

**CSR and Competitiveness
European SMEs' Good Practice**

National Report Finland

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1 Introduction

About the project

Corporate Social Responsibility (CSR), generally understood as voluntary initiatives going beyond legislative requirements and contractual obligations ("responsible entrepreneurship"), is continuously gaining importance with regard to both, public and private discussion as well as its practical application in European enterprises. However, comparatively little is known about the engagement of Small and Medium-Sized Enterprises (SMEs)¹ in CSR activities as well as on the relationship between respective initiatives and the SMEs' competitiveness.

Against this background, the European Commission launched a call on *Mainstreaming Corporate Social Responsibility*² in 2005 to support the take-up of CSR among SMEs as a means to enhance their competitiveness. One of the projects funded by this programme (also see http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm) refers to the study "CSR and competitiveness – European SMEs good practice". This research is conducted by an international research team³ under the lead of the Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA) and focuses on analysing the essential linkage between the competitiveness of small and medium-sized enterprises (SMEs) and their CSR activities in seven European countries (Austria, Finland, Germany, Norway, Poland, Romania and Spain).

The document on hand constitutes the national report for Finland, providing an overview on the most important national, regional or local (semi-)public actors as well as their strategies dealing with CSR and the deployment of CSR in Finnish SMEs. With regard to the latter, five illustrative case studies of CSR activities at individual company level have been elaborated, pinpointing the possibilities of small and medium-sized enterprises to become involved in CSR as well as the potential effects of such initiatives. Next to being presented in this national report, the respective findings have also been included in a consolidated European report compiling the information gathered at national levels by the local experts into a cross-country analysis.

The roots of ethical and responsible business can be traced back to several decades in Finland also. For example, Unto Virtanen wrote already in 1959 about ethical issues in business activities. However, more profoundly it has been discussed since the 1980s. In the 1980s, the *business ethics* was the concept mostly applied. In the 1990s the concept of *corporal social responsibility* was applied beside the business ethics and currently has replaced it. In Finland, *environmental management* and CSR have had mutual connections, and currently they can even be considered to have been merged into one – *responsible business* (Kallio – Nurmi, 2005).

The Finnish pioneer report on CSR published by the Confederation of Finnish Industries (EK, at that time called as TT) in 2001 stated that "*responsible business means implementing sustainable development*". This linking of CSR to sustainable development was also present in a round of 30 interviews with different fields of Finnish society (private sector, public sector, non-governmental organisations and the labour market organisations) carried out in spring 2003.

¹ According to the European Commission, Small and Medium-Sized Enterprises (SMEs) are independent business entities with less than 250 employees, an annual turnover of up to € 50 million and/or a balance sheet total of up to € 43 million (see Commission Recommendation 2003/361/EC of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises).

² Specific Call for Proposals. Mainstreaming Corporate Social Responsibility (CSR) Among SMEs, Grant Programme 2005.

³ Next to the Austrian Institute for SME Research the following institutes are involved in the project: Small Business Institute, Turku School of Economics and Business Administration (Finland), Institut für Mittelstandsforschung Bonn (IfM Bonn, Germany), Instituto Vasco de Estudios e Investigación (IKEI, Spain), Agderforskning / Agder Research (ARF, Norway), Academy of Management "Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi" (Poland), Chamber of Commerce and Industry of Romania (CCIR, Romania)



The Finnish term “*yrittysten yhteiskuntavastuu*” (corporate social responsibility) has become a part of the vocabulary within the Finnish society. The interviewees emphasised that the philosophy of CSR promotes new ways of corporate communication: instead of one-sided announcements, firms engage in partnerships with their interest groups, which also means making use of their knowledge and expertise. (Heikinheimo, 2005)

The Confederation of Finnish Industries (EK) is also now very active in promoting CSR in Finland. They have now chosen the term *Corporate Responsibility* to be used. (Corporate responsibility - practises in Finnish Business 2006)

When examining the CSR activities of Finnish firms, the state's strong role in the Finnish society needs to be kept in mind. Unlike e.g. in the US, or in the developing countries, the Finnish state has taken care of citizens' social security, medical care, education, cultural activities, etc. Therefore, the Finnish welfare state has left only little room or need for the Finnish enterprises to be active except in their core business activities. (Heikinheimo, 2005) Ministry of Trade and Industry in one governmental body in Finland that is quite a lot promoting CSR. Also the Ministry of Labour is active in the issue.

In Finland at the moment European Union's understanding and definition on CSR are widely and commonly used (European Commission 2001):

“Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company's competitiveness. Going beyond basic legal obligations in the social area, for example, training, working conditions, management-employee relations, can also have a direct impact on productivity. It opens a way of managing change and of reconciling social development with improved competitiveness.”

The total number of enterprises (excl. primary production) in Finland was approximately 237,600 at the end of 2005. Small and medium-sized enterprises accounted for 99.8 per cent of them, their headcount and net sales representing 62 per cent and 52 per cent of those of all companies, respectively. CSR in SMEs has been studied, investigated and developed to some extent in Finland so far.



2 Overview on the Most Important (Semi-)Public Actors and their Strategies with Regard to CSR in Finland

The business activity is defined by the society's prevailing values. The respondents to a survey carried out in 2003 with different stakeholders agree that any single firm is not able to generate a paradigm shift but can contribute to it. It is difficult to pinpoint a single actor accountable for sustainable business – in practice the public sector, consumers and the firms share this responsibility. (Heikinheimo 2006).

