sustain Horisaki’s business concept.
For this reason she believes it is crucial to maintain the exclusivity, uniqueness and
quality of their products as well as a very personal approach in order to follow their
differentiation strategy and avoid cost cutting. The company is growing slowly, however, it helps the owners to adjust their business capabilities and avoid taking any loans from the bank. All profits earned are invested back into the company.

4.2.2 Legal responsibilities

Generally speaking, all start-up companies view the rule of law positively and respect the legal framework in which their company operates. The knowledge and concern of legislation varied according to the industry and the owners highlighted various aspects of law.

As the Pixart.me start-up project of Janis Zelčš is still at the pre-launch stage, he said to lack the real exposure to the legal online environment and is largely assisted by the mentors on this matter. This being said, on the company’s website they have meticulously noted down the Licence Agreement contract between the online user who would wish to purchase the pixels and the company owners, thus implying the acknowledgement and respect of legal forces in the online environment. On the whole, he finds the rule of law has a positive impact on businesses at times, however, making the life of small businesses and start-ups a bit complicated. Within the frames of legal conduct, he calls the search for favourable forms of business to incur the lowest taxes possible as “optimization” and argues that it is in every businessman’s interests and responsibilities towards his company to find the most profitable solutions while abiding the law.

Similarly the lack of knowledge and experience with legislation is acknowledged by the creator of SOMAA Bags and AureaLana. As they both are only about to release their products, this particular aspect has not yet been given much consideration. Both, however, note that with the launch of products on the web-platform, the legal issues (mainly taxation) will become more relevant. For example, Etsy.com provides legal guidelines and tips for its sellers including SOMAA Bags with regards to paying proper taxes from their incomes. In general, Krišjānis Zviedrāns sees legislation as a positive and natural regulatory force and paying taxes as one of the key elements for responsible business. He strongly believes that in many occasions it is people not legislation that complicate the business environment and the energy they waste trying to make different schemes to save on taxes could be spent on doing more useful things. As a young entrepreneurship, he highlights paying taxes as one of his main priorities because he
sees a strong link to the overall country’s development. Matīss Šteins (AureaLana) complements the legal considerations by stating equality and order as the main benefits that all the participants of the national economy should follow.

Kvadrat Fastighetsförmedling operates within the real estate industry and according to Andreas Ekblom it is one of the most controlled industries in Sweden having a separate governmental institution to observe the market. He states that it is rather positive, because real estate brokers deal with very important assets of their clients and are trusted on their competence and goodwill, thus it protects the clients and other businesses not to lower their credibility. Yet, he is concerned that the government might pass a law where current business model would be forbidden and brokers would have to be present at the moment of viewing the object. It is not very likely and they have not had any issues so far, however, it keeps the owners alert and motivated to constantly follow all the governmental decisions made. The legal compliance and issues are regularly discussed among both owners-entrepreneurs.

Danny Dressler from LifeSymb sees legislation as a tool to provide quality to the goods and services companies offer. In the medical industry it could be very dangerous if there was no necessity to comply with various strict regulations. He explains that as LifeSymb is now registered as a fitness application the environment is a lot less regulatory. However, the company is planning to become a health application by 2016, thus it will have to comply with many standards and regulations such as ISO, which he prefers to regard as challenges improvement rather than potential barriers.

Karin Linder from Horisaki says “I like paying tax. I know it sounds strange but I have a genuinely good feeling to participate in the system. Of course, we try to control as much as possible where our money actually goes but I feel a sense of fulfilling a mission that I have towards improving the society.” As one example she mentions having to pay for employees’ social security tax that almost doubles the cost for the employer, nevertheless, she does not hold it against the Swedish government and sees the link between the social benefits. What is more, she strongly believes that the large multinationals should be taxed and controlled more strictly and thinks that in many cases it is the big corporations responsible for the bankruptcy of small businesses and economic stagnation in rural areas. When asked about the legal aspects while dealing with their vast range of international customers, Karin Linder admits that it is an
extremely complicated process that still is very difficult and time consuming, especially without any previous knowledge in law but so far they receive help from the mentors of Kalmar Science Park as well as from their customers if necessary.

4.2.3 Ethical responsibilities

All interviewed young entrepreneurs stand of solid ethical grounds and are sincerely concerned about their companies representing their personal values and beliefs. Despite ethical dilemmas being different according to the line of business, all of the owners seem to prevent them with similar approach of empathy and intuition.

Jānis Zelčš (Pixart.me) sees the manager of a company as the main representative and communicator of company’s values and principles. As in Pixart.me there are four founders, they try to find the ethical balance through conversations and discussions. He sees the country and society in particular as very strong and important stakeholders whose interests and opinions should be held rather highly. He further says that the ethical principles should not deteriorate when doing business and maintaining humanity is the best way to act as morally correct as possible.

When asked about how are his ethical principles formed and how they guide his business, Krišjānis Zviedrāns (SOMAA Bags) states that he always tries to put himself within the society that could be affected by his actions. This allows him to be truly empathic and understand the trends as well as the issues that there exist, realizing that it is a two way interaction. As one of his ethical contributions Krišjānis Zviedrāns considers not using any chemicals which is a common practice when cleaning the silkscreen printing machine that is used to make the original designs. In his mind, it is an enormous mistake if people think that personal values or ethical concerns will slow down one’s business and he finds it hard to comprehend how people can extract their personal values from any business practice. For Krišjānis Zviedrāns, the basic ethical principles include being responsible and honest to what and how he does business as well as working for something he considers to be meaningful.

Sense of unfairness and identification of elderly people as neglected and mostly poor part of society is what initially encouraged Matīss Šteins to engage in this particular type of business and create AureaLana. Ensuring emotional and financial well-being of his employees is one of the main drivers that Matīss Šteins constantly refers to. He would determine the success of his business not so much on the sales figures as on the
difference the firm would be able to make in each employee’s lives. Moreover, constant and open communication ensures that nobody’s interests are abused and in such situation there is no need for written codes of conduct. Matīss Šteins believes that only a company behaving in an ethical way internally is able to project the same to the external market.