Three common demands for the public sector's activity emerged from the interviews: 1) Activities should be based on concrete, explicitly stated long term goals, 2) State's activities should be co-ordinated properly and 3) CSR issues should be addressed in a regular, interdisciplinary manner. The respondents had several propositions for the public sector activities: Sustainable societal policy is the pre-requisite of responsible business behaviour, and should reflect all actions. (Heikinheimo 2006).

The activities promoting CSR should involve both a legal framework and incentives ranging from firms' economic direction to competitions and awards to better product labelling supervision. Another group of suggestions involved the role of authorities as facilitators of partnerships, discussion fora etc. In addition, it was suggested that the public sector needs to set up more information and guidance services for firms. The absolute condition for the public sector's credibility in promoting responsible business is its own good example. (Heikinheimo 2006).

Monika

A committee on International Investment and Multinational Enterprises (Monika) represents the Finnish national contact point (NCP) for the OECD guidelines, is coordinated by the Ministry of Trade and Industry and includes representatives from various departments (the Ministry of Labour, of Social Affairs and Health, of the Environment, of Finance, of Justice and of Foreign Affairs) and of social partners. In 2003, the Finnish NCS organised a seminar of EU strategy for CSR and the public role in the promotion of CSR. The outcome served as an input for the special governmental CSR programme. (European Commission 2004) This programme was formed in 2004 (Ministry of Trade and Industry 2004).

Ministries

Ministry of Trade and Industry is one governmental body in Finland that is quite a lot promoting CSR. Also the Ministry of Labour is active in the issue. The CSR programme is the background document that is the framework for the activities. Ministry of Trade and Industry has e.g. funded with European Social Fund *PK-Vastuu* -project i.e. *SMEs and CSR - Small and medium sized companies as the users and improvers of corporate social responsibility* that is a project that aims to define what kind of content the idea of corporate social responsibility (CSR) has in the context of small and medium sized enterprises (SMEs), to bring CSR-thinking and CSR-practises to the everyday actions of SMEs, and activate the use of different kinds of ethical business management tools introduced specifically to SMEs. The Ministry of Labour has recently published two interesting publications on the issue of social responsibility. (Uimonen 2006; Moilanen – Haapanen 2006).



The Finnish Business & Society network⁴

The Finnish Business & Society network was established in spring 2000 on the initiative of seven companies and the National Research and Development Centre for Welfare and Health STAKES. The latter was active in introducing the concept of socially and economically sustainable development of companies in Finland. Today it is funded by the Ministry of Trade and Industry and the company members of the network. (Finnish Business & Society)

The network was and continues to be open to all companies and interest groups, which seek to promote socially and economically sustainable development. The aim was also to create a partnership between the private, the public and the third sectors. There were already 28 actual company members in the network in 2002. (Finnish Business & Society)

The network officially became an association on the 4th of November 2002, with 38 founding members. The Finnish Business & Society network creates a partnership between companies, the public sector, citizens and consumers to contribute to socially and economically sustainable development: promoting and maintaining dialogue between companies to identify and disseminate good practices, supporting companies in defining and developing CSR, providing companies and other partners with information on CSR and promoting CSR and good practices at all levels of society. Finnish Business & Society -network is a National Partner Organization of CSR Europe and a member organization of Cecile-network. (Finnish Business & Society)

The network reports the following achievements (Finnish Business & Society):

- Regional survey on CSR in SME's in Finland in 2004 (funded by the Ministry of Trade and Industry) (Taipalinen – Toivio 2004)
- SME Key, online-toolkit in 2003
- Toolkit on responsible HR policy in 2002
- Yearly national conferences on CSR organised by Finnish Business & Society in Helsinki since 2002
- Co-organiser of the annual reporting award for social and environmental reports
- Magazine on CSR since 2001

The Finnish Ethical Forum

The Finnish Ethical Forum⁵ was established in June 2001. Companies, organisations, unions and officials together with the church have formed a forum in which to discuss questions of business ethics and corporate social responsibility. The forum assembles a number of times each year to discuss a chosen topic. The main objective of the Forum is to promote interaction between business, consumers and organisations and offer them a place to discuss corporate social responsibility. It aims to bring together different points of view, exchange thoughts and via cooperation find new ways to evolve corporate social responsibility. Discussions in the Forum aim to raise awareness about the different expectations and objectives of social responsibility that Forum members have. (Eettinen foorumi 2006)

Organisations which proposed the founding of the forum were: Akava, The Finnish Department of Amnesty International, Service Centre for Development Cooperation, Office of the Church Council, Finnchurchaid, Association for Promoting Fair Trade, Central Organisation of Finnish Trade Organisations, Nature League, The Finnish Confederation of Salaried Employees, The Finnish Consumer's Association, The Finnish Association for Nature Conservation, Textile and Garment Workers' Union and Commercial Workers' Union. These organisations made the following declaration: "*The inclusion of ethical questions in business, especially in commerce, is a positive thing.*" The first ethical forum was held on 14th of February 2001 and was participated

⁴ www.fibsry.fi

⁵ www.eettininfoorumi.org



by 40 representatives of business, organisations and officials. The first real forum was held 14th of June 2001. (Eettinen foorumi 2006)

Reporting award

Since 1996, a social and environmental reporting award is granted annually to the best social and environmental reports by firms, public bodies, NGOs, stock market analysts and opinion-poll research organisations. The award is organised by the Environmental Communications association, the Financial Daily, Helsinki School of Economics and the Ministry of the Environment (European Commission 2004) SMEs have not participated in the social and environmental reporting award so much. However, some SMEs have succeeded well in the competition, e.g. Ekokem Oy Ab. (Helsinki School of Economics 2006)

As can be seen from the above examples of networks, it seems difficult to identify only a few actors that are relevant in the field of CSR in Finland but rather the issue has been approached by surprisingly multidisciplinary networks of different – public, semi-public and private organisations – and in the public sector, the responsibilities seem to be shared across the different ministries and departments rather than be co-ordinated fully by just one ministry or department.



3 CSR in Finnish SMEs

3.1 Deployment of CSR Activities in SMEs

Based on a Finnish study of 25 small business owner managers of which 16 operated in rural and 9 in urban areas, the concept of corporate social responsibility is rather vague to the Finnish small business owner-managers. It is associated with the responsibilities defined by the law and enforced by the authorities. Thus, the concept of CSR was linked to the different kinds of regulations and restrictions set to business activities somewhere from above the businesses and it had a negative tone to the entrepreneurs. This vagueness of the concept explains why the entrepreneurs were reluctant to increase their social responsibilities above the existing level. This does not mean that the businesses could be described as irresponsible. On the contrary, the interviewees emphasised their responsibilities towards the stakeholders in their businesses, especially their responsibilities towards their customers, employees and the local communities they operated in. Hence, although small businesses may be lacking the exact knowledge of the content and applicability of the concept of CSR, they apply the principles of corporate social responsibility in their everyday business operations (Lähdesmäki, 2005; see also Heikinheimo, 2006).

The geographical location (urban vs. rural location) did not have a notable effect on the interpretations of CSR. This sense of responsibility was explained by the business logic. As the entrepreneurs emphasised that the trustful relations with the stakeholders, they believed that this kind of behaviour would be economically profitable, at least in the long run. The interviewees underlined the consequences of behaving in a responsible manner. Another typical feature was the idea of reciprocity embedded in the concept of responsibility. While bearing their responsibilities towards the stakeholders in their businesses, the entrepreneurs expected the similar behaviour from the stakeholders. According to the study, being responsible was also associated with competitive advantage: the responsible behaviour was also applied to legitimise the firm existence in the eyes of the stakeholders at the same time as competing with other businesses. (Lähdesmäki, 2005)

Based on a state-of-art analysis of CSR in Finnish SMEs conducted in five Finnish regions, it is stated that SMEs find it difficult to identify which functions are responsible business activity. Its benefits still remain distant to the majority of entrepreneurs. Thus, it is concluded that there is need to bring up the achievements of Finnish SMEs and entrepreneurs and make the topic known to enterprises. In order to achieve this, co-operation between enterprises, the public sector and organizations is required. It is suggested to apply existing networks (T&E Centres, enterprise organizations, Chambers of Commerce, etc.). SMEs can also benefit from peer networking. The main principle in the activity should be the competitiveness of enterprises through sustainable development (Taipalinen – Toivio, 2004)

The main reasons that motivate enterprises – small and large – into responsible business (a survey conducted by the Finnish Chamber of Commerce in 2003): the own interest of the owners/management towards responsible activities (78%), the effect of responsible activities to the company image (61%), the economic impacts of responsible activities on the long term (51%), customer expectations (46%), competitive advantage to attract employees (38%), employee expectations (38%), developing trust to stakeholders (31%), financier expectations (28%), and NGO expectations (7%). Although the interest towards CSR has grown, 56% of the firm managers reported no need to define corporate responsibility in their firm in 2004 (based on a survey conducted by the Chamber of Commerce). Based on a study conducted in 2003, there is still need to develop the communication of CSR. CSR activities were mainly reported only internally in the firm. (Huju, 2005)

On a study of ten firms that had won awards for personnel management and corporate responsibility and a total of 29 interviews within these firms (size of firms varied between 20 – over 15000 employees) it was concluded that although these firms were interested in taking



care of their personnel responsibility, their practices were not really any different to those of other firms. The researchers found many good practices but they were already part of the company's normal, effective personnel policy and had been in use before the concept of CSR. Fixed term and hired employment were considered unethical but sometimes unavoidable and excuses were made. The most important duty of the management was, according to the interviewees, to take care of the profitability of the firm but to simultaneously consider the benefits of the personnel. (Moilanen – Haapanen, 2006)

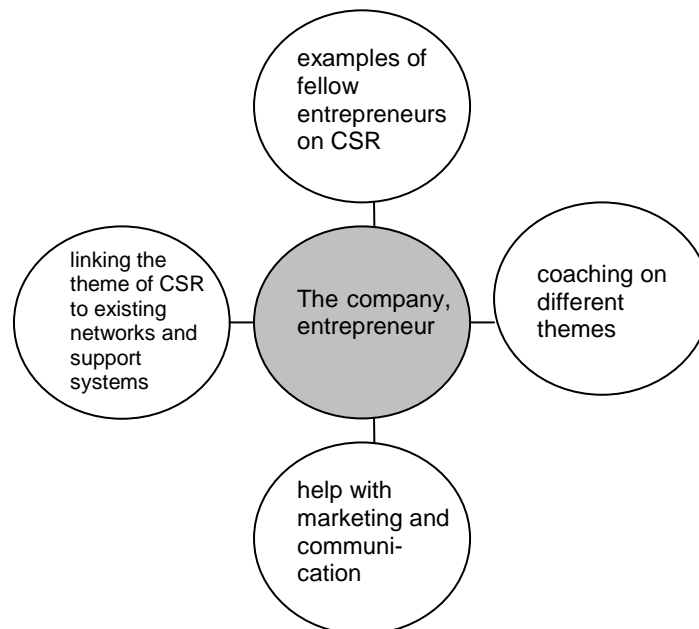
3.2 Fostering and Hindering Factors for SMEs to Engage in CSR activities