As observed by Andreas Ekblom, (Kvadrat Fastighetsförmedling) real estate brokers hold quite a bad reputation in the society which is why they are especially concerned with maintaining ethical credibility of their customers. Considering the fact that many brokers in Kvadrat Fastighetsförmedling are located far from the head office and communicate with them only via internet or phone, the company has developed strict standard operating principles for professional conduct to ensure that the brokers and marketers are performing in accordance with the law and with company’s ethical principles as well as give the high standard impression of the company. This, however, implies a high level of trust and reliance on the personal capabilities of employees that are assessed upon recruitment. However, the managers are available for discussions if any debatable situations arise. Adreas also thinks that normally there is a big difference in people’s behaviour within and outside the business environment, however, also notes that this is an aspect that they try to eliminate from their business culture.

LifeSymb founder and manager Danny Dressler acknowledges that the health sector is very sensitive because it implies handling a lot of personal information as well as giving advice that can significantly impact life of the individuals. Mostly he relies on his personal values and those of his employees to determine what ethically acceptable behaviour is. He believes that the selection process of employees is very important because it is key to give people freedom, however, it must be based on common goals and values so that they can further position the company as ethically responsible. However, to have credibility, the company must be honest: “If I’m saying I make people’s lives better while I am exploiting them somewhere else, I am not sticking to my values”. He acknowledges that the society has given the company a certain level of trust that it must use responsibly: “consumers should be able to assume that the company is taking care of all the small things within and around itself, so that the consumers can only focus on the product itself”.

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In the opinion of Danny Dressler, a company should openly state and communicate its values which will attract the right people, rather than simply comply by what is stated by everyone. He does not believe in a particular distinction between the personal values and business values and sees his start-up as a tool to improve empathy in the society as well as make his values come into being. As he briefly summarizes “several companies should still be able to live on the same planet”. Moreover, he thinks it is only positive that a society punishes companies who do not fulfil their responsibilities and behave unethically. In this regard more people should use this power to influence companies’ actions not only by verbally condemning them but by stopping to use their products.

The owner of Horisaki by no means distinguishes between her values in personal life and business. It is deeply rooted in her conviction to produce locally, always provide personal approach, give fair payment and serve as an example and encouragement to other companies to succeed. As it had been very difficult for Karin Linder to find work in her specialisation after graduating from milliner school, one of her principles was to employ people who have this particular education. She works on a very personal level with all her employees, suppliers and clients to ensure that none of these links contradict with Horisaki’s concept and beliefs. When negotiating with a new client, they always look at other brands the store is selling as well as such factors as store philosophy, branding, location and customer feedback. The company and Karin Linder personally are very sceptical about consumerism culture and try not to facilitate it through their business and personal behaviour. Interestingly, the owner stated that at the beginning many people expressed deep concern whether the company will be able to survive and grow by being “too responsible” and the entrepreneurs were encouraged to look for ways to cut costs by compromising on some of their principles. Yet, she feels that sticking to these values has made the company more solid.

4.2.4 Philanthropic responsibilities

The views on philanthropic responsibilities of companies are mostly dual for each of the respondents and also differ between them, however, strong patterns can be observed with regards to the purpose and motivators for such activities.

Pixart.me has decided to deeply incorporate the concept of charitable giving and philanthropy in their business from the very beginning by assigning 51% of their income to charity projects. Jānis Zelēš explained that it had been a priority for all of the
founders from the start and they “plan to pursue creating a socially responsible start-up after this project as well”. It gives himself and his colleagues an emotional satisfaction and, according to Jānis Zelčš, his company does not use it as a marketing tool, even though it is promoted on their webpage. Their choice of particular projects and organizations to a large extent is based on personal preferences and the members had chosen to tackle some vital human issues such as poverty reduction and health programmes rather than supporting sports or the fine arts. Despite that, he agrees that discretionary charitable spending is usually the luxury of well-established companies with extra profits; young companies need to have the financial security and savings in the first years of existence. He mentions that donations can also be a good way to apply for tax reductions whilst doing something good.

From the perspective of Krišjānis Zviedrāns (SOMAA Bags), for companies to engage in philanthropic activities should not be an obligation but more as a need within the organization. The selection of such activities should come from personal interest about the local issues, because only then a company can be sincere and honest. He believes company’s employees themselves benefit the most as it is an emotionally rewarding activity and gives people a chance to feel useful apart from their regular business tasks; he feels that in most cases this can even boost productivity. Krišjānis Zviedrāns acknowledges the marketing factor that many companies use in connection to philanthropic activities and does not see it as a negative aspect while it encourages others to join or comes from a sincere and personal wish to solve issues which otherwise would be abandoned. Yet, he believes that it is only worth donating if the activity has a long-term orientation and the company is certain that it will bring specific results for the community or environment, i.e. giving just for the activity itself or publicity is useless and eventually gets discovered by the society. As he states “company’s best marketing campaign is its work”.

AureaLana is not currently acting upon any philanthropic activities beyond its strong ethical concern about the elderly society population. Matīss Šteins believes that companies should choose to support causes which in some way relate to company’s competencies and values. Thus, the outcomes would be more relevant to the recipients and provide more benefits for the company in the form of marketing publicity. In his case, Matīss Šteins would actively participate in debates concerning pensions or retirement homes and use his products to raise awareness. It is his deep conviction that
most things that companies can do to show their concern of the community do not require large financial resources. If the company is able to show customers how philanthropy complements its core activities, the firm can encounter rise in its brand image and community support.

As Kvadrat Fastighetsförmedling does not physically visit the real estate objects they sell thus, the company economizes a lot on CO2 emissions and aims to become carbohydrate neutral or even negative: achieving that through planting trees and even further reducing the use of paper and other resources. Andreas Ekblom believes that it is positive if a company is able to link its business idea with something that ultimately benefits the whole society. This, however, varies largely from industry to industry and should not undermine company’s profitability. Andreas Ekblom also recognizes the marketing and attention seeking aspect of philanthropy which is inevitable in any profit oriented organization. Nevertheless, he believes that ultimately it has to be linked with company’s core values to achieve legitimacy. As an example he mentions energy corporation giants marketing an environmental campaign while extracting coal from other places in the world.