The SMEs operating in the different phases of their life cycles, in different industries and in the different regions have differing needs as to the topic of CSR. The factors contributing to the differences include among others (Taipalinen – Toivio, 2004):

- The phase of the firm life cycle (is the company a start-up company, a growing company or at the stage of transfer of business)
- Industry (each industry has its issues)
- Domestic firms and export firms
- The particular features in the firm area or company cluster
- Clientele of the firm: several customers vs. subcontractor to few large customers

However, mutual needs and challenges were also identified: examples of entrepreneurs who had benefited from the use of CSR, encouragement and practical assistance, coaching on the different themes, help with marketing and communication, and linking the theme of CSR to existing networks and support systems. (Taipalinen – Toivio 2004)

Graph 1 Four key areas of help needed in SMEs regarding CSR



Source: Taipalinen, Jami – Toivio, Tuula (2004) *Vastuullinen yritystoiminta pk-yritysten voimavarana*. Kauppa- ja teollisuusministeriön julkaisu, 16/2004

3.3 Impact of SMEs' CSR activities

CSR activities vary among countries. What are seen as common CSR activities in Finland may not be so important in another country. CSR is also an immense field making it rather impossible to produce a list of different possible CSR activities. (Danish Commerce and Companies Agency 2005) Therefore, also the impacts vary and are difficult to list.

One important aspect is that the majority of companies are SMEs and they form the "backbone" of the economy. Therefore, also their impact in the society is huge. The SMEs are also very important in different kinds of networks, through which they may have a lot bigger impacts than their size would suggest. (Nurmi 2007)

In the network economy / society many SMEs operate as sub-contractors to a larger company or as part of a larger supply chain. In the future, large companies will demand more accurate information on how products and services have been produced. Financiers, too, may want to receive more ample information on the functioning of the objects financed. Responsible business activities and communicating them will, therefore, become a more important source of competitiveness of SMEs. (Nurmi 2007; Taipalinen – Toivio 2004)

SMEs find it difficult to recognise which functions are responsible business activity. The concept and its benefits still remain distant to the majority of entrepreneurs. (Nurmi 2007; Taipalinen – Toivio 2004) However, this does not have to be a problem. The most important thing is that SMEs in Finland seem to operate in a very responsible way. The moment they understand that they can use CSR thinking in a systematic way and then benefit from it, that moment is the relevant moment. But, we can use other words than CSR when communicating the idea to SMEs, too. We do not have to stick to the word CSR. Also words "quality" and "competitiveness" or "risks and opportunities" are good words with which we could communicate the idea to a larger number of entrepreneurs than we have managed to do so far. (Nurmi 2007)

3.4 Good Practice Company Case Studies

3.4.1 Kalevala Koru

General information on the company

Kalevala Koru designs, produces and retails gold, silver and bronze jewelry. It is the largest jewelry manufacturer in Finland and one of the largest in Scandinavia. The corporation employs 230 people and its annual turnover was € 22 million in 2006. Kalevala Koru has grown remarkably: in August 2005 it acquired the shares of another well-known Finnish jewelry company Lapponia Jewelry which is the leading jewelry exporter in Finland. Both companies operate now in the same premises in Helsinki, but continue as their own, independent brands.

The Association of the Women of Kalevala which has very long tradition owns the company. There is a strong organisational culture in the corporation and the employees are committed to secure the continuity of the business. This has materialised for example in avoiding lay-offs and in treating the different personnel groups equally in such situations.

Motivations to carry out CSR and origin of the specific activity

Kalevala Koru was founded in 1937 and during its 70 years of history responsibility issues have been taken extensively into consideration. E.g. various beneficial projects were carried out during the Second World War and nowadays the company supports culture by presenting grants through its own culture foundation.

The motivation to carry out CSR derives from the spirit to develop the company in every possible way. Economic prosperity prepares the way for taking these issues into consideration.



The company's mission is to act as a good Finnish employer and responsibility helps in achieving this goal along with making the business more meaningful.

Production back to Finland

Moving the Lapponia production back to Finland from China after the acquisition is a remarkable example of how Finnish labour is appreciated in Kalevala Koru. Although the production costs are lower as such it demands a lot of work to control the level of quality, availability and stock when the production takes place far away. Cutting unnecessary working hours and stages of work by using e.g. computer programmes compensates higher production costs in Finland and designers have a say in the different stages of production. The competitive edge is accomplished by effectiveness, quality and flexibility.

Characteristics of the CSR practice in the company

Kalevala koru takes into consideration the three different aspects of the CSR: economic, social and environmental. The purpose of economic responsibility is not only to succeed but also to produce wealth for the Finnish society. In achieving this goal the emphasis is on efficiency, competitiveness, growth and long-term planning. Kalevala koru is a strong Finnish employer and taxpayer. It meets the profit expectations of the owners and values the customer relations and cooperations with its suppliers. Responsibility in the cooperative networks appears through respecting the copyrights and good business manners.

Taking care of social responsibility means attending to the personnel. Employees are appreciated and their education is an important issue for the company along with their professional skills and security issues. There are specific leadership courses for supervisors and training programs for sales staff among others. As for the security there is a safety manual for the whole company in which guidelines and persons in charge for each sector have been defined. The fluctuation of the employees is very low; people are committed to the company's values.

Finnish materials are used in the production whenever possible, and the customer can be sure of the quality and safe use of the materials. As for materials acquired from elsewhere it is very challenging to control the origins of the raw materials or to affect the operations of the wholesalers. Nonetheless, the company is aware of these matters and refuses to go along with any suspicious offer.

Environmental issues are run well in Kalevala Koru. The requirements for the environmental licence serve as a baseline, but the required minimum standards have been outreached in many ways. Environmental responsibility is taken into account by recycling, deducting emissions and using resources economically. The longevity of the products also corresponds to sustainability.

The Global extent

The jewelry series "Time of Africa" (*Afrikan aika*) represents a global aspect of CSR in Kalevala Koru. The sales profit is used for helping girls to gain basic education in Ghana where families are so poor that this normally is not possible. A part of the return is donated to the godparent project which is organized by a cooperation partner, Finland-Ghana society. The idea for the series came from the goldsmiths of Kalevala Koru, who have participated in promoting the cultural exchange between the countries and developing the training of goldsmiths in Ghana.



Impact of the CSR activities

Responsible activities in Kalevala Koru find expression particularly in doing them – not emphasizing the fact by certificates or reports. Thanks to its relatively small size it is easy to get through to the personnel and as mentioned above, commitment to the company and to its values is significant.

Transferring production back to Finland offers competitive advantage from various viewpoints. There has been remarkable interest from the press which helps to promote the positive image of the development. The real advantages in quality and price competitiveness can be seen in improved sale figures and diminished complaints about quality.

Lately, the major customers have become more interested in the origins of the products. The company will have a competitive advantage e.g. compared to the Far-East importers, when it can prove the conditions under which the jewelry has been produced and which materials have been used.

CSR has brought in also a possibility to have an impact on the society. Throughout the years there have been people in Kalevala Koru who have taken an interest on these issues. The company has become more of an opinion-leader in Finland than one could predict by its size. A good reputation has made Kalevala Koru a worthwhile place for visits.

Future issues

The future course is towards increasing the exports and gaining more international market share. The CSR themes will be a part of this as well, arguing in favour to the price-image and drawing the customer's attention to why it is reasonable to buy European products.

The near future is characterised by the change of the CEO in the spring 2007. Nevertheless, no significant shifts are expected to happen in the CSR issues since they have been a part of the company's policy from its early history.

Contact information

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Internet: <http://www.kalevalakoru.fi/>

3.4.2 Pauke

General information on the company

Pauke is a company specialized in consulting sales and marketing. The company is still quite young; it was founded by the owner Paula Keltaniemi in 2004. She is the only employee in the company. The place of business is located in Turku, as well as majority of its customers at the moment. Added to this there are some customers in the southern Finland.

Motivations to carry out CSR and origin of the specific activity

Responsibility issues have been a part of the activities since the beginning and the entrepreneur's own values have played an important role in this. During many years and based on her previous experiences Paula Keltaniemi has taken an interest in CSR; the fact that things are done correctly and not just to maximize the profit in the short run. A boost came from her former workplace, where it was her responsibility to organize a 4-year environmental campaign for the radio station. From the various participants in the project Paula gained more enthusiasm and information related to the theme.



A milestone in the beginning was the European Day of Entrepreneurship, where Paula ended up choosing a theme table where responsible entrepreneurship was discussed. At that time she got the opportunity to acquaint herself with the theme from an entrepreneur's point of view and became more interested in increasing knowledge through studying. Also this way Pauke came in to the previous *PK-Vastuu* responsibility project, which has had a great impact on piecing together the guidelines and developing the idea.

The Finnish PK-Vastuu -project

"PK-Vastuu" project i.e. *SMEs and CSR - Small and medium sized companies as the users and improvers of corporate social responsibility* was a project that aimed to define what kind of content the idea of corporate social responsibility (CSR) has in the context of small and medium sized enterprises (SMEs), to bring CSR thinking and CSR practices to the everyday actions of SMEs, and activate the use of different kinds of ethical business management tools introduced specifically to SMEs. The project began in April 2005 and it lasted to the end of 2006. It had two major phases. In the first phase in 2005 there were 12 companies involved and the main aim was to answer to the question: *What is CSR for Finnish SMEs?* In the second phase in 2006 the project cooperated with 7 companies and the main aim was to develop CSR in these companies. The project was funded by the European Social Fund, Finnish Ministry of Trade and Industry and the companies.

Characteristics of the CSR practice in the company

Pauke works in a wide network of stakeholders and the characteristics of the CSR are based on this fact. The function of Pauke is not only to bring the client company and the producer of the service together, but also to operate as a mediator and a promoter for cooperation between these two actors. The ideal solution is sought for the both sides, not only for the customer company.

Social responsibility for Pauke means taking care of the reputation, developing know-how and sustaining networks. The responsibility for the customer crystallises in cultivating the benefit of the client company in relation to the stakeholders and the future.

Pauke bears economic responsibility by attending to its own financial obligations and by improving the profitability of the customer and by employing individual doers. Environmental effects of such a small business are quite insignificant, the possibilities to make a difference come in for instance when choosing environmentally friendly materials and contributing to the decisions of the client company.