Danny Dressler (LifeSymb) finds personal values to be the main driver to go beyond company’s core business activities. Besides LifeSymb providing many free screening sessions, the company has integrated a point system in its software: whenever the client has health improvements from continuous use of the application, the person receives points that are later transferred to real money and donated to various non-governmental organizations. As some of his employees come from India, he believes it is important that each of them first look what can be done and what is necessary for their local communities before anything else. Hence, the help can be more focused and relevant. The founder of LifeSymb strongly believes that one of the best things companies can do is empowering people through their activities and pursuing the dreams of people who would not be able to act on their own. Nevertheless, Danny Dressler feels rather sceptical about companies engaging too much in the social activities that essentially should be performed by the governmental institutions. He believes that by paying high taxes companies should be able to expect a certain level of service from the local institutions and businesses can only provide the additional support needed. Danny Dressler also acknowledges the power of philanthropy as a marketing and public relations tool.
Karin Linder from Horisaki feels strongly connected with the life in the local community by employing local people, being responsible to the environment as well as by paying taxes. She believes that if a company is responsibly performing its main tasks there is not a crucial need for discretionary activities, especially for small businesses. Karin Linder’s opinion about the philanthropic actions of large companies is rather cynical and she thinks they mostly serve to distract people from the bad things these companies are actually doing or to benefit from marketing and tax benefits. She also believes that multinationals representing the consumerism culture, such as IKEA or H&M, are so powerful that they should primarily focus on not to hurting people (mentioning low-labour factories and taking over small manufacturers), and any charity projects should come only later. However, as long as there is a positive outcome for certain society members, she does not care what are the true reasons behind these activities. Karin Linder describes charitable giving as an egoistic activity that is essentially aimed and providing an emotional comfort for the giver, thus what marks the difference is the outcome – whether it enables somebody else to have a better life because of this activity, the rest is secondary. And yet, if an opportunity arises, Karin Linder is willing to step forward and donate her time and energy for additional activities. Her goal is to empower milliners and small businesses so she has become a board member of the milliner school in Gothenburg where she used to study and is planning to maintain a close connection. She believes that areas where help could be most useful can be best identified from personal experiences and often do not require many resources.

4.2.5 Overall understanding of CSR concept

Jānis Zelčš (Pixart.me) is not familiar with the definition of corporate social responsibility, however thinks it could mean being responsible towards the society and country you live in as well as being socially active. He believes that companies who engage in CSR have emotional benefits and could have financial gains in the form of improved company’s image and legitimizing marketing activities. The mentors from Turiba University’s StartUp Academy have not provided any particular information about the CSR concept and trends and the entrepreneur has not came across such information in any other sources as well.

Krišjānis Zviedrāns (SOMAA Bags) has not heard of the CSR concept, but tries to define it as “the set of values and ethical norms that corporations should fulfil”. He
thinks that the responsible mind-set mostly arises if the person has suffered from negative consequences himself. As the major benefit of social responsibility of companies Krišjānis Zviedrāns mentions safe and pleasant environment which he believes to be the fundament of successful well-being of both companies and individuals. He rhetorically refers to the disadvantages of CSR by asking if there are any disadvantages to being a good person; implying that such things are not a matter of economic scrutiny but rather ethical conviction. RISEBA business incubator has not provided with any information on CSR topics so far.

Matīss Šteins (AureaLana) had heard the full concept of CSR for the first time, but defines it as a company that willingly fulfils its legal obligations and goes beyond profit as its only motivator. Such companies have principles that exceed minimal requirements and with their activities contribute to creating a better business environment. He further adds that this behaviour eventually ends up benefiting the companies themselves. Matīss Šteins has not received any guidelines regarding CSR nor information of other organizations which could help him to support socially responsible business.

As the owner of Kvadrat Fastighetsförmedling, Andreas Ekblom, has a very solid economic and managerial background obtained at the Stockholm School of Economics and has had a whole course of CSR, he is well aware of the concept. For him it comprises the environment, employees and society whose interests businesses should always take into consideration. Andreas Ekblom suggests that Kalmar Science Park could be a good facilitator of CSR as they could build it into the start-up values and culture. So far, however, mentoring sessions about such subjects have not been offered, perhaps minor advice on a personal level.

Danny Dressler (LifeSymb) sees companies as the new decision makers and the most influential groups in today’s world. Governments are helpless without large multinational companies that earn large sums of money and their lobbyists exercise major impact on the decisions made on a state level. For him CSR means giving companies not only power but also the responsibility that comes along with it, as well as forcing businesses to think beyond economic profit and growth. Nevertheless, he states that it is always easy to put the blame on large corporations and very convenient to use the term “corporate responsibility” to refer to something that does not directly concern each individual. Instead he emphasizes the need for increased “personal social
responsibility” which would further lead to corporate social responsibility as companies comprise from a set of individuals. He also believes that the major benefit for CSR activities is for people within the organisation to identify themselves with the positive actions of the company and feel empowered. Danny Dressler has been searching for information regarding CSR because he believes that this aspect has already been given very much consideration and deeply rooted in his firm’s values. Nevertheless, he would support guidance for entrepreneurs or companies which are seeking to become more responsible. Kalmar Science Park at this point helps with the financial and product issues but he believes it would be a positive addition to include CSR to the incubator’s services.

Karin Linder (Horisaki) says to have no knowledge of most business terms including corporate social responsibility. However, for her it means treating everyone as she would like to be treated herself as well as doing her duties towards the state and community. She states that “we live our business; everything that you see here is as personal as it can get”. Karin Linder thinks that there can be no real disadvantages of CSR as long as these activities are somehow relevant to the company itself, thus in the long term will provide its benefits.

Karin Linder would appreciate if Kalmar Science Park had any seminars on CSR topic in order to see how these responsible behaviour patterns could be applied when further developing her business.

Tables 4.1 and 4.2 summarize the main points discussed with the respondents according to the theoretical framework presented in the literature review and discussed in operationalization of methodology.
### Company | Key Responsibility Perceptions
--- | ---
**Economic Responsibilities**
Pixart.me | Obtain funds to develop the business; improve the national business environment; provide with relevant and original products.
SOMAA Bags | Ensure products and services are useful to the society; enhance national business environment and society’s living conditions; have precise business estimations.
AureaLana | Financial stability; providing quality products to the right customers; establishing a strong brand; fair pay to employees and suppliers.
Kvadrat Fast. | Financial monitoring and maximum efficiency; creating value; contributing to employment and national welfare.
LifeSymb | Being liquid rather than profit or growth oriented; provide good quality of life to employees; coexisting with other businesses; relevant product.
Horisaki | Develop local community and contribute to national economy; make a living out of her specialization; provide quality rather than quantity.