The stakeholder survey – a tool of use

To serve its customers the best possible way Pauke has to examine the situation of the company carefully. The shareholder survey has turned out to be a useful tool to make it easier to outline the general view. The opinions, experiences and improvement suggestions of the customers of the client company are mapped through spontaneous interaction. The customer company can use the results right away and the survey often reveals things that otherwise would have been left unobserved. It helps also to improve efficiency of the project and create a stronger trust between Pauke and the client. The shareholder survey provides concrete and quick information to communicate with individual customers and is helpful especially when solving tricky situations.

Impact of the CSR activities

Responsibility is built into the services of Pauke. However, what Paula Keltaniemi has noticed is that CSR as a term is perceived as something solemn in SMEs and thus viewed as foreign, which is likely the case generally in many SMEs. By no means this signifies that the companies wouldn't be interested in the theme; Paula Keltaniemi mentions that the customers share a set



of values which is generally above average, but the companies aren't necessarily even aware of this not to mention accentuating them! What is missing is a simple terminology of the CSR, which could be used to approach the small companies more easily.

The competitive edge so far has expressed itself in a form of good reputation among shareholders and long term relationships. Paula believes that CSR will pay off even more in the future when responsibility issues become more common a part of business in SMEs.

Future issues

The future goals draw from emphasizing the CSR more and developing it as a source of competitive edge. As far as there will be more similar businesses bringing in more competition and more awareness about the issue, the entrepreneur believes that responsibility will stand out for the crowd as an positive example.

Some concrete examples in the near future will be for instance developing the co-operation network.

Contact information

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Internert: www.pauke.fi

3.4.3 Opteam

General information on the company

Opteam Henkilöstöpalvelut [Opteam personnel services] is a personnel services franchise chain established in 1999. The franchise centre is located in Helsinki and it is the owner of the concept. There are approximately 100 employees. The chain is growing steadily and there are a total of 23 locations throughout Finland. Opteam is internationalizing: the first office situated abroad opens in Slovakia in January 2007. The clientele of the company consists of firms that are searching for personnel, and people who look for a job and who work through Opteam.

Motivations to carry out CSR and origin of the specific activity

The foundation of the CSR in Opteam is to guarantee quality in the growing, changing and internationalizing operational environment. Responsibility is regarded as a means to ensure the goals laid in the strategy. It is a conscious choice by the board in order to maintain good reputation

A conducive factor has been the underlying financier's interest in the CSR. In addition there are people inside the company who have the will to enhance the matter. Orientating oneself with the responsibility themes requires commitment and human resources. Opteam wants to bring in responsibility issues as a part of the understanding of the changing labour market and the process of creating a comprehensive personnel house with far-reaching perspectives. The CSR project is not a short-term project but a part of building the future.

Personnel rental raises a lot of opinions especially when it comes to foreign labour force and the increasing number of part-time jobs. Opteam wants to introduce new points of view to the public discussion about the field and get rid of the negative associations about the business. The motto in Opteam is: "We encourage people into responsible work life!"



Characteristics of the CSR practice in the company

The personnel branch is a sensitive industry. It deals with people's work, which is an important issue to individuals as well as to trade unions and national economy. Things must be run correctly from both the employee's and the company's point of view. The field of responsibility of Opteam can be outlined through these two groups.

Essential aspects from the *client companies'* perspective are customer satisfaction and recognizing the needs of the customer, which ensures that a right person is found for every assignment. Responsibility means acting openly and transparently for example as regards to the costs and what they are composed of. The goal is to bring in personnel development as a part of the strategy in the client company with the help of the experts' know-how.

From the point of view of the *individual employees* it is important to aim at establishing employments that match the customer's needs and to try to reduce the turnover. Opteam uses Insights Discovery- profile to ensure that every employee finds a job that fits their characteristics. The company pays attention to the individual situations in life and the requirements of the employees by offering various flexible working possibilities. To carry out the job successfully it is focal to invest in orientation. There are training opportunities in Opteam and together with the client company it takes care of the employee's occupational health and security. There is a special program called Opteam Pro which offers training possibilities.

Insights Discovery –profile

To make sure that every person finds the most suitable job Opteam uses a tool called Insights Discovery profile. It is a personal development instrument which can also be used to advance team work as well. It is made of self estimation which consists of 30.000 word pairs and questions. The profile is unfolded by an accredited person and it helps to shape the key characteristics of the respondent. It can be used to map the starting situation of a team on an individual level. Insights Discovery offers a new language for communications and creates team spirit. The fact that people find work that suits their characteristics promotes engagement to the task and makes people enjoy their work more.

Impact of the CSR activities

The CSR in Opteam is viewed as a competitive advantage in building content for the concept and in internationalization. Acting responsibly results concretely in content employees who are more committed to the work and do it well. Good practices also mean satisfied client companies with whom it is easier to develop persistent operations.

There is an orientation starting inside of the company about the responsibility issues; the purpose is to tell about the project and its significance. The matter is mentioned always in the proposition document and every customer company can ask additional information about responsibility issues from their contact person in Opteam. In addition the issue will be brought up in the common training meetings for the entire chain. The CSR is easy to highlight in communications but the most challenging part is to follow up how it shows in practice and how to get through to the franchise entrepreneurs.



Future issues

A new personnel manager was appointed in January 2007 and around the same time Opteam opened an office in Slovakia. The objectives of Opteam are to grow in Finland as well as abroad and this naturally adds to the challenges of responsibility as well.

Importing foreign labour force

A strategic decision of Opteam is to support labour availability by bringing foreign labour force to Finland. The office in Slovakia was opened in Jan 2007. There are certain principles that Opteam follows in order to run this matter responsibly among others. The pricing of the foreign employees is comparable to the pricing of the Finnish employees. Opteam doesn't pursue for profits by bringing foreign labour force as such. Foreign employees will be paid the same wage based on the same laws and collective agreements than Opteam pays to its Finnish employees. The recruitment process is handled carefully and according to the guidelines of the company.

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3.4.4 Eko-Expert**General information on the company**

Eko-Expert is the largest insulation wool blowing contractor and wool recycling company in Finland. This family business was founded in 1990. The size of the personnel varies between 10-20 depending on the employment situation. The company has two depots, in Järvenpää and in Pöytyä, both in Southern Finland.

The special know-how of Eko-Expert is the recycling of insulation wools. The unique technology developed by the founder of the company allows to reuse the building insulations that otherwise would end up on the dumping ground when buildings are renovated or pulled down. The first prototypes of the innovation were developed in 1998 and in 2005 they were approved by VTT (a Finnish Technical Research Center), certifying that recycled wool meets the requirements and regulations of authorities and that it has the same quality as factory-made products. The know-how covers especially the machinery technology which enables the recycling and includes innovations and R&D. Eko-Expert is planning on exporting its expertise to other European countries where they are searching for partners for cooperation and channels for selling the recycling machinery. The business is quite extraordinary: there aren't any proper competitors in the European market.

Motivations to carry out CSR and origin of the specific activity

The business is based greatly on the environmental innovation through which the responsibility becomes integrated into the operations of Eko-Expert. A simple idea to utilise usable wool has evolved into a business that offers surplus value to consumers through ecological values and savings when the old materials can be reused. By means of recycling the load on the environment and on the dumping places can be reduced as well as the amount of transportation. Eko-Expert is co-operating with the wool manufacturers and environmental management companies to which they can offer arguments for a better environment.



For Eko-Expert the CSR is a means to reach customer satisfaction which is a principal requirement for profitable business.

Characteristics of the CSR practice in the company

From an economic point of view the objective is to increase the value of the company and securing the continuity in the long run. It also means bringing economic advantage for the customer through the savings in insulation expenses.

The partnership with the customer is based on trust and mutual convenience. Social responsibility appears also by ensuring quality products to the customer. The products are comparable to factory-produced wool and monitored by an independent third party (VTT). Eko-Expert invests in the permanency and motivation of the personnel by developing pension insurance system and urging the staff to learn new things and to share this with others.

Sustainable development is the foundation in the product development in Eko-Expert. It has been mentioned to be one of the most important values of the company. Furthermore, the positive environmental effects of the innovation are multiplied when the cooperative partners recycle insulation wool with the help of Eko-Expert.

Impact of the CSR activities

The constant research and development have not been unnoticed. Eko-Expert received an environmental award granted by the The Finnish Association for Environmental Management in 2006. For the company the award was an important recognition of a well-done work. However, the environmental know-how has been appreciated elsewhere already before the prize, especially by the big building companies which have used the expertise of Eko-Expert in the large renovations. Companies such as Skanska and Icopal have sought for savings in the implementations among others.

The environmental advantages granted by the technology are viewed as a competitive edge already for the reason that more options can be offered for the customer.

Substantial savings for the contractors and the consumers

A concrete example on the savings that Eko-Expert can offer is a building contract of a national construction company. In the process of renovating six apartment buildings the insulation wools were recycled in a way that the wools from the first building were packed and stored, put into the next one and at the end the stored wools were blown into the last building. The savings added up to ca. 35 000 € for the constructor.

A good example where the savings unfold for an individual consumer is a row house where the insulations from the facade were recycled and blown into the upper ceiling. The direct and indirect savings (for example better heat insulation and energy efficiency) were distributed to all the residents in the building.



Future issues

The eagerness to invest is considerable in the company and new machinery and technologies are being developed. A potential development project in the future could be a nationwide recycling network, consisting of recycling points where anyone could bring wool to be recycled. There are also ideas about the recycling of bitumen covers and some progress has already been made in this respect.

Internationalisation in focus

There has been a growing interest in Eko-Expert to start exporting the innovation and the expertise to other countries in Europe. Blowing insulations are being used in many countries and there isn't any similar technology on offer as far as Eko-Expert is aware of. The first goal is to find suitable partners who could help in diffusing the ideas and recycling machinery available for other European countries. Eko-Expert believes that in the cold North there is a natural expertise to develop heat insulation knowledge.

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3.4.5 Nordia Management Oy**General information on the company**

Nordia Management is a Private Equity management company specialised in tourism and service industries supporting travelling business. Nordia develops tourism companies by strengthening their endowment and financial situation during a fixed period of time with equity investments on terms of equity capital. In addition to financing Nordia offers its managerial expertise for the company to use. Nordia employs four people and its offices are located in Helsinki and in Jyväskylä, central Finland. The investment activities take place principally in Finland. The fund Travel development Nordia was founded in 1989 and the administration were separated into its own company in 2000.

Motivations to carry out CSR and origin of the specific activity

CSR in Nordia Management reflects the values of the company: to be reliable, professional and cooperative. The fact that the investments are made into travelling companies increases the necessity of responsibility. Tourism is an industry where CSR issues are especially important. The investee company operates always locally and is part of the area. Competent relations in the community are a prerequisite for business and competitive advantage must derive from local starting points. Besides, nature is usually a central factor in the competitiveness of an entrepreneur in the travel industry.