**Legal Responsibilities**
Pixart.me | Legal compliance is mandatory; overall positive impact; can be difficult for small businesses; it is acceptable seek for “optimization” through legislation.
SOMAA Bags | Comply with the general legal requirements; pay taxes.
AureaLana | Comply with the general legal requirements; pay taxes.
Kvadrat Fast. | To have a profound and up-to-date legal knowledge; legal system positively regulates the industry players; provides equal rules.
LifeSymb | Legal compliance guarantees quality; legal system positively regulates the industry players; provides equal rules.
Horisaki | Legal compliance is mandatory; paying taxes is essential.

**Ethical Responsibilities**
Pixart.me | Company managers represent company’s values; discuss ethics and make decisions at personal meetings; always consider state and society’s interests.
SOMAA Bags | Empathize with the community; see the company as a part of a whole; sustain the environment.
AureaLana | Consider less-protected society groups; behave in a responsible manner within and outside of business; ensure fair pay and treatment.
Kvadrat Fast. | Treat customer assets responsibly; provide written code of conduct; ensure common values and principles through personal communication.
LifeSymb | Being discrete about client personal information; ensure common values and principles through personal communication; being consistent and have a responsible behaviour in all business aspects; not misuse society’s trust.
Horisaki | Put values higher than short-term profit; remain personal with business partners and employees.

**Philanthropic Responsibilities**
Pixart.me | Donate part of profits to charity; solve vitally important issues in the society; often is misused for tax and marketing benefits.
SOMAA Bags | Emotionally rewarding for the employees; marketing aspect can be positive and encourage others; philanthropy must me long-term oriented.
AureaLana | Activities should be in line with company’s values and competences; improves company image; do not require much financial resources.
Kvadrat Fast. | Combine company’s benefits with helping the society and environment; should be in line with company’s values; a good marketing tool.
LifeSymb | Personal values and issues should determine corporate philanthropy; empower individuals through corporate behaviour; not all issues are responsibility of businesses.
Horisaki | Being in close contact with the local community and its needs; charity is only the last step of being responsible; often is misused for tax and marketing reasons.

**Table 4.1:** Interview summary according to the pyramid of CSR (author’s own contribution).
<table>
<thead>
<tr>
<th>Company</th>
<th>Has heard of CSR concept</th>
<th>Personal definition given</th>
<th>Information from incubators about CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pixart.me</td>
<td>No</td>
<td>Being socially active and responsible towards the society and company the company operates.</td>
<td>No</td>
</tr>
<tr>
<td>SOMAA Bags</td>
<td>No</td>
<td>The set of values and ethical norms that corporations should fulfil.</td>
<td>No</td>
</tr>
<tr>
<td>Aurea Lana</td>
<td>No</td>
<td>Company that willingly fulfils its legal obligations and goes beyond profit as its only motivator.</td>
<td>No</td>
</tr>
<tr>
<td>Kvadrat Fast.</td>
<td>Yes</td>
<td>Environment, employees and society whose interests businesses should always take into consideration.</td>
<td>No</td>
</tr>
<tr>
<td>LifeSymb</td>
<td>Yes</td>
<td>CSR means giving companies not only power but also the responsibility that comes along with it, as well as forcing businesses to think beyond economic profit and growth.</td>
<td>No</td>
</tr>
<tr>
<td>Horisaki</td>
<td>No</td>
<td>CSR means treating everyone as one would like to be treated and fulfilling duties towards the state and community.</td>
<td>No</td>
</tr>
</tbody>
</table>

**Table 4.2:** *Interview summary of the CSR concept and definition* (author’s own contribution).
5 Analysis of research outcomes

5.1.1 Economic responsibilities

In many ways, start-ups represent a unique sample, specifically with regards to the economic responsibilities. This is because most of the incubated companies only anticipate making any profit, either currently being liquid or working with losses. Without a doubt, all of the interviewed companies are profit-driven and, similarly to the entrepreneurs of Pixart.me and SOMAA Bags, wish to collect funds to expand their business idea. The entrepreneurs see companies as the foundation on which the national wealth and prosperity lays and owners such as Krišjānis Zviedrāns and Danny Dressler are in accord with Carroll’s (1991) statement that one of the primary purposes for companies is to provide goods and services to the societal members. And yet, the discussion about companies’ economic responsibilities towards the state and society remain on a rather philosophical level because, in fact, only Horisaki and Kvadrat Fastighetsförmedling have actually sold their products, made profit and been taxed by the government, thus fulfilling this primary duty.

A certain deviation from Carroll’s statement of profit maximization in relation to the economic responsibilities can be observed in the empirical results. Whilst Andreas Ekblom’s start-up is still largely profit driven and bases its operations on very meticulous financial analysis and figures, some respondents had slightly different perceptions. For instance, Carroll’s (1991) economic responsibility of being as profitable as possible is to some extent challenged by Karin Linder and her company Horisaki, who has limited the number of customers and orders very significantly, thus consciously not using the full potential of market demand. Similarly, Danny Dressler continues offering free LifeSymb sessions for several society groups (e.g. students and elderly people) as well as offering free versions, despite beginning to be in a position where it could maximize some of its earnings.

For most of the entrepreneurs managing financial and economic performance is currently the weakest link in their business activities, which is why they have sought support from the specialists of the business incubators. Due to the fact that none of the start-ups have experienced more than 3 full business years, most of them have little idea what impact other business components statistically have on their financial
performance. While some of the start-ups such as Horisaki, LifeSymb, and Kvadrat Fastighetsförmedling already have quite significant capital investments, more web-based projects such as AureaLanam SOMAA Bags and Pixart.me carry less risk and are in an earlier stage of development. As these ventures are still rather entrepreneurial it is difficult to predict the market success, thus their survival in the long run. The economic vulnerability is important to be considered in the relation to Carroll’s pyramid, since the author often refers to it as the basis of all other responsibility dimensions without which all others become mere considerations. Such standpoint implies the vulnerability of all the following responsibilities that shall be further discussed.