The fund itself has promoted responsibility; the fact that it is composed of reserves of the society enables functioning more patiently. The profit expectations are market-based, but it is possible to keep the investments longer in the company and thus offer more support. The public sector has also contributed to the CSR matters; there has been backup for example in situations when the investee company has been forced to lay off people. The employment administration has helped in developing classes for these employees.



All four employees in Nordia are committed to promoting CSR and it is everyone's responsibility. This activeness appears for example through the fact that the staff has been a part of establishing the Finnish Business Society. This in turn has promoted responsibility by offering more information.

Finnish Business and Society

Finnish Business & Society is a company network whose purpose is to promote CSR and create a functional partnership between companies and the public/ third sector. At the moment there are 56 members in FiBS.

Half of the personnel of Nordia participates closely in the activities of FiBS, one as a chairperson of the board and the other as a treasurer. The fact that the employees are allowed to use their working hours to attend to these tasks tells a lot about the contribution in Nordia.

Characteristics of the CSR practice in the company

The three dimensions of the CSR in Nordia are as follows:

Bearing economic responsibility means ensuring the continuity of the funds and the administrative company and securing the return for the investors by profitable business operations in the investee company. The purpose is to create entrepreneurship and strengthen long-term trading and employment.

Operating transparently with the personnel, the investors, the target companies and the other stakeholders is part of the social responsibility. The staff of Nordia has an extensive medical coverage (including dental care and a vast contract with a private clinic) and they have a possibility to arrange work schedules and develop their professional skills by training. In the investment analysis made to the fund and in the functions of the investee companies the central social influences are paid attention to, including responsible practice of the personnel management, taking care of the customer satisfaction and nurturing stakeholder relations.

Nordia takes into account the environmental issues in its own operations for example in travelling. These questions play an important role also when screening the candidates for the investments just as mentioned above. The investee companies must see about the effective use of water and energy, the functioning of waste management and respecting the landscape.

Impact of the CSR activities

Responsibility becomes evident in the decision process in Nordia Management: investments are made only into companies where the entrepreneur acts responsibly. Although the object company is attractive, Nordia won't participate if it can be predicted that the entrepreneur would evade the principles of transparency, for example. The role of Nordia is to control the actions of the fund as well as of the target company. They always have a cabinet seat in the company, which helps to ensure that the principles will be carried out into the practice.

In the every day functions the trust is obtained by following the values and acting openly. Nordia takes part into projects that promote responsibility as a competitive edge for the companies. As an administrative company Nordia has a good reputation which is a result from pursuing the principles and from the ambition to understand and support the target companies and their executives. The good practices have also been recognized in public direction; some investee companies of Nordia have served as examples in a publication by European Commission and in another project.



Exemplary target companies

One of the model investment targets of Nordia Management is Moominworld, located in Naantali, Southwestern Finland. The family-oriented theme park was chosen to be a part of the collection "Responsible entrepreneurship", published by the European Commission in 2003, similar to the present project introducing good practices among SMEs.

Moominworld excelled also in a project called "CSR in tourism companies" by a consulting and research company Efeko. The project resulted in producing key figures and information for the travel industry, adapted from the international Global Reporting Initiative regulations. Two out of four companies participating in the project were target companies of Nordia Management: Moominworld and Ähtärinreitin Loma Oy.

Future issues

The intention in the future is to form a new fund and to establish CSR as a part of the daily functions in the target companies. Promoting mutual networking of the companies is also developed with a view to disseminate good practices.

Linking CSR as a solid part to the investment analysis is also desired.

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4 Conclusions

Many SMEs in Finland do not know the concept of CSR, but they operate in a very responsible way. They find it difficult to recognise which functions are responsible business activities, but at the same time they manage their operations so that they benefit in the long-run and they are responsible. Environmental responsibility aspects are taken into consideration in a bit more systematic way at the moment than social responsibility issues.

CSR activities vary among countries and CSR is a vast field making it rather impossible to produce a list of different possible CSR activities. (Danish Commerce and Companies Agency 2005) Therefore, also the impacts of CSR vary and are difficult to list. Additionally, the regional differences and differences between the various industry sectors should be taken into account when talking about CSR in SMEs.

One important aspect is that the *majority of companies are SMEs* and they form the “backbone” of the economy. Therefore, also their impact in the society is huge. (Nurmi 2007)

SMEs are also very important in different kinds of *networks*, through which they may have a lot bigger impacts than their size would suggest. (Nurmi 2007)

Also, SMEs often operate as sub-contractors to a larger company or as part of a larger supply chain. In the future, large companies will more and more demand accurate information on how products and services have been produced. (Taipalinen – Toivio 2004)

Financiers, too, may want to receive more ample information on the functioning of the objects financed. Responsible business activities and communicating them will therefore become a more important source of competitiveness of SMEs. (Nurmi 2007; Taipalinen – Toivio 2004)

The concept and its benefits still remain distant to the majority of entrepreneurs. (Nurmi 2007; Taipalinen – Toivio 2004) However, this does not have to be a problem. The most important thing is that SMEs in Finland seem to operate in a very responsible way. When they understand that they can use CSR thinking in a systematic way and then benefit from it, that moment is the relevant moment.

But, we can use other words than CSR when communicating the idea to SMEs, too. We do not have to stick to the word CSR. Also the words “quality” and “competitiveness” or “risks and opportunities” are good words with which we could communicate the idea to a larger number of entrepreneurs than we have managed to do so far. (Nurmi 2007)

The responsible activities of SMEs must be improved by cooperation between companies, the public sector and support organisations. SMEs also benefit from networking among each other. This is still rare in Finland and there are huge opportunities in this.



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