5.1.2 Legal responsibilities

None of the young entrepreneurs challenge the importance of the legislative framework in which they are expected to operate. The requirements of Carroll’s pyramid of corporate social responsibility with regards to legal aspects (see Tab. 1.4) can be considered absolutely integrated in all of the start-up companies and they do not question the rule of law. For most of them law on a business level represents fairness and equality. Moreover, the young entrepreneurs show a general tendency to positively view even such aspects as tax payment, which the society often perceives rather unwillingly.

This being said, there is a different level of knowledge and legislative pressure for each of the start-up companies. As Andreas Ekblom is obliged to follow very strict governmental regulations to run his real estate agency business and needs to be aware of any possible changes, his level of knowledge in this area is very high. Likewise, the legal component is highly important when operating with health-related products and Danny Dressler states that the legal considerations in LifeSymb will significantly increase due to moving towards a more regulated (medical) sector. For such an international start-up as Horisaki, the legal issues are crucial for cross-border orders as well as taxing their incomes.

In contrast, much less understanding is shown by the young entrepreneurs who are either planning to sell online or have not yet encountered any real-life situations regarding this matter. Even though Pixart.me website displays an extensive Legal Agreement when a customer would want to make a purchase, Jānis Zelčš claimed not being very competent to comment on the legal impacts on companies yet. Similarly, as
the web-based store has a friendly selling policy, Krišjānis Zviedrāns has no knowledge above the basic legal requirements of his business. Nevertheless, these two young entrepreneurs along with Karin Linder expressed a deep feeling of mission towards the state and society when acting according to the law and stated their opinion very closely to Carroll’s notion that “a successful firm is defined as one that fulfils its legal obligations” (Carroll, 1991:40).

5.1.3 Ethical responsibilities

The empirical findings show that ethics and values are a crucial dimension that all of the young entrepreneurs consider and which define their various business models. The set of these values largely determines their organizational purpose, distinguishes the firm’s identity and significantly influences resource distribution across the company as previously mentioned by Yuan et al. (2011). The research strongly reinforces the role of young entrepreneur and his personality that is discussed in the chapter of socially responsible entrepreneurship.

To some extent it can be argued that for these incubated start-up companies ethical responsibilities stand on the bottom of the Carroll’s (1991) pyramid of CSR. Of course, financial performance and development is crucial for these companies to survive and will become increasingly important when they shall step out of the incubators. Nevertheless, it cannot be left unnoticed that, in fact, many of the economic decisions are made based on entrepreneur’s ethical principles and understanding of right or wrong, rather than mere financial calculations. As theory presented by Choi and Grey (2008) reflects, young entrepreneurs perceive their business as a vehicle to accomplish their social and environmental values rather than to achieve financial goals. Empirical examples of LifeSymb, AureaLana and Horisaki serve to show how people use their companies to improve the health of a wider society or empower rural or neglected workforce often leaving profits in the secondary position.

The theory (Carroll, 1991; Wood, 1991) claims that companies consider ethical dimension in relation to what values prevail in the society, try to identify them and conform accordingly. It implies following what is expected beyond the legal norms and trying to create an image (true or false) that the company is on the same ethical standard level. However, the empirical findings mostly contradict these statements, as the young entrepreneurs seek the ethical principles from within, not what the external society
believes is acceptable. In most cases it could be said that these start-ups overachieve society’s expectations of regular businesses (Pixart.me donating 51% of their incomes to charity; Horisaki employing expensive local labour force; LifeSymb providing free screening). Young Entrepreneurs are sometimes even discouraged by others to behave “too responsibly” as it could ruin their business, such as in the case of Horisaki described in the empirical findings. From Carroll’s (1991) ethical components young entrepreneurs consistently highlight the ethical points, which refer to their personal views about responsible business conduct, such as “preventing ethical norms from being compromised to achieve corporate goals” and “corporate integrity goes beyond compliance with laws and regulations” (Table 1.5).

The impact of ethical responsibilities was also reflected in the way young entrepreneurs selected their teams. Choi and Gray’s (2008) research already indicated that socially responsible entrepreneurs are more likely to follow intuition and common values rather than work experience when choosing people to develop their business. In the interviewee sample of this thesis, all deeply cared that their co-workers share similar personal values and company goals. People were also hired to empower the local community (Horisaki), selected by their age and social status (AureaLana), had the same educational or personal background (Pixart.me, Kvadrat Fastighetsförmedling) or were foreign students and post-graduates sharing similar passion (LifeSymb). What is more, the teams are largely empowered and trusted to behave in accordance with the common ethical principles on behalf of the company. Any doubts or questions are usually resolved verbally and the managers are always there to give their colleagues the necessary guidance. In a written form these values are mostly stated only in the mission or vision statements in company’s website (Pixart.me, LifeSymb), however, for companies like Kvadrat Fastighetsförmedling it is crucial to have a written manual including the main ethical guidelines for their brokers working far from the head office. Yet, Andreas Ekblom emphasizes the need for conversations to solve most issues as “every situation cannot be written in a manual”.

5.1.4 Philanthropic responsibilities

According to Carroll (1991), philanthropic responsibilities imply contributing company’s resources to the community and improving its quality of life. It is seen as the final gesture by companies to show that they are closely interrelated with the society
and are willing to contribute above of what is expected. As stated previously, the start-up companies representing empirical sample lack financial means that could be spent for extensive discretionary purposes. Yet, it does not mean these are absent from their entrepreneurial activities.

In a way, Carroll’s model implies that the philanthropic responsibilities are only legitimate and useful if all the previous ones are fulfilled successfully. It can be argued that several start-ups (Horisaki, SOMAA Bags, AureaLana LifeSymb, Kvadrat Fastighetsförmedling) first strive to be as responsible as possible in fulfilling their primary responsibilities. These companies seem to understand what Jamali and Mirshak (2006) found missing in their study of Lebanese companies: everyday activities of enterprises have much deeper social impact than their small discretionary contributions. Moreover, interviews indicate a prevailing general opinion that many large companies do not even comply with the basic responsibilities and use philanthropy to draw attention away from their condemnable behaviour. This could explain why philanthropy is often associated with public relations and marketing, and in many ways seen as a tool to speculate with the society’s perceptions of companies. Yet, all of the companies in one way or another try to communicate their philanthropic contributions that often are difficult to distinguish from the ethical ones. This shows that as any profit and even non-profit organisation, they need to maintain a dialogue through at some kind of marketing activities, whilst many also strongly believe that “company’s best marketing campaign is its work” (Krišjānis Zviedrāns). Honesty, consistency with core values and representation of real activities are the things that the young entrepreneurs mention as key for solving the issue between marketing and philanthropy.

Nonetheless, occasional scepticism does not imply that the respondents feel negatively about companies contributing to the society above their line of business. While young entrepreneurs believe that the main benefits come from minimising negative impacts from daily conventional operations, they expressed the willingness to participate solving local issues or otherwise voluntarily benefiting the society. Whilst some respondents expressed this in a mostly theoretical manner (Krišjānis Zviedrāns, Jānis Zelčš, Andreas Ekblom) others could give specific examples of such activities (Karin Linder, Danny Dressler). A highly personal approach was mentioned as the main guideline when determining in which voluntary activities to engage as well as gives further legitimacy when communicating these activities externally.
Even though Choi and Gray’s (2008) empirical findings state that for many socially responsible entrepreneurs philanthropy was a preliminary goal rather than something that emerged in the process, the case of Pixart.me can be considered rather risky. Donating 51% of its income to charity organizations from the very beginning points that the start-up can be considered born CSR oriented, however, it is a considerable engagement that will require economic success. According to Carroll’s (1991) pyramid, a very solid economic responsibility foundation will be crucial to support such an extensive philanthropic dimension.

Companies’ willingness to pay taxes implicitly indicates that young entrepreneurs expect certain outcomes from this activity and minimise the issues that businesses would be encouraged to solve apart from their regular activities. That being said, young entrepreneurs are well aware of the impact of companies in the decision making process and overall success of nations and acknowledge their mission to help within and beyond their business activity frame.

5.1.5 Overall understanding of CSR concept

Whether or not young entrepreneurs are familiar with the concept of corporate social responsibility is largely determined by their educational background. As CSR in many ways is still a managerial definition commonly used in the business, young entrepreneurs who have only recently commenced their studies (Jānis Zelčš) or have never had any academic business education (Karin Linder, Krišjānis Zviedrāns) proved this statement and had not heard of such concept before. Still, their explanations contain most of the dimensions of CSR that had been studied by Dahlsrud (2008) in relation to the various definitions of CSR (see Tab. 1.1). As noted earlier, the young entrepreneurs have strong ethical values, thus it is not surprising they often mention voluntariness and social dimensions. However, stakeholder and environmental dimensions are not neglected as well. Concerning the economic dimension, it is mentioned less regarding the CSR definition. Economic aspects of a company are mostly considered to belong to other, financial definitions and concepts. Exception is contributing to economic development of the community and state, which all respondents see as a part of CSR definition.

None of the respondents highlighted any major disadvantages of CSR and no belief that it could impede company’s development was observed. Instead, young entrepreneurs
can be considered to fit to Brejning’s (2012) liberal view of CSR and see it as an integral part of viable businesses. Young entrepreneurs recognise such CSR benefits previously stated by Beijing’s as strengthening company’s brand, attracting and maintaining good staff and achieving cost savings. Business concept for companies such as Horisaki and Lifesymb relates closely to the research discussed in literature review. To be precise, it reinforces Choi and Gray’s (2008) findings where many similar companies managed to overcome slow growth and financial losses initially caused by their socially responsible business model, finally helping the companies to be more resilient and solid in the long term.

With regards to information about CSR only Andreas Ekblom from Kvadrat Fastighetsförmedling would know where to seek for additional information on CSR. Business incubators both in Latvia and Sweden provide largely financial assistance. This reinforces the concern raised by Schick et al. (2002) who state that most incubator mentors largely focus on financial help and view CSR activities as potentially dangerous. Yet, the young entrepreneurs agree to Schick et al. (2002) perspective that proactive mentors could help to raise interest and implement CSR practices in the new ventures.
6 Conclusions and recommendations

This chapter presents the main points that have arisen from the research and aims to achieve the research purpose through answering the questions under study. It contains author’s reflections on the empirical results in relation to the theoretical background. The main points reflect patterns, tendencies and implications that summarize the research and are critically reviewed by the author. Furthermore, this chapter suggests solutions to eliminate shortcomings and make further improvements in the field as well as identifies areas for future research.

6.1 Conclusions

Conclusions are made primarily in connection to the research purpose to describe young entrepreneurs’ understanding and use of CSR concepts while being engaged in business incubators by answering the following research questions:

1. How do incubated young entrepreneurs perceive the concept of corporate social responsibility?

The knowledge of the definition “corporate social responsibility” can be considered as average while it can be said that young entrepreneurs are well aware of the various responsibility dimensions that CSR comprises. As interview questions were posed in relation to all CSR the respondents were most likely able to formulate a more comprehensive definition of CSR than if they would have been asked to define it directly.

It can be concluded that generally young entrepreneurs perceive corporate social responsibility as an integral part of their businesses, with a specific emphasis on ethical responsibilities of companies. Such perceptions could be explained by the fact that during the early stage entrepreneurs view their companies as part of themselves, thus applying the same values and principles to business as personal life.

On the whole, operating within the legal framework is considered imperative and is seen as an essential aspect of social responsibility towards companies’ influential stakeholders – the state and society.

Findings show that economic aspects are mostly associated with being successful and are not necessarily associated with being responsible. This being said, responsible
economic activity is considered as one where companies fulfil their duties towards the state and make moderate profit, rather than insatiable wish to expand and become large corporations. The author concludes that financial limitations are not considered as an obstacle to performing CSR and, in fact, are often seen in relation to cost-savings and productivity increase.

Proven both by theory and empirical findings is that corporate social responsibility can be perceived controversially, being associated with corporate hypocrisy and serving as a marketing tool with no real justification.

2. How are CSR elements incorporated or planned to be incorporated in their business practices?

On the whole, implementation of corporate social responsibility can be observed in each of the various CSR dimensions. In many cases young entrepreneurs do not realize they are performing in line with any special social responsibility theories but rather aim to satisfy their entrepreneurial and personal conscience. As young entrepreneurs are in a close contact with the community and environment, they are able to identify more relevant problem areas.

Lack of financial resources encourage the owners to be responsible in their main operational activities rather than through philanthropy. Findings show that CSR is incorporated within the fundamental business areas such as production, materials, salaries, logistics, distribution of income and others that reach beyond mere marketing goals. However, in some cases young entrepreneurs have uncritically adopted several philanthropic CSR activities by most likely having been influenced from the latest trends in media and business community. Misbalance between discretionary activities and business competitiveness can potentially threaten the survival of the new venture.

The type and strength of a certain CSR domain implemented depends on the industry the company operates. Highly regulated sectors demand higher legal responsibility while others show higher concern for community issues. Yet, the way how these issues will be tackled within the company are highly personal and depend on the individual background and knowledge of each young entrepreneur.
3. Are there differences in the perceptions and use of CSR between the start-ups of Latvian and Swedish entrepreneurs?

With regards to CSR perceptions no significant differences between the two countries’ young entrepreneurs could be observed. Emphasis on particular CSR domains is more likely determined by the industry, entrepreneurs’ background and incubation stage rather than the geographical location. The study sample indicates that the Swedish start-ups are currently more developed and fully operating, whilst Latvian young entrepreneurs are at the first stages of launching their business idea.

On the whole, incubated start-up companies lead by their owners are far ahead regular middle-sized firms with regards to CSR implementation and considerations. In most cases these start-ups are driven by very personal motives and approach without any CSR strategies, explicit calculations or other formal routines. This raises concern in the long run; as companies grow they run the risk to lose the initial informal and personal managing style and tend to become more formal, thus institutionalizing CSR becomes crucial to being able to pursue socially responsible business.

6.2 Contributions

This study has outlined various CSR perceptions and implementations among the incubated start-ups in Latvia and Sweden. As its main contribution to the academic research could be considered the focused study on newly established and incubates enterprises rather than large corporations. The qualitative research ensured diverse and rich findings within the key CSR dimensions.

Theoretical implications

By far the majority of research on CSR has been done from the perspective of medium-size or large corporations and their managerial decisions and activities regarding this matter. This research has aimed to contribute to the understudied entrepreneurial phase in company creation in relation to CSR, i.e. it provides an insight how the concept of CSR is perceived and implemented during the first years of the start-ups.

Firstly, this study has shown how young entrepreneurs have fully embraced the economic and legal aspects of CSR and presents various opinions and approaches as to how a responsible company should perform in these. Secondly, it uncovers the
importance of the ethical dimension and indicates that in most cases it is at the core of CSR perceptions and implementation by the young entrepreneurs. Furthermore, it reveals occasional scepticism as well as various approaches to philanthropy by the young company owners. As they do not possess any superfluous revenues they seek ways how to implement philanthropy despite their financial limitations.

The research represents progress towards uncovering the mindset of young entrepreneurs and the different meanings doing business has for them. The unique framework that adds entrepreneurship and business incubator aspects to the traditional CSR pyramid gives a focused perspective that can be further used to research similar start-ups in various countries, markets or incubators.

Lastly, the research provides results from two countries with a different economic situation and experience with working with CSR. Even though the national factor was not the main focus, it was implicitly present throughout the study as the particular entrepreneurs and their start-ups are embedded in the national context. While no particular differences were found, this research somewhat presents the two countries side by side (which has not been done often) and gives an opportunity to make individual conclusions as to which of the approaches could be more viable and responsible. Moreover, in the case of Latvia particularly, this research hopes to further facilitate the academic research and organization interest about CSR in general and young entrepreneurs in particular.

Managerial implications

From a managerial perspective, this research can serve as a guideline to gain a deeper understanding of the essential aspects of CSR and how they have been implemented by other entrepreneurs. Moreover, various institutions and organizations can determine the areas where newly established enterprises might require additional support and guidance as well as make certain conclusions as to what direction is the modern business developing.

This research hopes to firstly assist the young entrepreneurs themselves by giving them an opportunity to compare their start-up or business idea to companies that have already shown some success. The entrepreneurs can re-evaluate their business model, find new ideas and inspiration as well as uncover new dimensions of social responsibility.
Furthermore, as the paper concluded, CSR activities are present within the research sample, yet are based on very individual motivators and perceptions. Organizations such as business incubators should help young entrepreneurs institutionalize and formalize CSR activities within their ventures which would ensure that these activities do not diffuse when businesses develop.

From the findings of this study, universities, business incubators and other organizations which shape the mindset of new entrepreneurs are encouraged to provide specific information on the various responsibilities that companies carry. Moreover, it is recommended to be done with a pragmatic perspective on the shared benefits between the key players of the economy, rather than only emphasizing the emotional gains.

6.3 Suggestions for future research

To strengthen the empirical findings, a quantitative research with a larger sample would be necessary and could help to determine possible differences on a national level. In addition, the research could be extended to more countries in order to make further comparisons on a wider scale of CSR perceptions and implementation in, for instance, the European region. Furthermore, as the current research indicated some patterns with regards to specific industries and certain CSR dimensions, socially responsible behaviour could be studied in a particular industry. Moreover, it would be relevant to determine the factors that form individual values and impact CSR perceptions among young entrepreneurs with different backgrounds. It can also be important to research how to sustain enthusiastic and responsible initiatives, and help them to survive within an organization even during economically challenging times. Similarly, a more extensive research in the support programmes of business incubators and their implicit or explicit impact on entrepreneur social orientation would be useful to further facilitate socially responsible companies to emerge.
References

Interview participants


Books


**Articles**


[http://dx.doi.org/10.1787/entrepreneur_aag-2014-en](http://dx.doi.org/10.1787/entrepreneur_aag-2014-en)


Online resources


Appendices
Appendix A Interview guide in English

Introductory Questions

1. Company’s overall information, line of business?
2. In which incubation stage does your company currently operate (pre-incubation, incubation, post-incubation)?
3. What would you define as the vision and mission of your company?

General Responsibilities

4. In general, what do you think is the main purpose for companies to exist?
5. What could be the main responsibilities of a company?
6. Towards whom do you think companies carry these responsibilities?

Economic Responsibilities

7. Which could be the main factors determining the economic success of a business?
8. To what extent is profit a motivator in your company?
9. How do you ensure efficiency in your company?
10. What do see as the competitive advantages of your startup?

Legal Responsibilities

11. How do you perceive the influence of laws and legislation on your company and businesses in general: does mostly it have a positive limiting effect or is it too restrictive?
12. Have you even had any kind if issues with the legislative bodies?
13. What is your feeling about companies seeking legal “holes” in the legislation to circumvent the law and avoid a disadvantageous regulation?

Ethical Responsibilities

14. What kind of implicit principles are you guided by when conducting your business or developing your business idea?
15. How do you determine what is „right” or „wrong” when making decisions in your company that are not already regulated by law?
16. In your opinion, how should common values and ethical principles be set in a organization?
17. To what extent is there a difference in the values and behaviour between the business environment and personal life?
18. Do you have or would you consider having written ethical conduct guidelines for your employees? Explain your choice.

**Philanthropic Responsibilities**

19. To what extent and how (if any) should companies engage in the local community life?
20. Would your company consider taking part in solving a local issue in the community that is not directly linked with your line of business and profit gains, or is it the responsibility of local institutions?
21. If you believe companies should take part in any social activities, according to what criterion should companies choose which projects/programmes to support; should they be long term or project-based?
22. Do you believe that companies who engage in different social, charitable or environmental programmes gain any financial benefits or are they mostly emotional? Please elaborate on your answer.

**Additional Questions**

23. How do you understand the term „corporate social responsibility“?
24. In your opinion, which actions best would describe a company that follows CSR?
25. Which could be the main advantages and disadvantages for companies to engage in CSR?
26. Do you know where to seek information regarding CSR?
27. Has your business incubator provided you with any information on CSR?
Appendix B Interview guide in Latvian

Ievadājautājumi

1. Konkrētā uzņēmuma vispārējā informācija, darbības virziens?
2. Kurā inkubatora attīstības fāzē atrodas konkrēta uzņēmums (idejas, saistību, pamatprodukta)?
3. Kāds ir Jūsu uzņēmuma mērķis un vīzija?

Vispārējie pienākumi

4. Kāda, Jūsuprāt, ir uzņēmumu pastāvēšanas jēga?
5. Kādi ir uzņēmumu galvenie pienākumi?
6. Pret kādām interēsu grupām uzņēmumiem ir šie pienākumi?

Ekonomiskie pienākumi

7. Kuri Jūsuprāt ir galvenie faktori, kas nosaka uzņēmuma ekonomisko labklājību un panākumus?
8. Cik lielā mērā peļņa motivē Jūsu uzņēmuma darbību?
9. Kādā veidā Jūs mēģinat vai plānojat uzlabot efektivitāti Jūsu firmā?
10. Kas konkrēti Jūsu uzņēmumam nodrošina/ās konkurētspēju tirgū?

Legislātīvie pienākumi

11. Kā Jūs uztverat likumdošanas ietekmi uz Jūsu uzņēmumu un uzņēmumiem kopumā: vai tā vairāk palīdz vai pārāk ierobežo darbību?
12. Vai Jūsu uzņēmumam jebkād ir bijušas kādas problēmas vai domstarpības ar likumdošanu?
13. Kāds ir Jūsu viedoklis par uzņēmumiem, kuri mēģina legāli apiet vai izvairīties no šķietami neizdevīga likuma?

Ētiskie pienākumi

14. Pēc kādiem nerakstītiem principiem Jūs vadaties darbojoties savā uzņēmumā vai atīstot sav biznesa ideju?
15. Kā Jūs izvērtējat, kas ir „pareizi” vai „nepareizi” pieņemot lēmumus savā uzņēmumā vai domājot par tā izveidi?
16. Kurš, Jūsuprāt, uzņēmumā ir atbildīgs par kopēju vērtību uzstādīšanu un uzraudzību?
17. Cik lielā mērā mērķa cilvēciskās vērtības ir pielietojamas arī biznesa vidē?
18. Vai Jums ir (vai arī plānojat ieviest) kādas rakstītas norādes savām darbiniekiem, kurās ir izskaidrota uzņēmuma ētiskie principi? Kādēļ jā/nē?

Filantropskie pienkākumi

19. Kādā veidā (ja vispār) uzņēmumiem būtu jāiesaistās sabiedrības dzīvē ar darbībām, kas nav tieši saistītas ar uzņēmuma pamatnodarbošanos?
20. Vai Jūsu uzņēmums būtu gatavs iesaistīties kādas lokālas sabiedrības problēmas vai krīzes risināšanā, kas nav tieši saistīta ar uzņēmuma darbību (vai Jūs uzskatāt, ka tas ir valsts institūciju pienākums)?
21. Ja uzskatāt, ka uzņēmumam vajadzētu nodarboties ar kāda veida labdarību vai sociālo aktivitāti, pēc kādiem kritērijiem (ja vispār) uzņēmumam vajadzētu izvēlēties šos projektus, un vai tiem vajadzētu būt vienreizējiem vai ilglaicīgiem?
22. Vai uzskatāt, ka uzņēmums, kurš iesaistās dažādās atbalsta programmās (labdarība, dabas aizsardzība, darbinieku apstākļu uzlabošana un tml.) gūst kādu ekonomisku labumu? Lūdzu pamatojiet atbildi.

Papildjautājumi

23. Kā Jūs saprotat jēdzienu „koporatīvā sociālā atbildība”?
24. Kāds, Jūsuprāt, ir korporatīvi sociāls uzņēmums (ziedo labdarībai, rūpējas par dabu, rūpējas par darbiniekiem, ir sabiedriski aktīvs, utt.)?
25. Kādi, pēc Jūsu domām, varētu būt galvenie ieguvumi vai zaudējumi uzņēmumam, kas nodarbojas ar KSA?
26. Vai Jūs zināt, kur meklēt informāciju par KSA?
27. Vai Jūsu biznesa inkubators ir sniedzis jebkādu informāciju par KSA?